



The new NEM : Building with better policy

**NEM Future Forum
Tony Wood
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What is this “New NEM”?

What’s wrong with the old one and how might a new one look different?

- The wholesale market
 - Grossly over-supplied, with low prices but little relief in sight
- Regulated networks
 - Falling consumption, outdated pricing structure and potential for disconnections threaten their very existence
- Retail energy market
 - Remains largely distrusted and/or ignored with outdated models
- Governance of the market
 - Operates in silos with insufficient overall focus on delivered outcomes

NEM: the wholesale market

How should policies deliver a better outcome?

What's wrong?	What should be done?
No credible pricing of the climate change externality	Get off the RET bandwagon and seriously find a bipartisan approach to climate change policy
Externally imposed and disconnected policy such as the RET	Work down from market driven outcomes to complementary policies rather than retrofitting
May not respond efficiently to more distributed intermittent generation	Engage NOW with the question of the oversupplied energy-only market

NEM: the regulated networks

How should policies deliver a better outcome?

What's wrong?	What should be done?
Rates of return are too high	Ramp up the focus on outcomes in terms of risk and return
Government ownership leads to high costs	Privatise
Regulated tariff structure are unfair and too high	Reform network tariffs so that customers pay for what they actually want
Forecasting is too inflexible	Implement more response capital forecasting models or shift the risk sharing model.

NEM: the retail energy market

How should policies deliver a better outcome?

What's wrong?	What should be done?
Disengaged or distrustful customers (reducing consumption but not maximizing their position)	A new customer paradigm
Little innovation	New entrants

The NEM: Governance

How to deliver a better outcome?

What's wrong?	What should be done?
Market reform stalled	Re-commit to competitive markets and reform
Conflict of interest	Privatise remaining government ownership
No central focus on outcomes	Develop a new process for the COAG Energy Council focused on clear priorities and delivering outcomes



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