

MINISTERIAL COUNCIL ON ENERGY

Communiqué

December 2004

The Ministerial Council on Energy (MCE) considered a number of items out-of-session in December 2004, and released several papers (available on www.mce.gov.au).

Ministers noted the substantial progress that has been made in the first year of implementing the three-year energy market reform program announced in December 2003. The COAG *Australian Energy Market Agreement* was signed on 30 June 2004. Legislation has been passed to establish the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER), and exposure drafts of the new National Electricity Law and Rules to confer appropriate powers and functions on these two new bodies were released earlier this month. The MCE looks forward to the AER and AEMC becoming fully operational in the first quarter of 2005.

Ministers have confirmed the commitment to bring the gas sector under the new governance and institutional arrangements by 30 June 2005, as set out in the COAG *Australian Energy Market Agreement*. Legislation will be developed in early 2005 to confer on the AEMC the functions of the National Gas Pipelines Advisory Committee and the Code Registrar in respect of gas transmission and distribution networks. This would apply in all States and Territories. Similarly, the legislation will confer on the AER responsibility for economic regulation of gas transmission pipelines and for enforcing the National Gas Code in all jurisdictions, other than in Western Australia.

Ministers have released a MCE statement outlining Principles for Gas Market Development, taking account of recent consultation processes, and a MCE statement on Upstream Gas Issues endorsing the response of the Ministerial Council on Minerals and Petroleum Resources to recommendations in the COAG Energy Market Review. These two papers provide a clear direction for further development in the gas sector of the energy market.

A progress report and updated implementation milestones for the energy market reform program in 2005 has been released. Ministers noted the substantial input from market participants and customers to the many papers released during 2004, and thanked all parties

for their contributions. Priorities for 2005 include access policy, appeals and reviews, electricity transmission and further development of a national framework for the regulation of distribution and retailing.

Energy security was a major issue for the MCE during 2004. At the August 2004 meeting, Ministers requested NEMMCO to review the electricity blackouts in the NEM of 13 August 2004, and agreed to consider ways to improve equity and transparency in the emergency response process. The MCE has endorsed a set of principles to guide NEMMCO's review of the automatic under frequency load shedding scheme, and has released them for the information of NEM participants and customers.

Development of a gas emergency response protocol has also progressed. Ministers have agreed to a Memorandum of Understanding that provides a formal structure for consultation between jurisdictions during a gas emergency, and have released that document. The MCE will continue to work with gas market participants and customers during 2005 to develop a more detailed protocol defining the roles and responsibilities of governments, participants and customers.

In August 2004, the MCE announced a major advance nationally for energy efficiency, productivity and the environment, by agreeing to a comprehensive package of measures comprising Stage One of the National Framework for Energy Efficiency (NFEE). The eight integrated measures include mandatory energy efficiency opportunity assessments and energy disclosure by Australia's 250 largest businesses, increasing minimum design and energy performance measures for commercial buildings and houses, and improvements to the energy efficiency of major energy using appliances and equipment.

Ministers have now agreed on an implementation plan for these measures for the period 2005-07, which have the potential to save around 50 PJ of energy a year by 2015 and provide GDP benefits of up to \$400 million a year. These energy savings are equivalent to around twenty percent of annual residential energy consumption. An overview of the implementation plan is attached.

Governments will also consider possible further measures under the second stage of NFEE in the context of the current Productivity Commission inquiry into energy efficiency, due for completion in mid 2005.

One of the important components of the NFEE is the appliances and equipment package. As part of that package strategies to reduce the energy used by gas appliances and lighting products have been developed and agreed by MCE. These will now be publicly released and include priorities for mandatory and voluntary measures such as minimum energy performance standards and labelling. “Switch on Gas” has the potential to reduce the expenditure of Australian consumers on natural gas by up to \$115 million per annum. In “Greenlight Australia” a target of reducing the energy consumption of lighting by 20% has been set for 2015.

The following papers are now available on www.mce.gov.au

Energy Market Reform

- Energy Market Reform – Key Achievements 2004 and Implementation Milestones 2005
- Statement on Principles for Gas Market Development
- Statement on Upstream Gas Issues

Energy Security

- Statement on National Gas Emergency Response Protocol
- Statement on Review of Under Frequency Load Shedding Arrangements

Energy Efficiency

- Statement on National Framework for Energy Efficiency – Stage 1 Implementation Overview
- Switch on Gas – Australia’s strategy to improve the energy efficiency of gas appliances and equipment 2005-2015
- Greenlight Australia – A strategy for improving the efficiency of lighting in Australia 2005-2015.

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