

John Pierce
Chair, Australian Energy Market Commission
Email: aemc@aemc.gov.au

18 October 2017

Re. EMO0032 Strategic Priorities for the Australian Energy Sector

Dear Mr Pierce

This submission sets out the Energy Efficiency Council's (EEC) position on the Discussion Paper - Strategic Priorities for the Australian Energy Sector.

The EEC is the peak body for energy efficiency, demand management and cogeneration in Australia. The Council is a not-for-profit membership association, and its goal is to make sensible, cost-effective energy management measures standard practice across the Australian economy. Our members include independent experts, energy efficiency providers and various levels of government.

As we discussed on 13 September, the proposed Strategic Priorities framework is not fit for purpose, as it almost completely ignores energy efficiency. This is an unacceptable omission given that energy efficiency is central to affordability, security and emissions reduction.

The International Energy Agency (IEA) recently released the *2017 Energy Efficiency Market Report*. In the Report Dr Fatih Birol, the Executive Director of the IEA, states unequivocally that energy efficiency is already having a fundamental impact on global energy systems and that "*the arguments for stronger action on energy efficiency have never been clearer*". The IEA report states that energy efficiency is:

- Central to energy affordability. In most developed countries, improvements in energy efficiency have reduced households' energy bills by 10 to 30 per cent.
- Fundamental to energy security. Without aggressive action on energy efficiency, both the UK and France would have failed to meet their gas security targets.
- The single most important action to reduce emissions. The IEA found that energy efficiency accounted for 75 per cent of the flattening of global energy-related greenhouse gas emissions since 2014.

Given that energy efficiency has been the largest source of global emissions reductions for several decades, the total omission of energy efficiency from the Discussion Paper's section on '*Integration of Energy and Emissions Policies*' is remarkable. However, it is equally important to incorporate energy management in addressing affordability and security issues.

The Australian Energy Market Commission (AEMC) has an important role to play in integrating supply-side and demand-side measures, irrespective of whether the AEMC directly develops and implements demand-side policies. The rules and the regulations of the energy market that are developed by the AEMC fundamentally distort the balance of investment between supply-side and demand-side measures, and correcting these

distortions is critical to a more affordable, secure and clean energy system. These distortions have been noted in numerous major reviews, including the COAG Energy Market Review (2002) and Finkel Review (2017).

We urge the AEMC to consider the EEC's recent submission to the Finkel Review (attached), as this highlights the key roles that energy management should play in the energy sector. In particular, we highlight the importance of focusing on total bills, rather than the 'price' of energy, for affordability.

Finally, we note with approval that the Discussion Paper identifies demand response a key priority. Measures to enable demand response to participate in wholesale energy markets are long overdue, and we recommend that this measure be expedited for rapid introduction into the National Electricity Market.

If you have any questions, I can be contacted on 0414 065 556 or via rob.murray-leach@eec.org.au.

Yours sincerely



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