



Information Bulletin

21st Council of Australian Governments (COAG) Energy Council Meeting

19 December 2018

Energy Consumers Australia attends, as an observer, the meetings of the Council of Australian Governments Energy Council (Energy Council). The three market institutions – the Australian Energy Market Commission (AEMC), the Australian Energy Regulator (AER) and the Australian Energy Market Operator (AEMO) – also attend as observers.

This Information Bulletin draws on the communique issued by the Energy Council on 19 December 2018 and publicly available information about the matters discussed at the meeting. Extracts from the communique are provided in the text boxes below.

Ministers welcomed the new Tasmanian Minister for Resources, Building and Construction, the Hon Sarah Courtney MP and thanked the Hon. Ben Wyatt MLA for his contribution to the Council.

Ministers discussed the importance of bringing power prices and emissions down while planning for the future security and reliability of the grid.

1. Summer Readiness and future challenges

Ministers noted an update from Ms Audrey Zibelman on AEMO's Summer Preparedness activities. Ministers noted the importance of this work in ensuring security of supply in the National Electricity Market (NEM) this summer.

AEMO provided advice on priority work that needs to be undertaken to address ongoing security and reliability challenges. This included actions to: ensure enough dispatchable resources are available when needed; enable timely delivery of priority transmission projects; and continue to work towards integrating variable renewable energy and distributed energy resources in the NEM.

Ministers noted AEMO's update on the measures underway that deliver reliable, secure and more affordable energy and endorsed a program of work to maintain system reliability and security. Ministers asked the Energy Security Board to provide advice by 31 January 2019 on a more specific program of work to deliver these priorities, for out of session endorsement.

Ministers also agreed a work program for the ESB to develop advice on a long-term, framework to support reliability that could apply from the mid-2020s.

The best overview of AEMO's forecast and planning for summer is its Summer Readiness Plan that is published every November and available [here](#). The Plan provides a view of the climatic conditions, the forecast for peak demand, and resource availability, as well as the elements of AEMO's operational plan: sufficient available resources; continuing operational improvements; contingency planning; and collaboration and communication.

There are a range of other security and reliability initiatives in train – many of which can be traced back to the [Finkel](#) and [ACCC](#) reviews – that look beyond this summer, including:

- Retailer Reliability Obligation (RRO) – see ESB Project Page [here](#) and next item in this Information Bulletin.
- AEMO Integrated System Plan (ISP) – see work to action the ISP by AEMC as part of its Coordination of Generation and Transmission Investments process (project page [here](#)) and Energy Security Board (project page [here](#)).
- ESB consultations on ACCC recommendations 6 (reporting ‘over-the-counter’ trades in the wholesale market) and 7 (market-making obligations in South Australia) – see project page [here](#).
- Enhancement to the Reliability and Emergency Reserve Trader Rule Change – see AEMC project page [here](#).
- AER review of values of customer reliability (VCR) – see AER project page [here](#).
- Commonwealth Underwriting New Generation Investments Program – see Department of Environment and Energy project page [here](#).

The actions for the ESB to provide further advice on ongoing challenges and to develop a work program for a review of market structures beyond 2025 was foreshadowed in the [Communique](#) for the Energy Council’s meeting in October 2018.

2. Reliability

Ministers agreed to the final draft bill of National Electricity Law (NEL) amendments which will give effect to the Retailer Reliability Obligation, as presented by the Energy Security Board (ESB). The ESB will also progress a final package of Rules to be brought to Council for approval in the first half of 2019 to facilitate commencement of the Obligation by 1 July 2019.

The Retailer Reliability Obligation will incentivise investment in dispatchable generation to be available when and where it’s needed most in the NEM. It is a long-term solution that will give Australians confidence that generation will be available to meet their electricity needs. Ministers also agreed to allow South Australia to enact state specific settings.

Ministers thanked the ESB for their continued efforts on the policy.

Council discussed a proposal to integrate climate and energy policy and whether to task the ESB to draft an emissions obligation for introduction into the NEL for consideration by COAG Energy Council as soon as practicable. SA has proposed this request be considered out of session in February 2019.

The RRO has now been agreed by the Energy Council. The RRO is the reliability component of the National Energy Guarantee, and when triggered (i.e. there is a reliability gap) imposes a requirement on retailers to make sure they have sufficient contracts in place to cover their share of system peak demand.

Between now and the planned 1 July 2019 implementation date, the ESB will develop a package of rules that will sit under the legislation. The Draft Bill has already been consulted on agreed – see ESB project page [here](#).

After the October 2018 Energy Council meeting, the ESB [consulted](#) on three technical matters, which will inform the development of the rules:

1. Defining and communicating the material reliability gap
2. Recovering the costs of the Procurer of Last Resort mechanism
3. Firmness principles for qualifying contracts.

The South Australian Government has sought greater flexibility in relation to how the RRO is triggered.

The New South Wales Government yesterday made a [public statement](#) about its desire for an emissions policy to be embedded in the NEL. This now looks set to be discussed by the Energy Council in early 2019.

3. Transmission planning and coordination

Ministers discussed progress on the Integrated System Plan (ISP) and agreed on an approach, set out by the ESB, to deliver Group 1 projects as soon as possible including rule changes to streamline regulatory processes. Ministers also tasked ESB to consider how these reforms could be applied to other priority projects such as the SA to NSW interconnector. The ESB will report back to Council by end March 2019 for a decision as soon as possible.

Ministers noted that a rigorous cost benefit analysis will be an essential part of the process to ensure costs to consumers are minimised, and agreed that the ESB do more work on further measures to operationalise the ISP including regular updates and re-assessments of Group 2 and 3 projects.

AEMO published the first [ISP](#) in July 2018. The ISP, which can be traced back to Finkel Review recommendation 5.1, provides a new whole of system perspective of the transmission needs and priorities for the next 20 years. Transmission planning has historically been done at a network level, reducing opportunities for system-wide efficiencies.

The ISP identifies three categories of projects:

- Group 1 – Near-term construction to maximise economic use of existing resources
- Group 2 – Developments in the medium term to enhance trade between regions, provide access to storage, and support extensive development of Renewable Energy Zones (REZs)
- Group 3 – Longer-term developments to support REZs and system reliability and security

The AEMC and ESB have been looking at how, in simple terms, ISP priority projects can 'actioned'. Under the current framework, projects still need to pass through various commercial, regulatory and planning processes – including for example the Regulatory Investment Test for Transmission (RIT-T) overseen by the AER – to gain approval.

The AER recently published its decision on a revised RIT-T Guideline, but discussions continue about how to integrate this process with the ISP framework.

State governments have been exploring ways to accelerate approvals and project planning process, including by funding early scoping works and phasing construction plans. See for example, the [NSW Transmission Strategy](#) and the South Australian Government's [submission](#) to the RIT-T process for the SA-NSW interconnector project (Riverlink).

The NSW and SA government yesterday [published a MOU](#) on how to progress the SA-NSW Interconnector project.

4. ACCC's Retail Electricity Pricing Inquiry

Ministers discussed the importance of bringing power prices down to provide relief to households and small businesses. Ministers agreed to the adoption of a reference bill by 1 July 2019, as proposed in the ACCC's Retail Electricity Pricing Inquiry, in network regions that do not have a regulated standing offer price. The Australian Energy Regulator (AER) will jointly determine the price with the affected jurisdictions. Ministers noted that Victoria is introducing its own regulated price to be in place by 1 July 2019 and therefore Victoria has asked the Commonwealth to direct the AER to cease work in that jurisdiction.

This would help consumers get on a better deal by having a single reference bill against which they can compare other offers. Ministers agreed to commence work on preparing any necessary changes to support the design and enforcement of the measure, including potentially enacting the reference bill through Commonwealth law to ensure its implementation by 1 July 2019.

Ministers noted the states' and territories' position that Commonwealth legislation should not be used to set reference prices or otherwise regulate electricity pricing without the agreement of the relevant jurisdiction.

Ministers noted the ACCC's proposal to implement the Consumer Data Right in the NEM in the first half of 2020; noted the AER's approach in current regulatory determinations to increase the uptake of cost reflective pricing; and agreed to changes to the AER's information gathering powers and reforms to civil penalty regimes.

Ministers also noted progress on other ACCC recommendations including actions to increase transparency of over-the-counter trades, speed up customer switching and streamline price reporting.

The reference bill was recommended by the ACCC in its Retail Electricity Pricing Inquiry (recommendation 32) as a measure to improve the way retail offers are advertised and marketed – see chapter 13 of the final report [here](#). The reference bill is essentially a tool to help consumers compare different offers, providing a common reference point in a market where differences between the offers can make apples and apples comparisons very difficult.

The ACCC also recommended (rec 30) a default market offer, underpinned by a price set by the AER, to re-establish the safety-net the standing offer was intended to provide.

The AER has been working on these recommendations – see AER project page [here](#).

The Australian Energy Council is leading work on a voluntary reference bill – see media release [here](#).

The ACCC is managing the implementation of the Consumer Data Right (CDR), focusing first on banking and then energy. The ACCC CDR project page is [here](#).

Much of the earlier work on the CDR was managed by the Commonwealth Treasury. Extensive background information on the CDR (back to 2015) is available on Treasury's website [here](#).

The reference to 'over the counter trades' refers to ACCC recommendation 6 (referred to in this Information Bulletin under item 1). The ESB has consulted on this transparency initiative [here](#).

The reference to faster consumer switching refers to ACCC recommendation 9 – measures to speed up the transfer process, including by enabling consumers to use self-reads of their electricity meters.

The reference to streamlining price reporting refers to ACCC recommendation 40 – improving and consolidating various price reporting, strengthening the AER's information gathering powers, and extending reporting to Small and Medium Enterprises (SMEs). Note here the ACCC will now be undertaking ongoing price monitoring via a [terms of reference](#) from the Treasurer in August 2018.

5. Gas, hydrogen and appliances

Ministers agreed to develop a national hydrogen strategy for consideration by the end of 2019. Ministers agreed to regulatory impact statements on air conditioners and swimming pool pumps and to draft a regulatory impact statement for certain electrical appliances to be demand response enabled. Ministers also agreed to a Terms of Reference to commence a RIS process on gas pipeline regulation reform and to consult on ways to improve gas market transparency.

The Commonwealth Chief Scientist Dr Alan Finkel has been leading work to explore the potential for hydrogen for domestic use and to export. The Hydrogen Strategy Group's August 2018 briefing paper is available [here](#).

There have been a series of processes to increase standards for appliance covered by the Greenhouse and Energy Minimum Standards (GEMS) framework, including in relation to air conditioners and pool pumps. For further information on the consultations see the GEMS website [here](#). There is also a good explainer on the E3 Program [here](#).

The [Gas Market Reform Group](#), led by Dr Mike Vertigan, has been refining and implementing changes to increase the transparency and competitiveness of the gas market. This work followed major reports by the ACCC and AEMC between 2015-2016.

The further gas market transparency work was [instigated](#) by Prime Minister Turnbull in March 2017.