

MINISTERIAL COUNCIL ON ENERGY

Communiqué

Perth, 11 December 2003

The Ministerial Council on Energy (MCE) held its sixth meeting in Perth on Thursday 11 December 2003. The meeting was chaired by the Hon Ian Macfarlane MP, the Australian Government Minister for Industry, Tourism and Resources. Energy Ministers from the State and Territory governments participated in the meeting.

The Council today finalised policy decisions for its major energy market reform program, comprehensively responding to the 2002 CoAG energy market review. Elements of the program were announced after the MCE's June and August meetings earlier this year, and a number of outstanding issues were resolved at this meeting. The final report will now be sent to CoAG for out-of-session endorsement, and implementation will commence in January 2004.

A copy of the final MCE report on energy market reform is attached. The reform package is summarised in Section 3 of the MCE report, and the implementation timeline is summarised in Section 5.

The two key issues agreed at the Perth meeting were the relationship between the Australian Energy Regulator (AER) and the Australian Competition and Consumer Commission (ACCC), and a package of reforms to electricity transmission regulation.

The AER will be a constituent part of the ACCC but will operate as a separate legal entity, performing all national energy market regulation functions. The Australian Energy Market Commission (AEMC), with responsibility for rule-making and market development, will be established as a separate statutory commission accountable to the MCE. This new framework will improve accountability, streamline decision-making and remove unnecessary duplication of regulatory processes. It is designed to provide an appropriate balance between development and implementation of energy market rules, industry regulation and general competition regulation.

The transmission package establishes a clear policy direction for this critical infrastructure, addressing the key issues identified in the MCE's August 2003 Communiqué. Transmission policy principles and reform directions have been agreed in national transmission planning, amendments to the regulatory test, regional boundaries, inter-regional financial trading, transmission availability incentives, transmission pricing, and regulation of new inter-connectors.

These new elements of the MCE reform program will both strengthen competition and encourage investment in Australia's energy market. The energy industry has estimated that investment of \$37 billion dollars will be required over the next decade to ensure that Australia's energy needs are met. Investment of this scale requires a clear policy framework, which has now been created.

With the key decisions taken at this meeting, the national energy market reform program will move to the implementation phase. Between now and 2006, the MCE will focus on the timely and effective implementation of reform initiatives on a number of fronts, including:

- finalisation of an inter-governmental agreement and enactment of cooperative legislation;
- establishment of the AER and the Australian Energy Market Commission;
- implementation of electricity transmission reforms;
- development of a national approach to energy access;
- establishment of an agreed national framework for distribution and retailing; and
- enhancing user participation in energy markets.

Further reforms in the gas market may be expected after the MCE responds to the current Productivity Commission review of the national gas access regime, due to report in mid 2004.

The implementation phase will include consultation and regular communication with energy suppliers, users and market institutions. Ministers affirmed that the views of all stakeholders will be critical in implementing the policy framework. A series of regular briefings will be implemented, and a website created for key documents and bulletins, to ensure open communication with the market.

End

Attachment: MCE Report to CoAG on Reform of Energy Markets, 11 December 2003.