

COAG Energy Council

Meeting Communique

Friday 14 July 2017

ENERGY MINISTERS MET TODAY IN BRISBANE FOR THE TWELFTH COAG ENERGY COUNCIL MEETING

Energy Ministers today agreed a series of actions in response to the Final Report of the Independent Review into the Future Security of the National Electricity Market. Ministers reaffirmed their priority for secure, reliable and affordable energy for all Australians while reducing emissions.

The Australian Energy Market Operator presented its latest forecasts for supply and demand across the upcoming months, and the actions it has underway to ensure the secure and reliable delivery of electricity to meet peak demand during next summer.

Ministers discussed the Commonwealth's Australian Domestic Gas Supply Mechanism, which gives the Commonwealth power to impose export controls on companies when there is a domestic gas shortfall, seeking to ensure gas supply for Australian households and businesses.

Mr Rod Sims, Chair of the Australian Competition and Consumer Commission, presented ministers with an update on progress of the Electricity Supply and Prices and the Gas Market Transparency Measures Inquiries, both of which are designed to shine a light on the behaviour of energy suppliers and ensure that energy pricing is fair and transparent.

Response to the Independent Review into the Future Security of the NEM

Following the delivery of the Finkel Review to COAG Leaders on 9 June 2017, Energy Ministers have agreed on a timeline to implement 49 of the 50 recommendations, noting Victoria's policies with respect to onshore gas exploration and development. Ministers also noted the significance of the Clean Energy Target recommendation.

Actions taken today by the Energy Council will deliver the key outcomes of increased security, future reliability, rewarding consumers and lower emissions through an orderly transition, system planning and stronger governance.

Preparedness for the upcoming summer

AEMO has put in place a comprehensive set of actions to ensure the system is ready for the coming summer, and is taking further precautions by already acting on the first recommendation of the Finkel Review by contracting an independent audit of its plan to manage the NEM through this period. AEMO is working closely with generators to move planned outages to non-peak demand periods, Transmission Network Service Providers (TNSPs) to reschedule maintenance outages and securing additional resources to meet demand on the hottest days.

Establishment of the Energy Security Board

Ministers agreed to establish an Energy Security Board (ESB), a new body comprising an independent Chair, Deputy Chair and the heads of the AEMC, AEMO and the AER. The ESB will provide whole-of-system oversight for energy security and reliability of the NEM and be integral to improving long-term planning. It will report to the Energy Council on a regular basis, including an annual 'Health of the NEM' report, in addition to advising the Energy Council on strategic priorities.

Ministers agreed to further strengthen the role of the ESB, so that where Council is unanimous in its support for ESB recommendations, they are implemented. The role of the ESB will be reviewed after an initial three-year period.

Energy Security Obligations

The introduction of energy security requirements for TNSPs and generators, and updated standards to ensure generators are sufficiently resilient, will make the system better able to withstand disruptions like generator outages or interconnector failures.

The AEMC will ensure that transmission companies have a minimum level of inertia to ensure the system is better equipped to manage rapid electrical changes in the system. New generators will have

to provide fast frequency response, which will correct electrical changes in the system and is a step towards the establishment of a market for these types of services.

A rolling review process will update obligations and standards over time to ensure that they remain fit-for-purpose and relevant to changing technologies. AEMO will submit a rule change request to the AEMC in July 2017 regarding connection standards.

Generator Reliability Obligation

New obligations on generators will bring more dispatchable capacity to the market and minimise the system reliability challenges flowing from an increasing share of intermittent renewable energy generation. Requiring generators to guarantee a level of dispatchable capacity before they enter the market will help ensure enough generation capacity is available to meet demand.

Following the outcome of the AEMC's Reliability Panel *Review of the Reliability Standard and Settings*, and advice from AEMO on optimal levels of dispatchable capacity, the Energy Council will submit a rule change request to the AEMC to implement the Generator Reliability Obligation.

Putting downward pressure on prices

Noting progress on the ACCC reviews, the Energy Council agreed to:

- provide greater transparency on the price and availability of long-term electricity retail contracts for large consumers who are particularly sensitive to reliability and affordability issues
- give consumers greater real-time control over their energy consumption data to enable them to negotiate better deals from energy service providers through new rules for competitive metering under the National Energy Productivity Plan
- provide governments greater visibility of retail electricity prices, retail margins and factors affecting prices to ensure they have appropriate policies in place to put downward pressure on prices
- improve reliability and lower prices in the NEM through effective demand response
 - o AEMO and ARENA have announced plans for a three-year program trialling a new voluntary demand response initiative in South Australia, Victoria and New South Wales, paying consumers who opt-in to temporarily reduce their demand to help avoid load shedding.
 - o The Energy Council will direct the AEMC to recommend a mechanism that facilitates demand response in the wholesale energy market, and ensure any rule change is in place by the summer of 2018-19.

The Energy Council noted that the Commonwealth will abolish the Limited Merits Review and also agreed to ensure greater certainty by requiring the AER, in consultation with stakeholders, to develop a binding rate of return guideline.

Clean Energy Target

Ministers noted that the Commonwealth is carefully considering a Clean Energy Target as recommended by the Finkel Review. As Council did not support tasking the AEMC to develop design options for implementation of a Clean Energy Target, the Council noted that Queensland, Victoria, South Australia and the Australian Capital Territory will separately commission the AEMC to do further work in this area.

Gas Market Reform

Australian Domestic Gas Security Mechanism

Ministers discussed the implementation of the Australian Domestic Gas Security Mechanism (ADGSM). The ADGSM will allow the Commonwealth to intervene, if necessary, to ensure an adequate supply of gas is available to the domestic market. The Commonwealth Minister for Resources will rely on assessments from AEMO, the ACCC and industry to determine whether export control measures will be instituted from 1 January 2018. Ministers also noted the Victorian Government's alternative proposal for a national LNG export permit mechanism.

Pipeline Reforms

Ministers agreed for AEMO to operate the Capacity Trading Platform and the Day-Ahead Auction. Ministers directed the Gas Market Reform Group to ensure the information disclosure and commercial arbitration rules commence by 1 August 2017. Ministers tasked the Senior Committee of Officials to report by the end of the year on further regulatory options to strengthen pipeline regulation.

Resources measures

Ministers noted that the Commonwealth's \$26 million Gas Acceleration Program (GAP) is designed to deliver new gas to the east coast gas market within three years. GAP will complement jurisdictions' efforts to facilitate gas supply development in the short term. GAP guidelines will be finalised prior to

the next COAG Energy Council meeting, with relevant jurisdictions to settle funding agreements shortly thereafter.

Ministers acknowledged progress in implementing the Council's Gas Supply Strategy, noting each jurisdiction's unique circumstances. Ministers agreed that the Working Groups would consult on new collaborative actions to be considered at the Council's next meeting.

Ministers also agreed to publish the National Mineral Exploration Strategy and requested the Retention Lease Review be completed by mid-2018.

Stakeholder Roundtable

A Stakeholder Roundtable with around 100 participants from not-for-profit organisations, consumer groups, industry bodies and businesses was held in conjunction with the Council meeting. Participants focused on the importance of the Finkel Review for households and industry, and discussed the consumer implications of implementing the blueprint, including reliability and security, energy prices, and consumer protections.

Membership

The COAG Energy Council comprises Commonwealth, State, Territory and New Zealand Ministers responsible for energy and resources.

Commonwealth (Chair)	The Hon Josh Frydenberg MP Minister for the Environment and Energy
Commonwealth	Senator the Hon Matthew Canavan Minister for Resources and Northern Australia
New South Wales	The Hon Don Harwin MLC Minister for Resources Minister for Energy and Utilities Minister for the Arts
Victoria	The Hon Lily D'Ambrosio MP Minister for Energy, Environment and Climate Change Minister for Suburban Development The Hon Wade Noonan MP Minister for Industry and Employment Minister for Resources
Queensland	The Hon Dr Anthony Lynham MP Minister for State Development Minister for Natural Resources and Mines The Hon Mark Bailey MP Minister for Main Roads, Road Safety and Ports Minister for Energy, Biofuels and Water Supply
Western Australia	The Hon Bill Johnston MLA Minister for Mines and Petroleum The Hon Ben Wyatt MLA Treasurer Minister for Finance Minister for Energy Minister for Aboriginal Affairs
South Australia	The Hon Tom Koutsantonis MP Treasurer Minister for Finance Minister for State Development Minister for Mineral Resources and Energy
Tasmania	The Hon Matthew Groom MP Minister for State Growth Minister for Energy Minister for the Environment and Parks and Heritage The Hon Guy Barnett MP Minister for Resources Minister for Building and Construction
Australian Capital Territory	Mr Shane Rattenbury MLA Minister for Climate Change and Sustainability
Northern Territory	The Hon Kenneth Vowles MLA Minister for Primary Industry and Resources The Hon Nicole Manison MLA Treasurer Minister for Children Minister for Infrastructure, Planning and Logistics
New Zealand	Hon Judith Collins MP Minister of Revenue Minister of Energy and Resources Minister for Ethnic Communities

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