

MINISTERIAL COUNCIL ON ENERGY

Communiqué

Melbourne, July 2008

Australian, State and Territory Government Energy Ministers met in Melbourne on 31 July 2008 for the 16th Meeting of the Ministerial Council on Energy (MCE). The meeting was chaired by the Hon. Martin Ferguson, Australian Government Minister for Resources and Energy. The Council comprises Australian, State and Territory Government Ministers with responsibility for national policy and governance of the Australian energy market.

Key outcomes were:

- agreement to continue cooperative work on energy security and energy market reform, as directed by the Council of Australian Governments, in considering key energy sector issues raised by the introduction of the Carbon Pollution Reduction Scheme, including investor confidence, retail price regulation and transitional assistance measures to coal-fired electricity generators, and practical issues such as regulatory and technological hurdles to implementation;
- selection of the Board of the new Australian Energy Market Operator (AEMO), which is planned to take responsibility for market operation in July 2009;
- agreement to finalise the Constitution and Members Agreement for a transitional AEMO company in the next few weeks;

Climate Change and the Australian Energy Market

Ministers welcomed the opportunity provided by the release of the Commonwealth's Carbon Pollution Reduction Scheme (CPRS) Green Paper to discuss the implementation of a climate change strategy that aims to reduce Australia's carbon pollution while building long-term economic prosperity in a lower carbon economy.

The CPRS will lead to a significant transformation of Australia's energy sector and a more diverse energy generation portfolio. This will enable the Australian economy to transition to a low emissions future.

Recognising that the interactions between the CPRS, Renewable Energy Target and energy markets are of fundamental importance to energy security, Ministers agreed to cooperate in the further consideration of investor confidence, price regulation and transitional assistance to coal-fired generators, as canvassed in the Green Paper. This work will be reported to COAG.

At its meeting on 13 June 2008, the MCE agreed to request the Australian Energy Market Commission (AEMC) to undertake a review of the energy market framework in the context of the introduction of the enhanced Renewable Energy Target and the CPRS. MCE has directed the AEMC to consider the Green Paper during preparation of this review.

COAG Energy Market Decisions

Australian Energy Market Operator

Ministers took further decisions today toward the establishment of the Australian Energy Market Operator (AEMO) on 1 July 2009.

Ministers reviewed and accepted the report provided by the independent Selection Panel setting out the proposed Board of AEMO; Ministers are pleased to announce the members of the Board (Attachment A).

Ministers noted that the Board will have the responsibility for appointing the Chief Executive Officer (CEO) of AEMO and that the CEO will also be a director of the company. The Board will also have responsibility for setting the terms and conditions of appointment for the CEO.

Ministers thanked the members of the Selection Panel for their expert contribution and timely advice.

In accordance with the implementation plan for the establishment of AEMO, Ministers are considering the transitional arrangements to allow the Board to actively facilitate a smooth transition to the establishment of AEMO. Funding costs of the transitional arrangement will be met through provision of funds from the Australian Government (as set out in the 2008-09 Budget documentation) which will be progressively repaid through market participant fees following the establishment of AEMO.

Ministers directed officials to finalise the Constitution and Members' Agreement for the AEMO transitional company at the earliest possible date for immediate signature by Ministers.

Gas Market Developments

Ministers noted that the gas market Bulletin Board developed by the Gas Market Leaders Group commenced operation on 1 July 2008 with commencement of the National Gas Law. Ministers also noted that Minister Ferguson officially launched the Bulletin Board at the Victorian Energy Networks Corporation breakfast on 25 July 2008, paying tribute to the work undertaken by the Gas Market Leaders Group in developing this initiative.

Commissioner at the Australian Energy Market Commission

Ministers noted that Ms Liza Carver has submitted her resignation from the office of Commissioner at the Australian Energy Market Commission (AEMC) with effect from 18 September 2008. Ministers took the opportunity to thank Commissioner Carver for her outstanding contribution to the establishment and development of the AEMC and to the Australian energy sector in general.

Ministers noted that a process has begun to select and appoint a Commissioner to replace Commissioner Carver. An Acting Commissioner may be appointed in the interim.

Ministers agreed that their next meeting will be in South Australia in December 2008.

Ends

CV Précis for the Non-Executive Directors of the Australian Energy Market Operator

The Ministerial Council on Energy has agreed to appoint to the following non-executive directors to the Australian Energy Market Operator Board. The terms of appointment are indicated in brackets against each name¹.

Dr Thomas (Tom) Parry AM – Chair (3 years)

Dr Parry is the current Chairman of the Sydney Water Corporation and First State Super Trustee Corporation. He is also a director of ASX Markets Supervision Pty Limited.

With over 30 years experience as an academic, business and public policy consultant and regulator, Dr Parry has extensive experience in regulating utility assets in water and energy sectors which extend to the United Kingdom and North America.

Dr Parry was the Foundation Executive Chairman of the Independent Pricing and Regulatory Tribunal of NSW (IPART) for 12 years to 2004 which also established the pricing regulator in New South Wales.

Mr Ian Fraser (1 year)

Mr Fraser currently holds six directorships, including the Chair of the Gas Market Company Limited and a number of listed companies. He is a qualified accountant (CPA) with significant operational experience in a number of Managing Director positions over 13 years and across a broad range of industries.

Mr Leslie (Les) Hosking (2 years)

Mr Hosking is the current CEO and Managing Director of NEMMCO and a former director of the company between 1997 and 2003. Having been in the Australian Futures industry for over 30 years, Mr Hosking became the CEO and Managing Director of the Sydney Futures Exchange Ltd between 1985 and 2000.

Professor the Hon Michael Lavarch (3 years)

Professor Lavarch is currently a non-executive director of NEMMCO and is the Chairman of Banking and Financial Services Ombudsman. In the past, he was also a director of ASX Supervisory Review Pty Limited and has significant experience in the private and public sectors. He is currently the Executive Dean in the Faculty of Law at the Queensland University of Technology.

¹ It should be noted that director's terms will commence when AEMO begins operations (anticipated to be 1 July 2009). In the initial appointment, directors' terms expire on a staggered basis with 3 directors to retire every year. That is, three directors will be appointed for one year, three directors for two years and three directors for three years. The Chair will be one of the directors appointed for a three year period. All directors will be eligible to have their appointment extended for a further three years after their initial appointment ceases.

Mr Greg Martin (2 years)

Mr Martin is currently a director of Energy Developments Limited and Challenger Listed Investments. Overall, Mr Martin has more than 25 years of experience working in the energy sector both in Australia and overseas, including as managing director and CEO of Australian Gas Light Company (AGL) for five years from 2001 to 2006.

Ms Patricia McKenzie (1 year)

Ms McKenzie is currently the chair of Information Exchange Committee (IEC)/Retail Market Executive Committee (RMEC) of NEMMCO. Until February 2008, Ms McKenzie was the CEO of the Gas Market Company for nearly seven years. She has a legal background and has worked in the Australian Gas Light Company (AGL) for over a decade in various senior roles.

Ms Karen Moses (3 years)

Ms Moses is currently a director of VENCORP, Contact Energy in New Zealand and various Origin Energy subsidiary boards. She is also the Chief Operating Officer of Origin Energy and has over 27 years experience in the energy industry.

Dr Michael Sargent AM (1 year)

Dr Sargent is a director of five organisations including NEMMCO and National ICT Australia. He has also operated his consultancy since 1999 which has a particular focus on the IT, energy, environment and utilities sectors. Dr Sargent has 45 years experience in the utility industry in Australia and internationally in a number of engineering and operational management roles.

Ms Kathryn (Kate) Spargo (2 years)

Ms Spargo is a director of a number of organisations including Pacific Hydro Pty Ltd, Transfield Services Infrastructure Ltd and Investec Bank (Australia) Ltd. She has a diverse professional background ranging from the practice management side of law to broader business and organisational consulting to non-executive directorships.