AUSTRALIAN, STATE AND TERRITORY ENERGY AND RESOURCES MINISTERS MET IN BRISBANE TODAY FOR THE FOURTH MEETING OF THE STANDING COUNCIL ON ENERGY AND RESOURCES (SCER).

THE MEETING GAVE SCER THE OPPORTUNITY TO REVIEW PROGRESS ON THE ENERGY MARKET REFORM IMPLEMENTATION PLAN AGREED BY THE COUNCIL OF AUSTRALIAN GOVERNMENTS (COAG) IN DECEMBER 2012. IN PARTICULAR, SCER CONSIDERED IMPORTANT POLICY CHANGES IN RELATION TO REFORMS FOR THE LIMITED MERITS REVIEW REGIME; AND AGREED IN PRINCIPLE TO ESTABLISH A NATIONAL ENERGY CONSUMER ADVOCACY BODY WITH INITIAL SET UP FROM 1 JULY 2014.

SCER ALSO ENDORSED A FINAL NATIONAL HARMONISED REGULATORY FRAMEWORK FOR NATURAL GAS FROM COAL SEAMS TO OUTLINE LEADING PRACTICE PRINCIPLES TO GUIDE REGULATORS IN THE MANAGEMENT OF NATURAL GAS FROM COAL SEAMS.

SCER discussed key strategic issues with the three energy market agencies – the Australian Energy Market Commission (AEMC), the Australian Energy Market Operator (AEMO), and the Australian Energy Regulator (AER) – and the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA).

Energy Market Reform

Limited Merits Review

SCER discussed recent important policy work on reform of the limited merits review regime, under which network businesses are able to seek review of decisions made by the regulator. SCER is currently finalising its position, having regard to the independent review of the regime completed on 30 September 2012 and analysis of responses to the consultation Regulation Impact Statement (RIS) released by officials on 19 December 2012. SCER will set out the details of its position, once finalised, with the reasoning behind it in a decision RIS that will be published on the SCER website.

The consultation RIS and further documents relating to limited merits review can be obtained from the SCER website.

Subject to final agreement, officials intend to consult on a draft legislative package in June 2013, including amendments to the National Electricity Law and National Gas Law. To meet COAG timelines it is intended this legislation will be introduced into the South Australian Parliament no later than September 2013.

National Energy Advocacy

SCER welcomed and released its expert advisors’ final report on a proposal for a national energy consumer advocacy body. SCER agreed in principle to establish a national energy consumer advocacy body with initial set up from 1 July 2014. This is an important component of reforms to increase the consumer voice in national energy market matters of strategic importance and material consequence for energy consumers, particularly household and small business consumers. SCER asked officials to develop a detailed implementation plan for SCER’s consideration by the end of 2013. This process may involve further stakeholder consultation.
Strengthening Governance of the AER and AEMC

SCER advanced the implementation of the package of measures endorsed by COAG in December 2012 by agreeing on a framework to strengthen accountability and performance reporting arrangements for the AEMC and the AER. The framework comprises: a Statement of Expectations to be agreed by SCER; a Statement of Intent prepared by each organisation; and reporting against Key Performance Indicators in the AEMC and AER annual reports. SCER tasked officials to develop Statements of Expectations for its consideration later this year.

Consumer Advocacy Panel Grant Allocation Criteria

SCER considered options to amend the Regulations under which the Consumer Advocacy Panel allocates grants to ensure it continues to operate in the interests of average energy consumers, as agreed by COAG in December 2012. SCER noted consultation has occurred on proposed amendments to the Australian Energy Market Commission Establishment Regulations 2005 under which the Consumer Advocacy Panel operates. In particular, SCER agreed to amend the definition of small to medium energy consumers and strengthen the criteria for grant allocations to require all future applicants to demonstrate the need for advocacy. SCER will request South Australia as the lead legislator to develop and make variation regulations aimed to commence in August 2013.

National Energy Customer Framework Update

The National Energy Customer Framework (NECF) has been successfully implemented by the Australian Capital Territory, Tasmania and South Australia to date. SCER noted that the NECF will be implemented in New South Wales (NSW) on 1 July 2013. NSW implementation will align NSW energy retail regulatory requirements with these other jurisdictions and will strengthen the consumer protections available to NSW customers. COAG announced on 7 December 2012 that jurisdictions yet to implement will do so as soon as practicable and no later than 1 January 2014, subject to the resolution of issues specific to those jurisdictions yet to implement.

Transmission Frameworks Review

SCER welcomed the Final Report for the AEMC’s Transmission Frameworks Review, published on 11 April 2013. SCER agreed to a number of rule change proposals around the connections arrangements and planning frameworks set out in the National Electricity Rules and tasked officials with progressing these to the AEMC. SCER noted the significance and complexity of the AEMC’s proposed reforms in transmission access arrangements for the National Electricity Market, particularly the alternative transmission access model known as optional firm access. SCER agreed to proceed with investigating detailed design and testing of the optional firm access model, subject to further work by officials on the details. SCER’s position on the AEMC’s recommendations can be found in Bulletin Three.

Changes in Demand

SCER noted advice from the AEMC about whether amendments are required to the rules governing the economic regulation of network service providers to ensure benefits associated with a sustained reduction in demand are appropriately allocated between the network businesses and consumers. SCER agreed there is no need for further modifications at this time, in light of the significant changes to the National Electricity Rules in November 2012 and SCER’s own work in response to the AEMC’s Power of Choice review. However, SCER agreed to continue to monitor regulatory outcomes on this matter. Further details on SCER’s position are in Bulletin Four.

SCER also noted advice from AEMO on the need for changes to the National Electricity Rules to facilitate the collection of additional information by AEMO to develop demand forecasts that could be used by the AER in interrogating network regulatory proposals. In light of this advice, SCER agreed to task officials with developing and submitting a rule change request to the AEMC.

Demand Side Participation

SCER agreed to a consolidated demand side participation work program, which brings together reforms arising from the previous smart meter program, the AEMC’s Power of Choice review and AEMC advice on factors which may limit the introduction of electric and natural gas vehicles. An overview of this work program is published on SCER’s demand side participation web page.
SCER's Response to the AEMC Electric Vehicles Review

SCER agreed a response to the AEMC’s advice on energy market arrangements relevant to electric and natural gas vehicles, noting that this advice recommends changes that will better enable a range of new services. SCER agreed to progress reforms to allow a consumer to buy or sell electricity from more than one company at a single customer site, which will facilitate the emergence of specialist retailers, demand response and small generation providers. SCER also agreed work should proceed to clarify metering arrangements in embedded networks, which are used in shopping centres and some residential developments. AEMO will be asked to lead these reforms. SCER’s response is published on SCER’s demand side participation web page.

National Smart Meter Consumer Protections

SCER endorsed a set of consumer protection policies from the National Smart Meter Consumer Protection and Safety Review – Officials’ Report (November 2012) that are to be implemented through amendment to the National Energy Retail Rules. SCER noted that consultation on implementation of these policies will commence shortly, with a view to the new rules being in place from early 2014.

Terms of Reference for Customer Switching Review

In line with a recommendation of the AEMC’s Power of Choice review, SCER agreed to a terms of reference tasking the AEMC to conduct a review into electricity customer retailer switching arrangements. This review will examine the efficiency of current switching rules and processes and work with jurisdictions and key stakeholders to consider consumer switching arrangements.

Natural Gas from Coal Seams – Final National Harmonised Framework

SCER has endorsed a National Harmonised Regulatory Framework for Natural Gas from Coal Seams (the Framework). The Framework delivers on a commitment by Australian governments to put in place a suite of leading practice principles, providing guidance to regulators in managing development of natural gas from coal seams and ensuring regulatory regimes are robust, consistent and transparent across all Australian jurisdictions.

The Framework focuses on four key operational areas of natural gas from coal seams, which cover the lifecycle of development: well integrity, water management and monitoring, hydraulic fracturing and chemical use. Through this focus, the Framework provides assurance for communities and farmers that concerns in relation to protecting and managing both underground and surface water resources in particular are taken seriously by government and are being effectively regulated.

The Framework acknowledges that natural gas from coal seams is, and will continue to be into the future, an important component of eastern Australia's domestic gas supply. It also acknowledges that as the Queensland liquefied natural gas (LNG) projects commence production from 2014-15, the industry will contribute substantial export income to Australia’s economy and is already creating jobs and business opportunities in the rural and regional areas where development occurs. However, the Framework provides guidance in developing the regulatory tools required to ensure that this development is managed sustainably. The Framework will be available on the SCER website shortly.

SCER agreed that the Framework should not be a static document and noted that it will be updated on a continuing basis by jurisdictions to maintain currency with leading practice across Australia.

Multiple Land Use Framework

Ministers noted progress on, and broad support for, the implementation of a multiple land use framework arising from consultation within and across jurisdictions to date.

Australian Gas Market Development Plan

On 14 December 2012 SCER, agreed to an Australian Gas Market Development Plan that incorporates a number of new initiatives to pursue two policy principles of: 1) ensuring supply can respond flexibly to market conditions; and 2) promoting market development. SCER noted progress made towards key Gas Market Development Plan initiatives: gas supply hub implementation; a gas transmission pipeline capacity trade consultation RIS; and work under way to continue the development of efficient gas markets.
Gas Supply Hub Implementation

SCER discussed legislative amendments that will underpin the establishment of a gas supply hub trading market, for initial application in Wallumbilla, Queensland, in early 2014. Subject to final agreement, it is proposed the legislation will be introduced into the South Australian Parliament to create the legal basis for the Gas Trading Exchange trading platform being developed by AEMO.

Gas Transmission Pipeline Capacity Trade Consultation RIS

SCER welcomed the release by officials of a consultation RIS that examines the case for improving the trade in gas transmission pipeline capacity in the eastern Australian gas market. The RIS explores a range of policy options that could facilitate increased trade in pipeline capacity, which may improve the efficiency of use of gas pipeline infrastructure and complement the operation of the Gas Trading Exchange. The consultation RIS is available on the SCER website and submissions are requested by 15 July 2013.

Continuing the Development of Efficient Gas Markets

SCER welcomed the work under way to consider whether the current gas market arrangements in the eastern states of Australia will be able to respond to developments in the market including increasing sources of natural gas, substantial LNG exports from Gladstone in Queensland and convergence between gas and electricity markets.

SCER noted the work to be undertaken by the Australian Government to review the overall supply/demand outlook in Australia over the coming years. This work will provide an overarching view about the potential development of the market and the adequacy of supply to meet demand. It will also inform the need for changes to market and regulatory arrangements.

SCER also noted the work of the Premier’s taskforce in Victoria to consider the effectiveness of its gas market arrangements.

SCER welcomed the work of the AEMC and AEMO in considering how best to further develop the gas markets in eastern Australia. The AEMC’s Scoping Study provides a helpful process within which stakeholders can put forward their views and analysis of the key issues. AEMO’s role as market operator for the short term trading markets, the declared wholesale gas market in Victoria and (subject to final agreement) the Wallumbilla hub, gives it an important perspective on the existing market arrangements.

The AEMC and AEMO are working together and in the next few months will work to review the need for changes to market and regulatory arrangements. This work program will be informed by the work of the Australian Government and the Victorian Premier’s taskforce on gas market issues. SCER will review the proposed work on these issues at its next meeting with a view to agreeing a program to enhance the efficiency and effectiveness of the gas market arrangements in eastern Australia.

Other matters considered by Ministers:

National Mineral Exploration Strategy and Mineral Exploration Investment Attraction Plan

SCER discussed the progress to date in implementing the National Mineral Exploration Strategy including the Mineral Exploration Investment Attraction Plan. The strategy aims to improve Australia’s discovery rate, make Australia competitive in attracting mineral exploration investment, and ensure the longevity of Australia’s minerals industry and the country’s continuing prosperity by addressing Australia’s covered greenfields exploration challenge. SCER noted that development of pre-competitive geoscience initiatives to promote mineral exploration are under way. Further information on these programs is available on the SCER website.

Market Power

SCER noted the AEMC’s Final Determination for its Potential Generator Market Power in the NEM Rule Change, published on 26 April 2013, in particular its finding that there is potential for substantial market power to exist or be exercised in the future in the National Electricity Market. SCER noted that the AEMC’s proposal for strengthening the AER’s monitoring functions will require more consideration. Consequently SCER agreed to task officials with further work around the need for changes to the National Electricity Law prior to SCER considering its policy position.
National Liquid Fuel Emergency Response Plan Update

SCER noted recent changes to the National Liquid Fuel Emergency Response Plan to include an Essential Users Guidance Note. The Guidance Note was developed by the SCER National Oil Supplies Emergency Committee and sets out the current policy with respect to Essential Users in a national liquid fuel emergency under the Liquid Fuel Emergency Act 1984 and the rationale that informs that policy. The Guidance Note also sets out some actions that fuel users can take to manage the impacts of a reduction of fuel supply from a demand side perspective.

Publication of the new Electricity Network Safety Management Systems Standard

SCER welcomed the publication of the new Electricity Network Safety Management Systems (ENSMS) Standard by Standards Australia on 18 April 2013 as a key component in the harmonisation of safety and technical standards for the energy sector across Australia. The new Australian Standard, developed under the leadership of SCER’s Energy Supply Industry Safety Committee, is an important step to improve the consistency of state-based regulations on occupational health, technical and safety matters for electricity networks.

Outcomes of National Roundtable on Energy Affordability

SCER noted that in April 2013 the Australian Energy Ombudsmen, the Energy Retailers Association of Australia and the Australian Council of Social Service convened a meeting of key energy stakeholders to the National Energy Affordability Roundtable. The purpose of the Roundtable was to discuss energy affordability challenges for Australian consumers. SCER considered a report on the outcomes of the Roundtable and noted that officials would prepare a formal response.

Membership List

SCER comprises Commonwealth, State, Territory and New Zealand Ministers responsible for energy and resources.

<table>
<thead>
<tr>
<th>Region</th>
<th>Minister Name</th>
<th>Minister Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth</td>
<td>The Hon Gary Gray AO MP</td>
<td>Minister for Resources and Energy</td>
</tr>
<tr>
<td>(Chair)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New South Wales</td>
<td>The Hon Chris Hartcher MP</td>
<td>Minister for Resources and Energy</td>
</tr>
<tr>
<td>Victoria</td>
<td>The Hon Nicholas Kotsiras MP</td>
<td>Minister for Energy and Resources</td>
</tr>
<tr>
<td>Queensland</td>
<td>The Hon Andrew Cripps MP</td>
<td>Minister for Natural Resources and Mines</td>
</tr>
<tr>
<td></td>
<td>The Hon Mark McArdle MP</td>
<td>Minister for Energy and Water Supply</td>
</tr>
<tr>
<td>Western Australia</td>
<td>The Hon Bill Marmion MLA</td>
<td>Minister for Mines and Petroleum</td>
</tr>
<tr>
<td></td>
<td>The Hon Mike Nahan MLA</td>
<td>Minister for Energy</td>
</tr>
<tr>
<td>South Australia</td>
<td>The Hon Tom Koutsantonis MP</td>
<td>Minister for Mineral Resources and Energy</td>
</tr>
<tr>
<td>Tasmania</td>
<td>The Hon Bryan Green MP</td>
<td>Minister for Energy and Resources</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>Mr Simon Corbell MLA</td>
<td>Minister for Environment and Sustainable Development</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>The Hon David Toliner MLA</td>
<td>Northern Territory Treasurer</td>
</tr>
<tr>
<td></td>
<td>The Hon Willem Westra van Holthe MLA</td>
<td>Minister for Mines and Energy</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Hon Simon Bridges MP</td>
<td>Minister of Energy and Resources</td>
</tr>
</tbody>
</table>

SCER Secretariat

Telephone: (02) 6213 7789
Facsimile: (02) 6213 6689
Email: scer@ret.gov.au
GPO Box 1564, Canberra ACT 2601