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Productivity Commission
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Submitted electronically

Submission to Productivity Commission - Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation consultation – response to interim report

Nexa Advisory welcomes the opportunity to respond to the Productivity Commission's Interim Report on Pillar 5: Investing in Cheaper, Cleaner Energy and the Net Zero Transformation, published in August 2025.

Nexa is an advisory firm with an unwavering focus to accelerate the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia's clean energy transition done.

We commend the Productivity Commission for identifying key reform areas to reduce emissions costs, expedite infrastructure approvals and address barriers to private investment in adaptation. However, we believe the Interim Report does not go far enough to address systemic barriers impeding Australia's ambition to become a clean energy superpower.

We are concerned with Draft Recommendation 2.2, which proposes a specialist 'strike team' within the Department of Climate Change, Energy, the Environment and Water (DCCEEW). This risks adding bureaucratic layers, deferring decision-making and exacerbating delays in the energy transition. Instead, we suggest that these resources be directed to addressing the root causes of planning and approvals delays. There needs to be alignment and merging of resources that undertake the same functions across federal and state governments and departments. This consolidation will help streamline processes, avoid duplication and accelerate processing and decision making.

This submission builds on our initial input from 16 June 2025, reinforcing our four key recommendations and outlining where the Interim Report aligns, falls short and can be strengthened to drive productivity gains. We structure our response around these recommendations, concluding with a call for bolder reforms to ensure Australia's clean energy future.

1. Strategic Energy Plan (SEP) by State and Federal Energy Ministers

A SEP should provide whole-of-government alignment and outline the following strategic priorities:

- **National coordination and accountability** for delivering critical generation, storage, and transmission projects.
- **Clear roles and governance** for market bodies and regulators, including the Australian Energy Regulator (AER), Australian Energy Market Commission (AEMC), and Australian Energy Market Operator (AEMO).
- **Inclusion of consumer preferences** in policy and decision-making through enhanced engagement by market bodies.
- **Promotion of competition and innovation**, particularly for Consumer Energy Resources (CER), through reformed network governance.

Alignment with Interim Report:
The Interim Report's emphasis on enduring, broad-based market settings for electricity (Draft Recommendation 1.1) and improved transparency through national carbon values (Draft Recommendation 1.4) aligns with our call for coordinated policy. These steps support consistent incentives and accountability, critical for a unified energy transition strategy.

Where the Report Falls Short:
The Interim Report does not adequately address policy fragmentation and lack of bipartisanship, which have led to investment uncertainty and state-level derogations from the national framework (e.g., New South Wales' extension of Eraring coal plant to 2027 and possibly to 2029). Without a binding SEP, reforms risk being undermined by misaligned priorities, delaying the Australian Energy Market Operator's (AEMO) Integrated System Plan (ISP) and increasing consumer costs.

We recognise and welcome the renewed set of strategic priorities agreed by the Energy and Climate Ministerial Council (ECMC)[1]. These priorities - spanning better consumer outcomes, equity and inclusion, coordinated system transformation, emissions reduction, adaptation and resilience and improved energy performance - provide a valuable opportunity for whole-of-government alignment across climate and energy policy. With consistent direction and shared accountability across jurisdictions, they can help unlock the reforms and delivery focus needed to get the transition back on track.

Recommendations for Improvement:

- **Set ambitious economy-wide emissions reduction targets, clearly highlighting the role of the electricity sector**
  Ambitious emissions reduction targets – reflecting the key role of the electricity sector - is critical to build and maintain momentum for the clean energy transition. Aligning these ambitious targets with the electricity sector enables the orderly closure of coal-fired power stations, achieving emissions reduction objectives while ensuring reliable and affordable supply of energy for consumers.

  Building on the recent renewed strategic priorities by the ECMC, the Productivity Commission should improve how the value of emissions reduction is considered both

[1] Energy and Climate Change Ministerial Council, Meeting Communique, 15 August 2025

across government decision-making, and by the private sector – including for coal-fired power stations.

This would enable better whole-of-government alignment needed to facilitate the electricity sector-specific recommendations outlined below

- We also encourage the Productivity Commission to recommend a mandated regular progress report, by Energy Ministers on delivery and tracking the energy transition goals at state and federal levels, highlighting delays and mitigation strategies to ensure transparency and public accountability.

2. Ensuring Orderly Coal Exit to Provide Certainty for Renewable Generation, Storage, and Transmission

The urgent need to replace ageing coal-fired generation with renewables, storage and transmission is critical to achieving reliability, affordability and emissions targets. Our case studies on Eraring, Yallourn, Bayswater, Callide and Gladstone[2] power stations highlight how poor reliability and uncertainty around coal closure has undermined the energy transition. For example, Bayswater has had a 38% unplanned outage rate in 2024, Gladstone has seen an average capacity factor of below 45% (vs. ~55% average for black coal fleet across the NEM) since 2020. Gladstone has also had unplanned outage hours surge 65%, with downtime equivalent to each unit being offline for more than 14 weeks per year. These issues have driven market volatility and higher consumer bills.

Alignment with Interim Report:
The report's call for broad-based market mechanisms to reduce emissions at minimal cost (Draft Recommendation 1.1) and recognition of coal plant retirements' urgency - support our push for an orderly coal exit. Draft Recommendation 1.4's proposal for national carbon values - further aids consistent emissions valuation, incentivising decarbonisation and timely closure of coal-fired power stations.

Where the Report Falls Short:
The Interim Report does not address the policy risks from uncertain coal retirements, which deter renewable investment and necessitate costly interventions like New South Wales' $450 million Eraring extension deal (with possible further extensions). The Orderly Exit Management (OEM) Framework, as a 'last-resort' tool, fails to provide a proactive timetable for closures, perpetuating uncertainty.

Recommendations for Improvement:

- **Prioritise the implementation of the National Electricity Market wholesale market settings review**

[2] https://nexaadvisory.com.au/web/wp-content/uploads/2025/09/Nexa-Advisory-Gladstone-Power-Station-case-study.pdf

Federal Government should action the recommendations of the NEM Review[3] panel – particularly to ensure the proposed forward contract mechanisms support the timely closure of coal-fired power stations.

The Productivity Commission should consider the recommendations of the NEM Review as an extension of their own Draft Recommendation 1.1 – given the NEM Review's approach to broad-based market settings and the potential to use the proposed Electricity Services Entry Mechanism to ensure coal-fired power stations are retired on time.

- **Investigate an enforceable coal closure timetable**, potentially expanding the OEM Framework to schedule retirements proactively, reducing reliance on ad-hoc state interventions.
- **Adopt a unified, economy-wide carbon valuation** (building on Draft Recommendation 1.4) - the Productivity Commission should recommend pathways to internalise emissions costs in decision-making for coal operators, ensuring efficient decarbonisation across jurisdictions.

3. Providing Certainty to Investors to Mitigate Capital Flight

Speeding up approvals for new energy infrastructure is key to unlocking $142bn in investment needed by 2050. Australia has a strong pipeline of 30 GW of solar, 15 GW of wind and 25 GW / 60 GWh of large-scale battery storage projects[4] - but regulatory uncertainty and transmission delays risk capital flight to markets with clearer pathways.

Alignment with Interim Report:
The report's focus on speeding up approvals (Draft Recommendations 2.1–2.4) aligns with our call for transmission delivery certainty and government alignment between energy and planning policy to support renewable generation and storage projects delivery. Proposals for national environmental standards and regional planning in Renewable Energy Zones (REZs), support investor confidence.

We support Draft Recommendation 2.3 to establish a Coordinator-General for priority renewable energy projects to more effectively progress projects through planning and approvals processes.

Nexa Advisory has recommended a Coordinator- General to oversee the delivery of the NEM Review to ensure that the policy intent is carried through to delivery across the various market bodies.[5] Although this is a different role proposed by the Productivity Commission, we consider a Coordinator- General role with the appropriate governance and accountability mechanisms is

[3] DCCEEW, National Electricity Market wholesale market settings review, August 2025
[4] Source: AltEnergy; where approved projects are defined as having received state planning, development and/or environmental approvals, and proposed projects are those publicly announced.
[5] Nexa Advisory, Nexa Advisory Submission - NEM Wholesale Market Settings Review Draft Report, September 2025

required to coordinate and streamline the multi-functional energy transition steams across whole of government.

Where the Report Falls Short:
The report does not adequately address regulatory inefficiencies of the transition.

The factors contributing to the slow transition in Australia are many and complex, but a key issue is the ongoing delays in delivering new transmission projects, particularly transmission interconnectors.[6] This also poses significant threats to power system security and increases costs for consumers both large and small.[7]

This failure to build transmission quickly enough reflects market structure, rather than market design. Significant contributors to the problem include:

- the lack of national coordination and accountability for delivery;[8]
- complex and fragmented regulation which is a barrier to competitive outcomes in delivery;[9] and
- significant changes to the nature of generation investment over the past decade (as we have transitioned to a larger number of smaller-scale, decentralised renewable generators looking to connect more often) which have made coordination with transmission, and transmission planning, increasingly difficult. [10]

Further work is needed to address complex grid impact assessments in Victoria or misaligned support schemes. For example; the Junction Rivers project's exclusion from South West REZ access despite Capacity Investment Scheme support and the regulatory complexity of the NSW Transmission Planning.[11]

We are concerned with Draft Recommendation 2.2 for a DCCEEW 'strike team', which risks adding bureaucracy, deferring decisions through new escalation procedures and duplicating state efforts. This could further delay projects, undermining productivity gains.

Recommendations for Improvement:

- **Streamline existing approval processes** by prioritising market-led, non-network solutions (e.g., stand-alone power systems) with expedited approvals, reducing reliance on new bureaucratic structures.

- **Incorporate delay costs into decision-making**, using AEMO's ISP modelling (e.g., $16 billion annualised costs versus $38.2 billion gross benefits[12]) to quantify the impact of transmission delays on consumers and investors. A review that incorporates the ISP data into the delay of the transmission buildout will further focus on the cost implications.

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[6] Nexa Advisory, We Plan and then Don't Build, May 2024
[7] Nexa Advisory, The Consumer Cost of Transmission Delays, July 2024
[8] Nexa Advisory, Supercharging Transmission Buildout, September 2024
[9] Nexa Advisory, Transmission Contestability in Australia, June 2023
[10] Nexa Advisory, Queensland REZ design and development considerations, 12 July 2024
[11] Nexa Advisory, New South Wales Transmission Planning Review, May 2025
[12] AEMO, 2024 Integrated System Plan

- **Enhance alignment** between federal and state support schemes and transmission access to reduce regulatory burden for developers.

- **Initiate an independent NEM-wide transmission review** – to determine how to plan and deliver the necessary transmission infrastructure needed to connect the necessary renewable generation and storage.

Without a dedicated transmission review, material delivery risks – driven by uncoordinated or delayed planning and approvals, poor social licence, and supply chain constraints - remain unaddressed, and will ultimately be paid for by consumers.

4. Independent Review of the Role and Performance of Electricity Distribution Networks

With over $20 billion invested since 2018, CER is critical for reliability, resilience and cost reduction. However, distribution network service providers (DNSPs) often hinder CER integration, threatening competitive markets through weakened ring-fencing.

Alignment with Interim Report:
The report's focus on adaptation and resilient housing (Draft Recommendations 3.1–3.3) acknowledges climate risks but overlooks the role of distribution networks in enabling CER for electricity resilience (e.g., through stand-alone power systems or non-network solutions).

Where the Report Falls Short:
The Interim Report does not address governance challenges in distribution networks, which limit CER's potential to reduce costs and enhance electricity resilience. Recent AER decisions, such as the community battery ring-fencing waiver, risk undermining competitive dynamics, favouring incumbent DNSPs over innovative, consumer-centric solutions.

Recommendations for Improvement:

- **Undertake an independent review of DNSPs' role and performance**, examining:
    - their facilitation of the energy transition.
    - their ability to adapt business models for CER integration; and
    - governance and regulatory oversight, including alternative regulatory approaches such as a 'totex' model to address their inherent capital expenditure bias.

- **Strengthen ring-fencing regulations** to protect competitive markets and encourage innovation in CER, ensuring DNSPs prioritise consumer outcomes over monopolistic interests.

- **Incorporate CER and non-network solutions** into AEMO's ISP to improve transparency and deliver cost-efficient resilience outcomes.

Concluding Remarks

The Productivity Commission's Interim Report provides a foundation for reform but falls short of the bold actions needed to position Australia as a clean energy superpower. By not addressing policy fragmentation, coal exit uncertainties, and distribution network governance deeply enough, it risks perpetuating delays that inflate costs and undermine productivity. We request a view of caution regarding the 'strike team' proposal (Draft Recommendation 2.2), which could exacerbate bureaucracy rather than streamline processes.

Nexa Advisory urges the Productivity Commission to adopt stronger recommendations, including an independent NEM-wide transmission review, an enforceable coal closure timetable, streamlined approvals prioritising non-network solutions, the appointment of an effective independent Clean Energy Coordinator-General that will focus on the implementation of the NEM Review and an independent review of DNSPs. These measures will unlock investment, enhance resilience and deliver affordable, reliable energy needed to achieve productivity growth and economic prosperity for Australia.

Thank you for the opportunity to provide input to the Interim Report. We welcome the opportunity to further discuss any aspect of our report or submission - please contact either myself on [redacted] or Jordan Ferrari, Director - Policy and Analysis, [redacted]

Yours Sincerely,

Stephanie Bashir
CEO and Principal
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