

# MINISTERIAL COUNCIL ON ENERGY

## Communiqué

**Darwin, 10 July 2009**

Australian, State and Territory Government Energy Ministers met in Darwin on 10 July 2009 for the 20th Meeting of the Ministerial Council on Energy (MCE). The meeting was chaired by the Hon Martin Ferguson AM 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.

Key outcomes were:

- Ministers noted the successful establishment of the Australian Energy Market Operator (AEMO) and commencement of its operations on 1 July 2009.
- Ministers noted that the Council of Australian Governments (COAG) at its 2 July 2009 meeting amended the Australian Energy Market Agreement for the pass-through to regulated retail tariffs of both carbon costs under the Carbon Pollution Reduction Scheme (CPRS) and costs associated with the expanded Renewable Energy Target (RET).
- Ministers approved the market design for the gas Short Term Trading Market (STTM) and thanked the Gas Market Leaders Group (GMLG) for its work to produce an industry-supported STTM design.
- Ministers noted progress by the Energy Technical and Safety Leaders Group in developing a Draft Energy Technical and Safety Harmonisation Enhancement Plan (Draft Plan), which is expected to be released by officials for stakeholder consultation in September.
- Ministers agreed to task the Leaders Group to examine mechanisms for deployment of common national competencies for line workers, to facilitate emergency assistance, before the 2009/10 summer.
- Ministers noted the Standing Committee of Attorneys-General's (SCAG) important and urgent review of the penalty regimes that currently apply for disruptions to critical energy infrastructure.
- Ministers agreed to a revised timing for the National Energy Customer Framework (NECF) and to the release by the MCE Standing Committee of Officials (SCO) of a Decision Regulation Impact Statement for the NECF. MCE will provide further advice following its next meeting on the expected timing of legislation to give effect to the NECF.
- Ministers noted that COAG at its 2 July 2009 meeting agreed a comprehensive 10-year strategy to accelerate energy efficiency that will build on the National Framework for Energy Efficiency.
- Ministers received briefings from the key market institutions on current market conditions and the progress of their work programs for the year.

### **Establishment of AEMO**

Ministers noted the establishment of the Australian Energy Market Operator (AEMO) and commencement of its operations on 1 July 2009. AEMO will be responsible for the operation of electricity and gas markets in Australia except Western Australia and the Northern Territory, assuming the functions of six existing market bodies. AEMO will also be responsible for a range of important new planning functions across the energy sector. The MCE noted that this was a major step in completing institutional reform of Australian energy markets, with AEMO now taking its place along side the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER).

Ministers noted the major achievement of successfully establishing AEMO in a little over two years, on time and according to the COAG schedule, was evidence of the significant level of cooperation between governments and stakeholders. Ministers noted the important role industry has played in helping to establish AEMO and the role it will continue to play through its membership alongside participating governments.

### **Agency Reports**

Ministers noted reports from Australian Energy Market Operator Limited (AEMO), the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER) on current market conditions and work programs. The AEMC also provided a presentation on the second interim report of the AEMC Review of energy market frameworks in light of climate change policies.

### **Market Reviews**

Ministers agreed to the Terms of Reference for a review of prudential and related financial arrangements in the National Electricity Market, to be undertaken by AEMO. Ministers expect this to be completed by the end of 2010.

Ministers directed the AEMC to continue its program of reviews of the effectiveness of retail competition in jurisdictions by considering the Australian Capital Territory in 2010, New South Wales in 2011, Queensland in 2012 and then Tasmania in 2013, if full retail contestability has been implemented in that jurisdiction at that time.

### **Climate Change**

Ministers noted that in response to recommendations of the MCE, COAG at its 2 July 2009 meeting formally amended the Australian Energy Market Agreement (AEMA) for the pass-through of carbon costs under the Carbon Pollution Reduction Scheme (CPRS) and the expanded Renewable Energy Target (RET) into retail prices, where those prices are regulated. Such pass-throughs are important for a robust and competitive retail energy market and to ensure the correct price signals reach end-use customers. The AEMC is also working with jurisdictional regulators to consider approaches to the practical implementation of the pass through of these costs.

Ministers also noted the AEMC's draft recommendation from its review of energy market frameworks that increased flexibility to adjust regulated tariffs should be introduced.

### **National Energy Customer Framework**

Ministers agreed to a revised timing for the NECF to allow for consultation on the Second Exposure Draft in late 2009 and introduction of the NECF legislative package to the South Australian Parliament in the 2010 Spring Session of Parliament.

Ministers noted requests from stakeholders for greater certainty around when the NECF will come into operation in jurisdictions. They agreed that each participating jurisdiction will begin work to develop individual implementation plans for Ministers to consider at their meeting at the end of the year.

Ministers agreed to the release by MCE SCO of a Decision Regulation Impact Statement for the NECF, to be published on the MCE website. This document provides a cost benefit analysis of the proposed legislative package.

## **COAG Tasking**

Ministers noted the request by COAG to provide it with additional information on expected changes in electricity prices and, noting the uncertainty associated with some aspects of that request, agreed on a mechanism to address this tasking.

Ministers also agreed on a proposed work program regarding feed-in-tariffs as requested by COAG. A consultant will be commissioned to undertake the work program, with the report to be finalised and presented to Ministers at their next meeting.

## **Gas Short Term Trading Market**

Ministers approved the final market design for the gas Short Term Trading Market (STTM). The STTM is one of the most significant gas market reform initiatives to date, with its development overseen by the industry-led Gas Market Leaders Group (GMLG). Ministers noted the STTM will introduce improved transparency, efficiency and competition across the sector by providing clearer price signals, incentives for efficient management of resources and enhanced market liquidity. The hub-based market will be administered by AEMO and initially operate in Sydney and Adelaide, with the intention that it will be expanded to other jurisdictions in the future. The enabling legislation for the STTM is expected to be introduced to the South Australian Parliament in September 2009, in preparation for a June 2010 market start. An extensive market trial program will be undertaken for the three months prior to market start.

Ministers expressed their appreciation to the GMLG and its independent Chair, Mr Ted Woodley, for their significant contributions to the STTM design and other gas reform initiatives over the past four years. The work of the GMLG provided an important forum for stakeholders to participate in the development of this important reform. It was also noted that the newly established AEMO has now assumed responsibility for the implementation of the STTM, and the GMLG will continue as a key reference and advisory panel to AEMO.

## **Energy Technical and Safety Regulation**

Ministers noted progress on the Energy Technical and Safety Leaders Group's Draft Energy Technical and Safety Harmonisation Enhancement Plan, and that it was expected that officials would release a draft of this plan in September, accompanied by a consultation Regulation Impact Statement.

To facilitate emergency response following extreme weather events, Ministers agreed to task the Leaders Group to work with the ElectroComms and Energy Utilities Industry Skills Council to examine mechanisms for deployment of a common set of national training competencies, and implement interim measures to deploy these nationally for line workers before the 2009/10 summer.

## **Smart Meters**

Ministers noted the pilots and trials status report prepared by the NSSC as an important first step to reduce the range of uncertainty about costs and benefits of smart meters, with a view to informing further roll-out decisions and the development of roll-out implementation plans to maximise benefits.

Ministers further noted that Queensland intends to provide a timetable for implementation of a smart meter pilot to MCE by the end of July 2009; and that Western Australia is actively considering the way forward for smart meters, and noted the continued engagement of Western Australia energy businesses with the NSSC, particularly on pilots and trials and functional requirements.

## **National Strategy for Energy Efficiency**

Ministers noted that at its 2 July 2009 meeting COAG agreed a comprehensive 10-year strategy to accelerate energy efficiency improvements for households and businesses across all sectors of the economy and signed the National Partnership Agreement on Energy Efficiency. The implementation of a new National Strategy on Energy Efficiency will broaden and accelerate the uptake of energy efficiency in the Australian economy, incorporating and building on the measures delivered and being developed through the National Framework for Energy Efficiency over the last five years.

## **Energy Security**

Ministers noted that a review by the Standing Committee of Attorneys-General (SCAG) of penalty regimes applying to disruptions to critical energy infrastructure was under way, in conjunction with the MCE's Energy Security Working Group. The Energy Infrastructure Assurance Advisory Group will be consulted as part of this process.

The MCE stressed the importance and urgency of this work in light of the continuing trend of incidents that threaten to disrupt energy supply. The Ministers noted that the Chair had recently written to the Chair of SCAG supporting the review and indicating that MCE Ministers would welcome SCAG's recommendations prior to the next MCE Meeting.