

AEMO transitional guidance about decisions under the amended national energy objectives

October 2023





1 Background

The *Statutes Amendment (National Energy Laws) (Emissions Reduction Objectives) Act 2023* (SA) (Act) commenced operation on 21 September 2023. The Act amends the National Electricity Law (NEL), National Gas Law (NGL) and National Energy Retail Law (NERL) by incorporating a new emissions reduction objective into the national energy objectives contained in each of these laws.

The national energy objectives comprise the National Electricity Objective set out in the NEL, the National Gas Objective set out in the NGL, and the National Energy Retail Objective set out in the NERL. Before the commencement of the Act, the national energy objectives referred to the long-term interests of energy consumers with respect to price, quality, safety, reliability and security of supply of energy. The emissions reduction objective introduced by the Act adds reference to the long-term interests of energy consumers with respect to the achievement of targets set by a participating jurisdiction for reducing Australia's greenhouse gas emissions, or that are likely to contribute to reducing Australia's greenhouse gas emissions. Consideration of the long-term interests of consumers with respect to each component of the objectives, including the new emissions reduction component, is set within an economic efficiency framework.

Processes affected by the new emissions reduction component of the national energy objectives include a range of functions, powers and obligations assigned to the market bodies, including AEMO. Examples of relevant functions include system planning and economic regulatory functions, rule change determinations and -self-initiated and statutory reviews and reports. The new emissions reduction component is not intended to affect AEMO's operation of wholesale markets, including its role in managing real-time activities that includes dispatch and scheduling¹.

For most purposes the amended national energy objectives will apply to processes that are started two months after the commencement of the Act, referred to as the 'start day'. There is no requirement to apply the amended objectives to a process that has started but has not been completed on the start day.

However, the Act gives government and regulatory entities (including AEMO) the discretion to apply the amended objectives to matters that are in progress on the start day². If a government or regulatory entity proposes to exercise this discretion, the government or regulatory entity must use its best endeavours to ensure that within 45 days after the commencement of the Act, it issues administrative guidance about the matters the entity is likely to have regard to in deciding whether to consider or apply the amended objective³.

In accordance with the Act, AEMO's guidance is set out in Section 2.

¹ Second Reading Speech, Statutes Amendment (National Energy Laws) (Emissions Reduction Objectives) Bill 2023, Hansard, South Australian House of Assembly, Wednesday June 14, 2023 (The Hon A Koutsankounis).

² National Energy Law, Schedule 3, Part 18, clause 40(3); National Gas Law, Schedule 3, Part 20, clause 135(3); National Energy Retail Law, Schedule 1, Part 4, clause 9(3).

³ National Energy Law, Schedule 3, Part 18, clause 41; National Gas Law, Schedule 3, Part 20, clause 136; National Energy Retail Law, Schedule 1, Part 4, clause 10.



2 AEMO guidance on whether to apply the amended national energy objectives

AEMO is likely to have regard to the following matters in deciding whether to apply the amended national energy objectives to processes which are already underway on the start day:

- The likely outcome of applying or not applying the amended energy objectives, and whether applying the amended energy objectives is likely to make a material difference to AEMO's decision.
- The practicality and resource-intensiveness of applying the amended energy objectives to a process underway on the start day, including whether it would necessitate a delay.
- The ability for AEMO to conduct the appropriate analysis within required timeframes if the amended energy objectives are applied.
- Whether AEMO and relevant parties have sufficient time to consult with stakeholders (if required) on the impact of applying the amended energy objectives.
- Whether applying the amended energy objectives to AEMO processes underway on the start day may impact other processes, including those of other market bodies and stakeholders.

This is not an exhaustive list of the matters to which AEMO may have regard. AEMO may also have regard to other matters it considers relevant to processes that are underway on the start day.