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By Email: EPWA-Submissions@dmirs.wa.gov.au
**SUBMISSION: Network Access Code - Objective**

## *About the ETU*

The Electrical Trades Union of Australia ('the ETU')[1] is the principal union for electrical and electrotechnology tradespeople and apprentices in Australia, representing well over sixty-thousand workers around the country. The West Australian Branch of the ETU represents over five and a half thousand electrical workers who will be critical to the success of the State Governments energy transformation and decarbonisation strategies.

## *Acknowledgement*

In the spirit of reconciliation, the ETU acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all First Nations peoples today.

## *Priority Projects Consultation Paper*

The ETU supports the proposed amendments to the Network Access Code as an important first step in reforming the regulatory environment to be more capable of delivering the energy transformation needed to achieve the Governments important emissions reduction targets. However, the proposed amendments do not go far enough, and sensible amendments, consistent with both Government policy and measures taken in other Australian jurisdictions could substantially improve both the utility and the effectiveness of the proposed amendments.

The West Australian Electricity Network Access Code (NAC) contains an 'Objective' which seeks to '*promote efficient investment in, and efficient operation and use of, services*' relating to the electricity network. But this wording has been too narrowly interpreted, constraining the consideration of the energy sector's important role in emissions reductions, the increasing impact climate change is having on system resilience, and the fact that construction and operation of the electricity system makes an incredibly important contribution to the West Australian economy more broadly.

On 19 May 2023, Energy Ministers agreed to amendments to the national energy laws to incorporate an emissions reduction objective into the National Electricity Objective. Whilst this reform is welcome, it does not go far enough, and Energy Ministers have endorsed further work through the Energy and Climate Change Ministerial Council (ECMC) on the climate resilience, workforce and social licence aspects of energy reform. The West Australian Government has an opportunity to address these matters through the current consultation on Proposed Changes to the Electricity Networks Access Code – Priority Projects Consultation Paper.

For too long Australia's energy challenges have been incorrectly framed as a trilemma, that is, a balancing of choices between three unfavourable options. It is time for reform to deal with Australia's transitioning energy system by instead pursuing mutually positive outcomes across the three key elements of energy security, social impacts, and environmental effects.

**In addition to introducing a Priority Projects trigger, the West Australian Network Access Code Objective must also be reformed to ensure the electricity system delivers against three fundamental elements:**

- **Protecting the interests of consumers by delivering affordable, reliable and secure electricity supply**
- **Meeting West Australia's decarbonisation objectives while ensuring climate resilience, and**

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- **Achieving social licence by delivering broader social and economic benefits to the West Australian community.**

Broadening the NAC Objective to include consideration of both climate and broader social/economic goals would address many of the current barriers and impediments that the energy sector faces in dealing with the transition to renewable energy. Ultimately the need to introduce a Priority Projects 'trigger' into the NAC has been driven in part by having too narrow an objective.

Additionally, this proposal to include an amendment the NAC Objective would strongly support the implementation of the Government's proposed introduction of a Priority Projects trigger in the NAC, limiting the need for Ministerial intervention and ensuring the trigger is used only in exceptional circumstances, while also assisting with delivering the Government's Energy Transformation Strategy.

Harmonised Energy Policy

A reform to the NAC Objective as outlined above, coupled with the proposed insertion of the Priority Projects trigger would be an important step towards harmonising energy policy across the country. Over the past decade states and territories have developed and implemented their own distinct energy policy programs and frameworks. By example:

**NSW**'s *Electricity Infrastructure Investment Act 2020* specifically calls out supply chain, local jobs and training opportunities as an objective of its energy transition plan, balanced against the interests of electricity consumers.

The **Victorian** Governments *VRET2* policy program also centres employment, training and broader community benefits in its energy transition work while delivering affordable electricity for consumers.

The **Queensland** Government's *Powering Queensland Plan* aims to deliver stable energy prices, ensure long-term security of electricity supply, transition to a cleaner energy sector and create new investment and jobs.

Barriers to Energy Transformation

The existing interpretation of a narrow economic test as currently presented in the NAC Objective has presented as a barrier to the efforts to decarbonise the energy sector in a way that delivers community support, social licence, and broad economic benefit through investment in skills, training and local supply chains. It has also constrained the ability for transmission projects to be designed in such a way as to mitigate against external factors such as community support and social licence which are ultimately a key issue that must be addressed in order for projects to be successful.

Transmission companies cannot get new transmission construction approvals or modify projects to address or avoid social licence issues which may arise. Renewable energy generation cannot connect to the grid and when they do, they are often curtailed. Investment programs are uncoordinated and do not seek to maximise economic benefits, both in terms of the supply chain as well as in terms of jobs, skills and training.

Victoria amended their adoption of the NEL to introduce an economic benefit test to their regulatory investment test. Similarly, NSW changed their approach for transmission approvals in REZ's to avoid the RIT-T. Queensland's transmission company Powerlink has given up trying to get projects approved via the RIT-T and simply seeks alternative funding models so they can get on with the job.

Desperately needed distribution upgrades needed to allow for two-way power flow are hopelessly delayed by the same narrow economic benefit test being applied in the RIT-D process. Hundreds of thousands of

rooftop solar systems are partially curtailed or entirely prevented from exporting their energy due to the distribution system being unable to accept two-way power flows.

Regulatory determinations which set network companies budgets are backwards looking, failing to anticipate the network construction and augmentations needed to manage the energy transition especially as the transition to renewables, electric vehicle take up and distributed storage accelerates.

Assessing regulatory determinations and transmission and distribution projects against a new NAC Objective containing the elements outlined above would fundamentally change the focus of the energy sector, allowing it to plan for and deliver the energy transition reforms while ensuring efficient expenditure and investment remained a central principle of all regulatory decisions.

Concept of a new West Australian Network Access Code Objective

Below is a very preliminary concept draft of an amended objective – it is provided only as a concept for discussion and does not represent a firm view of the ETU as to any final wording.

*"2.1 The objective of this Code ("Code objective") is to promote efficient investment in, and efficient operation and use of, services of networks in Western Australia for the long-term interests of the community by having regard to:*

- *price, quality, safety and reliability and security of supply of energy for energy consumers,*
- *meeting West Australia's decarbonisation objectives and ensuring climate resilience within the energy network,*
- *delivering broad economic benefits by supporting social licence, maximising the use of locally produced and supplied goods and services, providing secure employment as well as training and apprenticeship opportunities in the energy sector, and*
- *the environmental consequences of energy supply and consumption, including reducing greenhouse gas emissions, considering land use and biodiversity impacts, and encouraging energy efficiency and demand management."*

Existing West Australian Network Access Code Objective

Code objective
2.1 The objective of this Code ("Code objective") is to promote efficient investment in, and efficient operation and use of, services of networks in Western Australia for the long-term interests of consumers in relation to:

(a) price, quality, safety, reliability and security of supply of electricity;
(b) the safety, reliability and security of covered networks; and
(c) the environmental consequences of energy supply and consumption, including reducing greenhouse gas emissions, considering land use and biodiversity impacts, and encouraging energy efficiency and demand management.

{Note: Consumers in the context of the Code objective has the meaning in this Code being "a person who consumes electricity".}130

2.2 The Minister, the Authority and the arbitrator must have regard to the Code objective when performing a function under this Code whether or not the provision refers expressly to the Code objective.

*130 Section 2.1 amended by WAGG No 157, 18 September 2020*

Reforming the Objective to Support the Proposed Amendments

Reforming the NAC Objective would assist the amendments currently proposed in two key ways.

Firstly, it would have the effect of limiting the need for the Minister to exercise discretion under the proposed Priority Project trigger. Allowing transmission projects to be assessed in consideration of all the appropriate factors, rather than the existing narrower framework, will result in a reduced likelihood that the necessary conditions for a priority project determination will arise.

Notwithstanding the above, there may still be some situations where these conditions still occur. The second way that reforming the NAC Objective in the manner proposed by this submission will assist, is by providing greater clarity and broader scope to the kinds of issues the Minister might turn their mind to when considering the need to issue a chapter 15 determination. Importantly, the reform would also provide greater regulatory certainty to the matters the Minister ultimately determined in publishing the reasons for the priority project determination. This will substantially reduce any administrative risk associated with the Minister's decision.

By clarifying the objective, the Minister will be better able to articulate the reasons, including the benefit to the West Australian community and the economy more fully, that any future priority project determination might seek to deliver.