

# MINISTERIAL COUNCIL ON ENERGY

Melbourne, 7 December 2001

## Communiqué

The inaugural meeting of the Ministerial Council on Energy (MCE) took place in Melbourne on Friday, 7 December 2001.

Commonwealth, State, and Territory Ministers participated in the meeting. Energy Ministers from New Zealand and Papua New Guinea were invited to participate as observers, but were unable to attend.

The MCE was established by the Council of Australian Governments (COAG) in June 2001 to enable Governments to provide effective policy leadership to meet the opportunities and challenges facing the energy sector and to oversee the continued development of national energy policy.

The Council's key objective is to produce policies which will maximise the provision of reliable energy services and drive an open and competitive energy market while delivering benefits within a sustainable development framework and meeting expectations of social responsibility and responsiveness to consumers.

COAG has asked the Council to undertake a number of priority tasks including: examining the future energy use scenarios for Australia, the potential for harmonising regulatory arrangements, opportunities for increasing interconnection and system security in electricity and gas, and ways of enhancing cooperative energy efficiency activities.

COAG also agreed that MCE oversee the process of the Independent Review of Energy Market Directions, which is designed to provide a firm information basis for future government decisions on energy market development and for the Council's future work.

### *Main Outcomes of the Meeting*

Ministers discussed a framework of operating arrangements for the Ministerial Council on Energy. Ministers also charged Senior Officials with developing proposals on the sub-groups essential for the conduct of the Council's business, including resolving the split of responsibilities between the Ministerial Council on Energy and the Ministerial Council on Minerals, and processes for stakeholder consultations.

Ministers agreed that the Independent Strategic Review of Energy Market Directions is central to continuing the process of energy market reform. Ministers noted the benefits of energy market improvements over the last decade to consumers and industry, but agreed that further improvements were required if energy supply was to remain secure, affordable and competitive. The review is aimed at assisting governments to focus on the areas of Australian energy market development that are likely to generate the most significant benefits. The Hon Warwick Parer will Chair the Expert Panel for the review and the appointment of the additional two Expert Panel members was discussed to enable the finalisation of the membership of the Expert Panel. The review process, which is to commence immediately, should take approximately 12 months to complete. Ministers agreed to ask the Review Panel to provide an Issues Paper as early as possible in 2002, as the first step in consultation with the community on the key matters that the Review will address and sought provision of a detailed budget for the conduct of the review.

Ministers agreed that Senior Officials would prepare proposals, including budgets and timetables to address the following priority policy issues as identified by COAG:

- The likely energy use scenarios facing Australia over the next decade and possible policy issues to be addressed;
- The existing and potential gas and electricity market regulatory structures and institutional mechanisms, including the extent to which they facilitate an efficient and competitive energy sector with adequate investment and benefits to users;
- The potential for harmonising regulatory arrangements, removing inconsistencies and integrating networks;
- Opportunities for and impediments to increasing interconnection and system security in gas and electricity; and
- Ways of accelerating the delivery of improved consumer choice, providing better information and enhancing cooperative energy efficiency activities and decision making for demand side participation.

Ministers agreed that Senior Officials should take account of a number of issues raised by the Gas Policy Forum and agreed Australia's gas resources should be developed in a manner consistent with Australia's national interests.

Ministers noted that some aspects of these responsibilities may appropriately be dealt with by the National Electricity Market Ministers' Forum.

Barriers to distributed generation in the National Electricity Market, including the impact of network pricing regimes on the competitiveness of distributed generators may have some impact on generators' abilities to meet the mandatory minimum renewable energy target. Therefore Ministers agreed to monitor and analyse the progress of distributed generation in facilitating the mandatory renewable energy target.

Ministers noted the proposals that the Gas Policy Forum, comprising representatives from all government jurisdictions, industry and consumer groups, report to the Ministerial Council, on matters relating to the priority tasks as agreed by COAG. Discussion on this agenda item will resume at the next meeting of the Ministerial Council to be held around the end of the first quarter of 2002.

State and Territory Ministers of the Council requested Minister Macfarlane to convey to the Commonwealth Government that the effective life of gas pipelines in the taxation depreciation schedule should be left at 20 years.

The Council's work program is attached.

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**WORK PROGRAM**

**Operating Arrangements for the Ministerial Council on Energy**

The Ministerial Council on Energy agreed:

1. That the Commonwealth Chair the Council, subject to review after two years.
2. That a Standing Committee of Senior Officials (SCO) be established and develop proposals on the sub-groups essential for the conduct of the Council's business; the split of responsibilities between the Ministerial Council on Energy and the Ministerial Council on Minerals; stakeholder consultations; and prepare a proposed Budget.
3. That Secretariat support to MCE be provided by the Commonwealth through the Department of Industry, Tourism and Resources.
4. That the Council meet as necessary but at least every six months, for the first two years, to progress the work program.
5. To furnish on an annual basis, a report to COAG on the key issues and, as appropriate, recommendations for action where whole of government authority is needed.
6. To develop working relationships with the Ministerial Council on Minerals and the National Electricity Market Ministers' Forum.
7. To develop proposals for stakeholder consultations.

**Strategy to address priority policy issues identified by COAG**

The Ministerial Council on Energy agreed:

1. That the Standing Committee of Senior Officials should develop key approaches, timetables and a work program for handling these priority tasks, for consideration by Ministers out-of-session.
2. That, following consideration by Ministers, report to COAG members on the proposed approaches and timetables agreed by Council for handling these priority tasks.

**Independent Review of Energy Market Directions**

The Ministerial Council on Energy agreed:

1. On the nominations for the two remaining positions of the Expert Panel.
2. That the Ministerial Council meet with the Expert Panel as soon as possible.
3. To ask the Review Panel to develop an Issues Paper for release in early 2002, as a first step in consultation with the community on the key matters that the Review will address.

4. That progress reports be provided by the Review Panel to the Ministerial Council for information.
5. That the Commonwealth prepare a detailed budget for the Review and provide the budget to the Ministers for approval.
6. That the Secretariat for the Expert Panel liaise regularly with the Standing Committee of Officials so that Ministers can be kept informed as issues emerge.

### **Monitoring Distributed Generation: Mandatory Renewable Energy Target (MRET)**

The Ministerial Council on Energy agreed:

1. To monitor and analyse the progress of distributed generation in facilitating the mandatory renewable energy target.
2. To include details relating to this decision as part of the report back on key approaches and handling timetables to members of COAG out-of-session.
3. To task Senior Officials to develop a process with time lines for monitoring and analysing relevant developments in respect of distributed generation and for reporting to the Ministerial Council on Energy.

### **Policy Issues for the Natural Gas Industry**

The Ministerial Council on Energy:

1. Noted, the proposal that the Gas Policy Forum be the principal consultative forum on gas; and the paper prepared by the Gas Policy Forum.
2. Agreed that Australia's gas resources should be developed in a manner consistent with Australia's national interests.
3. Agreed that discussion on this agenda topic be resumed at the next meeting of the Ministerial Council on Energy.