

Dear Prime Minister, Premiers and Chief Ministers.

Imagine a world without electricity. Nearly two centuries of enterprise, health and entertainment would be wiped out. A smoothly functioning electricity system enables our economic growth and national security. But in recent times the system has struggled to cope with shifting policy imperatives and rapidly evolving technologies.

The cries for reform are loud, coming from our largest industrial consumers, businesses of all sizes, householders, electricity market participants and industry regulators. Their shared chorus is an appeal for an electricity system that can cope with today's technologies and practices, and adapt resiliently to take advantage of tomorrow's.

To achieve this resilience, we need a plan. COAG Energy Council asked the Review Panel to recommend enhancements to the National Electricity Market to optimise security and reliability, and to do so at lowest cost.

We quickly discovered that beyond the cost of gas, uncertainty around emissions reduction policies was pushing up prices and undermining reliability. Our plan removes that uncertainty. Its key feature is an orderly transition to bring new generation into the market to improve reliability. Participation is based on low emissions, not technology type. There are no prohibitions, just incentives.

It puts downward pressure on prices by bringing that new electricity generation into the market at lowest cost without prematurely displacing existing low-cost generators. It further ensures reliability by financially rewarding consumers for participating in demand response and distributed energy and storage.

To deliver the desired security, reliability, price outcomes and reduced emissions, the blueprint recommends strengthened governance, system planning and an orderly transition. Without these three supporting pillars, the system will stumble again in future.

If this blueprint is adopted, our electricity system will provide the performance and resilience that large and small consumers demand.

This Review is being submitted in the midst of a public debate about international commitments under the

Paris Agreement. In that context, it should be noted that the current massive transformation in the operation of the electricity market is not driven solely by decisions of individual governments, no matter how large. It is driven by international trade competitiveness, innovation, business appetite for lower costs, competition to drive new technology, and consumers' desire to take greater control of their energy costs and do their bit for the environment.

In preparation of this report, the Panel consulted widely. Internationally, we visited regulators and operators across Europe and the United States, and we commissioned a review of international best practices from the International Energy Agency.

We observed that every country or jurisdiction has a unique electricity system. The one thing most have in common is a strategic plan to preserve energy security and affordability while transitioning to a lower emissions future.

In Australia, we held public and private consultations in every region of the National Electricity Market. We received 390 written submissions. Our consultations included large industrial users such as copper mines, small businesses such as meatworks, consumer and business representatives, market participants, regulators, government departments and your Energy Ministers.

The overwhelming message was the call for Australia to adopt a single, nationally agreed plan to manage the transition to a lower emissions economy. Stakeholders argued that business as usual is not an option. Policy reversals and piecemeal government interventions undermine investor confidence.

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If, as I hope, this blueprint is adopted by you, then our National Electricity Market should return to being the high-performance servant of our community that it once was.

We will know that we have been successful if, in three years from now, our electricity system is no longer a topic of discussion in the general community, but is instead taken for granted.

Producing this report was a massive effort. As Chair of the Panel I take this opportunity to thank my fellow

Panel Members: Chloe Munro, Karen Moses, Mary O’Kane and Terry Effeney, and the talented members of the taskforce. The Panel had regular and constructive engagement with the COAG Energy Council. Many staff from federal and state departments assisted, many members of the public and industry offered their advice, and the energy market bodies always made themselves available for consultation. Not once did I ask somebody for assistance without it being willingly and generously offered. To each and every person and organisation who shared their advice and time, I humbly thank you.

Prime Minister, Premiers and Chief Ministers, I highly commend to you this blueprint for the future security of the National Electricity Market.

Thank you

**Alan Finkel**

Australia’s Chief Scientist

Chair of the Panel