



Dear Energy Ministers,

### **Reforms risk undermining reliability and slowing renewable transition**

As major investors in clean energy projects in Australia, we are deeply concerned about two of the reforms proposed by the Energy Security Board (ESB) and the impact that they could have on the already fragile confidence in future clean energy investment.

The ESB has proposed the establishment of a capacity market, which could be used to subsidise existing coal plants and unnecessarily prolong the life of these increasingly unreliable generators. This would be a fundamental and unjustified change to the Australian energy market. While reliability is clearly critical to Australian electricity customers there has been significant recent investment in new renewable generation capacity and energy storage to ensure the continued reliability of the energy system, even as coal becomes increasingly unreliable, and closure accelerates.

Clean energy investors support the range of other reforms proposed by the ESB to improve reliability. We also support the additional measures that were only recently introduced, some of which haven't yet taken effect. However, going beyond these reforms, in the form of a capacity market, is entirely unjustified. Such a mechanism would fundamentally disrupt the energy system, critically undermining investment confidence in the new renewable energy generation and storage that is essential to providing reliability for the future. A capacity market would therefore hinder rather than help reliability.

The ESB's access reform – the proposed congestion management model – is also deeply concerning. This mechanism could create uncertainty for investment in new generation and do nothing to support the development of a 21st century grid and much-needed investment in transmission. We believe that there are far better approaches to addressing congestion in the energy system.

While a range of the ESB's recommendations will help develop a modern energy system and give confidence for investment in new clean energy generation, the proposals for a capacity market and new access model would add to the risk and uncertainty facing clean energy investors. This would exacerbate the slowdown in new large-scale renewable energy investment that has occurred over the past couple of years.

We urge energy ministers to reject the immediate implementation of these two recommendations and instead accelerate the range of more critical reforms that will increase investor confidence and support the transition to a reliable, low cost and clean energy system.

