

MINISTERIAL COUNCIL ON ENERGY

Communiqué

Adelaide, December 2008

Australian, State and Territory Government Energy Ministers met in Adelaide on 12 December 2008 for the 17th Meeting of the Ministerial Council on Energy (MCE). The meeting was chaired by the Hon. Martin Ferguson MP, Australian Government Minister for Resources and Energy. The Council comprises Australian, State and Territory Government Ministers and has responsibility for national policy and governance of the Australian energy market.

Ministers noted that 13 December 2008, as the 10th anniversary of the National Energy Market, marks a significant milestone for the market itself and for the National Electricity Market Management Company (NEMMCo). Ministers reflected that ten years has seen important developments in the Australian energy market and look forward to the further progress anticipated over the next few years.

Key outcomes were:

- Ministers agreed to meet in early 2009 to discuss the implications for energy markets of the implementation of the Carbon Pollution Reduction Scheme (CPRS).
- Ministers also agreed that the Chair would write to the Standing Committee of Attorneys-General requesting that penalty regimes for unlawful disruption of energy facilities be reviewed noting the importance of energy security.
- Ministers agreed that officials release, for consultation, the legislative provisions to enable the commencement of the Australian Energy Market Operator in mid-2009.
- Ministers also recognised the significant progress achieved on the National Energy Customer Framework, but emphasised the need to undertake full consultation, especially with consumer groups, prior to finalising the policy position.
- Ministers agreed to the timeline for smart meters developed by the National Stakeholder Steering Committee and agreed to the development of a high level provision in the National Electricity Law to permit mandated roll-outs and pilots in relevant jurisdictions and to allow cost recovery.
- Ministers agreed to a number of important initiatives under the National Framework for Energy Efficiency including: a national hot water strategic framework; a heating ventilation and air conditioning high efficiency systems strategy; and endorsement of a Regulatory Impact Statement for commercial building chillers.
- Ministers noted the development of the Commonwealth's Energy White Paper and welcomed the opportunity to be involved in its development.
- Ministers welcomed the significant progress in developing legislative regimes for the storage of greenhouse gases.

Agency Reports

Ministers noted reports from the Australian Energy Market Commission (AEMC), Australian Energy Regulator (AER) and National Electricity Market Management Company (NEMMCo) on current market conditions and work programs. NEMMCo also provided a presentation on the latest drought report. Ministers also noted the progress report from Australian Energy Market Operator (Transitional) Ltd on preparation for the transfer of existing electricity and gas market

operation functions (except in Western Australia and the Northern Territory) to the Australian Energy Market Operator (AEMO).

Climate Change

Ministers discussed the implication of climate change policies for energy markets and noted progress on the AEMC review of energy market frameworks regarding introduction of the Carbon Pollution Reduction Scheme (CPRS) and Renewable Energy Target (RET). Noting the imminent release of the CPRS White Paper and the potential risks associated with its implementation, Ministers agreed to hold a special meeting early in the New Year to discuss these issues. Ministers agreed that it will be critical to ensure the ongoing reliability and security of energy supplies, and investor confidence is maintained in the transition to a lower emissions energy sector under the CPRS.

Noting the importance to the function of the CPRS of allowing carbon-cost pass-through in retail energy markets, Ministers agreed to propose to Council of Australian Governments (COAG) that it amend the Australian Energy Market Agreement (AEMA) to specify that, where retail prices were regulated, energy cost increases associated with the CPRS shall be passed through to end-use consumers.

COAG Energy Market Decisions

Australian Energy Market Operator

Ministers noted that the Australian Energy Market Operator (AEMO) is scheduled to commence by 1 July 2009. The first exposure draft of the proposed electricity provisions will be publicly released on Friday 19 December 2008. The release of the electricity provisions will also be accompanied by explanatory material that will cover both electricity and gas. Ministers also agreed that the gas provisions will be released by 19 January 2009 for a four week consultation period. This consultation period recognises that a number of provisions common to electricity and gas will be released with the electricity provisions and that substantial consultation had also occurred on the Statement of Proposed Approach.

Ministers also noted that AEMO (Transitional) Ltd is now established with an independent Board managing the process to ensure a smooth transition to the new market operator. The Board of AEMO (Transitional) will also be appointed as the inaugural Board of AEMO.

National Energy Customer Framework

Ministers noted that significant progress has been made in the development of a National Energy Customer Framework to transfer regulation of distribution (non-economic) and retail (non-price) functions (except in WA) to the Australian Energy Regulator (AER) and the Australian Energy Market Commission (AEMC).

Ministers also noted that the First Exposure Draft of the National Energy Customer Framework will be released early in 2009 following consideration by the MCE Standing Committee of Officials.

Ministers emphasised the need to undertake extensive consultation, particularly with consumer groups, before final policy positions are endorsed by Governments. Ministers also reaffirmed their commitment to undertake a second round of consultation and noted that depending on these processes, it may not be possible to introduce the Framework into the South Australian

Parliament during 2009. Ministers felt that this was a very important package for households and that it was important to undertake full consultation.

Smart Meters

Ministers agreed to the timeline of work proposed by the National Stakeholder Steering Committee (NSSC), noting that it will be further informed as work progresses. Ministers also agreed to an extension of time for the development of a home area network (HAN) standard, noting that the work on access to HANs will proceed in the same timeframes as other aspects of the national minimum functionality.

Ministers noted the parallel work by officials on associated regulatory arrangements, customer protection, and safety standards which, together with the work of the NSSC, will deliver the national framework for smart metering. Ministers also agreed to progress a high level provision in the National Electricity Law to allow for pilots and roll-outs to be mandated and for businesses to seek cost recovery.

Australian Energy Market Reform Program

Energy Technical and Safety Regulation

Ministers noted that the Energy Technical and Safety Leaders Group established following the MCE meeting on 13 June 2008 is in the process of developing a draft implementation plan for harmonisation of safety and technical regulation in the energy supply industry.

Ministers noted that the Leaders' Group draft implementation plan will be presented to Ministers at their meeting in early 2009 with a view to the Leaders' Group undertaking stakeholder consultation in 2009, noting the February 2009 release of the National Occupational Health and Safety (OHS) Review scoping paper. This will enable stakeholders to comment on the context and content of the draft implementation plan and its links to the National OHS Review.

The terms of reference for the Leaders Group are available from the MCE website www.mce.gov.au.

National Gas Access (WA) Bill 2008

Ministers were pleased to note that the *National Gas Access (WA) Bill 2008*, that applies the National Gas Law in Western Australia, was introduced into the Western Australian Parliament on 26 November 2008. The complementary legislation is expected to come into force in 2009 and represents the completion of a significant milestone in regulation of gas transmission and distribution pipelines by bringing them under a single national framework.

National Electricity Transmission Reliability Standards

Ministers noted that on 30 September 2008 the Australian Energy Market Commission (AEMC) provided to the MCE its final report on Transmission Reliability Standards for the National Electricity Market.

The report recommendations are currently under consideration by the MCE and a response is expected to be released in the first quarter of 2009.

The report is available on the AEMC website www.aemc.gov.au

Energy Efficiency

Ministers reaffirmed their support for energy efficiency measures as an important contributor to reducing economic costs and improving environmental performance, through the endorsement of three key initiatives under the second stage of the National Framework for Energy Efficiency. The initiatives were:

1) Heating, Ventilation and Air Conditioning (HVAC) High Efficiency Systems Strategy

Developed in conjunction with the Climate Control Industry Alliance, this initiative is intended to deliver and maintain long term improvements in the energy efficiency of HVAC systems through whole of life improvements encompassing design, manufacture, installation, operation and maintenance.

HVAC systems in Australia consume an estimated 9% of all electricity output and result in the production of more than 22 million tonnes of carbon dioxide (CO₂) per annum. This initiative offers the potential to reduce CO₂ emissions significantly and to provide energy cost savings to users of HVAC systems.

2) National Hot Water Strategic Framework

The framework provides for the reduction of greenhouse gas emissions associated with water heating, through the specification of minimum energy performance standards for water heaters and the phasing out of conventional electric resistance water heaters (except where the emissions intensity of the public electricity supply is low), together with a range of information and education measures.

This initiative will deliver lifetime cost savings to households at times of rising energy costs as well as significant CO₂ reductions.

The phase-out of conventional electric resistance water heaters is intended to cover all new homes and established homes in gas reticulated areas from 2010, and new flats and apartments in gas reticulated areas and established homes in gas non-reticulated areas from 2012.

Both the HVAC and the Hot Water initiatives will be subject to full stakeholder consultation and appropriate Regulatory Impact Statements.

3) Endorsement of Regulatory Impact Statement for Commercial Building Chillers

Ministers accepted the case for regulation and setting mandatory minimum energy performance requirements for chillers used in commercial buildings, as set out in the Decision Regulatory Impact Statement.

Both Australia and New Zealand stand to gain significant greenhouse gas abatement and economic benefits from this measure, over the period to 2020, with a benefit to cost ratio in excess of 6 to 1.

The new standards will come into place from 1 July 2009 with all jurisdictions setting the mandatory minimum energy performance requirements within their relevant regulations.

Critical Infrastructure Protection

Ministers also resolved that the Chair would write today to his counterpart at the Standing Committee of Attorneys-General (SCAG) emphasising the importance of protecting critical energy infrastructure against unlawful disruption. The Chair has requested that, as a matter of urgency, the SCAG undertake a formal review of penalties that should apply to unlawful disruption, and noting the importance of energy security to the Australian economy and way of life.

Energy White Paper

Ministers noted the development of a Commonwealth Energy White Paper and welcomed the opportunity to participate in its development. The Energy White Paper will provide a comprehensive, integrated framework of long term policies and actions to ensure cleaner, adequate, reliable and affordable energy through to 2030. The scope of the Energy White Paper will include: exploration and development of energy; energy conversion; energy transmission and distribution; energy consumption; investment and trade; energy related technologies and services; and capacity building and skills development. The Energy White Paper will be released at the end of 2009.

Carbon Capture and Storage Legislation

Ministers discussed progress in the introduction of a regulatory framework for the geological storage of carbon dioxide, noting that Commonwealth legislation governing the injection and storage of greenhouse gases in Commonwealth waters had received Royal Assent. Ministers noted that Victoria had passed its legislation governing the injection and storage of greenhouse gases onshore and that Queensland had also introduced its Bill.

Ends