

MINISTERIAL COUNCIL ON ENERGY

Progress Report against Forward Work Plan The Energy Market and Climate Change Policies

The Ministerial Council on Energy (MCE) released its *Forward Work Plan: The Energy Market and Climate Change Policies* (the Forward Work Plan) on 6 February 2009. The Forward Work Plan recognised that delivering the climate change objectives set through the expanded Renewable Energy Target and proposed Carbon Pollution Reduction Scheme will require open, national, integrated and well functioning energy markets that are able to respond to disruptions, structural change and future demand growth in an efficient and effective manner.

The MCE noted that, to achieve the twin objectives of transitioning to a low emissions economy while maintaining long-term energy security and economic prosperity, reforms to the existing energy market frameworks may be required. This document describes the measures taken by the MCE to identify and progress the necessary changes to market arrangements against the Forward Work Plan. (**Attachment A** provides a full summary).

The key achievements by the MCE under the Forward Work Plan include the following.

- The MCE has responded to the Australian Energy Market Commission's (AEMC) Final Report for its *Review of Energy Market Frameworks in light of Climate Change Policies*.
- Commencement of the Australian Energy Market Operator (AEMO).
- Commencement of the National Transmission Planner (NTP).
- Development of the Gas Statement of Opportunities (GSOO) and the National Transmission Statement (NTS), which were released on 17 December 2009.
- Commencement of the National Gas Market Bulletin Board (BB).
- Passage of National Gas Law amendments to establish the gas Short Term Trading Market (STTM).
- Completion of the National Electricity Market Management Company's (NEMMCO) *Review of Communication Flows and Arrangements around Reserve Trader*.
- Delivery of intermittent generation simulation tools.

Forward Work Plan: The Energy Market and Climate Change Policies

Category	Activity	Progress	Status
Reviews of Energy Markets	<i>Australian Energy Market Commission: Review of Energy Market Frameworks in light of Climate Change Policies</i>	The Final Report was released on 8 October 2009. The MCE released its response following its 4 December 2009 meeting.	Completed
	<i>Australian Energy Market Commission: Review of Demand Side Participation</i>	The Stage 2 Final Report was released on 7 December 2009. MCE is developing a response to stage 2 and working with the AEMC on the required scope of stage 3.	On schedule
	<i>Australian Energy Market Commission: Review of the Effectiveness of NEM Security and Reliability Arrangements in light of Extreme Weather Events</i>	First Interim report was released on 1 June 2009. The Second Interim Report was provided to the MCE on 18 December 2009 and the final report on 30 April 2010.	On schedule
	<i>National Electricity Market Management Company: Review of Communication Flows and Arrangements around Reserve Trader</i>	NEMMCO released its final report on 29 June 2009 and has implemented its recommendations.	Completed
Demand Side	<i>Smart meter framework</i>	National Electricity Law amendments supporting jurisdictional pilots and roll-outs were passed by the South Australian parliament in October 2009. AEMC has been asked to advise on economic regulatory matters by August 2010. An industry-led committee is developing supporting technical and operational frameworks.	On schedule

Renewable and low emissions technologies	<i>Fair treatment of small renewables – connection arrangements</i>	Connection arrangements for micro embedded generation (which includes solar photo-voltaics) are included in the draft of the National Energy Customer Framework (NECF) published for consultation on 27 November 2009.	On schedule
	<i>Fair treatment of small renewables – feed-in-tariffs</i>	The final NERA/AAR report on the implementation of the national principles for feed-in tariffs was received in October 2009 and provided to MCE for its consideration on 4 December 2009. The MCE has tasked officials with developing a policy position for consideration by Ministers at their next scheduled meeting around the middle of 2010.	On schedule
	<i>Improving Australian Wind Energy Forecasting System capability</i>	The Australian Wind Energy Forecasting System went live in October 2008. The AEMO is developing Australian-specific functionality and enhancements for implementation in 2010.	On schedule
	<i>Developing intermittent generation simulation tools</i>	Development of a wind generation simulation tool has been completed by CSIRO.	Completed
Retail Markets	<i>Retail pricing</i>	No reviews in 2009. The MCE agreed to new schedule of competition reviews on 10 July 2009 – Australian Capital Territory in 2010, New South Wales in 2011, Queensland in 2012 and Tasmania in 2013 if full retail contestability introduced in that jurisdiction by that time. Victoria removed price regulation 1 July 2009. South Australia responded to AEMC's finding of effective competition on 6 April 2009 stating that it would not remove price regulation	Deferred

	<i>Retailer of Last Resort scheme</i>	Final NERA/AAR report provided in January 2009. The scheme is a part of the Second Exposure Draft of the NECF which was released on 27 November 2009.	On schedule
Gas Market Development	<i>Gas Bulletin Board</i>	The National Gas Market Bulletin Board commenced operation in July 2008.	Completed
	<i>Gas Short Term Trading Market</i>	The STTM is on track to commence in Adelaide and Sydney hubs on 4 June 2010. The National Gas Law amendments were passed by the South Australian Parliament in October 2009. The National Gas Rules amendments have been approved by the MCE Standing Committee of Officials (SCO) and are currently being considered by the MCE. The Market Procedures and drafting Regulations are being prepared by the AEMO. The procedures are expected to be approved by the AEMO Board in the first quarter of 2010 and the Regulations will be submitted to MCE for approval in early 2010 and are expected to be made by the SA Governor in the first quarter of 2010.	On schedule
	<i>Gas Statement of Opportunities</i>	The AEMO released the inaugural Gas Statement of Opportunities on 17 December 2009.	On schedule
	<i>Gas Distribution Network Connections Framework</i>	The first draft of the Gas Connections Framework's (GCF) National Gas Rules amendments was released as part of the NECF second exposure draft in November 2009. Following stakeholder consultation in February 2010, the GCF is expected to be introduced to the South Australian Parliament as part of the NECF legislative package in the Spring Session of 2010.	On schedule

Governance	<i>Australian Energy Market Operator</i>	The AEMO was established on 1 July 2009, as scheduled.	Completed
	<i>National Transmission Planner</i>	The National Transmission Planner function was incorporated into the AEMO on 1 July 2009, the Transmission Network Statement was released on 17 December 2009, with the National Transmission Network Development Plan set to be released at the end of 2010.	Completed
	<i>Review of derogations and difference</i>	Waiting on outcome of NECF package.	Deferred
	<i>Western Australia and Northern Territory integration</i>	Under consideration as part of ongoing energy market reform process in the Northern Territory and Western Australia.	On schedule
Electricity Networks	<i>Electricity distribution network planning</i>	The AEMC released its Final Report on 28 September 2009. The MCE is currently developing its response following consideration of the Final Report at its 4 December 2009 meeting.	On schedule
	<i>Electricity distribution network connections framework</i>	Draft changes to the National Electricity Rules are included in the draft of the NECF published for consultation on 27 November 2009.	On schedule
	<i>Transmission reliability standards</i>	AEMC report was received, the MCE SCO's response is currently outstanding.	In progress
	<i>Separation of ownership of Generation and Transmission</i>	Energy Market Reform Working Group has directed the Network Policy Working Group to progress this work.	Deferred
Financial Markets	<i>Financial Markets Working Group</i>	MCE SCO's Financial Markets Working Group has developed issues papers on related matters that will form input into the AEMO Financial Readiness Review (refer activity below).	Completed
	<i>Australian Energy Market Operator Financial Readiness Review</i>	The Commonwealth is developing the final terms of reference for consideration by SCO.	On schedule

Stakeholder Engagement	<i>Business Consultation Forum</i>	Delayed until after agreement has been reached on the design of the CPRS.	Deferred
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