

ENERGY INNOVATORS AND CONSUMERS UNITED AGAINST PAYMENTS TO COAL GENERATORS

Dear Energy Ministers and the Energy Security Board

In March this year, the United Nations Secretary General Antonio Guterres confirmed that “phasing out coal from the electricity sector is the single most important step to get in line with the 1.5 degree goal”. That 1.5 degree limit on global warming is essential for Australia to keep to a safe climate and to preserve its landscapes and reefs. It is the central aim of the Paris Agreement which the Australian government ratified five years ago. And it is clearly relevant to the work of the ESB in its redesign of the National Electricity Market (NEM), that should pave the way for coal power to retire in a safe and timely manner.

Unfortunately, the ESB has proposed a new reliability mechanism that would prop up unprofitable coal generators, increasing costs and delaying the clean energy transition. Ageing coal power stations are becoming less reliable as shown by recent events in Queensland.

A new ‘Physical Retailer Reliability Obligation’ (PRRO) would force retailers to buy new certificates from existing coal and gas generators; effectively a subsidy from consumers to generators. This risks significantly increasing energy bills without improving reliability.

The PRRO would increase market concentration by undermining smaller retailers. This would threaten innovation and competition which the NEM needs to help consumers access new technologies and reduce costs.

Instead, the solution is to put consumers in charge of their energy to help them save money, and to embrace the opportunities presented by the falling price of renewables and energy storage. This will provide consumers with more affordable, reliable, and clean power. Governments should support flexible, reliable options such as demand response, battery storage or pumped hydro, rather than give financial windfalls to old, inflexible and polluting generators.

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