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COAG Energy Council

c/o Department of Industry, Science, Energy and Resources

By email to: energystrategicpolicy@industry.gov.au

19 May 2020

Dear Sir / Madam

Independent review of the Energy Security Board

AGL welcomes the opportunity to make a submission in response to the COAG Energy Council's Review of the *Energy Security Board*.

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator, and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.7 million customers in New South Wales, Victoria, Queensland, Western Australia, and South Australia.

The Energy Security Board's original mandate centred around the delivery of the Finkel Reform blueprint, but it was also conferred a more general coordinating, oversight and advice role to support the effective transition of the energy system. Over time it has been used more frequently and extensively by the COAG Energy Council as an alternative, more direct track for the consideration and implementation of energy market reforms.

The ESB has had positive impacts in balancing divergent viewpoints on a range of complex market reform issues. It has generally made authoritative and constructive contributions at important stages in the energy reform debate. Its leadership and staff are well respected by industry.

However, the ESB's establishment and the manner in which it has come to be relied upon by the COAG Energy Council has to an extent confused the roles and responsibilities of the energy agencies. The 'dual-track' environment for review and rule change development introduces uncertainty into the reform landscape. There have been examples of the ESB, the AEMO and the AEMC all concurrently considering and making proposals with respect to different aspects of the same issue (e.g. system security) with a lack of clarity as to how these pieces will be brought together in a coherent and well sequenced reform package.

These concerns are exacerbated by the less formal and transparent industry consultation processes adopted by the ESB. Without strong mechanisms for presenting justification or seeking industry input, some reforms are advanced without clear articulation of the benefits or mapping of interdependencies. In light of the ESB's proximity to the COAG Energy Council, strong governance is all the more important to ensure it addresses pressing issues supported by sound processes of consultation and analysis.

We consider that the ESB's contribution to the energy market reform program would be enhanced by:

- Adopting a more deliberately coordinating and oversight position with respect to the program of energy market reforms – relying appropriately on other energy agencies (AEMC, AEMO, AER) to



undertake underlying investigation and analysis, while actively managing the allocation of work to avoid duplication;

- Establishing agreed protocols between ESB members which – through the ESB Chair – seek to present a more unified and integrated reform vision to stakeholders, with different viewpoints pursued as part of option evaluation to address clearly specified problems rather than in parallel tracks;
- Potentially, broadening representation on the ESB to include consumer, industry and independent expert representation to provide broader and balancing perspectives to those of the energy agencies, and assist in the integration task;
- Greater transparency and more structured consultation processes, for both industry and energy consumer input, to increase confidence in ESB processes and decisions; and
- The continued use of industry and energy agency secondees to assist in evidence-based development of discreet projects (such as occurred in the development of the National Energy Guarantee), rather than building up a large permanent ESB staff.

Beyond this review of the performance and effectiveness of the ESB (and the short term improvements suggested above), there is a broader question to consider where the energy market policy advisory function would most appropriately sit in the long term and to re-examine and re-clarify the expected hierarchy and interoperation of the various energy agencies. In this respect we consider that the ESB should be sun-setted after another three-year term, with ongoing arrangements based on sound governance, clear mandates and role identification.

We would be pleased to further discuss any issues raised in this submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Barry Sterland'.

Barry Sterland
GM Policy & Strategy