



ESB Capacity Mechanism: summary of stakeholder submissions

August 2022

SNAPSHOT OF STAKEHOLDER FEEDBACK

- A review of over 78 submissions showed that only 6 companies or organisations are in favour of the ESB's capacity market proposal 48 are opposed of which 34 are categorically opposed.
- 7 further organisations gave some qualified support to the idea of a capacity market whilst 15 organisations provided qualified opposition to a capacity mechanism generally.
- Those that are IN Favour but **Qualified** are mostly advocating for expansion of gas investments and agenda.
- There is general concerns about introducing a capacity market in Australia, mainly around risk to new investment, increase of wholesale prices, complexity, and implementation timeframes.

SEGMENT	DEGREES OF NOT IN FAVOUR		DEGREES OF IN FAVOUR	
	DEFINITE	QUALIFIED	QUALIFIED	DEFINITE
TRADITIONAL GENERATORS / GENTAILERS	Origin Energy Snowy Hydro Stanwell AGL Origin	EA Shell		Alinta Delta Squadron Energy
RENEWABLE INVESTORS/ GENERATORS	Iberdrola Tilt Renewables Pacific Hydro Fluence Quinbrook EDL Acciona			
RETAILERS	Flow Power Aurora CS Energy CSR limited Amped	Ergon Energy Telstra		
INDUSTRY & CONSUMER ASSOCIATIONS	Clean Energy Council Clean Energy Investor Group Smart Energy Council	Energy Consumers Australia Energy Efficiency Council	AEC BCA ENA EUAA	
GAS & MINING	HydroTas		Aluminium Council APEA Chemistry Australia	MEU APA APGA
NGO's	Environment Victoria NCC Solar Citizen	Climate Action Network Climate Works		
ADVISORY BODIES & AGENCIES	ACEN TAI Engineers Australia Federation Asset Management IEEFA Nexa Advisory Pollination Windlab	CEFC Ecoanalytics Fincorn Fortescue Future Industries Healthy Futures LMS		
Universities	Monash UNSW			

TRADITIONAL GENTAILERS

Author	Submission URL	Generally	Clearly Support the ESB CM?
AGL	AGL Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"we do not believe that the capacity mechanism high-level design presented in the consultation paper provides a solution to these challenges. "Instead, we consider there are other more compelling options, such as reserve mechanisms, which address similar concerns while also providing additional benefits to energy customers and the broader market."	No
EA	EnergyAustralia Response to Capacity Mechanism Project High-level Design Paper.pdf	"There are two ways to ensure the entry and exit of resources occurs in the right sequence. The first is to provide certainty around when existing thermal generation exits. The second way is to accelerate investment in new generation, storage and transmission infrastructure. It makes little sense to focus on either exit or entry and hope that the other works out." Hence we recommend that market settings around resource adequacy involve a two-pronged approach, encouraging new entry as well as providing certainty on coal closure dates."	
Shell	Shell Energy Response to Capacity Mechanism High-level Design Paper.pdf	"Shell Energy supports the intent of the ESB's capacity mechanism work, but we believe an alternative model will better deliver the outcomes it is seeking to achieve, at a lower cost to consumers." "What we're mostly concerned about is the aspects of getting it wrong and imposing costs unnecessarily and avoiding levels of complexity and regulation,"	
Snowy	Capacity Mechanism July 2022 (energy.gov.au)	"A capacity mechanism should not be understood as a new or innovative reform. In policy terms it represents a shift back to greater market intervention and centralised control of the energy market, reducing the role of price signals to incentivise investment decisions. A capacity mechanism improves the certainty of capacity revenues by suppressing competitive pressures that exist in the current energy-only market structure. Under the ESB's preferred centralised, all-encompassing model in the Design Paper. AEMO would be responsible for procuring most or all reliability certificates and retailers would be obliged to buy them. AEMO would become capacity providers' channel to market and by doing so transfer risk from market participants (under the current energy-only structure) to consumers. This would increase costs for consumers."	
Stanwell	Stanwell Submission - ESB Capacity Mechanism High Level Design (energy.gov.au)	"While Stanwell retains its concern over whether the proposed mechanism will be effective or efficient. Whether the capacity mechanism will meet its proposed objective will ultimately depend upon getting the design right, while also recognising the mechanism will work most effectively where it is used as a planning tool to support new investment in visible controllable supply and demand response. For this to occur, substantial work will be needed, and the ESB's indicative timeframe does not support the work required to ensure the mechanism will achieve its purpose. Ensuring the key components are well-designed, tested and analysed to identify the immediate and longer-term risks and benefits will ultimately determine the success of any capacity mechanism in the NEM."	
Alinta	Alinta Energy Retail Sales Pty Ltd - Letterhead Template	Alinta Energy strongly supports the ESB's proposal to introduce a centralised capacity mechanism on the grounds that it will: Provide for the gap between the stable revenue needed to attract efficient entry (and the revenue required to maintain existing assets and their fuel supplies) and the revenue available from the energy-only market (i.e. finding the 'missing money');"	Yes
Delta Electricity	Microsoft Word - ESB - Capacity mechansim - Delta Submission 25 July 2022 (energy.gov.au)	"The ESB's high-level design has a number of similarities to Delta's proposed capacity mechanism model. These similarities include: · existing and new generation capacity should be included; · a centralised approach to forecasting capacity requirements and purchasing what is required; and · new and existing investment requirements are different and longer-term capacity contracts should be considered for new investment. Delta continues to support these design features. "	
Squadron Energy	Squadron Energy - Response to Capacity Mechanism Project High-level Design Paper.pdf	"The introduction of a capacity mechanism will be a critical step towards the business case and final financial approval of the Port Kembla power station and, therefore, the ongoing decarbonisation and reliability of the power system. "	

RENEWABLE INVESTORS/ DEVELOPERS

Author	Submission URL	Quotes	Clearly Support the ESB CM?
Acciona		"As outlined in a previous submission to the ESB on post 2025 market design, ACCIONA Energía does not agree that a capacity market is required nor that there is evidence of the need for large-scale reform. ACCIONA Energía strongly believes that if there are market failings requiring regulatory intervention, that targeted light-touch reform, preferably by utilising existing reliability tools, should be pursued."	No
Fluence	Fluence Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	Fluence is concerned the capacity mechanism in its current state is not fit-for-purpose. It may not adequately incentivise new investment in dispatchable resources, increased complexity, doesn't guarantee plant availability and may not help achieve Australia's emissions reductions ambitions. One catch-all, complicated mechanism may be a sub optimal solution for all problems. We alternatively support unbundling underlying issues - such as driving new investment and managing orderly coal plant exits - and applying separate, fit-for purpose solutions to each.	
Iberdrola	Iberdrola Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"The ESB's proposed model, based on capacity markets designed for simple grids with predominantly thermal generation, is not fit for purpose for the future grid and does not deliver against the policy objectives. We further note this is basically the same proposal that the ESB originally presented in 2019. The few subsequent modifications (such as longer duration contracts for new entrants) are best addressed through targeted mechanisms"	
Pacific Hydro	Pacific Hydro Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"In our previous submissions to the ESB on its Capacity Mechanism Project Initiation Paper1,2, we considered that the merits of the 'no-change' scenario from existing arrangements with the financial Retailer Reliability Obligation ("RRO"), had not been adequately considered, and that the case for a new capacity market needed to be further refined and explored. We consider that this remains the case"	
Quinbrook	Quinbrook Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"We have three main concerns. First, the capacity mechanism if deployed as planned will not result in material new investment until 1 July 2027 or later, and could delay investment prior to the first auctions. The scheme should be designed to incentivise near-term investment. Additionally, there is a case for transitional mechanisms to complement the scheme and we make several suggestions. Second, the impact of changes to spot market prices (via changes to the Market Price Cap (MPC) and related reliability settings) risks reducing liquidity in Australia's wholesale contract markets and damaging participants ability to manage wholesale market risk. "	
Solar Citizen	Solar Citizens Response to Capacity Mechanism Project High-level Design Paper (energy.gov.au)	"Solar Citizens does not accept a capacity mechanism that includes fossil fuel generation to be an effective or appropriate solution."	
Tilt	Tilt Renewables Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	" Tilt opposes a capacity market as we consider it would not be quick, efficient or cost effective. For the reasons expanded on below in this submission, a new capacity market will not ensure investment in firm capacity at low cost, let alone the lowest cost. In addition, the capacity market will not enable timely entry of new generation and storage as it does not begin operating until mid-2025--- at the earliest. "	
EDL	EDL Response to Capacity Mechanism High-level Design Paper.pdf (energy.gov.au)	" EDL's view is that the NEM capacity mechanism should be based on the UK capacity market design with some modifications. " "EDL supports the Board's position that, broadly, all existing and new generators should be eligible to participate in the mechanism. This should include non-scheduled generation and is the case in other jurisdictions where EDL generates. Non-scheduled generators can make a contribution. By way of example, EDL's own waste gas-fueled non-scheduled generation "	Qualified

RETAILERS

Author	Submission URL	Generally	
Aurora	Aurora Energy Response to Capacity Mechanism Project High-level Design Paper.pdf	Submission is protected. could not extract quotes	No
CS Energy	Microsoft Word - CS Energy Limited Response to Capacity Mechanism Design	"CS Energy is concerned that the proposal presented in the Design Paper in its current form will not be an efficient or effective design and will not deliver benefits to consumers. The design work undertaken by the ESB in an attempt to address competing objectives has manifested in little progression since the December 2021 Initiation Paper and a blueprint that is piecemeal and overly complex. In attempting to address numerous challenges, the design ultimately does not deliver what is required. A fresh approach is required, and the overall design process needs to be much improved and genuinely collaborative with stakeholders. This includes clear acknowledgement that the current energy crisis relates to energy, not capacity and does not provide justification for the development of a capacity mechanism. It would be beneficial for the ESB to refocus attention on clearly articulating the objective that the potential mechanism aims to achieve, accepting that different measures may be required for different objectives. "	
CSR Limited	CSR Limited Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"The argument that a capacity mechanism will help reduce the risk of a disorderly transition hasn't been made. Providers of capacity already have signals/incentives to ensure their capacity is made available at certain times. Recent high price events would not be resolved by the introduction of a capacity mechanism as there isn't a lack of generation capacity, but rather a lack of availability and a lack of lower-cost fuel sources.	
Flow Power	Flow Power Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"Flow Power is deeply concerned that the continued development of a capacity market is a major risk to the energy transition. We agree with many other stakeholders who have highlighted concerns with the model being pushed by the ESB, most notably that a case for change hasn't been articulated, and that its introduction would delay the energy transition and increase costs for consumers." The ESB's capacity market still has not been justified. Flow Power disagrees with the ESB's assertion that the case for a capacity market has been made. In the initiation paper, the ESB noted that they would develop a base case and use it to assess options the ESB and State governments are separately exploring the introduction of contracts to fix the retirement date of large generators. These contracts (which State governments can, and have, already bilaterally entered) and the regulatory controls already in place to address the timing of generator retirements leave no residual role for a capacity market designed to manage thermal generator retirements.	
Amped	2022.07.22 ReAmped Energy Response to Capacity Mechanism Project High-level Design Paper	"Given the current issues experienced with supply in the Australian energy market there is potential for a capacity mechanism to be introduced that adds unnecessary cost to consumers energy bills. The ESB should recognise that a capacity mechanism is just one of the solutions being used to progress the transition to zero carbon and is not required to do all the heavy lifting alone. "	
Ergon Energy	Ergon Energy Response to Capacity Mechanism Project High-level Design Paper.pdf	"we support in principle the implementation of a strategically designed capacity mechanism. However, we are concerned that certain elements considered in the Paper, whilst intended to support least cost outcomes, risk developing a capacity mechanism that is overly complex and costly."	
Telstra	Telstra Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"This Discussion Paper focuses on the Resource adequacy mechanisms and ageing thermal retirement pathway (Capacity Market) and its pre-cursor, the Physical Retailer Reliability Obligation (PRRO). We are concerned that the "Straw Proposal" for a Capacity Market (Capacity Market Straw Proposal) may lead to unintended consequences and significant risks"The (current) energy spot market has "high fidelity" – price signals change rapidly to reflect the real-time demand, and generators respond accordingly. By contrast, the Capacity Market Straw Proposal involves a low fidelity price signal, with participants paid on a "just in case" basis a long time ahead of any (potential) shortage. This "smears" the price signal, reducing the fidelity of generator bidding behaviour, and potentially resulting in higher energy prices."	Qualified

INDUSTRY ASSOCIATIONS

Author	Submission URL	Generally	
CEC	Microsoft Word - DRAFT CEC Response to Capacity Mechanism Project High-level Design Paper - final draft 27-7 (energy.gov.au)	"The CEC considers there is an urgent need for the development of targeted policy measures to support investment in new renewable, storage and transmission capacity. While the economics for new clean energy generation continues to improve, the continued market and policy uncertainty - which will be further aggravated by a poorly designed capacity mechanism – means there is risk that critical new investment in storage, transmission and renewables won't occur quickly enough, to deliver a reliable supply of energy to consumers when it is most needed. " We therefore recommend that targeted policy reforms are explored on the basis of separating out the two key underlying issues of driving investment vs controlling the exit of thermal coal. "	No
CEIG	CEIG response - ESB Capacity market - High level design paper (master) (energy.gov.au)	"CEIG does not support the ESB's proposed capacity market design and the rationale used by the ESB in its CM paper - the need for an orderly transition – is not sufficient to make the case for the introduction of a capacity market in the National Electricity Market (NEM). orderly coal retirements should be treated separately from this instrument. CEIG supports the design of a more effective capacity mechanism that must incorporate 3 critical design features:• Feature 1: coal must not be eligible to participate in the mechanism;• Feature 2: the capacity mechanism must incorporate an emission reduction trajectory that is consistent with and enables Australia to meet its commitments under the Paris Agreement; and• Feature 3: the mechanism must incentivise new investment (particularly in storage) and must be implemented well before 2025"	
EEC	EEC 2022-7-25 Capacity Market final (energy.gov.au)	"Reforms are required to deliver the lowest-cost mix of capacity to ensure that demand and supply are matched at all times. The EEC needs to see more analysis to take a firm position on the merits of a capacity mechanism as part of these reforms;- Energy efficiency, load shifting and demand response can provide a huge volume of reliable and low-cost capacity;"	
Smart Energy Council	Smart Energy Council Response to Capacity Mechanism High-level Design Paper.docx (live.com)	"The proposed Capacity Mechanism is not fit for purpose. It is neither timely nor consistent with Australia's Nationally Determined Contribution targets as advised to the United Nations on 16th June 2022, or in the Climate Change Bill 2022, and it does not incentivise what is really needed - rapid investment in new, zero emissions renewable energy and renewable energy storage projects. Not Timely. The proposed capacity mechanism will not fix today's energy crisis and will not prevent a recurrence when it comes into force in 2025. Urgent investment in zero emissions renewable energy and energy storage is needed right now.:	
ECA	ECA (updated) Response to Capacity Mechanism High-level Design Paper.pdf (energy.gov.au)	"the risks for consumers and investors can be mitigated by a well-designed capacity mechanism that includes a material role for demand response and energy efficiency. We note that the intention is that the capacity mechanism will be operational from 1 July 2025, and the intention of the ESB is to have a straightforward mechanism that can be introduced in that time frame and refined over time. We would not support demand response and energy efficiency, including by households and small business consumers, being excluded from the initial mechanism as was the case with the decision by the Australian Energy Market Commission on the introduction of the Wholesale Demand Response Mechanism. I Such an approach would leave some of the lowest cost approaches to meeting capacity needs outside of the initial scheme. "	Qualified

INDUSTRY ASSOCIATIONS

Author	Submission URL	Generally	
AEC	AEC Response to Capacity Mechanism High-level Design Paper.pdf (energy.gov.au)	In this submission, the AEC has engaged with respect to the high-level design presented, rather than the question of whether a major change to the NEM is justified. Divergence also arises in relation to specific features of the design. That divergence will emerge in members' submissions rather than this submission, which is primarily informed by the AEC's long standing preference for national, competitive approaches.	Qualified-diverging member views
BCA	BCA Response to Capacity Market Mechanism High Level Design Paper.pdf (energy.gov.au)	Did not provide direct comment due to divergent views	
ENA	ENA Response to Capacity Mechanism Project High-Level Design Paper.pdf (energy.gov.au)	Did not provide direct views	
EUAA	Microsoft Word - EUAA Submission - Capacity Mechanism High-Level Design Paper 25 June 2022.docx (energy.gov.au)	"Be wary of an approach that simply calls for more VRE technology to be deployed in the hope that it will somehow fix the issues created by increasing levels of VRE technology. • Reject an approach of "the sun will be shining and the wind will be blowing somewhere so if we build enough VRE we can plug the gaps" as this simply leads to an unnecessary and very expensive overbuild of the energy system with no guarantee that long-duration gaps will be filled. Equally, we are not convinced that off-shore wind will provide a materially better capacity outcome than it's cheaper on-shore cousin as both are weather dependant technology that alone are not capable of being dispatched on demand. • Challenge an approach where encouraging the deployment of batteries (either via capacity payments or subsidy scheme) with an export duration of 2-6 hours will alone resolve the longer duration gaps in supply and reliability that are emerging. If gas is to play a key role (we think it should) then governments must act to ensure it is available for domestic use at an affordable price. • We can't continue down a path where the exit of thermal generation is managed by a series of secret, back room deals between generators and governments as we have seen."	

GAS & MINING

Author	Submission URL	Generally	
MEU	MEU_sub_ESB_capacity_mechanism_25jul2022 (energy.gov.au)	"The proposed capacity mechanism will play a role in facilitating the “orderly retirement of ageing thermal generation”, but we need much more to achieve that fairly and equitably. "	Yes
APA	APA Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"APA supports the development of a capacity mechanism to help maintain the ongoing reliability and security of the National Electricity Market (NEM). • To ensure that decarbonisation of the energy system occurs at least cost to consumers, the ESB should take a technology neutral approach to the design of the capacity mechanism."	
APGA	APGA Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"While APGA is agnostic to the form of mechanism delivered to ensure reliability and security in the NEM, progress towards the development of a Capacity Mechanism by the ESB demonstrates genuine recognition that electricity generated needs to be differentiated by more than cost of generation alone."	
Aluminium Council	Microsoft Word - 220725 Aluminium Response to Project Initiation Paper on Capacity Mechanism (energy.gov.au)	"The current energy only market is no longer fit for purpose. However, in designing the P2025 market and in particular the Capacity Mechanism, the Council urges the ESB to carefully consider how consumers, including those which hold long term contracts, do not face duplicate costs as a result of this Mechanism."	Qualified
APEA	APEA Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"APEA applauds the tenet that the proposed capacity mechanism design will be technology neutral. Furthermore, it would be advantageous to have a nationally consistent treatment of which technologies are included and excluded in the mechanism. All technologies should be eligible for inclusion in the system, particularly if they contribute to Australia’s emissions reduction objective to reach net zero emissions by 2050."	
Chemistry Australia	To: (energy.gov.au)	"In terms of the Design Paper, the role of demand side response in the design of the capacity mechanism is of particular interest to Chemistry Australia and its members. Demand response or demand shifting by large industrial electricity consumers offers the opportunity to use industrial production as a virtual battery by aligning electricity consumption to match demand and supply peaks. The capacity mechanism design should facilitate and encourage the use of industrial production as a virtual battery to improve energy and market efficiency and reduce GHG emissions."	
Hydro Tas	Microsoft Word - Hydro Tasmania Response to Capacity Mechanism Project High-level Design Paper - 25 July 2022 (energy.gov.au)	"Consistent with Hydro Tasmania’s previous positions on a capacity mechanism, we remain concerned that the implementation of a capacity mechanism would introduce additional complexity to the operation of the NEM (additional comments as Attachment A). The requirement to centrally ‘de-rate’ technologies as well as set appropriate incentives and penalties places significant responsibility on AEMO and centralised governance. T	No

NGO'S

Author	Submission URL	Generally	
Climate Action Network	Climate Action Network Australia - Response to Capacity Mechanism Project High-level Design Paper 2022 (energy.gov.au)	"2. Broaden the policy options that are available from just a capacity mechanism to the Energy Security Board to meet the 82% renewables target by 2030; 3. The design of the capacity mechanism must exclude any existing or proposed fossil fuel electricity generators . "	Qualified
ClimateWorks	Climateworks Response to Capacity Mechanism Project High-level Design Paper.docx (live.com)	The market design should enable the rapid scaling-up of firm, zero emissions electricity production systems that will position Australia for prosperity in the global net zero economy.	
Environment Victoria	Environment Victoria Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"Having investigated the impact of capacity mechanisms in other jurisdictions it is Environment Victoria's view is that the ESB and energy ministers should abandon planning for a capacity mechanism. There are more efficient, cheaper, and less complicated ways to modernise the NEM, so it addresses the challenges of orderly elimination of pollution from power generation, system reliability, and cost efficiency. It is our view that the ESB and energy ministers should re-engage with policies that set clear timelines for orderly coal-fired power station closures. Policies such as those proposed by Professor Frank Jotzo and Salim Mazouz, the Blueprint Institute, and Energy Innovation: Policy and Technology group, ³ are models that provide informative starting points."	No
NCC	NCC Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"NCC has strong concerns with the proposed capacity mechanism. The problem is poorly defined. The proposed capacity mechanism is attempting to design one mechanism to both create more certainty around coal closure timing and at the same time incentivise new generation. However, in doing so the proposed capacity mechanism is likely to hinder Australia's ability to meet climate goals. NCC recommends that separate mechanisms are required to solve these two distinct problems. The proposed mechanism will stymie the transition to a clean energy system"	
Solar Citizen	Solar Citizens Response to Capacity Mechanism Project High-level Design Paper (energy.gov.au)	"Solar Citizens does not accept a capacity mechanism that includes fossil fuel generation to be an effective or appropriate solution."	

OTHER ADVISORY BODIES AND AGENCIES

Author	Submission URL	Generally	
ACEN	ACEN Submisssion ESB Capacity Mechanism High Level Design Paper[Final Draft] (energy.gov.au)	"To be clear, our preferred approach to ensuring reliable outcomes for consumers is not to have a capacity market, but rather rely on, or enhance, the scarcity price signals inherent in the National NEM's energy only market design, complemented by a liquid financial market. Introducing a capacity market will require a fundamental rewrite of the National Electricity Rules (NER) that will inevitably have material impacts on the existing spot and contract markets. This could undermine long term investment incentives, rather than enhance them as intended"	No
TAI	Australia Institute Response to Capacity Mechanism High-level Design Paper.pdf (energy.gov.au)	"The proposed capacity mechanism is an inappropriate solution to challenges facing the National Electricity Market: rapidly scaling renewable energy and storage in the face of retiring coal generation. It would not have prevented the current energy crisis for occurring. The ESB has not offered a problem definition in the initiation paper to explain why a market mechanism of this kind is necessary, nor how it would complement the work of the states. There is a risk that the proposed market would entrench coal generators, increase costs and fail to provide an appropriate price signal to bring online new storage and generation assets at the volume required to meet the federal government's target of 82% renewable energy by 2030. The requirement that it should be "technology neutral" is misguided. "	
Engineers Australia	Engineers Australia Capacity Mechanisms Project High-level Design Paper.docx (live.com)	"Engineers Australia believes the Government should be open to the possibility of alternate mechanisms to achieve all the stated goals. Others include: · Establishing a price on carbon either administratively or via the market. · Broadening the current guaranteed market for renewables to include other energy sources that can satisfy an emissions performance baseline (i.e., clean energy target). Storage targets to integrate renewables into the grid reliably. · Regulated exit management contracts. Engineers Australia is concerned the capacity mechanism may fall short relative to the spirit of the Minister's principles in providing an orderly exit management for thermal generators and supporting new generation and storage.	
Federation Asset Management	Federation AM Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"The current NEM design has been broadly successful in ensuring sufficient capacity is available, albeit with periods of volatility in our energy only market environment. Accordingly, we must consider whether a capacity market is required, or merely a market for storage. We note that storage is being introduced under the current market design using private contracting – Riverina BESS being a case in point. In our view a storage market is likely to assist in accelerating the introduction of storage, particularly with higher risk longer duration technologies such as pumped hydro energy storage (PHES), and with the introduction of new battery chemistries including the emerging iron-air and flow battery technologies."	
IEEFA	IEEFA Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"The capacity mechanism proposed by the ESB includes payments to all forms of generation capacity. However, this will not solve the current challenges facing the National Energy Market – as it will not provide certainty around coal exits and may lock in a high-emissions system for longer, discouraging new entrants. It is ill-suited in valuing flexibility and low-emissions resources and is also likely to add to consumer costs, at a time when electricity prices are high"	
Nexa Advisory	Nexa Advisory Response to Capacity Mechanism High-level Design Paper.pdf (energy.gov.au)	"While we agree with the Energy Security Board (ESB) that the transition from high carbon to low carbon generation needs to be managed in an orderly way and that an orderly approach involves ensuring there is sufficient capacity to meet consumers' needs, we do not support the proposed design of a capacity mechanism." The ESB's proposal, as it stands, is counter to the Ministers' requests. Nexa Advisory strongly recommends decoupling the mechanism that incentivises the new investment needed in electricity storage and renewable generation and the mechanism to manage reliability as coal generation closes. "	
Pollination	Pollination Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"We do not consider the capacity mechanism proposed by the ESB in its high-level design consultation paper published in June 2022 to be the optimal mechanism for addressing the current challenges facing Australia's energy market. In particular, we oppose the proposed capacity mechanism "	
Windlab	Windlab Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"Windlab does not support the current design for a capacity market as proposed by the ESB. The proposed design is likely to divert money from the energy market to the capacity market in a way that will disproportionately benefit coal and gas. In doing so it will likely move the NEM further from the least cost generation mix as determined by AEMO's ISP. Does not support coal being eligible for capacity mechanism payments. Managing the orderly exit of coal generation should be done outside of the capacity market."	

OTHER ADVISORY BODIES AND AGENCIES

Author	Submission URL	Generally	
CEFC	CEFC Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"The views and approach of the financial investment community are critical to Australia's ability to cost-effectively fund our energy transition. We estimate that somewhere in the order of \$100 billion will be needed to fund new solar, wind, transmission, storage and ancillary services over the coming two decades. However, we note that large financial investors are generally risk averse. Given the complexity of the Australian energy market, any market redesign should consider how it might impact the investment community's perception of risk. " It is unclear currently how significantly the proposed mechanism will impact on the sources of revenue and levels of risks faced by clean energy generation and storage assets and how this will compare to the incumbent fossil fuel fleet, noting a desire to retain reliability and security while transitioning to a low emissions future. We understand that the detailed design is not necessarily straightforward and requires significant time and effort. These factors create uncertainty for investors looking at long term asset investment. Early signals on the scale of change and timely resolution to the design process are critical to avoid any delay in the significant investment needed in the next decade to meet the ambition of the Integrated System Plan (ISP) step change scenario. "	Qualified
Ecoanalytics	'(energy.gov.au)	"Enabling demand response and energy efficiency will ensure a more efficient use of existing resources and lower energy costs for all consumers. Consumers who provide demand response and energy efficiency resources will receive further cost savings. From an operational perspective, bringing about large-scale mass-market participation in demand response will be essential in ensuring sufficient dispatchable and flexible supply to meet system needs as fossil fuel generators retire, more intermittent generation comes online, and demands on the grid increase with electrification of the economy. While most demand response capacity has historically been provided by larger customers, it is our belief that mass-market participation will increase over time as electrification and falling telemetry and computational costs increase the volume of mass-market load that is cost-effectively controllable. "	
Fincorn	Microsoft Word - Fincorn Response to Capacity Mechanism Project High-level Design Paper July 2022.docx (energy.gov.au)	"The Reliability Panel process and the setting of the (non-interim) standard is the appropriate venue for Energy Ministers to make the case that they have a better insight into customer trade-offs of reliability and costs than the current process has revealed, or alternatively a mandate to over-ride that – not the capacity mechanism design, which can support whatever Reliability Standard is agreed."	
Fortesque Future Industries	Energy Security Board – Capacity mechanism high-level design paper	For a capacity mechanism to become a successful instrument in managing the NEM, FFI believes it is critical that it achieves two outcomes: • It must send clear investment signals to investors that new capacity is required and provides a strong incentive to prompt investment • It must support the long-term decarbonisation transition occurring in the NEM	
Healthy Futures	Healthy Futures Response to Capacity Mechanism Project High-level Design Paper (energy.gov.au)	"Rather than focusing solely on a capacity market, consideration should be given to other solutions such as a Renewable Energy Storage Target, energy efficiency, load-shifting and demand response, and mechanisms to provide certainty around coal closures aligned with coal closure by 2030. Mechanisms such as a storage target can be adopted immediately without waiting until 2025. If the ESB decides to continue to pursue any form of capacity market, notwithstanding the lack of stakeholder support and desire for a clean break from the approach pursued under the former government, we would urge you to ensure that capacity payments are not made available to fossil fuel generators as they have already been handsomely compensated for the now repealed Clean EnergyFuture package.	
LMS	LMS Response to Capacity Mechanism Project High-level Design Paper.pdf (energy.gov.au)	"LMS strongly supports: • the proposal to establish a capacity mechanism, in which providers of capacity are paid to have their capacity available during certain periods, as a necessary element in helping manage the significant complexities and operational challenges faced as we transition to an energy system with net zero emissions, • the proposed inclusion of existing distributed renewable generation activities (located within the distribution networks) within the mechanism to preserve their competitiveness within the market, • the proposed inclusion of new generation activities within the mechanism, and • the intent that the mechanism largely has technological neutrality to facilitate new activities that may support our energy system in future."	

UNIVERSITIES

Author	Submission URL	Generally	
Monash Uni	Monash University Response to Capacity Mechanism High-Level Design.docx (live.com)	"This crisis (in which no load has been shed) is unlikely to be solved by the proposed capacity mechanism. Moreover, a capacity payment mechanism is poorly suited to a setting like Australia with a significant, and growing, fraction of its energy generated by renewable, intermittent sources. We discuss both these points further in this submission." The capacity mechanism put forth by the ESB is unlikely to address the long-term resource adequacy challenge facing the NEM."	No
UNSW	UNSW Collaboration on Energy and Environmental Markets Submission	However, our view is that the ESB's proposed capacity mechanism is inadequate and perhaps inappropriate to deliver an effective and efficient energy transition. The mechanism proposed by the ESB would likely be a second-best solution (or worse) to the various barriers explored in the High-level Design paper's "Case for Change" and in this submission.	