

Information Bulletin

16th COAG Energy Council Meeting

20 April 2017

Energy Consumers Australia attends, as an observer, the meetings of [the Council of Australian Governments \(COAG\) Energy Council](#) (the 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.

Ministers met to discuss their top priority – ensuring the security, reliability, affordability and sustainability of the electricity market whilst working towards a lower emissions future.

The new South Australian Minister for Energy and Mining, the Hon Dan van Holst Pellekaan, was welcomed by the Council. The Council also acknowledged the significant contribution of the previous South Australian Energy Minister Tom Koutsantonis.

Ministers acknowledged the significant and enduring contribution of Mr Terry Effeney, who sadly passed away in March 2018. Mr Effeney held many leadership positions in the electricity industry in Queensland and was highly regarded by the energy industry in Australia. Mr Effeney was also a panel member of the Finkel Review and was remembered for his willingness to share his time and expertise, his warmth and his strength of character.

Extracts from the communique are provided in text boxes, with accompanying commentary from Energy Consumers Australia against each item in the communique.

1. The National Energy Guarantee

Dr Kerry Schott AO, Chair of the Energy Security Board (ESB), presented the ESB's high level design proposal for the National Energy Guarantee (the Guarantee). The Commonwealth Government also presented its paper, including the emissions target and the treatment of emissions-intensive trade exposed industries.

The Energy Council noted the ESB's National Energy Guarantee High Level Design Document and the Australian Government's National Energy Guarantee – Update on Commonwealth Design Elements Paper. The Energy Council agreed the ESB progress development of the detailed design of the Guarantee for determination by the Council at its August 2018 meeting.

As part of this process, ESB will consult with jurisdictions on the specific details of the design. The meeting noted that the states have raised issues that will require further work ahead of the August meeting. Ministers agreed to convene again in a phone hook-up in June to discuss the progress of the detailed design. The development of the detailed design will also include opportunities for stakeholder feedback.

The ESB and Commonwealth papers are available on the COAG Energy Council website.

Following the meeting last Friday, we now have more clarity about how the National Energy Guarantee (Guarantee) will work, and how the process to develop it will proceed. The ESB is now working to finalise the design for ministers to consider in

August 2018, and has indicated that it will be consulting on aspects of the scheme between now and then.

Energy Consumers Australia issued a media statement on the outcomes of the meeting – *Consumers want energy policy settled with a focus on affordability* – which is available [here](#). This builds on our earlier comments – including at the public forum the ESB held on 26 February 2018 which are available [here](#).

We anticipate that the ESB will publish more details about how stakeholders can participate in the next phase of the process shortly. In the meantime, Energy Consumers Australia intends to hold a teleconference with consumer advocates on Tuesday 1 May 2018 at 2:00-4:00pm to share perspectives on the design and to identify priority matters for consumers. Please contact Oliver Derum by email if you would like to join the teleconference at oliver.derum@energyconsumersaustralia.com.au.

Much of the public debate around the meeting has focussed on the emissions target and the level of ambition, and how the Guarantee will interact with state and territory level renewable energy targets and schemes. These are matters which in one sense go to the calibration of the mechanism rather than the nuts and bolts of the Guarantee itself, and are dealt with in the separate paper from the Commonwealth that was also published on Friday available [here](#).

The high-level design paper outlines the key elements of the National Energy Guarantee, and addresses a number of the big questions posed by stakeholders to date. Notably, the ESB proposing to place the new emissions and reliability obligations on retailers, rather than on generators or alternatively, have the Australian Energy Market Operator (AEMO) manage it centrally.

Ensuring that a scheme built around a retailer obligation does not further erode competition in an already highly concentrated, and vertically integrated, electricity market appears to have been a real focus for the ESB.

Whereas there had been a suggestion that responsible businesses would need to either own or have contractual rights to dispatchable generation to meet their reliability obligations under the new scheme – which could advantage vertically integrated incumbents – the ESB has opted to recognise and build on the financial instruments (e.g. caps and swaps) that are already traded in the wholesale market. The ESB is also proposing to require that power that is currently traded on a confidential basis (either between parties or within the gentailers) is done through a central exchange/platform (e.g. ASX) to improve price transparency and deepen liquidity. AEMO will also provide a ‘book build’ service for (notionally smaller) retailers who cannot source enough dispatchable capacity on the open market.

At various points through the paper, the ESB identifies issues to be further explored in the next phase of the design process. This includes for example, how dispatchable generation will be defined and what financial contracts will qualify under the scheme (page 30). The ESB also appears to have responded to concerns expressed by stakeholders about placing the responsibilities for both forecasting any reliability ‘gap’, and triggering the mechanism, in the one entity, with AEMO to undertake the former, but the latter to be determined (page 34). One of particular interest for households and small businesses is how generation and storage ‘behind the meter’ will count towards the retailers’ obligations (page 27).

2. Transmission Planning and Interconnection

Ministers agreed the Energy Security Board would have responsibility for coordinating the work of the energy market bodies on planning and regulation of the transmission system and interconnection, and report to ministers at the August 2018 meeting about the progress of this coordinated work.

There is a good of the transmission and distribution planning process on the Australian Energy Market Commission (AEMC) website [here](#).

The Finkel Review made a number of recommendations related to the regulation and planning of transmission and interconnection work, including: that AEMO develop an ‘integrated grid plan’ (Rec. 5.1); that AEMO identify priority projects with a view to developing a series of ‘renewable energy zones’ rec. 5.2); and that the Energy Council review the effectiveness of the Regulatory Investment Test for Transmission and Distribution (rec. 5.5). See Chapter 5 of the Finkel Review Report, *Improved System Planning*, [here](#).

AEMO is currently developing what it is calling an ‘Integrated System Plan’ and recently published a consultation paper available [here](#). Energy Consumers Australia’s submission on the ISP consultation paper is available [here](#).

The Energy Council previously reviewed the RIT-T framework in 2016 – information about this review is available [here](#) and our submission can be accessed [here](#). The AEMC also made [changes](#) to the rules governing the RIT-T in July 2017 following a rule change request by the Australian Energy Regulator in June 2016. Energy Consumers Australia’s submission to this rule change process is available [here](#).

3. Equipment Energy Efficiency

Ministers agreed to further improve lighting energy efficiency regulation by phasing out inefficient halogen light bulbs and introducing minimum standards for LED light bulbs in line with European Union standards.

This decision follows work by the E3 Equipment Energy Efficiency unit in 2016-17. E3 is an initiative of the Australian and state and territory governments, as well as the New Zealand Government. Information about the E3 program is available [here](#).

Background information about these new standards, and the consultative process that informed them, is available on the E3 website [here](#).

4. Resources issues

Ministers discussed the Resources 2030 Taskforce, which has been established by the Commonwealth Government to inform the development of a Resources Statement. The Resources Statement will outline a long-term vision for a competitive and sustainable Australian resources sector to 2030 and beyond.

Information about the Resources 2030 Taskforce, including Minister Canavan's National Press Club speech on 20 March 2018, where he announced it, are available [here](#).

5. Media comments and coverage

Media releases issued by ministers post the EC meeting

- Minister Frydenberg's media statement: [Big step forward for the National Energy Guarantee](#)
- Minister Lily D'Ambrosio's media statement: [National Energy Guarantee Statement](#)
- Minister Rattenbury's media statement: [NEG negotiations yet to address key issues: ACT](#)

A number of other political parties and major interest groups also issues media statements, both before and after the meeting:

- Australian Industry Group: COAG progress on ending energy uncertainty
- Grattan Institute: [Energy ministers must beware the power of conflicts of interest](#)
- Australian Energy Council: [COAG progress on ending energy uncertainty](#)
- Energy Networks Australia: [States can't go it alone on energy](#)
- EUAA: [COAG Heading in the Right Direction on National Energy Guarantee](#)
- Manufacturers Council: [COAG Energy Council ministers give the go ahead to NEG](#)
- Joint Statement: [Keep working on the National Energy Guarantee](#)
Australian Council of Social Service, Australian Energy Council, Australian Industry Group, Business Council of Australia, Cement Industry Federation, Chemistry Australia, Clean Energy Council, Energy Efficiency Council, Energy

Networks Australia, Energy Users' Association of Australia, Investor Group on Climate Change, National Farmers' Federation, St Vincent de Paul Society