

National Electricity Market wholesale market settings review

Submission of The Australian Workers' Union

September 2025

Introduction

The Australian Workers' Union (AWU) is one of Australia's largest and most diverse unions. We represent nearly 78,000 workers across the length of the country and the breadth of the economy. Our membership includes tens of thousands of workers who are highly exposed to the historic shifts underway in the National Electricity Market and the energy sector more broadly. In manufacturing and heavy industry, AWU members can be found at many of Australia's most energy-intensive facilities, and in those emerging industries whose products will help fuel the energy transition. In energy itself, AWU construction workers are crucial to the buildout of new generation, firming, transmission and other NEM infrastructure. Our membership extends across domestic gas production and supply networks. Further upstream, the metalliferous mining that is the genesis of many of these activities is also done by AWU workers. We are an energy union to our core.

The AWU therefore maintains a deep interest in supporting a just and effective energy transition, and in the unprecedented shifts underway within the NEM. We must achieve a concurrence of objectives in guiding the NEM through the transition: Reliability and affordability for all users; better outcomes for affected workers and communities; and consistency with Australia's Paris Agreement goals.

Of particular importance to our union is that the NEM continues to supply industrial facilities with very large, consistent loads at prices that allow them to remain competitive. Industry will only grow more reliant on the power sector as it pursues electrification of existing processes and green manufacturing opportunities. Indeed, AEMO's *Green Energy Exports* – the most *Future Made in Australia* (FMIA) and Paris-aligned model in its Integrated System Plan – suggests a near-doubling of capacity in the NEM by 2050, relative to its central scenario.¹

Though not aligned to *Green Energy Exports*, the Capacity Investment Scheme (CIS) has been important to driving orderly, coordinated investment in new generation and firming as industry requires. We are increasingly mindful of the relatively short period remaining before the CIS concludes.

A further AWU priority is ensuring that the large sums of public money underwriting the NEM's transition support positive outcomes for both the workers building the new network and the communities hosting it. This is not only a question of adherence to the basic principle that public funding should deliver maximum public good. It is also essential to retention of social licence for the transition. Here, too, the CIS has supported a shift toward better outcomes, albeit as a work in progress.

We recognise that these goals must be achieved while managing the overarching risks associated with a more weather-dependent network and 'hidden' assets such as rooftop solar. Plainly, the challenge for those that administer the NEM is unrivalled. But neither government nor any other stakeholder in the system can afford to shy away; Our members' working lives depend on getting it right.

To this end, the AWU welcomes the NEM wholesale market settings review, and its draft report, as both important and timely. There is much to commend in the report - particularly its focus on the CIS' successor and its design. However, shortcomings in relation to outcomes for workers, communities and some key AWU industries are evident. Most importantly, the final report requires a much greater focus on labour and community benefit conditions to attach to the CIS' successor. It should also account for the benefits of state ownership of electricity assets. These issues are the focus of our submission.

A transition at risk

The AWU understands that delivery of new assets into the NEM, where required and at the requisite pace and scale, compels government to address the so-called 'tenor gap'. This refers to the misalignment between developers' requirement for long-term, even decades-long offtake to support attainment of project finance, and the short to medium-term agreements preferred by purchasers to better manage risk. The draft report's authors sum it up best: *"Buyers want short-term contracts whereas sellers need long-term contracts."*² As the tenor gap presents a key obstacle to development of new generation, shaping and firming systems, the CIS' successor must address it regardless of its overall design.

The AWU welcomes aspects of that proposed successor, the 'Electricity Services Entry Mechanism' (ESEM), proposed in the draft report. The ESEM would maintain key investment coordination and 'reverse auction' aspects of the CIS, though it would leave short to medium-term offtake to the open market. To address the tenor gap, it would offer power purchase agreements to proponents, initially supplied to a Commonwealth entity, for the medium to long-term (e.g. 7 to 15 years after operations commence).³ The Commonwealth entity would 'warehouse' such agreements before gradually on-selling them via standardised contracts to industry, retailers and others. It would socialise both the returns and losses associated with this on-selling. The ESEM appears capable of driving the NEM's further transition in an effective, predictable and efficient manner - though its novel status and some uncertainties, such as the function of the short-term power purchase market, make it difficult to assess with absolute confidence.

The AWU also approves of the proposal to make the ESEM open to all proponents, including consumer energy resource aggregators and demand response providers. This will assist in extracting greater productivity from existing assets, as well as making more consumer resources 'visible' to the network.

But for all its apparent merits, the ESEM as proposed would be forced to shoulder responsibility for these outcomes on an Achilles heel. The draft report all but overlooks the importance of worker and community benefits to the NEM's transformation - and the central role of the ESEM, as the central means of delivering that transition, in facilitating such outcomes.

We emphasise that government is in no position to assume social licence for the next generation of NEM infrastructure from the communities that will host it. Indeed, the AWU commonly encounters skepticism on this front among its membership. Many workers in both civil construction and local supply chains that might sell to such projects do not believe the transition will deliver quality jobs to them or their colleagues. These views, in fairness, are not unfounded: Renewables construction is afflicted by rogue operators offering substandard wages and unacceptable conditions, while many projects have paid little to no regard to local suppliers. Moreover, the fact that wider community opposition to new energy developments is often rooted in misinformation and bad faith advocacy does not change the fact that it has had an impact on some.

Thus, beyond a generalised, system-wide dividend, the projects that make up the future NEM must directly support high labour standards in construction and operations, together with development and others benefits in the regions where they are situated. The best path to community buy-in is through community returns: Local people need confidence that the NEM means more and better jobs for them.

As the principal vehicle to coordinate and underwrite the emerging NEM, the ESEM must support achievement of these outcomes, not as a 'nice to have' but as a foremost priority. In this respect, the draft report simply misses the mark. In 239 pages produced over more than a year, the following is a near-exhaustive recitation of its treatment of conditionality: *"Non-financial considerations associated with new electricity generation projects are best addressed through complementary policy frameworks [to the ESEM]..."*⁴ Not only is this virtual dismissal clearly insufficient, it is difficult to characterise such hasty treatment of the issue as anything other than dismissive.

The draft report's position is also inconsistent with progress towards enshrining worker and community benefits in government-supported energy transition projects, including the scheme that the ESEM purports to replace. The 'social outcomes and community benefits sharing' merit criteria included in recent CIS tenders⁵ is a positive step towards positive worker and community outcomes. The AWU has also welcomed its engagements with government and industry around strengthening such criteria, and providing for effective enforcement thereof, in future CIS tenders.

Ongoing development of 'community benefit rules' attached to funding for low emissions manufacturing projects through FMIA⁶ reflects similar progress elsewhere in government's energy transition investment program.

Furthermore, any failure to prescribe labour and community benefit conditions via the ESEM runs the serious risk of creating a patchwork of such requirements imposed by State and Territory governments. Worse, government could facilitate a 'race to the bottom' among developers seeking to locate projects in jurisdictions with the loosest requirements.

A worker and community black hole at the heart of the energy transition will not suffice. Any failure to address these issues in the ESEM places the transition of the NEM (and thus Australia) under genuine threat. Government risks poor workforce outcomes and even undersupply of labour, with all its associated costs and delays, as workers chase better opportunities in other infrastructure projects and elsewhere. It should also expect ongoing, staunch opposition to new projects in host communities. This is no time to retreat from progress in this area realised through the CIS, FMIA and elsewhere. Quite the opposite: We must continue to move in the right direction.

Thankfully, despite shaping to close the door on meaningful conditionality, the following passage in the draft report leaves it ajar: *"Any non-financial criteria required by jurisdictions should be treated as preconditions for participating in the ESEM rather than as competitive criteria to be assessed by the administrator."*⁷ This reference to 'non-financial criteria' as ESEM preconditions offers a pathway to addressing the most pressing issue in the draft report. A shift to a precondition system – prescribing worker and community benefits as threshold requirements for attaining ESEM support, rather than using the CIS' competitive bidding process – carries potential benefits. Such a 'two gate' system may assist with achieving positive worker and community outcomes in a simpler, more efficient and consistent manner across all NEM projects.

Building on this foundation, Government should work with unions, other community stakeholders and industry to develop preconditions to attach to the standard ESEM contract. Such conditions should be robust, clear and enforceable. They could, for instance, require proponents to provide safe, secure, well-paid jobs on their projects, to employ trainees, learning workers and apprentices in sufficient volumes, and to engage local suppliers and residents. We note the potential to adapt

requirements developed by unions for use as CIS tender merit criteria and FMIA community benefit rules.⁸

The AWU is concerned by reports that stakeholder engagement and other work to design the ESEM standard contract has commenced without the involvement of either unions or other community representatives. As a step towards effective development of preconditions, this should be rectified as soon as possible.

Recommendation: The Commonwealth should prescribe robust, clear and enforceable preconditions - designed to benefit project workers, host communities and local supply chains – under the standard ESEM contract.

Recommendation: The Commonwealth should include unions and other community representatives in the ESEM contract development process.

NEM, industry policy must align

The draft report is less than definitive in exploring how government should determine the quantity of generation, shaping and firming required under the ESEM. To this end, it suggests using the National Electricity Objective and the underlying AEMC Targets Statement. But the authors prevaricate, declining to supply a definitive answer despite labelling it “*a key consideration*.”⁹

While we acknowledge that this remains an open question, the AWU notes that investment consistent with the National Electricity Objective appears highly unlikely to support clean manufacturing development of a scale and breadth envisaged by FMIA.¹⁰ FMIA-scale development would have profound implications for the NEM and the ESEM: It would necessitate investment in new generation and firming far beyond that implied by bare compliance with the National Electricity Objective.¹¹

The Commonwealth’s vision for the NEM’s evolution thus appears at risk of falling out of step with its parallel vision for industry. To square this circle, it must design the ESEM to be capable of responding to much increased demand to power clean manufacturing. To this end, the Integrated System Plan’s *Green Energy Exports* scenario may have a role to play in informing the ESEM.

Recommendation: The Commonwealth should design the ESEM to be capable of responding to much increased demand from the industry sector, per the Future Made in Australia scheme.

Offshore wind: Enduring capacity

The AWU retains an interest in seeing Australia develop a successful offshore wind industry. The high output and reliability of offshore wind makes it potentially suited to the needs of many industrial sites that require large and highly consistent loads. Facilities such as metals smelters that make up many of the AWU's largest sites are commonly identified among offshore technologies' key potential beneficiaries. Indeed, the capacity factor of potential offshore wind farms in areas zoned for that purpose rivals that of the existing fossil fuel generation fleet.¹² Offshore wind is in this respect unique - a so-called 'variable baseload' technology. We therefore welcome recognition in the draft report that *"offshore wind offers several benefits to the energy system, including higher capacity factors..."*¹³

Equally, we acknowledge that offshore wind inescapably represents a high-cost proposition at present. Offshore technologies' capital cost per kilowatt of output far exceeds that of both solar and onshore wind - though with a rapidly declining 'first of a kind premium' suggesting this premium could fall after the industry's establishment.¹⁴ Regardless of its potential benefits, it is unsurprising that industrial facilities exploring abatement of their scope 2 emissions have focused on onshore renewables.¹⁵

Despite cost barriers and other recent setbacks,¹⁶ the AWU retains the view that a failure to realise a local offshore wind industry would ultimately sell our members short. We therefore commend the draft report for leaving open the prospect of supporting the industry through the ESEM: *"The deployment of offshore wind...could be integrated within the ESEM...additional costs beyond what the market is prepared to pay for the service could be recovered from consumers via the same cost recovery mechanism established for the ESEM, but for the life of the entire project"*¹⁷ Given its unique benefits, government should take an active role in catalysing offshore wind, be it via the above method or more direct means such as state-led delivery of initial projects.

Recommendation: The Commonwealth should take an active, direct role in catalysing an Australian offshore wind industry, via the method proposed in the draft report or otherwise.

Government's unique role

The AWU's perspective on the draft report, 'hybrid' mechanisms such as the ESEM and CIS, and the NEM in general are informed by a strong preference for achieving results for our members in the here and now. Accordingly, our advocacy in this space is largely consistent with the NEM's treatment by government as, above all, a market. Our members cannot afford to hold out for any comprehensive, first-principles overhaul of the system.

Yet despite government's strong and enduring preference for marketisation, public ownership of electricity system assets has long supported positive outcomes for workers in the power sector, those at major off-takers, and host communities. In particular, government's unique financial and other resources, together with its accountability to the public rather than shareholders, positions it strongly to coordinate and deliver system transitions in a manner beneficial to those most affected.

The draft report pays regard to these benefits, albeit in a slightly lukewarm manner: *"Historically, significant investment in electricity infrastructure has rarely occurred without some form of government support."*¹⁸ But in a much more effusive embrace, the NEM's three largest states are all moving to increased public ownership of key energy assets.¹⁹ This allows them to exercise greater control over investment, system renewal and prices as the NEM's historic transition rolls on. This moves NSW, Victoria and Queensland closer to their one-time roles in delivering power - and to the Tasmanian government's longstanding dominance of the power system in the apple isle.²⁰

However, the draft report's recommendation that *'a framework be established to ensure the ESEM can consider market concentration when running tenders'* risks restricting governments from pursuing the full dividend of public ownership. This position appears to have the function of NEM as a market at front of mind. It is live to the obvious and legitimate risks to consumers of excess market power among private asset owners. Yet in seeking to limit such power, it fails to consider

the positive outcomes for workers and communities that an outsized role for government, with its unique drivers and capacities, can deliver. The NEM should not seek to restrain States and Territories from pursuing such outcomes where they have chosen or may choose to do so. It follows that the abovementioned recommendation should not apply to state-owned assets within the NEM.

Recommendation: Any framework or rules intended to restrict market concentration within the NEM should not apply to state-owned assets.

References

¹ AEMO (2024), '2024 Integrated System Plan for the National Electricity Market', pp. 43, 48. Available at: <https://www.aemo.com.au/-/media/files/major-publications/isp/2024/2024-integrated-system-plan-isp.pdf>

² Nelson, T. et al (2025), 'Our approach is not to throw out the market – but to reinforce its strengths', Renew Economy. Available at: <https://reneweconomy.com.au/our-approach-is-not-to-throw-out-the-market-but-to-reinforce-its-strengths/>

³ Draft report, p. 153

⁴ Draft report, p. 171

⁵ See for example, Department of Climate Change, Energy, the Environment and Water (2025), 'Capacity Investment Scheme Tender 6: Wholesale Electricity Market – Dispatchable Capacity: Tender Guidelines', pp. 23-25. Available at: <https://asl.org.au/tenders/-/media/73615E1CF595484786A49DBEFEF31C6E.ashx>

⁶ See for example, Australian Workers' Union (2025), 'Future Made in Australia Innovation Fund: Australian Renewable Energy Agency program design consultation', pp. 3-8. Available at: <https://storage.googleapis.com/assets.awu.net.au/2025/09/01150528/FMIA-Innovation-Fund-ARENA-consultation-AWU.pdf>

⁷ Draft report, p. 171

⁸ Australian Workers' Union (2025), 'Future Made in Australia Innovation Fund: Australian Renewable Energy Agency program design consultation', pp. 3-8. Available at: <https://storage.googleapis.com/assets.awu.net.au/2025/09/01150528/FMIA-Innovation-Fund-ARENA-consultation-AWU.pdf>

⁹ Draft report, p. 165

¹⁰ See for example, Treasury (2024), 'Future Made in Australia: National Interest Framework', pp. 9-11. Available at: <https://treasury.gov.au/sites/default/files/2024-05/p2024-526942-fmia-nif.pdf>

Minister for Climate Change and Energy (2022), 'Address to the Jobs and Skills Summit'. Available at: <https://minister.dcceew.gov.au/bowen/speeches/address-jobs-and-skills-summit>

¹¹ See for example, Australian Workers' Union (2024), 'Unlocking green metals opportunities for a Future Made in Australia', pp. 14-15. Available at: <https://storage.googleapis.com/assets.awu.net.au/2025/01/14095004/Green-metals-FMIA-consultation-AWU-submission72.pdf>

¹² Department of Climate Change, Energy, the Environment and Water (2024), 'Australia's offshore wind areas'. Available at: <https://www.dcceew.gov.au/energy/renewable/offshore-wind/areas>

Blue Economy Collaborative Research Centre (2021), 'Offshore wind energy in Australia', p. 5. Available at: https://blueeconomycrc.com.au/wp-content/uploads/2022/07/BECRC_OWE-in-Aus-Project-Exec-Summary_P.3.20.007_e190721.pdf;

Graham, P. et al (2025), *'GenCost 2024-25'*, CSIRO, p. 110. Available at: <https://share.google/KOGIC0W3r6hHPVBp3>

¹³ Draft report, p. 164

¹⁴ Graham, P. et al (2025), *'GenCost 2024-25'*, CSIRO, pp. 37, 86. Available at: <https://share.google/KOGIC0W3r6hHPVBp3>

¹⁵ See for example, Rio Tinto (2024), *'Rio Tinto signs Australia's biggest renewable power deal as it works to repower its Gladstone operations'*. Available at: <https://www.riotinto.com/en/news/releases/2024/rio-tinto-signs-australias-biggest-renewable-power-deal-as-it-works-to-repower-its-gladstone-operations>

¹⁶ ABC News (2025), *'Offshore wind company pulls out of \$10 billion Hunter project'*. Available at: <https://www.abc.net.au/news/2025-08-22/energy-giant-pulls-out-of-hunter-offshore-wind-farm/105684170>;

Australian Financial Review (2025), *'Renewables hit fresh speed bump as Victoria delays offshore wind plans'*. Available at: <https://www.afr.com/policy/energy-and-climate/renewables-hit-fresh-speed-bump-as-victoria-delays-offshore-wind-plans-20250916-p5mvdd>

¹⁷ Draft report, p. 164

¹⁸ Draft report, p. 11

¹⁹ See for example, Herbert Smith Freehills Kramer (2024), *'Queensland's new energy transition laws'*. Available at: <https://www.hsfkramer.com/notes/environmentaustralia/2024-04/queenslands-new-energy-transition-laws>;

SEC Victoria n.d., *'About'*. Available at: <https://www.secvictoria.com.au/about>;

EnergyCo NSW n.d., *'Our purpose'*. Available at: <https://www.energyco.nsw.gov.au/about-us/our-purpose>

²⁰ Tasmanian Economic Regulator (2025), *'Energy in Tasmania report 2023-24'*, p. 15. Available at: <https://www.economicregulator.tas.gov.au/Documents/25%20437%20Energy%20in%20Tasmania%202023-24.pdf>