

MINISTERIAL COUNCIL ON ENERGY

Communiqué

Canberra, 2 April 2004

The Ministerial Council on Energy (MCE) held its seventh meeting on Friday 2 April 2004, in Canberra. The meeting was chaired by the Hon Ian Macfarlane MP, Commonwealth Minister for Industry, Tourism and Resources. Energy Ministers from the State and Territory governments participated in the meeting. The Council welcomed the Hon. Sir Moi Avei, the Papua New Guinea Minister for Petroleum and Energy, who attended as an observer.

The Council reviewed progress in implementing its major energy market reform program, announced in December 2003. This program, to be implemented in the period 2004 to 2006, is designed to both strengthen competition and encourage investment in Australia's energy market. Substantial progress has been made in the first three months, including preparation of a draft intergovernmental agreement (IGA) that defines the new governance and legislative structure for the Australian energy market. The IGA will be submitted to the Council of Australian Governments out-of-session, noting that the Prime Minister and all Premiers and Chief Ministers have already endorsed the December MCE recommendations.

Ministers noted that public consultation has commenced on user participation in the energy market, a new streamlined energy code change process, cooperative arrangements between the ACCC and the two new bodies, the Australian Energy Regulator (AER) and the Australian Energy Market Commission (AEMC), the application of the industry levy, and the review of regional structures in the National Electricity Market. Further consultation in 2004 will address access arrangements, regulation of energy distribution and retail, transmission planning and code changes, and gas market development.

Ministers also noted the significant progress that has been made in the area of transmission reform, to promote investment, minimise costs and maximise reliability. The new national planning regime is underpinned by the Annual National Transmission Statement (ANTS) to improve consistency, transparency and economic efficiency, particularly for interconnector development. The inaugural ANTS is scheduled for release in July 2004.

Further details on the energy market reform program, including copies of the consultation papers, are available at www.mce.gov.au.

Ministers reaffirmed that they are committed to passing the necessary legislation to establish the AER and AEMC by 1 July 2004. Ministers agreed that the AER Head Office will be located in Melbourne, and the AEMC Head Office in Sydney. To facilitate transition, the code enforcement and market monitoring functions of the AER will be in Adelaide.

The Council also considered gas market issues, in the context of the recent supply interruption at the Moomba facility. Ministers agreed to expand the gas market element of the reform program, to accelerate development of a reliable, competitive and secure natural gas market. This project will address both short and long term gas infrastructure issues, and integrate consideration of the Productivity Commission Review of the National Gas Access Regime (due in June 2004), recommendations from the South Australia – New South Wales – Victoria – ACT Gas Infrastructure Taskforce (established after the Moomba incident), and the review of upstream gas issues by the Ministerial Council on Mineral and Petroleum Resources. Industry and users will be consulted in development of the MCE gas market policy framework.

Ministers noted that energy security was a critical economic and social issue, highlighted by recent events overseas and in Australia. The Council agreed to establish a new Energy Security Working Group of senior officials, who will have ongoing responsibility for managing the National Liquid Fuel Emergency Response Plan. The new group has also been tasked with developing emergency response protocols for the gas sector, including its interaction with electricity supplies, based on the Moomba experience. This project, due to be completed in December 2004, will also involve substantial industry and user consultation.

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