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New South Wales, Department of Climate Change, Energy, the Environment and Water

Submitted online at: energysecurity@environment.nsw.gov.au

To Whom It May Concern,

Energy Security Safeguard Policy reform consultation paper

Stanwell Corporation Limited (Stanwell) appreciates the opportunity to provide feedback to the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) *Energy Security Safeguard: Policy reform consultation paper* (the Consultation Paper).

Stanwell is Queensland's leading provider of electricity and energy solutions to the National Electricity Market (NEM), and large energy users along the eastern seaboard of Australia. With over 40 years of continuous operations, Stanwell maintains a reliable supply of power from two of the most efficient and reliable coal-fired power stations in Australia - the Tarong power stations near Kingaroy and Stanwell Power Station near Rockhampton.

Stanwell's experience in working with communities to build, operate and maintain reliable energy generation assets is being applied to the shift to renewable energy, as we work on a pipeline of renewable energy and storage projects throughout Queensland.

This submission contains the views of Stanwell only and should not be construed as indicative or representative of the views or policy of the Queensland Government.

Stanwell's feedback

Stanwell services large commercial and industrial customers in New South Wales (NSW) who will be directly impacted by proposed changes to both the Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS). Accordingly, this submission focuses on those issues of greatest significance to our retail customer cohort.

Question 2: What objectives should any Energy Savings Scheme (ESS) target change seek to achieve?

In the consultation paper the Department suggests reducing the ESC surplus to a level that stimulates increased scheme activity. [1] While Stanwell agrees that this may be the case, we would caution that any reduction should be done in a measured way that preserves market stability.

Further to this, while a reduction in surplus volumes may improve incentives for certificate creation, removing a large and scalable source of supply - such as the Commercial Lighting Energy Savings Formula (CLESF) -risks over-correcting the market. CLESF accounted for approximately 30 per cent of ESC creation in 2023, and its discontinuation may initially absorb surplus volumes but, over time, could materially constrain supply. This would likely reduce market liquidity and place sustained upward pressure on certificate prices.

Experience from the Victorian Energy Upgrades (VEU) scheme demonstrates that addressing surplus conditions by withdrawing established activities before replacement measures are sufficiently mature can

[1] NSW DCCEEW Energy Security Safeguard Policy Reform Consultation Paper, 17 December 2025, p.18

lead to price volatility and reduced market confidence. Such outcomes risk undermining sustained scheme activity, rather than supporting it. Stanwell therefore considers that any measures to reduce the ESC surplus should be staged and proportionate and aligned with the timely introduction and scaling of alternative certificate-creating activities to ensure market stability is preserved, creating activities to ensure market stability is preserved.

We believe that the proposed approach of decreasing contribution from one activity to spur contribution from other activities risks "picking winners" rather than addressing the core purpose of the scheme.

Question 3: Do you support the NSW Government's proposal to introduce ESC expiry in the ESS? If so, do you support the proposed 5-year timeframe?

Stanwell supports the proposal to introduce a five-year expiry for ESCs. The consultation paper notes the overall impact on market liquidity would be minimal, with less than 2 percent of the ESCs created between 2009 and 2024 being older than five years. While this currently represents an immaterial share of the market, over time this proportion could increase and distort perceptions of available certificate supply.[2]

Stanwell considers that, should the number of certificates expiring in any given period become material, it would be appropriate for DCCEEW to address this as part of an annual review process. An alternative approach could be the introduction of a mechanism to auction or sell expiring certificates, with proceeds reinvested into the scheme. The introduction of a conditional safeguard, based on the materiality of expiring certificates would help maintain market integrity and reduce the incentive for participants to hold large volumes of older certificates, which can contribute to market fragmentation.

Question 4: Do you support the NSW Government's proposal to review and set the Peak Demand Reduction Scheme's (PDRS) targets annually to 2030? If not, what would be a better approach?

Stanwell supports the proposal to review and set PDRS targets annually, noting that the Commonwealth Home Battery Scheme (CHBS) has effectively replaced the vast majority of certificate creations previously occurring under the NSW PDRS battery installation program, which was suspended in June 2025.[3] In our view, an annual review would represent a pragmatic and proportionate response to current market conditions. The option to set targets based on monitoring the activity of the CHBS annually allows the scheme to pivot quickly.

We see this as a strong commitment to act in the best interests of customers, particularly during a cost-of-living crisis. If the targets continue to remain low, DCCEEW can shift its focus and resources to ensure that the ESS continues to deliver high value outcomes for customers.

Question 5: What factors and additional evidence should the NSW Government consider in evaluating target options for the PDRS?

Further to our response to Question 4, DCCEEW should closely monitor the performance of CHBP, as well as any additional activities that are introduced to the PDRS, and their impact on liquidity in the market. The Consultation Paper shows that targets in the short term may not be achievable with CHBP operating until 2030.[4] We also encourage DCCEEW to closely engage with work being undertaken at a federal level to address peak demand issues, most notably, the National Electricity Market (NEM) review recommendations implementation.

Question 6: Do you support the NSW Government's proposal to maintain the PDRS primary focus on addressing summer peak demand while monitoring its contribution to other reliability risks?

Stanwell believes that the PDRS should maintain its current primary focus being addressing summer peak demand. Expanding or altering the scheme's focus in the current environment would introduce regulatory uncertainty and additional risk for participants, increasing administrative complexity and costs.

[2] NSW DCCEEW Energy Security Safeguard Policy Reform Consultation Paper, 17 December 2025, p.18
[3] Ibid. p.21
[4] Ibid. p.2

The annual review process proposed in the Consultation Paper will provide an appropriate mechanism for DCCEEW to monitor the CHBS and adjust targets, should changes in market conditions give rise to liquidity issues.

Question 17: Do you support the proposed 10,000MWh participation threshold for the ESS, including for Small Resource Aggregators (SRAs) operating virtual power plants (VPPs)? If not, please include evidence to support your answer.

Stanwell supports the proposed 10,000 MWh participation threshold, noting that in the 2023 compliance period, 99.93 percent of liable acquisitions were held by just 39 out of a total of 111 participants.[5] The administrative resources currently devoted to very small or non-liable participants could be more effectively deployed by DCCEEW, with resulting efficiencies passed through to market participants via reduced participation fees and certificate creation costs, which ultimately flow through to customers.

Conclusion:

Stanwell appreciates the opportunity to provide feedback on the Consultation Paper. In summary, Stanwell's feedback on the questions posed in the Consultation Paper are set out below:

- The biggest challenge is getting the balance between emissions reductions to meet the Scheme's objective, ensuring that price incentivises certificate creation, while also ensuring the financial impacts on customers and businesses do not outweigh the benefits of the program.
- Stanwell warns that discontinuing the CLESF could create future market risks, as removing a major source of ESC supply before replacement activities are sufficiently mature may reduce liquidity and drive higher certificate prices over time, despite a short-term surplus – similar to outcomes seen under the VEU scheme.
- Stanwell supports introducing a five-year expiry for ESCs, provided guardrails are put in place to manage any future material impacts on market liquidity if proposed ESC expiry becomes material.
- Annual review and target-setting for the PDRS is responsible and a pragmatic response to current market conditions, noting the impact of the Commonwealth Home Battery Scheme.
- The PDRS should retain its focus on summer peak demand noting anything outside of this increases regulatory uncertainty, complexity and compliance cost.
- A 10,000 MWh participation threshold is sensible, reducing administrative burden, improving scheme efficiency and help to lower costs that ultimately flow through to customers.

Stanwell welcomes the opportunity to further discuss the matters outlined in this submission. Please contact Brad Supple via email at Bradley.supple@stanwell.com

Yours sincerely

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[5] NSW DCCEEW Energy Security Safeguard Policy Reform Consultation Paper, 17 December 2025, p.7