



Energy Transition News | December 2024

EDITION 4

Welcome to Nexa Advisory's newsletter, Energy Transition News, a regular update on the world of policy and the energy transition.

Our work always focuses on accelerating the clean energy transition with people in mind, through strategic advice seated in deep policy experience and analytical skills.

The topics we cover in this newsletter:

- The energy transition
- NEM market design and regulatory reform
- Consumer Energy Resources

We welcome your feedback

We want to know how we can improve this service and make the content as useful as possible for you.

Register your interest

KEY TOPIC:

The Energy Transition



What is happening in the market

We have seen a big focus on improving system planning through AEMC rule changes, AEMO's consultation on its ISP Methodology for the 2026 ISP, and with the Draft 2025 Inputs, Assumptions and Scenarios report expected soon. Nexa Advisory supports the AEMC in upholding the purpose of the ISP as a planning document, rather than for informing and setting policy. This reflects the importance of AEMO remaining independent within its planning and operation roles, and government policy being informed by their own cost-benefit assessments. As part of its advisory role to governments, the AEMC must continue to uphold the principle of independence to ensure clarity and accountability between policy and rulemaking.

The role of the ISP was also a key discussion point at the Senate Select Committee Inquiry into Energy Planning and Regulation in Australia, which held public hearings in Canberra in October. Nexa Advisory CEO Stephanie Bashir provided input into the inquiry, focusing on the role and performance of market bodies and networks, and the need for better consumer representation in governance. [Select Committee on Energy Planning and Regulation in Australia - Nexa appearance](#). The Committee is expected to publish its final report by 20 December.

Nexa Advisory reports and submissions that address the issues

[Nexa Advisory Submission - Select Committee Energy Planning and Regulation](#)

Current governance is outdated and reactive, unable to keep pace with new technologies, business models, and consumer preference thereby slowing down the energy transition. Debate on how to deliver best practice governance of the energy market has been ongoing for many years. Change has been reactive rather than strategic, and too slow and incremental.

Summary of Nexa recommendations:

- **State and Federal Energy Ministers should publish a renewed bipartisan Strategic Energy Plan (SEP).**
 - **Set refreshed Statements of Expectations for the AEMC, AER and AEMO** reviewed annually to ensure they are strategically aligned.
 - **Establish an independent review of the Boards of the AER, AEMC, AEMO and Energy Consumer Australia** to ensure alignment with the strategy, clarity of roles, that they have the right mix of skills and knowledge and are appropriately independent.
 - **Establish a new, independent consumer voice** representing the interests of new energy consumers within policy and decision-making.
 - **Undertake an independent review of the role and performance of electricity distribution networks**
 - **Improve the representation of innovators / investors** within the governance of each market and regulatory body.
 - **Social Licence:** The importance of incorporating consumer perspectives in decision-making.
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Nexa Advisory Submission - AEMC Better integration of gas and community sentiment into the ISP

The AEMC has refined its focus around gas integration within the ISP, reflecting the key role of gas in the energy transition, but must continue to ensure alignment with the emissions reduction objective to prevent any unnecessary expansion of gas infrastructure.

Nexa Advisory Submission - AEMO ISP Methodology

We support two key changes to improve the robustness of the ISP: providing a clearer view of distribution-scale and Consumer Energy Resource (CER) solutions, and gas analysis to support a more robust Optimal Development Path (ODP) for electricity.

We are concerned by two proposed amendments: the 'restart timing' for actionable transmission projects as it embeds uncertainty around transmission network development into the ISP, and the perfect foresight changes as the proposed approach introduces an arbitrary measure which would under-represent the role of storage in the National Electricity Market (NEM).

The Draft ISP Methodology is expected to be released on 13 March 2025.

KEY TOPIC:

NEM Market Design and Regulatory Reform



What is happening in the market

There is broad agreement that Australia's energy market governance is not fit for purpose. Debate on how to deliver best practice governance of the energy market has been ongoing for many years, with stakeholders across the industry - including consumers, governments, investors, and market participants - highlighting that change has been reactive rather than strategic, and too slow and incremental.

Recent reviews of the NEM have not addressed the basics of the energy transition

Nexa Advisory reports and submissions that address the issues

Our recent discussion paper, [A Solution Looking for a Problem](#), highlights that the ongoing calls for a wholesale market redesign are a solution looking for a problem and that there are several existing, near-term, and complementary solutions and mechanisms which remain untapped that can deliver affordable and reliable electricity to consumers. These include:

- ‘super-sizing’ existing tender schemes such as the Capacity Investment Scheme;
- unlocking opportunities across Consumer Energy Resources and Demand-side Participation; or
- supporting the ongoing development of market services markets.

Nexa is calling for long-term policies to encourage investment in renewable energy and storage beyond 2030 and the federal government’s Capacity Investment Scheme (CIS). A proposed solution is a strategic operating reserve mechanism to provide backup capacity during tight supply periods, reducing price volatility and ensuring reliability without distorting market signals. It is crucial to manage the timely exit of coal-fired generation, as delays create uncertainty for developers and investors.

Nexa Advisory Submission - AEMC Including distribution network resilience in the NER

We consider that the AEMC’s proposed approach is yet another incremental reform to a regulatory framework which is not fit-for-purpose. An independent review of distribution network governance and regulatory arrangements is required, as the value of network resilience must be balanced against the willingness of consumers to bear the associated costs of network resilience investments.

[Nexa Advisory Submission - AER Ring-fencing guideline \(electricity transmission\) – negotiated services](#)

We support the AER in upholding strong ring-fencing provisions for Transmission Network Service Providers (TNSPs) and strongly support the similar arrangements in place for Distribution Network Service Providers (DNSP). The key outcomes of any amendments to the AER's Guideline must include the extension of ring-fenced information and additional reporting around negotiated services, which would provide transparency to market participants and connection applicants to better understand the negotiation process.

KEY TOPIC:

Consumer Energy Resources



What is happening in the market

Our CEO, Stephanie Bashir, represented the Smart Energy Council on the Commonwealth's Energy Performance Advisory Group and the Consumer Energy Resources Taskforce Reference Group' inaugural meetings held in October.

In addition to the broader recognition of the role of the consumer - through the work discussed above, as well as the AEMC's Electricity pricing for a consumer-driven future Review – 2025 is shaping up to have a significant focus on enabling CER uptake and improving outcomes for consumers. Nexa Advisory is on the AEMC Pricing Review Reference Group to provide expert advice; the first meeting will be held Thursday 5 December.

Nexa Advisory reports and submissions that address the issues

Nexa Advisory Submission - AEMO CER Data Exchange

AEMO has continued to progress its CER Data Exchange initiative to develop a platform to share a broad range of CER-related information. The objective of this initiative should be to facilitate improved CER and distribution network information and data sharing in a way that delivers value to consumers who are ultimately footing the bill.

AEMO has not adequately shown that this centralised approach is the most cost effective, consumer-centric option to deliver immediate wins. We believe that AEMO could explore other initiatives which do not require the ongoing development of a complex, centralised and expensive IT-centric solution.

Nexa Advisory Submission - AEMC Improving consideration of demand-side factors in the ISP

Nexa Advisory supports the draft determination made by the AEMC to improve the robustness of the ISP, and the proposed requirement for AEMO to describe how distribution network developments will be included in the ISP through a demand-side statement.

This will require co-design with DNSPs, the AER and other interested stakeholders, highlighting the broader need for adequate joint planning (through Distribution Annual Planning Reports) and governance arrangements. While the information and data collected from DNSPs by AEMO must be practical and realistic, there is a clear need for this to be considered within a broader independent review of the role of distribution networks and the transparency of network data.

Nexa Advisory Submission - AEMC Real-time data for consumers

Timely access to energy consumption data for consumers is a key, 'no-regrets', enabler of CER, supporting better information, more responsive operation and tariff reforms. There remains a critical need for further work by the market bodies to ensure the uptake, integration and operation of CER is effective and delivers value for consumers. Our recommendation is that this rule change should enable consumers to have timely access to their own consumption data, where this aligns with their own consumer preferences.

