

COAG Energy Council

Response to the Review of Governance Arrangements for the Australian Energy Markets – Executive Summary

4 December 2015

THE COUNCIL OF AUSTRALIAN GOVERNMENTS (COAG) ENERGY COUNCIL (COUNCIL) WELCOMES THE FINAL REPORT OF THE REVIEW OF GOVERNANCE ARRANGEMENTS FOR AUSTRALIAN ENERGY MARKETS. THE COUNCIL IS PLEASED THAT THIS IMPORTANT PIECE OF WORK HAS BEEN COMPLETED AND HAS ALREADY BEGUN TO RESPOND TO THE REVIEW'S RECOMMENDATIONS.

The Review has come at a particularly relevant time, as the energy landscape is undergoing unprecedented change and policymakers confront a very different set of challenges relative to those which existed when the energy market institutions were established. Energy demand has structurally changed, and new technologies are transforming the energy sector. These seismic shifts are testing the foundations of Australia's energy markets.

The Council therefore welcomes the Review's observation that the division of functions established by the current governance arrangements remains appropriate for serving the needs of the Australian Energy Market Agreement and the national energy objectives.

Notwithstanding, the Review identified a number of improvements and the Council values the clear recommendations to improve the transparency, timeliness, resources and clarity of functions and purpose both for the Council itself and the other energy market institutions.

The Council agrees with most of the Review's recommendations and acknowledges the observation that Council needs to improve its own performance by clearly articulating the vision and exhibiting the leadership expected by stakeholders.

The Council has already moved to address some of the Review's concerns. As outlined in the Communique from the July 2015 meeting, the Council commenced a work stream on 'Better Governance and Stakeholder Engagement'. This progressed work on improving the efficiency, visibility, and transparency of functions, and increased opportunities for stakeholder engagement, and included work to:

- reform the way the Council and Senior Committee of Officials (SCO) work and to better prioritise work, including an increased role for SCO for shaping, refining and monitoring progress on the Council's policy agenda;
- improve reporting documents, websites, communiqués and external facing communication documents;
- better utilise stakeholder engagement with the COAG Energy Council and SCO.

In terms of recommendations not directly related to the Council, it generally agrees with other recommendations to fine-tune energy market arrangements such as:

- improving the timeliness and transparency of Australian Energy Market Commission (AEMC) rule changes and reviews;
- promoting a more responsive, flexible and autonomous organisational culture of the AER by separating it from the Australian Competition and Consumer Commission (ACCC). The Review provides an opportunity for the Council to consider the AER's structure. Consequently, Council has tasked officials with providing advice on options for structural change, analysis on the costs and funding models to resource the AER, including the possible impacts of any change. In particular, Council requires a greater evidence base for the assertion that a differently constituted AER could do more with less, and that there are not alternative models to make more immediate improvement to the AER's performance;
- clarifying the Australian Energy Market Operator's (AEMO) role and examining options for

contestability of its non-market operator roles; and

- changing the management of energy market institutions, appointment processes and their funding arrangements with a view to improve their organisational capability.

The Council is committed to implementing the recommendations from the Review in order to improve the resilience of the governance framework for Australia's energy markets in these challenging times. Some recommendations around streamlining Council processes have already commenced and the Council will continue to make a better functioning Council a priority.

Other recommendations require further consideration and require collaboration between the Council and the energy institutions. Council looks forward to working with the market institutions to implement the Review's recommendations to better equip all the market bodies to meet the ongoing challenges of the future energy market.