

COAG Energy Market Reform - Implementation Plan

Key Issues	Key Recommendations	Key Milestones	Primary responsibility	Delivery dates	Notes
1. Strengthening Governance <i>Ensuring a strong and accountable regulator</i>	Welcome the Commonwealth proposal to increase funding to the Australian Energy Regulator (AER) to increase its technical expertise and improve its capacity to effectively perform its role and deliver its new functions including under the revised rules for economic regulation of networks.	Formalised in 13/14 Budget	Commonwealth	1 July 2013	Relevant to Western Australia (WA) as it relates to the AEMC and the Northern Territory (NT) ¹
	Endorse strengthening consumer input in network pricing decisions through the establishment of the Consumer Challenge Panel within the AER.				
	1.1) That the part-time state nominated AER Board member convert to full-time.	Formalised in 13/14 Budget	Commonwealth	1 July 2013	
	Note that the Commonwealth will introduce budget transparency for the AER, including the actual allocation of program funds over the course of the previous financial year and provide information on projected AER funding and staffing (separately from that of the Australian Competition and Consumer Commission (ACCC)) over the forward estimates period.	Formalised in 13/14 Budget	Commonwealth	1 July 2013	
	1.2) SCER will develop enhanced budget and performance reporting to SCER and the public for the Australian Energy Market Commission (AEMC) and the AER, noting that this will include the AER providing a regular public report on its activities, including its budget and business plan and its performance against key performance indicators (KPIs), as well as its views on	Reporting Framework Finalised	Commonwealth in consultation with SCER	December 2013	

¹ Unless specified in Notes, recommendations are not relevant to WA or the NT.

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	emerging regulatory issues that it will be focusing on in its work.				
	Welcome the Commonwealth's proposed independent review of the AER and its operational requirements, in 18 months' time to ensure resourcing is adequate, and the operational arrangements are effective, to meet the demands of the new regulatory regime drawing on the experience of the transitional period, subject to a final decision on structure of the AER.	Review Commences	Commonwealth (Treasurer and Energy Minister)	July 2014	
2. Strengthening the regulatory outcomes <i>Ensuring that the rules equip the Regulator to reach efficient regulatory outcomes in the long term interests of consumers</i>	Welcome the AEMC's <i>Economic Regulation of Network Service Providers Rule change</i> which will lead to more efficient outcomes in setting revenues and prices for consumers by giving greater scope to the AER to adapt its approaches to the nature of the business it is regulating, clarifying the powers of the regulator to undertake benchmarking and publish information on the relative efficiency of electricity network businesses, and changing how the rate of return on capital (a key driver of network revenues) is set.	Rule finalised	AEMC	Nov 2012	
	Call for the rapid implementation of these rules so that consumers see their benefits in upcoming regulatory determination processes (especially any changes to the weighted average cost of capital regime).	N/A	N/A	N/A	
	Note the Productivity Commission's (PC) finding in its draft report for its inquiry into Electricity Network Regulatory Frameworks that efficiency benchmarking may be an important tool for the regulator as the rigour and accuracy of benchmarking methodologies improve over time.	N/A	N/A	N/A	
	2.1) Identify barriers and if necessary ensure the AER has sufficient and clear powers to	Advice on barriers	AER and AEMC	February 2013	Subject to agreement between AER and

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	collect and publish data by amending the National Electricity Law (NEL)/National Gas Law (NGL), so as to improve transparency, accountability and benchmarking in the economic regulation of network businesses, in consultation with industry.				AEMC about barrier(s)
		Finalise policy position on basis of advice	SCO	April 2013	Legislation in SA Parliament required
		Finalise legislative amendments (if needed)	SCER	June 2013	
		Parliament to introduce legislation (if needed)	SA	1 July 2013	
	2.2) Ensure the AER has appropriate and adequate enforcement powers, including civil penalty arrangements, through a review of enforcement regimes – to be completed by end 2013.	Finalise discussion paper, engage reviewer or consultant	SCER	February 2013	
		Review finalised	SCER	December 2013	
3. Appropriate appeals mechanism <i>Ensuring that the appeal framework supports outcomes consistent with the long term interests of consumers with respect to price, quality, safety, reliability and security of supply and the system</i>	Welcome the Final Report from the Expert Panel Review of the Limited Merits Review Regime, including its assessment of the shortcomings of the regime to date in delivering the original policy intent and the Panel's proposals for improvement.	N/A	N/A	N/A	Relevant to WA (as it relates to gas pipeline access) and the NT
	Note that the Expert Panel has called for clearer articulation of the policy intent of merits review through clarifications in the Law and setting out functions and responsibilities of the review body and the AER; changes to establishing grounds for appeal (a "materially preferable decision" criteria); clearer links to consumer objectives; a more investigative (less adversarial) approach to appeals; and the establishment of a new review body, the Australian Energy Appeals Authority (AEAA), which would be independent of but hosted by the AEMC, and funded by industry fees.	N/A	N/A	N/A	Relevant to WA (as it relates to gas pipeline access) and the NT
	3.1) Prepare and release a Regulatory Impact Statement (RIS) by December 2012, which	Publish consultation RIS	SCO	December 2012	Subject to each jurisdictions' internal

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	would seek to assess the costs and benefits of the Expert Panel's recommendations against the status quo	Publish decision RIS	SCER	March 2013	Cabinet approval processes
	3.2) Subject to the RIS process, the policy response should be agreed and any necessary legislative amendments drafted by mid-2013; such that the amended regime can be in place by the end of 2013 in advance of the next round of full determinations.	Finalise legislative amendments (if needed)	SCER	June 2013	Relevant to WA (as it relates to gas pipeline access) and the NT
		SA Parliament to introduce legislation (if needed)	SA	July 2013. To be effective from Jan 2014	Legislation in SA Parliament required
4. More power to consumers <i>To ensure consumers have the tools to control their bills by understanding and managing the quantity and timing of their energy consumption.</i>	4.1) SCER to develop and implement a package of reforms based on the recommendations of the AEMC's <i>Power of Choice</i> review that allows consumers to see and access the value of their choices in the electricity market, which includes: 4.1.1) consumers' rights to access and control their own electricity data and provide it to other parties and the appropriate tools, streamlined systems and protections for doing so; and 4.1.2) new principles and reforms to encourage the market-driven (business-led) competitive roll-out of smart meters and other advanced metering.	Report to COAG on implementation to date and forward plan	SCER	June 2013	Limited relevance to WA and the NT although some of the principles may be relevant NT to consider implementation of reform initiatives where net benefit can be demonstrated Subject in Queensland to finalisation and consideration of current reviews
5. Demand side participation <i>Ensure that consumers are supported by energy supply businesses to make consumption decisions that control bills and provide long term benefits to the market</i>	5.1) SCER to implement a comprehensive demand side participation (DSP) package, which includes supply-side changes to facilitate DSP, based on the recommendations of the AEMC's <i>Power of Choice</i> review, including: 5.1.1) The phasing in of efficient and cost-reflective retail energy prices	Report to COAG on implementation to date and forward plan	SCER	June 2013	Limited relevance to WA and the NT although some of the principles may be relevant (less in WA with capacity market) NT to consider implementation of reform initiatives where

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	<p>through the application of time varying network tariffs, including suitable protections for vulnerable customers, with such network tariffs to be available no later than July 2014;</p> <p>5.1.2) Appropriate consumer engagement and education, and protections for vulnerable consumers, during a pricing structure transition;</p> <p>5.1.3) a new mechanism for demand side resources to participate in the wholesale National Electricity Market (NEM), to be in place by July 2014;</p> <p>5.1.4) arrangements that will allow consumers to unbundle electricity supply from demand side services (i.e. to sell their demand side to a third party or competing retailer); and</p> <p>5.1.5) balanced incentives for distribution businesses to implement efficient demand side options and to pursue innovative demand side solutions (reform the current demand management and embedded generation connection incentive scheme).</p> <p>5.2) SCER should seek to adopt in principle the full set of <i>Power of Choice</i> recommendations at its December 2012 meeting, followed by the detailed interaction with the AEMC necessary to lead to final decisions by SCER and a report to COAG in June 2013.</p>				<p>net benefit can be demonstrated</p> <p>Subject in Queensland to finalisation and consideration of current reviews</p>

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6. Enhancing consumer representation <i>Ensuring that the objective of the Australian Energy Market Agreement, which places an emphasis on the long term interests of consumers, is met</i>	6.1) That a national advocacy body, well equipped to constructively contribute to energy policy development, rule change processes, and network determinations (including appropriate appeals processes), is an important next step in advancing the interests of energy consumers.	Agree in-principle that a national advocacy body is required to advance the interests of energy consumers at a national level	N/A	December 2012 – COAG meeting	Relevant to WA and the NT
	6.2) To develop, in close consultation with consumer bodies, a proposal on the form, scope and funding to establish such a national body, equipped to engage in regulatory processes, support targeted research and advocacy initiatives, and lead on national advocacy issues.	SCER to develop a proposal on model, funding and implementation arrangements	SCER	June 2013	Relevant to WA and the NT
	Note that establishing such a body is likely to require legislative change and that in parallel immediate steps should be taken to improve consumer representation in the energy market.	N/A	N/A	N/A	Relevant to WA and the NT
	Note the establishment of a Consumer Challenge Panel within the AER to ensure that consumers are better represented within regulatory decisions.	Funding and selection of Panel	SCER and AER	No later than July 2013	Commonwealth resourcing commitment to the AER
	6.3) Improvement of criteria for the Consumer Advocacy Panel (CAP) grant allocation within the <i>AEMC Establishment Act</i> Regulations to have greater focus on addressing priority needs of average energy consumers, including in AEMC processes and consider the appropriate mechanism and location of the function for the allocation of consumer grants (given 6.1 and 6.2).	Consultation on improvements	SCER	June 2013	Relevant to WA and the NT

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<p>7. Ensuring consistent national frameworks</p> <p><i>Consumers benefit from efficiencies of consistent national frameworks and rigorous national approaches to regulation</i></p>	<p>7.1) That SCER recommend to COAG that it reiterate its commitment to having all jurisdictions in the NEM commence the National Energy Customer Framework (NECF) as soon as practicable and no later than 1 January 2014, subject to the resolution of issues specific to those jurisdictions yet to implement.</p>	<p>VIC and QLD to have their legislative instruments passed in their parliaments</p> <p>NSW, VIC and QLD application Acts to meet SCER Energy Market Reform Working Group (EMRWG) and SCER approval processes</p>	NSW, VIC, QLD and SA	As soon as practicable but no later than 1 January 2014	<p>SA Parliament to pass application Act</p> <p>Resolution of state specific issues</p> <p>Subject in Queensland to finalisation and consideration of current reviews</p>
<p>8. Deregulation of retail prices</p> <p><i>To ensure efficient and competitive retail energy markets for the benefit of consumers and the energy sector alike</i></p>	<p>8.1) SCER to recommend to COAG that it reiterate its commitment to retail price deregulation where effective competition exists.</p>				Advice from jurisdictions on transition to price deregulation (8.1, 8.2, 8.3, 8.5, 8.6)
	<p>8.2) Jurisdictions to work towards effective competition where it does not exist to allow greater opportunities for innovation in and choice of retail offers, and that jurisdictions will provide advice to SCER on the current state of competition and policy settings to fulfil this commitment by end 2013, including, where appropriate, clear transition plans to price deregulation.</p>	Delivery of transition plans on price deregulation by jurisdictions (8.2, 8.3, 8.5, 8.6)	All jurisdictions – except VIC which deregulated prices in January 2009	By end 2013	<p>Relevant to WA and the NT for high level commitments (AEMC competition reviews are NEM only)</p> <p>Subject in Queensland to finalisation and consideration of current reviews</p>
	<p>8.3) Jurisdictions that have previously been advised by the AEMC that effective competition exists, and/or to deregulate prices, will re-evaluate this advice and report back to SCER on the potential to act on this advice by the end of 2013.</p>	Report by relevant jurisdictions	SA, ACT	By end 2013	
	<p>8.4) SCER to develop any necessary enhancements to the AEMC competition review approach, incorporating where provided advice from the AEMC as previously requested and taking into account any advice from the AEMC's review of competition in NSW, and including proposals to COAG for Australian Energy Market Agreement (AEMA) amendments, by the end of 2013 with any</p>	Delivery of new approach to AEMC retail competition reviews through SCER (including supporting framework – AEMA amendments) and subsequent adoption by the AEMC	All jurisdictions (through SCER) to develop new approach and AEMC to adopt	By end 2013	<p>SCER's development of and agreement on new approach to AEMC competition reviews</p> <p>COAG AEMA amendments required</p> <p>Relevant to WA and the</p>

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	new approach to be applied annually thereafter.				NT only insofar as potential adoption of AEMC review process by WA or the NT
	8.5) Task the AEMC to develop a consistent methodology for the determination of regulated retail prices, including incorporating time varying ('time of use') network tariffs and with particular regard to a methodology for determining the wholesale energy cost component. Jurisdictions will consider whether to apply this methodology once it is available for consideration.	Delivery of the AEMC's advice on consistent retail price setting methodology	All jurisdictions (through SCER) to task AEMC and the AEMC to report Individual jurisdictions to consider adoption of AEMC advice	By end 2013	AEMC's resourcing capacity to develop new approach and deliver advice on consistent retail price setting methodology (8.4 & 8.5)
	8.6) Given the opportunity to transfer retail price controls to the AER under s14.12(b) of the AEMA, jurisdictions will explicitly consider whether to transfer responsibility for applying the methodology developed in 8.5 to the AER. Jurisdictions will report on their decisions under recommendations 8.5 and 8.6 by the end of 2013 as part of their reports in 8.1.	Jurisdictional reports on consideration of application of AEMC approach	All jurisdictions – except VIC which deregulated prices in January 2009.	By end of 2013	Advice from jurisdictions on transition to price deregulation (8.2, 8.3) and completion of AEMC advice (8.5) Relevant to WA and the NT
	8.7) Task the AEMC to enhance its annual pricing reports from 2013 with better information on actual prices paid by consumers (covering both standing and market offers).	AEMC reporting on electricity prices more closely represents actual household prices	SCER to task AEMC and the AEMC to adopt	By end of 2013	AEMC's resourcing capacity Relevant to WA and the NT
9. Micro-generation <i>Ensuring that payment for electricity exported to the grid from embedded micro-generation more accurately reflects the true value of that electricity, regardless of the form of micro-generation technology deployed</i>	9.1) That the National Principles for Feed-in Tariff Schemes be amended to provide for all forms of micro generation technologies to be offered a fair and reasonable tariff and to close premium schemes to new participants by 2014. 9.2) SCER to recommend that COAG adopt these new principles.	None required beyond December COAG	Jurisdictions	December 2012 – decision by COAG 2014 - Premium schemes to close to new participants	COAG agreement to amended principles required (principles not part of AEMA) Relevant to WA and the NT

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10. Reliability standards <i>Delivering the right balance for consumers between security of supply and costs of delivery</i>	10.1) Task the AEMC with developing a nationally consistent framework for expressing, delivering and reporting on distribution and transmission reliability outcomes. This framework should incorporate values of customer reliability and differences arising from geographical location. Jurisdictions will consider whether to apply this methodology once it is available for consideration.	Task AEMC with development of national framework and methodologies.	SCER	January 2013	
		AEMC publish its Final Report	AEMC	September 2013	
		Agreement to policy position including tasking AEMC with developing an implementation plan	SCER	December 2013	
		Jurisdictions to report back whether/when they will adopt the methodology			
		Agreement to implement	SCER	June 2014	Subject to an agreed national framework
		New framework in place and implemented	SCER and individual jurisdictions	December 2014	Subject to complexity of implementation requirements
	10.2) Amend the AEMA to make explicit the opportunity for jurisdictions to transfer responsibility of applying the framework developed in 10.1 to the AER. Jurisdictions will report on their decisions under recommendations 10.1 and 10.2 to the SCER by the end of 2013.	Draft amendments	SCO	April 2013	COAG AEMA amendments required
		Finalise amendments	SCER	May 2013	COAG AEMA amendments required
		Jurisdictions to report back on whether/when they will transfer the setting function to AER	SCER	December 2013	

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11. Transmission framework <i>Ensuring that the transmission framework is supporting the competitive market by optimising efficient network and generation decision-making</i>	Welcome the work done to date by the AEMC in undertaking the <i>Transmission Frameworks Review</i> and note the potential improvements identified in access, connections, and planning processes. <i>[Due March 2013, but may receive earlier]</i>	N/A	N/A	N/A	
	Note that the PC, in the draft report for its inquiry into <i>Electricity Network Regulatory Frameworks</i> , also identified the high level of interdependence between the use of transmission networks and competitive market outcomes and is consulting on issues which will inform future reforms in this area.	N/A	N/A	N/A	
	11.1) Respond to the AEMC's <i>Transmission Frameworks Review</i> .	Receive Final Report	AEMC	31 March 2013	Subject to complexity of the AEMC's recommendations
		Draft policy response	SCO	May 2013	
Finalise policy response		SCER	End 2013		
12. Changes in demand <i>Ensuring that the benefits associated with reducing demand can be shared between network businesses and consumers</i>	12.1) Task the AEMC to prepare advice on the merits of the AER considering the difference between actual and forecast demand in the prior determination period when undertaking the current determination. This could include analysis of which party bears the risk when forecasts are not realised and the difference of impact depending on whether the control mechanism sets prices or revenue. The AEMC advice should include a draft rule change if considered necessary.	Task AEMC with a review	SCO	December 2012	
		AEMC Final Report	AEMC	March 2013	Subject to complexity of area – 3 months may not be enough time
		Policy response agreed	SCER	May 2013	Subject to complexity of the AEMC's recommendations
		Advice from AEMO and AER about any necessary amendments to the Rules		June 2013 (to be in place by next round of regulatory determinations, with AEMC considering for one year)	Subject to transitional arrangements from the AEMC's rule change
	12.2) Request AEMO to provide independent	Tasking	SCER	December 2012	

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	demand forecasts to the AER in a manner which will enhance the AER's ability to analyse demand forecasts submitted by network businesses. AEMO (in consultation with the AEMC/AER) to also provide its assessment of the information requirements necessary to undertake the task and whether it considers it has adequate access to this information.				
Advice from AEMO and AER about any necessary amendments to the Rules		AEMO and AER	March 2013		
Submit rule change proposal (if required)		SCER	May 2013 (to be in place by next round of regulatory determinations, with AEMC considering for one year)	Subject to transitional arrangements from the AEMC's rule change	