

Information Bulletin

9th COAG Energy Council Meeting

17 February 2017

Energy Consumers Australia attends, as an observer, the meetings of the Council of Australian Governments (COAG) 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 for the meeting. In recent years, the Energy Council has met face-to-face twice a year. However, in 2016, Ministers agreed to meet more regularly, including through video-conferencing, in light of the number of significant issues on which action is required.

The meeting on 17 February 2017 occurred against the backdrop of consumers experiencing outages over summer, following the state-wide loss of power in South Australia in September, and being called on to play their part in reducing pressure on the energy market. Social media played an important role in enabling consumers to understand what was happening, and how they could play their part.

At this meeting, Ministers received progress updates on three significant areas of work.

1. Security in the National Electricity Market

Energy security continues to be the Energy Council's most important priority, following the system black event in South Australia on 28 September 2016 and further outages over summer in South Australia, and the pressures on electricity supply particularly in New South Wales, Victoria and the ACT.

The Communique notes that Ministers:

- discussed the security, reliability and affordability of electricity with specific reference to load shedding in South Australia, NSW and the ACT between 8 and 11 February 2017;
- were briefed by the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) 'to explain their understanding of events, discuss next steps and aid ministers' understanding of risks and challenges in the National Electricity Market (NEM)'; and
- discussed specific market reforms for the energy transition being progressed through the Australian Energy Market Commission (AEMC) as rule changes relating to inertia, emergency frequency management and system strength.

The Australian Energy Market Operator (AEMO) reviews and reports on incidents of significance to the operation of the power system, including ‘system black’ events, system events that affect supply or price, high or low frequency events, and whenever load shedding is required to maintain system security. AEMO also issues market notices to inform energy market participants of changes affecting the energy system, and media statements of when these changes might impact consumers. The AEMO incident reports and media releases associated with recent events in SA and NSW are available from the AEMO website ([here](#)).

The Hon. Josh Frydenberg MP, Minister for the Environment and Energy and Ms Chloe Munroe, CEO and Chair of the Clean Energy Regulator and Finkel Review Panel Member, both spoke about the system security issues at the Energy Consumers Australia *Foresighting Forum* on 20-21 February 2017. Video of their remarks is available on our website [here](#).

“Ministers also heard from Dr Alan Finkel AO, Chair of the Independent Review into the Future Security of the National Electricity Market, regarding options to fast-track ‘proof-of-concept’ projects designed to increase security and reliability in Australia’s physical electricity system as the generation mix continues to change into the future”.

2. Gas Market Reforms

Progress was discussed on the implementation of the Gas Market Reform package previously agreed by the Energy Council and being led by Dr Michael Vertigan and the Gas Market Reform Group ([here](#)). Specifically, Ministers agreed to make the law changes to the National Gas Law required to implement the proposed commercial arbitration framework and information disclosure requirements. This work continues with a view to implementing this reform package by 1 May 2017 in line with ministers’ decision at the December 2016 Energy Council meeting.

3. Limited Merits Review

Energy Council discussed progress on the implementation of significant reforms to the Limited Merits Review regime, agreed in principle at the previous meeting.

1. Tighten and clarify the grounds for review
2. Higher financial thresholds for leave which apply to individual grounds for review
3. reviews to be conducted on the papers, rather than through expensive and adversarial oral hearings
4. Reviews to be conducted within a strict timeframe
5. A strengthened requirement for review appellants to demonstrate that overturning the regulator’s decision would not be to the serious detriment of the long-term interests of consumers
6. More flexible arrangements for consumer participation in reviews
7. Introduction of a binding rate-of-return guideline, with relevant elements of the regulator’s decision not subject to merits review
8. Remove opportunities for gaming by limiting the timeframes in which material can be submitted to the regulator
9. Costs of reviews, including those of the AER, to be borne by network businesses

A working group of officials is in the process of developing detailed amendments for Ministers' consideration and approval in the first quarter of 2017. Ministers have also agreed that a further review of the regime be undertaken by officials two years following implementation of these amendments.

Energy Consumers Australia is working with stakeholders and officials to operationalise this nine-point reform package. If you would like to discuss this work in more detail, please do not hesitate to contact Oliver Derum, Associate Director of Advocacy and Communications via email on oliver.derum@energyconsumersaustralia.com.au.

4. Other matters – Energy Market Governance

Ministers agreed to the reappointment of Jim Cox to the Board of the Australian Energy regulator for three years, noting his exemplary service, extensive knowledge and experience. Progress on the appointment of upcoming vacancies on the Board of AEMO was noted.

The COAG Energy Council appoints the Commissioners of the AEMC, as well as the Board members of AEMO, the AER, and Energy Consumers Australia. There are different procedures for council appointments to each of these bodies.

The COAG Energy Council Appointments Selection Panel provides recommendations to the Council on these appointments. The Selection Panel consists of at least five members, two nominated by AEMO's members (comprising 60% government and 40% industry) and three appointed by the Council, including an independent chair. The members have generally had senior experience in business, industry and government, including in the energy industry.

The AEMC currently has three commissioners. One is recommended for appointment by the Australian Government, the other two by the States and Territories. As the AEMC is established under South Australian law, the South Australian Governor formally appoints the commissioners to their positions.

Similarly, the AER Board has three full-time members, including the Chair; one (who is also an ACCC commissioner) is appointed by the Australian Government, and two are appointed by the states and territories.

AEMO's Board comprises nine skills-based non-executive directors and the Managing Director/Chief Executive Officer. The COAG Energy Council Selection Panel recommends Directors who then are endorsed by AEMO's members before appointment to the AEMO Board by COAG Energy Council. More information on AEMO's processes can be found [here](#).