To:
Ms Kami Kaur
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Proposed Network Alternative Support Payment Guideline
Explanatory Statement – Consultation Submission

Dear AER General Manager,

1. Introduction and Position
This submission is made in response to the Australian Energy Regulator's consultation on the Proposed Network Alternative Support Payment Guideline.

We object to this Guideline in the strongest possible terms.
From the perspective of everyday electricity consumers — households, small businesses, farmers, regional communities and industry — the proposed Guideline is fundamentally out of touch with lived reality, detached from engineering principles, and incompatible with the National Electricity Objective (NEO).

Electricity consumers exist to be served by the grid, not conscripted to compensate for systemic planning failures.

2. Executive Summary
The Network Alternative Support Payment Guideline entrenches a framework in which:
Consumers are expected to lower demand, accept volatility, and endure hardship
Network and market failures are managed through behavioural intervention rather than physical adequacy
Costs are shifted from system planners to end users
Reliability is treated as a negotiable outcome rather than a core obligation
This is not reform. It is system retreat.

3. Electricity Is Not a Policy Construct
Electricity is governed by physics, not aspiration.
At grid scale:
Supply and demand must match in real time
Frequency must be maintained at 50 Hz
Voltage and system strength must be continuously controlled
Inertia must exist before a disturbance occurs

No amount of policy framing can alter these requirements.
A regulatory framework that assumes consumer behaviour can substitute for dispatchable, synchronous capacity is structurally flawed.

4. Stated Consumer Focus vs. Observable Outcomes
The AER states that:
“Consumers are at the heart of our work… ensuring a secure, reliable, and affordable energy future.”
However, observable outcomes experienced by consumers over the past decade include:
Escalating retail and network charges
Extreme wholesale price volatility
Record price spikes during low renewable output
Increased risk of involuntary load shedding
Growing reliance on emergency interventions and subsidies
The proposed Guideline does not reverse these trends.
It normalises them.

5. Network Alternatives as a Substitute for Proper Planning
Network alternative support payments are framed as delivering “lowest cost outcomes.” In reality, they:
Do not eliminate the need for transmission augmentation
Do not provide firm capacity or inertia
Do not resolve system strength deficits
Add further layers of cost and complexity
They function as workarounds for inadequately engineered systems, not solutions.
Paying consumers or third parties to compensate for structural weaknesses does not make the system efficient — it makes the failures more expensive.

6. Prudency and Efficiency Are Narrowly and Inadequately Defined
The Guideline’s assessment of “prudency and efficiency” is largely confined to:
Contract structures
Tender processes
Comparative project-level costs
It does not adequately assess whether the underlying service:
Improves whole-of-system reliability
Reduces total system cost over asset life
Avoids future corrective expenditure
Aligns with engineering first principles
A payment methodology can be “efficient” on paper while contributing to a globally inefficient system architecture.

7. RIT-T Reliance Is Not a Sufficient Safeguard

The Guideline relies heavily on RIT-T outcomes as evidence of consumer benefit. However:

RIT-T assessments are constrained by policy assumptions

Dispatchable alternatives are often excluded or undervalued

Inertia, system strength and resilience are poorly captured

Renewable dominance is treated as a given, not tested

A project can pass a RIT-T and still degrade reliability and increase long-term costs.

8. Consumer Hardship Is Being Treated as a System Input

The Guideline implicitly assumes that:

Demand can be routinely suppressed

Consumers can absorb interruptions and volatility

Energy poverty is an acceptable trade-off

This is incompatible with electricity's role as an essential service.

Consumers should not be paid to endure a system that fails to meet basic standards of adequacy.

9. Social Licence and Regional Impacts Are Ignored

The Guideline contains no meaningful consideration of:

Regional land acquisition and loss of productive farmland

Water use during drought and restriction periods

Environmental disturbance without consent

Community opposition and lack of social licence

Regional Australians are bearing disproportionate impacts while being asked to further "support the system."

This is extraction, not partnership.

10. Network Alternatives Risk Becoming Permanent Life Support

What is framed as a flexible mechanism risks becoming permanent system life support.

Network alternative payments:

Mask capacity shortfalls

Delay firm generation investment

Normalise scarcity pricing

Institutionalise fragility

This is not transition management.

It is managed decline.

11. Absence of Energy and National Security Considerations

Australia operates an islanded grid with no synchronous neighbours.

Yet the Guideline is silent on:

Energy security

Industrial reliability requirements
Long-duration firm supply
Sovereign capability
This omission is material and dangerous.

12. Conflict with the National Electricity Objective
The Guideline conflicts with all elements of the NEO:
Affordability: costs continue to rise
Reliability: increasing intervention is required
Security: inertia and system strength are being retrofitted
Long-term interests: structural fragility is increasing
A system that depends on consumers stepping aside when supply fails is not operating in their long-term interests.

13. Response to Consultation Questions

Question 1
Do stakeholders have any comments, suggestions, or improvements concerning the proposed Guideline?
Yes.
The Guideline should be withdrawn and rewritten to:
Explicitly subordinate network alternatives to firm, dispatchable capacity
Require whole-of-system engineering assessment, not just project-level efficiency
Include mandatory evaluation of inertia, system strength and reliability impacts
Prohibit consumer hardship being used as a substitute for capacity adequacy

Question 2
What, if any, additional matters might the proposed Guideline need to consider?
The Guideline must consider:
Engineering first principles
Whole-of-system costs over asset life
Distributional impacts on regional communities
Water, land and environmental trade-offs
Energy poverty and essential service obligations
National energy and economic security
Without these, the Guideline is incomplete and misaligned with the NEO.

14. Conclusion
Electricity is not a behavioural experiment.
It is an engineered system with immutable physical requirements.
A framework that:

Treats reliability as optional
Pays for workarounds instead of solutions
Expects consumers to absorb failure
cannot credibly claim to put consumers at the heart of regulation.
Grid stability is not optional.
Energy security is not negotiable.
And consumer welfare is not a variable to be traded away.