

## MINISTERIAL COUNCIL ON ENERGY

### Communiqué

Sydney, 13 June 2003

The Ministerial Council on Energy (MCE) held its fourth meeting in Sydney on Friday, 13 June 2003. The meeting was chaired by the Hon Joe Hockey MP, acting Commonwealth Minister for Industry, Tourism and Resources.

The Council is responsible for providing leadership in and coordination of energy policy development in Australia. Energy ministers from Commonwealth, State and Territory governments participated in the meeting. Energy ministers from New Zealand and Papua New Guinea have observer status on the Council but were unable to attend.

The major business confronting the Council was consideration of the strategy for future energy market reform in Australia. At its meeting on 29 November 2002, the MCE agreed to report on energy market reform to the Council of Australian Governments (CoAG) in late 2003, on the MCE priority tasks, the findings of the CoAG Energy Market Review, and on the policy development work undertaken by the National Electricity Market Ministers' Forum.

In its deliberations, the Council agreed that it would report to CoAG that further reform be undertaken to:

- Strengthen the quality, timeliness and national character of **governance** of the energy markets, to improve the climate for investment.
- Streamline and improve the quality of **economic regulation** across energy markets, to lower the cost and complexity of regulation facing investors, enhance regulatory certainty and lower barriers to competition.
- Improve the planning and development of **electricity transmission** networks, to create a stable framework for efficient investment in new (including distributed) generation and transmission capacity.
- Enhance the participation of **energy users** in the markets, including through demand side management and the further introduction of retail competition, to increase the value of energy services to households and business.
- Further increase the penetration of **natural gas**, to lower energy costs and improve energy services, particularly in regional Australia, and reduce greenhouse emissions.

It was agreed that the MCE report to CoAG state clear principles and directions for reform in each of the above areas and outline the key issues that need to be resolved in finalising the details of the reform program, and the processes and timelines by which this is proposed to occur. As a first step in this process, Ministers agreed to the attached model, subject to consideration by each jurisdiction, to progress at the next MCE meeting.

Other outcomes of the MCE meeting included:

### **Gas Access Regime**

Ministers welcomed the announcement that the Productivity Commission is to review the Gas Access Regime for natural gas pipelines. The Terms of Reference for this review were developed within the Council and the MCE will be responsible for developing a government response when the report is received mid next year. Ministers confirmed that they wish to give priority attention to the outcomes of this review, with a view to establishing an appropriate framework for future gas access regulation in Australia.

### **National Framework for Energy Efficiency**

MCE recognised the potential for cost effective improvements in energy efficiency across most sectors of the Australian economy. Work is underway on a strategy to continue the development of a national framework for energy efficiency. The strategy includes targeted consultation with stakeholders and recognised energy efficiency experts; examination of existing energy efficiency programs; and an economic analysis to identify the potential for improved energy efficiency in the economy.

### **National Appliance and Equipment Energy Efficiency Program**

The National Appliance and Equipment Energy Efficiency Program (NAEEEP) is an example of an existing energy efficiency program which has adopted a national approach to both regulatory and voluntary energy efficiency activities. Today the MCE released the report, *When You Can Measure It, You Know Something About It, Projected Impacts 2000-2020*. This report highlights the effectiveness of the program; NAEEEP saves the community about \$28 per tonne of greenhouse gases abated at a cost to governments of around 10 cents for each tonne of CO<sub>2</sub>. NAEEEP covers 12 products with as many as 25 further products being considered for regulation in the next two years.

### **Standby Power**

To complement the Council's National Standby Power Strategy, released in November 2002, Ministers agreed to investigate actions that may be considered in establishing a one watt standby purchasing policy for Australian governments.

### **ABARE eReports**

MCE agreed to the public release of the following ABARE eReports:

- *Australian Energy: National and State Projections to 2019-20*  
For more than 25 years ABARE (and its predecessor) has regularly published long term projections of Australian energy consumption and production. Growth in total Australian energy consumption is forecast to average 2.1 per cent a year over the 20 year period to 2019-20.
- *Trends in Australian Energy Intensity, 1973-74 to 2000-01*  
This is the fourth report in a series of ABARE publications on energy intensity trends in Australia. In 2000-01, Australia used 93 per cent more energy than it did 27 years earlier. Without reductions in energy intensity, it would have used 136 per cent more. Real energy intensity declined by six per cent over the study period reflecting changes in the mix of fuels used.

These reports were produced in collaboration with Commonwealth, State and Territory governments, however the contents reflect the views of ABARE and are not necessarily those of the Ministerial Council on Energy or individual state and territory governments.

**Security of Energy Sector**

Ministers noted developments in the protection of critical infrastructure and the establishment of the Energy Infrastructure Assurance Advisory Group. Owners and operators of energy installations are working with Commonwealth, State and Territory authorities to ensure their installations have the most appropriate level of security. Industry associations are also active in their participation in this Group.

Ministers also noted the preparations in progress for the implementation of the national liquid fuel emergency simulation due to take place on 18 June 2003. Commonwealth, State and Territory agencies will participate in the simulation which aims to test Australia's ability to implement emergency response measures under the liquid fuel emergency legislation.

The next meeting of the Ministerial Council on Energy is scheduled for end July 2003.

End

**Proposed Energy Reform Model**

1. *A body (Australian Energy Regulator) to regulate electricity transmission and wholesale (gas wholesale and transmission within 12 months).*
2.
  - A. *AER to be governed by commissioners one of whom will be an ACCC commissioner.*
  - B. *Other commissioners will be appointed by the NEM Ministers Forum or its successor.*
  - C. *Further cooperative arrangements between the AER and the ACCC to be worked out at officer level.*
3.
  - A. *The ACCC will retain Part IV powers over energy.*
  - B. *The AER will control other aspects of transmission and wholesale regulation including price and enforcement of market rules.*
4. *The AER is to be funded by an industry levy.*
5. *The Commonwealth to become a full member of the NEM Ministers Forum.*
6. *The NEM Ministers Forum to be replaced by the Ministerial Council on Energy within 12 months, with transitional arrangements for Western Australia and the Northern Territory to be worked out.*
7. *Tasmania to be allowed on the NEM Ministers Forum as a full member, subject to rules in expectation of Basslink connection (subject to further consultation).*
8. *A separate rule-making body (Australian energy market commission) reporting to the NEM Ministers Forum or its successor. Membership and role in market development to be further developed.*
9. *The development of a national regulatory framework for distribution and retailing will commence in 2004.*

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