

ENERGY AND UTILITIES ADMINISTRATION AMENDMENT BILL 2022

STATEMENT OF PUBLIC INTEREST

Need: Why is the policy needed based on factual evidence and stakeholder input?

As a result of rising global commodity prices driven primarily by Russia's invasion of Ukraine, the cost of electricity is rising significantly for NSW households and businesses.

The Australian Energy Regulator has warned that without action households and businesses could face unprecedented retail price rises in 2023-24, with preliminary analysis indicating energy bills could rise by up to 44 per cent in parts of NSW in 2023-24.

Price increases of this magnitude could have a significant negative impact on the NSW economy and the community.

Higher energy bills can lead to increased financial hardship and potential electricity disconnections. Some households may need to ration their energy use and may have less money available for other essential needs such as food or medicine.

Businesses could shrink their operations, shed jobs or become unviable, or alternatively pass through higher operating costs to consumers, adding to inflationary pressures.

On 9 December 2022, National Cabinet agreed to the Energy Price Relief Plan, committing the Commonwealth Government to cap the price of gas at \$12 per gigajoule and the NSW Government to "effectively set ceilings for the price of coal used for electricity generation to \$125 a tonne."

The NSW Government is seeking legislative powers to implement a coal price cap, in conjunction with the Commonwealth's gas price cap.

The *Energy and Utilities Administration Amendment Bill 2022* will enable the NSW Premier to declare a coal market price emergency and enable the Minister for Energy to issue directions to address a declared coal market price emergency.

This amendment Bill will ensure the NSW Government has the powers to affect the price and supply of coal, with the goal of helping to reduce the expected rise in electricity prices.

The package of measures in the Energy Price Relief Plan, including the coal price cap provided by this amendment Bill, is expected to result in electricity bills in NSW being \$243 lower than previously forecast in 2023-24.

Objectives: What is the policy's objective couched in terms of the public interest?

There is a strong public interest in ensuring the NSW Government has the power to take immediate action to address rising energy costs. The forecast energy price rises have the potential for severe economic and social harm. As an essential service, it is critical NSW households and businesses have access to affordable and reliable energy supply.

Options: What alternative policies and mechanisms were considered in advance of the bill?

A combination of measures is needed to address the global energy crisis, in the short, medium and long-term.

Subject to Parliament passing the Bill and the Premier declaring a coal market price emergency, the Minister for Energy will consider the available evidence and develop Ministerial directions that may impose a coal price cap, supply directions and other terms and conditions.

As the coal and gas price caps will take some time to flow through as lower retail prices, the NSW Government is also providing targeted financial support to provide direct energy bill relief to households and small businesses in the short-term.

The NSW Government will continue to invest in transmission, generation, storage and firming infrastructure through the Electricity Infrastructure Roadmap to transform the NSW electricity system into one that is cheap, clean and reliable.

Analysis: What were the pros/cons and benefits/costs of each option considered?

The current global energy crisis has been driven by Russia's invasion of Ukraine, which has reduced the global supply of coal and gas, while demand has not slowed.

High international coal prices are a major driver of increased electricity costs. This is because coal is still a major source of electricity generation in NSW, providing approximately 70 per cent of NSW's electricity generation.

This Bill will help address the root causes of rising electricity prices over the medium term.

Other long-term measures will continue to be implemented to deliver the major electricity infrastructure needed to modernise the NSW electricity system and power our economy.

Pathway: What are the timetable and steps for the policy's rollout and who will administer it?

The amendment Bill enables the NSW Premier to declare a coal market price emergency.

In the case of such declaration, the Bill enables the Minister for Energy to make directions to respond to the emergency. Directions could include:

- impose a cap on the price at which coal may be sold, offered for sale or supplied
- require coal suppliers to supply, or offer to supply, coal to a particular person specified in the direction power stations
- require coal suppliers to comply with terms and conditions determined by the Minister for the supply of, or offer to supply, coal or in relation to a price cap
- impose terms and conditions on a person who purchases or acquires coal, including terms restricting or prohibiting on-selling the coal at a higher price
- other matters prescribed by a regulation.

A price cap, or other direction, could apply to the sale or supply of coal for the purpose of generating electricity in NSW while the declaration of the coal price emergency remains in force.

The Bill also provides for the appointment of inspectors with powers that may be used to determine whether the proposed coal market price emergency provisions (including directions issued by the Minister) are being complied with and obtaining information in connection with the making of a determination or the giving of a direction.

Consultation: Were the views of affected stakeholders sought and considered in making the policy?

The Energy Price Relief Plan was developed in consultation with the Commonwealth Government, other states and territories, and consumer and industry stakeholders.