

COAG Energy Council

Meeting Communique

CANBERRA / 19 AUGUST 2016

ENERGY AND RESOURCES MINISTERS MET IN CANBERRA TODAY FOR THE FIFTH COAG ENERGY COUNCIL MEETING

Ministers met at a time of significant change in Australian energy markets due to the transition to low-carbon emissions. There is increased reliance on renewable energy and rapid technological change. Recent events in South Australia have led to discussions on the integration of energy and climate change policy. The international price of LNG and the need for improved access to domestic supply is contributing to higher wholesale gas prices. Significant reports on gas market reform from the Australian Competition and Consumer Commission (ACCC) and Australian Energy Market Commission (AEMC) now provide a strong evidence base and momentum for action.

Ministers recognised there is a need to respond to this paradigm shift in energy markets and respond in a way that maintains the confidence of energy consumers and investors in our energy markets, which must be reliable, affordable and sustainable. Business as usual is not an option.

Ministers discussed the transformation of gas and electricity markets and the challenges and opportunities arising from it, including with a range of stakeholders from industry, consumer and regulatory groups. Households have a growing number of choices to manage their energy bills and are embracing renewable energy and new energy products and services. Based on the evidence before it, the Council agreed to take action to maintain an affordable and reliable supply of energy to consumers and manage these changes. The package of measures are designed to deliver better functioning and competitive energy markets.

Ministers agreed to:

Gas prices and supply

A comprehensive domestic market reform package to lift competition, based on the ACCC and AEMC reports, meaning more gas at lower prices, including:

- better information for trading in the market
- creation of trading hubs in the North and South
- easier access to transport infrastructure
- better pricing information
- encouraging more gas supply and more gas suppliers, taking account of each jurisdiction's circumstances.

Dr Michael Vertigan AC has agreed to lead the newly formed Gas Market Reform Group as its Independent Chair. The Gas Reform Group will work to implement the gas reform package, including working with industry and users of gas on how to achieve more competitive supply. Dr Vertigan's extensive experience will be key to the success of the Gas Market Reform Group.

The ACCC found that there were few constraints on the behaviour of existing pipeline operators and evidence of the exercise of market power. Ministers are concerned that, based on the ACCC findings, the current test does not appear to be working, and a new test may be needed to put downward pressure on transport prices. One of Dr Vertigan's first tasks will be to, in consultation with stakeholders and working with the ACCC findings, draw together what we need to do with the coverage criteria under the National Gas Law to address this issue. Ministers will consider Dr Vertigan's report at the next meeting.

Ministers noted that a key issue for gas market reform is to increase the overall supply and the number of suppliers, particularly in the east coast market. Further, all Ministers, other than Victoria, adopted an implementation plan for the Council's Gas Supply Strategy to focus collaborative efforts across jurisdictions on regulatory and scientific issues associated with increasing onshore gas supply. Victoria is considering its position on onshore gas. Ministers

encouraged the gas supply industry to continue engaging with local communities and land holders to meet the interests of all groups and share the benefits of resource development.

Ministers are strongly committed to transparency in onshore gas activities to improve the confidence of investors and the community. Ministers welcomed the release of the Australian Petroleum Production and Exploration Association (APPEA)'s first Unconventional Gas Activities Report, which brings together a nationally consistent set of information on the industries activities across all jurisdictions. Ministers will work with APPEA to refine this important annual report to include more information, particularly on how industry engages with the community and landholders and how benefits are shared.

A Bulletin, available [here](#), provides further information on the Council's actions to improve the outcomes for consumers and users of the east coast gas market.

Review of limited merits review

The Senior Committee of Officials will complete a review of the Limited Merits Review (LMR) regime by December 2016. The Review will assess the effectiveness of the LMR regime, including the role of the Australian Competition Tribunal, under the National Electricity Law and the National Gas Law. Terms of reference can be found [here](#) and a public consultation process will help inform advice provided to Council at its next meeting.

Energy market transformation

The electricity market is experiencing significant change due to the take up of renewable generation and the emergence of new technologies, such as battery storage. To better manage these changes:

- the AEMC will monitor the impact of emerging technologies on networks and report to Council on whether changes to regulatory frameworks are necessary
- a rule change will be submitted to promote the contestable provision of services from emerging technologies
- three consultation papers will be released seeking views on:
 - appropriate regulatory frameworks for [stand-alone systems](#)
 - approaches to registration of [energy storage \(battery\) systems](#)
 - level of [consumer protections](#) that are needed for energy supply products and services behind the meter
- officials will be tasked to prepare advice on actions that will support the implementation of cost reflective network tariffs for consideration and decision by Ministers at the December 2016 meeting.

The Council noted the important role interconnectors play in a transitioning energy sector and agreed to review the regulatory test for investment for new transmission assets to ensure it is effective in the current market environment. Consultation will take place over coming months, with officials to report back to Council before the end of the year.

Following on from its December 2015 decision to ask officials to prepare advice to allow it to better understand the potential impact of carbon policies on the energy sector, the Council agreed to ask officials to include in this advice consideration of the economic and operational impacts of existing state and territory emission reduction policies. The advice will inform the Council's consideration of how to better integrate energy and emissions policy.

Energy market and consumers

The National Energy Productivity Plan (NEPP) will play a key role in meeting Australia's 2030 emissions reduction goals and help consumers to better manage their energy costs. Strong progress has already been made to implement measures in the NEPP, including expansion of the Commercial Building Disclosure scheme, bringing forward new appliance standards and work on new vehicle emission measures. To ensure continued momentum the Council has now allocated substantive funding to progress key measures, particularly to improve buildings standards and compliance, accelerate buildings rating tools and work to make it easier for consumers to choose new energy services such as flexible tariffs.

Review of Governance Arrangements for Australian Energy Markets

Since its last meeting, the Council has:

- prioritised agreed reforms arising from the 2015 *Review of Governance Arrangements for Australian Energy Markets*, including enhancing Council's strategic focus
- supported ongoing work by Western Australia and the Northern Territory to enable them to continue to adopt elements of the national energy frameworks.

The Council agreed to provide for additional AEMC Commissioners and provide for greater use of the expedited rule change process, as part of wider measures to strengthen the AEMC's governance structure and future capacity.

Coal Workers Pneumoconiosis

Ministers discussed the re-emergence of coal workers' pneumoconiosis among Queensland coal mine workers. All Ministers are committed to the health of coal mine workers and agreed to collaborate to raise awareness among former coal mine workers who might be at risk.

Matt Zema Scholarship

The Council acknowledged the lasting contribution of Matt Zema, inaugural Chief Executive Officer of the Australian Energy Market Operator. To recognise his contribution to energy policy in Australia, the Council agreed to establish the Matt Zema Energy Studies Scholarship (Zema Scholarship) to open in early 2017. The Zema Scholarship will fund innovative post-graduate research projects contributing to the operation of Australia's electricity and gas markets.

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 Anthony Roberts MP Minister for Industry, Resources and Energy
Victoria	The Hon Lily D'Ambrosio MP Minister for Energy, Environment and Climate Change
	The Hon Wade Noonan MP Minister for Industry and Employment
Queensland	The Hon Dr Anthony Lynham MP Minister for Natural Resources and Mines
	The Hon Mark Bailey MP Minister for Energy and Water Supply
Western Australia	The Hon Sean L'Estrange MLA Minister for Mines and Petroleum
	The Hon Dr Mike Nahan MLA Minister for Energy
South Australia	The Hon Tom Koutsantonis MP Minister for Mineral Resources and Energy
Tasmania	The Hon Matthew Groom MP Minister for Energy
	The Hon Guy Barnett MP Minister for Resources
Australian Capital Territory	Mr Simon Corbell MLA Minister for the Environment
Northern Territory	The Hon David Tollner MLA Minister for Mines and Energy
New Zealand	Hon Simon Bridges MP Minister of Energy and Resources

COAG Energy Council Secretariat

Telephone: (02) 6243 7788

Email: energycouncil@industry.gov.au

GPO Box 9839, Canberra ACT 2601