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Dr Kerry Schott AO
Independent Chair
Energy Security Board

Submitted via email to: info@esb.org.au

Dear Dr Schott

Re: Consultation on post-2025 Market Design issues paper

Thank you for the opportunity to provide comment to the Energy Security Board's (the ESB) public consultation on the post-2025 Market Design issues paper.

The ACCC supports the post-2025 Market Design process and considers the key challenges highlighted in the issues paper are all crucial issues that need attention. We consider, however, that affordability should be a key consideration in this review.

The ACCC's role in the electricity market is to examine the operation of the National Electricity Market (NEM) from the standpoint of affordability for consumers. The ACCC's August 2019 report for its Inquiry into the NEM found that household prices had increased in real terms by 49 per cent in the ten years to 2017-18¹. We also found in our Retail Electricity Pricing Inquiry that Australia is facing its most challenging time in electricity markets, with high prices and bills placing enormous strain on household budgets and business viability.²

We therefore urge the review to give detailed consideration to how alternative market designs will address the issue of sustained affordability and how any increased costs from consequential investment will impact on consumers and end users. Similarly, it will be important to examine the implications of different market designs on the need for additional network investment.

The issues being examined in the post-2025 review have the potential to have significant affordability consequences and it is important that these are identified and considered as a crucial part of the ESB's review and assessment of market frameworks. This is consistent with the prominence of affordability in the Council of Australian Governments (COAG) Energy Council's strategic energy plan and the ESB's recognition that any market design must contribute to delivering more affordable energy and satisfied energy consumers.

The ACCC supports the ESB's identification of the long-term interests of consumers as an overarching principle of its proposed assessment framework. This encompasses the

¹ ACCC, *Inquiry into the National Electricity Market – August 2019 Report*, 20 August 2019, p. 14.

² ACCC, *Retail Electricity Pricing Inquiry – Final Report*, June 2018, p.iv.

objective of affordability as one of its central considerations. However, as well as it forming part of a threshold test for any market design under serious consideration, we consider that affordability also needs to be a key consideration in comparing different market designs. While we agree that efficiency, in all its elements, is an important principle for evaluating market designs to ensure that they are the least-cost options considered, we consider it critical that each option considered is evaluated based on its implications for affordability for consumers.

We look forward to the development of the ESB's work in this important area.

If you have any questions in relation to this submission, please contact Lyn Camilleri, General Manager Electricity Markets Branch, on (03) 9290 1973.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Sims', with a stylized flourish at the end.

Rod Sims
Chair