

**Barton Deakin Brief: National Energy Guarantee**

**18 October 2017**

Yesterday Prime Minister the Hon Malcolm Turnbull and Minister for Resources, Energy, and Northern Australia the Hon Josh Frydenberg announced the new government policy on the Australian Electricity Network. This has been developed based on 49 of the 50 recommendations of the Finkel Review. The policy was developed in conjunction with the Independent Energy Security Board.

This Barton Deakin Brief outlines the National Energy Guarantee as put by the Australian Government.

**Background**

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The Finkel Review into the Future Security of the National Electricity Market was released in December 2016. The Finkel Review had three key pillars.

1. *Orderly transition,*
2. *System planning, and*
3. *Governance*

This review was developed by a panel that visited regulators and operators across Europe and the US and commissioned a review of best practice. This was in addition to public and private consultations in every region of the National Electricity Market, which involved more than 120 individual meetings and receiving more than 390 written submissions.

**The Changes**

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The Energy Security Board, established by the Coalition of Australian Governments Energy Council in August 2017, recommendations have been accepted by the Australian Government and are being implemented in a new National Energy Guarantee.

The purpose of the guarantee is to give certainty to investors and encourage investment in all forms of power. As a result of the certainty created by these policies the Energy Security Board has cost estimations below both current forecasts and estimations under a Clean Energy Target. It is for this reason the Clean Energy Target has been dropped. Based on Energy Security Board estimates household bills between 2020-2030 will fall by an average of \$110-\$115 per year.

The Guarantee is made up of two parts that place requirements energy retailers across the National Electricity Market.

- **A reliability guarantee** will be set to ensure that there is the right level of dispatchable energy, this includes coal, gas, pumped hydro, and storage batteries; needed in each state.



This level will be set by the Australian Energy Market Commission and the Australian Energy Market Operator.

This guarantee is set to ensure that there is a backup supply of power if the intermittent technology is unable to deliver for demand.

- **An emissions guarantee** will be set to ensure that Australia is reaching its international commitment to the Paris Accord. This guarantee will be enforced by the Australian Energy Regulator.

This results in no technology being favoured over others. Solar, wind and hydro will be recognised as lower emissions technology but will no longer be subsidised from 2020. Coal, gas, hydro, and biomass will be rewarded due to their dispatchable nature.

A retailer may have a combination of gas and hydro to meet their dispatchable demand and emissions requirement. Solar with batteries and a coal plant would also fill both the reliability and emissions guarantee. A retailer that only has contracts for wind and solar power can then contract with another retailer or build an alternate dispatchable supply to meet their reliability guarantee.

## Further Information

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Barton Deakin Brief on the Blueprint for the Future (Finkel Review), [here](#).

The Prime Minister the Hon Malcolm Turnbull's media release, [here](#).

Powering Forward, A better energy future for Australia, [here](#).

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