

The Hon Tony Abbott MP
Prime Minister
Chair, Council of Australian Governments
Parliament House
CANBERRA ACT 2600

Dear Prime Minister 

I write to you in my capacity as Chair of the Standing Council on Energy and Resources (SCER), soon to become the Council of Australian Governments' (COAG) Council on Energy.

COAG has previously endorsed the SCER Energy Market Reform package 'Putting Consumers First' to progress energy market reform which supports investment and market outcomes in the long term interests of consumers. The package is presented in four key areas being, strengthening regulation, empowering consumers, enhancing competition and innovation, and ensuring balanced network investment. SCER met on 13 December 2013 to make key decisions necessary to build on the reform agenda.

I am pleased to report significant progress has been made against agreed milestones. In particular, the following achievements have been made:

- *Strengthening regulatory outcomes:* On 17 December 2013, the Australian Energy Regulator (AER) published its final guideline as part of its Better Regulation Program, which sets out its approach to regulation under the new rules introduced by the Australian Energy Market Commission (AEMC). The guidelines cover: how the AER assesses expenditure proposals, calculates the allowed return on assets, allocates costs, engages with consumers, and more.
- *Appropriate appeals mechanisms:* Changes to the way the national regulator's decisions are appealed (known as the Limited Merits Review regime), which had been identified as a driver of rising prices, were passed by the South Australian Parliament on 5 December 2013. These changes will apply to all future regulatory determinations, commencing mid-2014.
- *Reliability Standards:* SCER considered the AEMC's final reports for the National Electricity Network Reliability Framework and Methodology. SCER agreed to the interim measures recommended by the AEMC that could be done in advance of the early-2014 consideration of whether to adopt a national framework. Further, SCER noted advice on the need for changes to the Australian Energy Market Agreement (AEMA) will be sought in the context of the national framework.

- *Establishment of a National Energy Consumer Advocacy Organisation:* SCER agreed to an implementation plan to establish a national energy consumer advocacy organisation, called Energy Consumers Australia, from 1 July 2014. The establishment of Energy Consumers Australia is an important step towards increasing consumer advocacy on national energy market matters of strategic importance and material consequence for energy consumers, in particular, household and small business consumers.
- *Strengthening governance:* At its 13 December 2013 meeting, SCER agreed to Statements of Expectations for the AER and the AEMC, as an element of an enhanced budget and performance reporting framework. These market governance bodies will respond with annual Statements of Intent and report using key performance indicators. SCER agreed to amendments to the National Electricity Law and National Gas Law to ensure the AER has sufficient and clear powers to collect and publish data necessary to benchmark the performance of energy networks.
- *Retail energy pricing reform:* Jurisdictions have provided advice on the state of retail competition and related policy settings, including transition plans to price deregulation. These plans, being provided separately to COAG, offer a valuable overview of the retail energy market in each relevant jurisdiction, as well as initiatives planned to assess and progress competition and pricing reforms.

As noted in SCER's last report to COAG in July, South Australia deregulated retail energy prices in early 2013. The AEMC's recent assessment of effectiveness of competition for small electricity and gas consumers in New South Wales (NSW) has recommended that the NSW Government remove retail price regulation due to its finding of effective competition. The NSW Government has six months to respond to this review.

The Queensland Government has indicated it plans to remove regulated price-setting for the South East Queensland retail electricity market and replace it with price monitoring by 1 July 2015, subject to certain conditions. As has been seen in Victoria (which deregulated its electricity market in 2009) and South Australia, effective competition, followed by price deregulation provides benefits for consumers through increased competitive pressures.

- *Demand side participation:* Implementation of SCER's demand side participation program is well advanced. A rule change proposal was submitted to the AEMC in October 2013 to support the business-led rollout of smart meters and the Demand Side Participation (DSP) services which this technology enables.
- *Pricing structure transition:* As part of SCER's DSP program, a rule change was submitted to the AEMC in September 2013, which would require distribution network businesses to set cost reflective (flexible) pricing that provides stronger signals to consumers to reduce demand at peak times. Legislative changes to transition to flexible pricing, and corresponding consumer protections through the National Energy Customer Framework, were passed by the South Australian Parliament (as lead legislator) in November 2013.
- *Network incentives:* SCER officials submitted a rule change proposal in December 2013 recommending reforms to the Demand Management and Embedded Generation Connection Incentive Scheme. Proposed changes will improve the incentives for network businesses to undertake demand management projects with their customers.

- *Consumer energy data:* SCER officials submitted a rule change proposal to the AEMC in October 2013 to improve the ability of consumers and their agents to access their personal energy consumption data. The rule change seeks to help consumers better understand their electricity consumption patterns and options to manage their bills.
- *Demand forecasting:* A rule change was also submitted to the AEMC in December 2013 which will allow the Australian Energy Market Operator to collect better demand side information from market participants to support its market operational functions and contribute to more efficient operational, investment and usage decisions by registered participants.

Progress on the reform package is detailed in the attached report, and supplemented by SCER's consolidated DSP work plan. The Energy Market Reform implementation package report will be made publicly available on SCER's website.

Notwithstanding this progress, work still needs to occur to ensure efficient energy markets and regulations that deliver enduring benefits for business and consumers. The Australian Government is therefore working with state and territory counterparts, through the ministerial council to reinvigorate the energy market reform agenda.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'I. Macfarlane', is written in a cursive style.

The Hon Ian Macfarlane
Chair
COAG Council on Energy

COAG Energy Market Reform - Implementation Plan - Report on Progress - December 2013

Key Issues	Key Recommendations (as put to and agreed by COAG 7 December 2012)	Key Milestones	Primary responsibility	Delivery dates	Progress	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	The Commonwealth has provided an additional \$23 million of funding over four years to the AER, commencing 2013-14.	Relevant to Western Australia (WA) as it relates to the Australian Energy Market Commission (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.				Panel established by AER (from 1 July 2013) – see 6.2.	
	1.1) That the part-time state nominated AER Board member convert to full-time.	Formalised in 13/14 Budget	Commonwealth	1 July 2013	Member appointed on 9 September 2013 as acting full-time state/territory AER member. Selection process for ongoing full time member under way.	
	Note that the Commonwealth will introduce budget transparency for the AER, including the actual allocation of program funds over the	Formalised in 13/14 Budget	Commonwealth	1 July 2013	The 2013-14 Australian Competition and Consumer Commission (ACCC) Portfolio Budget Statement separately identifies the AER budget.	

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

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	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.					
	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 emerging regulatory issues that it will be focusing on in its work.	Reporting Framework Finalised	Commonwealth in consultation with SCER	December 2013	On 31 May 2013 SCER agreed to an enhanced performance and accountability framework for the AEMC and AER. The framework comprises: <ul style="list-style-type: none"> • a Statement of Expectations to be agreed by SCER; • a Statement of Intent by the AER and AEMC; including KPIs; and reporting against KPIs in the AEMC and AER annual reports. The Statements of Expectations were agreed by SCER at its December 2013 meeting.	
	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	Review Commences	Commonwealth (Treasurer and Energy Minister)	2014	SCER noted at its December 2013 meeting that this review would be brought forward within 2014.	

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	regulatory regime drawing on the experience of the transitional period.					
<p>2. Strengthening the regulatory outcomes</p> <p><i>Ensuring that the rules equip the Regulator to reach efficient regulatory outcomes in the long term interests of consumers</i></p>	<p>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.</p>	Rule finalised	AEMC	Nov 2012	Completed	
	<p>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).</p>	N/A	N/A	N/A	<p>Completed – AER managing implementation.</p> <p>AER published its final guideline for its Better Regulation program on 17 December 2013.</p>	

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	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	N/A	
	2.1) Identify barriers and if necessary ensure the AER has sufficient and clear powers to 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.	Advice on barriers	AER and AEMC	February 2013	Advice received.	
Finalise policy position on basis of advice		SCO	April 2013	Completed – 3 May 2013 SCER agreed to policy on N-1 basis.		
Finalise legislative amendments (if needed)		SCER	June 2013	To be finalised in early 2014 in light of feedback received on the draft legislative amendments.		
Parliament to introduce legislation (if needed)		South Australia (SA)	1 July 2013	To be introduced in 2014, subject to South Australian Parliamentary schedule.		
2.2) Ensure the AER has appropriate and adequate	Finalise discussion paper, engage	SCER	February 2013	Discussion paper and terms of reference finalised and published.		

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	enforcement powers, including civil penalty arrangements, through a review of enforcement regimes – to be completed by end 2013.	reviewer or consultant			Allens and NERA Economic Consulting engaged to undertake review.	
		Review finalised	SCER	December 2013	The final report was noted by SCER at its December 2013 meeting and published on the SCER website.	
		SCER response	SCER	Mid-2014	SCER agreed that a response paper to the final report would be prepared for consideration by SCER in mid-2014.	
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	Completed	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	N/A	N/A	N/A	Completed	Relevant to WA (as it relates to gas pipeline access) and the NT

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	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.					
	3.1) Prepare and release a Regulatory Impact Statement (RIS) by December 2012, which would seek to assess the costs and benefits of the Expert Panel's recommendations against the status quo	Publish consultation RIS	SCO	December 2012	Completed – Consultation RIS was published on 14 December 2012.	Relevant to WA (as it relates to gas pipeline access) and the NT Legislation in SA Parliament required
		Publish decision RIS	SCER	March 2013	Completed – Decision RIS was published on 6 June 2013.	
	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	Completed – SCER agreed to bill on 12 September 2013.	
		SA Parliament to introduce legislation (if needed)	SA	July 2013. To be effective from Jan 2014	Completed – SA enacted the Act on 5 December 2013. Commonwealth made Regulations on 12 December 2013.	
4. More power to consumers <i>To ensure consumers have the tools to control their bills by</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	SCER in-principle agreement to Demand Side Participation (DSP) program based on Power of	SCER	December 2012	SCER agreed in-principle to a package of reforms to facilitate DSP, based on the recommendations of the AEMC's <i>Power of Choice</i> review. This work is further detailed in the	Limited relevance to WA and the NT although some of the principles may be relevant

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<i>understanding and managing the quantity and timing of their energy consumption.</i>	to see and access the value of their choices in the electricity market, which includes:	Choice review			SCER DSP Program.	NT to consider implementation of reform initiatives where net benefit can be demonstrated
		SCER formal response to Power of Choice Review	SCER	March 2013	Completed. SCER agreed its response to AEMC's Power of Choice recommendations and tasked officials to implement through rule change proposals.	
		SCER response to Electric and Natural Gas Vehicle Review.	SCER	May 2013	Completed. SCER agreed its response to AEMC's review of energy market arrangements for electric and natural gas vehicles.	
	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	Rule Change Proposal Development	SCER	October 2013	Completed. Rule Change Proposal developed by officials and submitted to the AEMC in October 2013. In addition to improving consumers' access to their consumption data, the proposal includes recommendations received by officials on the privacy of smart meter data and obligations for retailers and distributors to inform customers on how metering data is used. Rule change proposal published on SCER website in advance of AEMC consultation process.	
		Rule Change Process	AEMC	July 2014	AEMC to undertake Rule Change Process (approximate duration nine months – to July 2014).	

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	4.1.2) new principles and reforms to encourage the market-driven (business-led) competitive roll-out of smart meters and other advanced metering.	Rule Change Proposal Development	SCER	October 2013	Completed. Rule Change Proposal developed by officials and submitted to the AEMC in October 2013. Rule change proposal published on SCER website in advance of AEMC consultation process.	
		Rule Change Process	AEMC	November 2014	AEMC to undertake Rule Change Process (approximate duration one year – to November 2014).	
		Policy Review	Jurisdictions	Ongoing	Jurisdictions considering metering policies on new and replacement, interval data and non-reversion to incorporate into metrology procedures (ongoing).	
		Review	AEMC	March 2014	Additional work on an open access and communications framework to support demand side participation and other services enabled by smart meters is currently underway, led by the AEMC (the Open Access Review).	
		Legislative Change	SA	Early 2014	Completed. Legislation to remove the provision in the National Electricity Law for jurisdictions to mandate a roll-out of smart meters was passed by the South Australian Parliament in November 2013.	
5. Demand side participation	5.1) SCER to implement a comprehensive demand side	SCER in-principle agreement to DSP	SCER	December 2012	SCER agreed in-principle to a package of reforms to facilitate DSP,	Limited relevance to WA and the NT

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<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>	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:	program based on Power of Choice review			based on the recommendations of the AEMC's Power of Choice review. This work is further detailed in the SCER DSP Program.	although some of the principles may be relevant (less in WA with capacity market).
		SCER formal response to Power of Choice Review	SCER	March 2013	Completed. SCER agreed its response to AEMC's Power of Choice recommendations and tasked officials to implement through rule change proposals.	NT to consider implementation of reform initiatives where net benefit can be demonstrated.
		SCER response to Electric and Natural Gas Vehicle Review.	SCER	May 2013	Completed. SCER agreed its response to AEMC's review of energy market arrangements for electric and natural gas vehicles.	
	5.1.1) The phasing in of efficient and cost-reflective retail energy prices 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;	Rule Change Proposal Development	SCER	September 2013	Completed. Rule Change Proposal on distribution pricing principles developed by officials and submitted to the AEMC in September 2013. Rule change proposal published on SCER website in advance of AEMC consultation process.	
		Rule Change Process	AEMC	November 2014	AEMC to finalise rule change by end November 2014.	
		Legislative Change	SA	Early 2014	Completed. Legislative changes passed by SA Parliament in November	

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					2013 to allow jurisdictions to provide consumers with option to move to time-varying pricing.	
		Rule Change Proposal Development	SCER	Early 2014	A rule change proposal is being developed to allow for alignment of network and retail tariffs in jurisdictions that require retailers to offer specific standing offer tariffs.	
	5.1.2) Appropriate consumer engagement and education, and protections for vulnerable consumers, during a pricing structure transition;	Communication strategies	SCER	Ongoing	Victoria underway. Other jurisdictions considering as part of pricing transition.	
		Legislative Change	SCER	Early 2014	Completed. Legislation to give Ministers power to make rules in relation to smart meters passed by South Australian Parliament in November 2013.	
		Rule Change Process	SCER	Mid 2014	Draft rules and consultation explanatory material released by SCER Officials in September 2013. Public consultation took place in October 2013: submissions closed November 2013. Rules will be finalised for SCER consideration in April 2014. SA Minister to make Rules following SCER consideration.	

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	<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>	Rule Change Proposal Development	SCER	April 2014	<p>Rule change proposal on a Demand Response Mechanism (DRM) was being developed by the Australian Energy Market Operator (AEMO).</p> <p>At its December 2013 meeting, SCER agreed to request AEMO to defer lodgement of the DRM rule change proposal due to a change in market circumstances since the initiative was first proposed.</p> <p>SCER requested officials to undertake further work on the DRM, including a cost benefit study, and report back to SCER at its first meeting in 2014.</p>	<p>The AEMC's final, detailed recommendations on 5.1.3, and subsequent advice from the AEMO, set out a series of steps that need to be followed, which will allow the mechanism be in place in the first quarter of 2015.</p>
Rule Change Proposal Development		SCER	December 2013	<p>Completed. Rule Change Proposal developed by officials to improve AEMO's ability to collect DSP information for use in its market operational functions. Submitted to AEMC in December 2013.</p>		
Rule change process		AEMC	December 2014	<p>AEMC to finalise rule change in line with standard processes.</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</p>	Rule Change Proposal Development	AEMO	July 2014	<p>AEMO has prepared project scope and detailed schedule and is developing relevant Rule Change Proposals.</p>	

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	retailer); and					
	<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>	Rule Change Proposal Development	SCER	December 2013	Completed. Rule Change Proposal developed by officials and submitted to the AEMC in December 2013.	
	<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 on its overall DSP plan and implementation progress.</p>	Release of SCER DSP Plan	SCER	June 2013	Completed. SCER adopted key reforms from the Power of Choice review at its December 2012 meeting, and published its full response on 4 March 2013. SCER published its overall DSP plan in May 2013, including the status of each measure. For details see www.scer.gov.au/workstreams/energy-market-reform/demand-side-participation/ . Implementation of this work is ongoing.	
6. Enhancing consumer representation	6.1) That a national advocacy body, well equipped to constructively contribute to energy policy development,	Agree in-principle that a national advocacy body is required to	N/A	December 2012 – COAG meeting	Completed	Relevant to WA and the NT

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<i>Ensuring that the objective of the Australian Energy Market Agreement (AEMA), which places an emphasis on the long term interests of consumers, is met</i>	rule change processes, and network determinations (including appropriate appeals processes), is an important next step in advancing the interests of energy consumers.	advance the interests of energy consumers at a national level				
	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.	A proposal for a national energy consumer advocacy body was developed for SCER by two expert advisors. The final report was released publicly on 31 May 2013.	SCER	June 2013	A proposal for a national energy consumer advocacy body was developed for SCER by two expert advisors. Their final report was released publicly on 31 May 2013. SCER asked officials to develop a detailed implementation plan.	Relevant to WA and the NT
	Officials to develop a detailed implementation plan for the consumer body	Officials presented an implementation plan for the consumer advocacy body to SCER Ministers at the 13 December 2013 meeting		Dec 2013	On 13 December 2013, SCER agreed to the Implementation Plan for establishment of the national energy consumer advocacy body, to be known as Energy Consumers Australia, by no later than 1 July 2014. Officials to have the administrative arrangements for the consumer body in place by 1 July 2014.	
	Note that establishing such a body is likely to require legislative change and that in parallel immediate steps should	N/A	N/A	N/A	Completed	Relevant to WA and the NT

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	be taken to improve consumer representation in the energy market.					
	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	Panel established by AER (from 1 July 2013) following an open expression of interest and selection process.	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	Completed: <i>The Australian Energy Market Commission Establishment (Consumer Advocacy Panel) Variation Regulations 2013</i> were tabled in the South Australian Parliament on 19 December 2013 and are now in effect.	Relevant to WA and the NT
7. Ensuring consistent national frameworks <i>Consumers benefit from efficiencies of</i>	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)	VIC and QLD to have their legislative instruments passed in their parliaments	NSW, VIC, QLD and SA	As soon as practicable but no later than 1 January 2014	The NECF has been successfully implemented by the ACT, TAS, SA and NSW. VIC and QLD planning for 2014 and mid 2014 respectively.	SA applied the NECF on 1 February 2013. Subject to resolution of state

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<i>consistent national frameworks and rigorous national approaches to regulation</i>	as soon as practicable and no later than 1 January 2014, subject to the resolution of issues specific to those jurisdictions yet to implement, with SCER to report to COAG by June 2013 and in early 2014 on progress in resolving outstanding issues and implementing the NECF.	NSW, VIC and QLD application Acts to meet SCER Energy Market Reform Working Group (EMRWG) and SCER approval processes	SCER to report to COAG	June 2013	As per above.	specific issues in VIC and QLD.
8. Deregulation of retail prices <i>To ensure efficient and competitive retail energy markets for the benefit of consumers and the energy sector alike</i>	8.1) SCER to recommend to COAG that it reiterate its commitment to retail price deregulation where effective competition exists.				Completed - occurred through SCER and COAG meetings in late 2012.	Advice from jurisdictions on transition to price deregulation (8.2, 8.3, 8.5, 8.6)
	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. SCER will provide advice on this to COAG by the end of 2013.	Delivery of transition plans on price deregulation by jurisdictions (8.2, 8.3, 8.5, 8.6)	All jurisdictions – except VIC and SA which deregulated prices in January 2009 and February 2013 respectively.	By end 2013	Completed- all jurisdictions (except for VIC and SA as they were not required to report) have provided individual transition plans on price deregulation.	Relevant to WA and the NT for high level commitments (AEMC competition reviews are NEM only) SA deregulated energy retail prices on 1 February 2013.
			SCER to report to COAG	By end 2013	SCER will provide a report to COAG outlining key findings from jurisdictional transition plans and presenting these plans as attachments.	

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	<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>Completed: Only ACT required (Given SA deregulated prices). ACT reported on this through its transition plan above.</p>	
	<p>8.4) SCER to develop any necessary enhancements to the AEMC competition review approach, incorporating advice from the AEMC as previously requested and incorporating any advice from the AEMC review of competition in NSW, and proposals to COAG for AEMA amendments, by 2013 with any new approach to be applied annually thereafter.</p> <p>Options to be provided to COAG by June 2013.</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>Over the first half of 2013 SCER developed and approved a revised approach to the AEMC's competition reviews. This included Terms of Reference and amendments to the AEMA to guide the AEMC. SCER presented the amended AEMA to COAG for its approval on 9 May 2013.</p> <p>The amended AEMA was approved by all jurisdictions by December 2013.</p> <p>In January 2014, the Chair of SCER formally tasked the AEMC with the revised approach to its competition reviews and issued it with the revised terms of reference. The first report is to be released in 2014.</p>	Relevant to WA and the NT only in relation to potential adoption of AEMC review process

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	<p>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.</p>	<p>Delivery of the AEMC's advice on consistent retail price setting methodology</p>	<p>All jurisdictions (through SCER) to task AEMC and the AEMC to report.</p> <p>Individual jurisdictions to consider adoption of AEMC advice</p>	<p>By end 2013</p>	<p>Completed: The AEMC publicly released this report on 27 September 2013.</p>	
	<p>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 8.2.</p>	<p>Jurisdictional reports on consideration of application of AEMC approach</p>	<p>All jurisdictions – except VIC which deregulated prices in January 2009.</p>	<p>By end of 2013</p>	<p>Completed: Being progressed through the transition plans to be developed by jurisdictions.</p>	<p>Advice from jurisdictions on transition to price deregulation (8.2, 8.3) and completion of AEMC advice (8.5)</p> <p>Not relevant to SA due to energy retail price deregulation on 1 February 2013.</p> <p>Relevant to WA and the NT</p>

Key Issues	Key Recommendations (as put to and agreed by COAG 7 December 2012)	Key Milestones	Primary responsibility	Delivery dates	Progress	Notes
	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	Completed – SCER issued revised Terms of Reference (ToR) to the AEMC on 19 December 2012.	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	Completed. SCER recommended, and COAG agreed, that COAG adopt the revised principles as part of its package of recommendations on a new energy reform agenda. Each jurisdiction is to consider the new principles during the course of any reviews of feed-in tariff schemes.	Relevant to WA and the NT
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.	Task AEMC with development of national framework and methodologies.	SCER	January 2013	Completed – SCER tasked AEMC on 8 February 2013.	
		AEMC publish its Final Report	AEMC	September 2013	Completed – AEMC published its final report for distribution on 27 October 2013 and for transmission on 1 November 2013.	

Key Issues	Key Recommendations (as put to and agreed by COAG 7 December 2012)	Key Milestones	Primary responsibility	Delivery dates	Progress	Notes
	Jurisdictions will consider whether to apply this methodology once it is available for consideration.	<p>Agreement to policy position including tasking AEMC with developing an implementation plan</p> <p>Jurisdictions to report back whether/when they will adopt the methodology</p>	SCER	December 2013	<p>SCER agreed to interim measures on 13 December 2013.</p> <p>SCER to consider its policy position on the national framework in first meeting of 2014.</p> <p>Jurisdictions to report to COAG on whether to adopt the national framework in mid-2014.</p>	
		Agreement to implement	SCER	June 2014	Subject to SCER's agreed policy, this is likely to be in 2015.	Subject to an agreed national framework and timing for tasking AEMC with developing an implementation plan
		New framework in place and implemented	SCER and individual jurisdictions	December 2015		Subject to complexity of implementation requirements
	10.2) Amend the AEMA to make explicit the opportunity for jurisdictions to transfer responsibility of applying the	Draft amendments	SCO	Post April 2014	Early analysis was unable to determine whether amendments to the AEMA are required. Further advice will be sought once SCER finalises its	

Key Issues	Key Recommendations (as put to and agreed by COAG 7 December 2012)	Key Milestones	Primary responsibility	Delivery dates	Progress	Notes
	<p>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.</p> <p>States and territories to agree in principle to adopt the new best practice framework</p>				policy position.	
		Finalise amendments	SCER	Post April 2014		
		Jurisdictions to report back on whether/when they will transfer the setting function to AER	Jurisdictional governments	June 2014		
<p>11. Transmission framework</p> <p><i>Ensuring that the transmission framework is supporting the competitive market by optimising efficient network and generation decision-making</i></p>	<p>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.</p>	N/A	N/A	N/A		
	<p>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</p>	N/A	N/A	N/A	The PC's final report and Australian Government response released on 26 June 2013.	

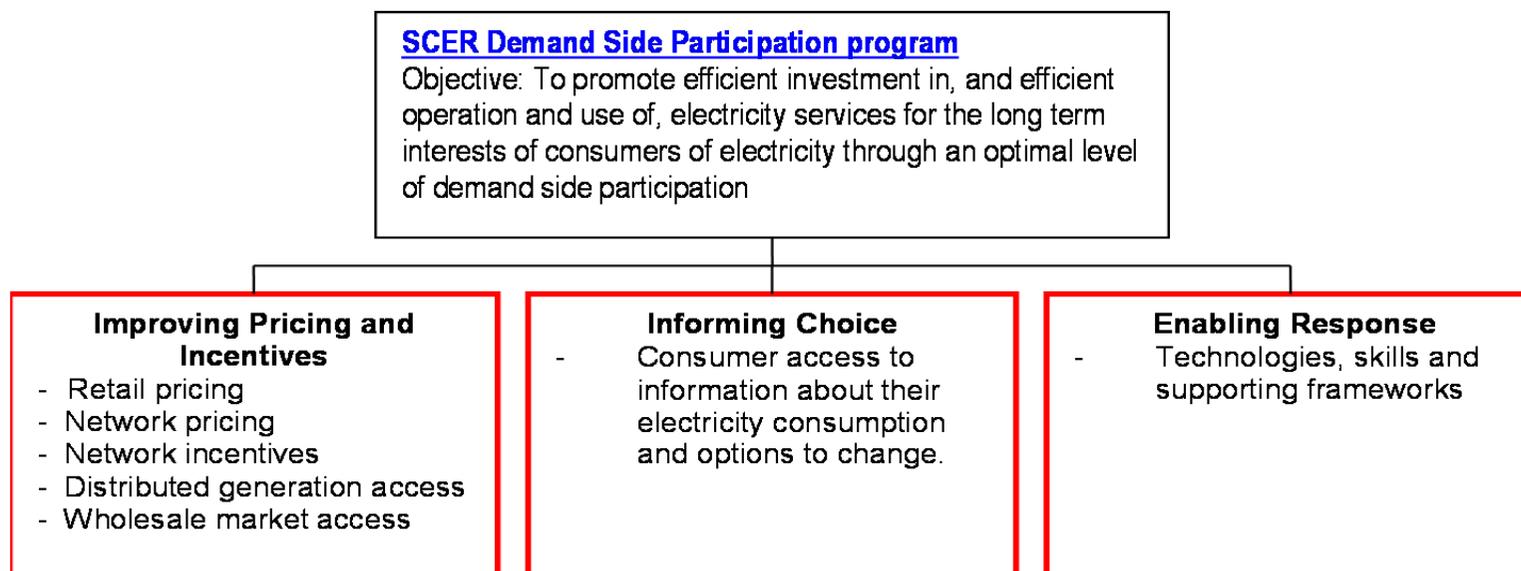
Key Issues	Key Recommendations (as put to and agreed by COAG 7 December 2012)	Key Milestones	Primary responsibility	Delivery dates	Progress	Notes
	in this area.					
	11.1) Respond to the AEMC's <i>Transmission Frameworks Review</i> .	Receive Final Report	AEMC	31 March 2013	Completed – published 11 April 2013.	Subject to complexity of the AEMC's recommendations
		Draft policy response	SCO	May 2013	Completed – published in SCER Bulletin 31 May 2013.	
		Finalise policy response	SCER	End 2013	Completed - SCER considered and agreed to a rule change request setting out its final position on the changes relating to connections and planning arrangements on 13 December 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	Task AEMC with a review	SCO	December 2012	Completed – SCER tasked AEMC with review on 18 January 2013.	
		AEMC Final Report	AEMC	March 2013	Completed – SCER provided Final Report on 26 April 2013.	
		Policy response agreed	SCER	May 2013	Completed – published in SCER Bulletin 31 May 2013.	
		Advice from AEMO and AER		June 2013 (to be in place by	Amendments to the rules not required.	Subject to transitional

Key Issues	Key Recommendations (as put to and agreed by COAG 7 December 2012)	Key Milestones	Primary responsibility	Delivery dates	Progress	Notes
	should include a draft rule change if considered necessary.	about any necessary amendments to the Rules		next round of regulatory determinations, with AEMC considering for one year)		arrangements from the AEMC's rule change
	12.2) Request AEMO to provide independent 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.	Tasking	SCER	December 2012	Completed – 18 January 2013.	
Advice from AEMO and AER about any necessary amendments to the Rules		AEMO and AER	March 2013	Completed – April 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)	In progress – SCER agreed on 31 May 2013 to the need for rule change and tasked officials with making a rule change request by the end of 2013. One outstanding issue to be resolved prior to finalisation of the request.	Subject to transitional arrangements from the AEMC's rule change	
Business Advisory Forum Taskforce (BAFT) Recommendations	i) Note the Commonwealth will request the ACCC to consider the need to enhance information available to vulnerable consumers on ways to manage their energy bills.	Letter to the ACCC and AER to consider this request within existing resources.	Commonwealth	June 2013	Completed. The AER will implement a targeted consumer engagement program, which will include the development of consumer materials to be used and distributed to organisations that work directly with vulnerable consumers.	

Key Issues	Key Recommendations (as put to and agreed by COAG 7 December 2012)	Key Milestones	Primary responsibility	Delivery dates	Progress	Notes
					<p>The main component of this work is an 'intermediaries kit', which will utilise pre-existing materials, such as fact sheets and information on the Energy Made Easy (EME) website.</p> <p>Further work is underway on:</p> <ul style="list-style-type: none"> • A number of improvements to the EME website to enhance its functionality and how results information about energy offers is presented to consumers to better enable them to understand their available options. Phase II of the EME website is expected to be launched in July 2014, • The AER developed a postcard to promote the EME website during 2013. The postcard was available in bars, cafes, universities, museums and community centres across NSW, SA, Tasmania and the ACT, • Developing a management ('train the trainer') kit for intermediaries to deliver to their consumer networks expected for completion mid 2014; and • Training intermediaries to educate consumers on the 	

Key Issues	Key Recommendations (as put to and agreed by COAG 7 December 2012)	Key Milestones	Primary responsibility	Delivery dates	Progress	Notes
	<p>j) Agree that SCER will provide advice to COAG by June 2013 on progress against its energy market reform implementation plan, as updated to account for December COAG decisions, and appropriate accountability arrangements. These accountability arrangements will include ongoing oversight by COAG of implementation of energy market reforms.</p>	10 May 2013 SCER meeting	SCER	June 2013	<p>use and benefits of EME.</p> <p>Completed – SCER provided a revised implementation plan to COAG on 4 March 2013 and a further update on 9 July 2013. This updated plan provides further advice to COAG on progress.</p> <p>SCER has agreed to a reporting arrangement to provide updates on the package.</p>	
Seamless national Economy National Partnership Agreement Recommendations	<p>The adequacy of investment in Australia’s existing gas and electricity markets is assessed and necessary actions taken to ensure the market delivers efficient levels of investment.</p>	<p>The Standing Council on Energy and Resources will continue to monitor investment issues but considers this milestone complete</p>	<p>Jurisdictions</p>	<p>The Standing Council on Energy and Resources will continue to monitor investment issues but considers this milestone complete</p>	<p>Completed - as agreed by COAG in its response to the COAG Reform Council’s <i>Seamless National Economy: Report on Performance 2011-2012</i>.</p>	<p>This relates to the BAFT recommendation to incorporate any deliverables under the Seamless National Economy National Partnership Agreement which have not been replaced by new energy market reform elements</p>

Updated SCER Demand Side Participation Program – December 2013



The Standing Council on Energy and Resources (SCER) has adopted this framework to guide its demand side participation (DSP) work. The framework provides an overview of SCER's policy objectives for DSP:

- **Improving pricing and incentives:** consumers need clear signals about the cost of their energy consumption in order to efficiently manage their demand, and supply chain businesses need appropriate incentives to implement and facilitate demand side participation options.
- **Informing choice:** consumers and demand side providers need a range of information so that they can identify and implement efficient demand options.
- **Enabling response:** a range of technologies, skills, and supporting frameworks are required to support pricing, information, and demand management options, and to enable timely responses to market signals.

This document details the current and completed work to deliver SCER's demand side participation objective.

SCER Demand Side Participation Program

No.	Work streams	Policy Areas			Description ¹
		Improving pricing and incentives	Informing choice	Enabling Response	
Metering²					
1.	Competition in metering for small customers	✓	✓	✓	Purpose: SCER has agreed that competition in provision of meters should be expanded to all customers, consistent with a business-led, optional approach to adoption of more advanced meters in states where a widespread roll-out is not underway. This will provide consumers with the option of choosing to have an advanced meter if they want one to support a particular electricity tariff or another product or service. Status: A rule change proposal was submitted for consideration by the Australian Energy Market Commission (AEMC) in October 2013.
2.	Advice on open access and communication standards	✓	✓	✓	Purpose: Access to the range of demand side services enabled by a smart meter will be most effective when competing providers offer common communication and access standards. Status: The AEMC is conducting a review and will provide advice to SCER in April 2014.
3.	Managing the transition to any new metering arrangements	✓	✓	✓	Purpose: Any new arrangements for competition in meter provision will have implications for metering procedures and market systems. Status: The Australian Energy Market Operator (AEMO) will manage this transition at an appropriate point during the rule change process.
4.	Remove NEL provision for mandated smart meter roll-outs.	✓	✓	✓	Purpose: In the response to the AEMC Power of Choice review, SCER agreed to remove the provision in the National Electricity Law for jurisdictions to mandate a roll-out of smart meters. In the context of changes to support competition in meter provision for all customers, this will increase certainty for investment decisions. Status: Legislation has been passed by the South Australian Parliament, as lead legislator, to enact the change.
5.	Incorporating the SCER smart meter minimum functionality specification in the rules	✓	✓	✓	Purpose: The SCER smart meter minimum functionality specification provides an agreed definition of the functions that a smart meter should provide. Incorporating it in the rules will provide a reference point should any jurisdiction wish to adopt a new and replacement smart meter policy, and provide a mechanism for any future changes to the specification. Status: The competition in metering rule change request (see 2. above) incorporates a proposal that AEMO establish, maintain and publish a smart meter minimum functionality specification in the form of a procedure or guideline.
6.	Jurisdictional decisions on smart meter new and replacement and non-reversion policies	✓	✓	✓	Purpose: SCER's response to the AEMC's Power of Choice review indicated that each jurisdiction should be able to decide whether smart meters should be installed in defined situations. Status: When decided, jurisdictions will provide their policies to SCER for noting.
7.	Decisions by jurisdictions on when a meter that has interval reading capability must be read as an interval meter for wholesale market settlement	✓			Purpose: The energy consumption data from interval meters can be used for billing as either accumulation data (i.e., total use over a time period, such as a three month billing cycle), or as interval data (e.g. use in each 30 minute period). Even if consumer bills use accumulation data, using the underlying interval data to settle retailers' wholesale electricity purchases would increase the accuracy of consumption profiles used by retailers as an input to determine electricity prices. Status: When decided, jurisdictions will provide their policies to SCER as at 6. above.
8.	Customer rights to access their own energy consumption data		✓		Purpose: When consumers have easy access to information about their energy consumption, they can make more informed choices about their energy tariffs and options to control their consumption and costs. The proposed rule changes will clarify the timeframes, formats and costs involved in obtaining consumption information. Status: A rule change proposal was submitted for consideration by the AEMC in October 2013.
9.	Privacy of metering data		✓		Purpose: Confidence in smart meters will be improved when consumers have confidence that their personal information is protected. Status: Protection of smart meter data privacy is being addressed in access to data rule change proposal at 8. above.
10.	Jurisdictional implementation of safety recommendations from the consumer protection and safety review (e.g. communication to electrical trades)			✓	Purpose: The SCER smart meter minimum functionality includes capability for remote energisation and de-energisation of premises. A range of measures would need to be in place to make sure this could be done safely. Status: Officials are considering a range of measures to implement the recommendations of the consumer protection and safety review.
11.	Clarify arrangements for a single customer to have multiple FRMPs (retailers)			✓	Purpose: These changes would allow for more than one Financially Responsible Market Participant to provide electricity and demand side services at a single site. For example, this would allow consumers to buy electric vehicle charging services separately from the rest of their household electricity, or allow a specialist retailer to provide a wholesale pass-through contract for a controllable load in a factory, while the factory bought electricity for the rest of the plant through a traditional retail contract. Consumers could also sell output from a small generator to the company with the best offer, while buying electricity for the same site from a different retailer. Status: AEMO is progressing a rule change request in consultation with stakeholders for submission to AEMC in July 2014.

¹ Abbreviations: AEMC – Australian Energy Market Commission; AEMO – Australian Energy Market Operator; AER – Australian Energy Regulator; DG – Distributed Generation; DSP/DSR – Demand Side Participation/Response; MCE – Ministerial Council on Energy; NECF – National Energy Customer Framework; NEM – National Electricity Market; NSEE – National Strategy on Energy Efficiency; TUOS – Transmission Use of System

² Aspects of the metering program may not necessarily apply where a smart meter roll-out is already underway.

No.	Work streams	Policy Areas			Description ¹
		Improving pricing and incentives	Informing choice	Enabling Response	
12.	Embedded network metering and settlements requirements		✓	✓	<p>Purpose: In the electric vehicles review, the AEMC recommended that arrangements for metering and settlement in embedded networks be codified in the National Electricity Rules. Embedded networks are privately owned networks which serve customers in some residential, commercial and industrial situations, such as apartment buildings, airports, shopping centres and industrial sites with more than one customer. The AEMC's proposed arrangements would extend options for customers in embedded networks to have access to competing electricity providers.</p> <p>Status: This work is being considered alongside the other changes proposed at (11) above, since they would be enabled by similar metering arrangements.</p>
13.	Each of the jurisdictions review their metering arrangements including their policies, procedures and licensing conditions.			✓	<p>Purpose: Changes to the metering rules to support separation of connection and settlements points could mean that the relevant Australian Standards and jurisdictional guidelines need to be revised. However, further analysis is needed on the scope of changes required. This could include the Wiring Rules, jurisdictional service and installation rules, and aspects of metrology regulation. For meters, the service and installation rules cover issues such as meter access, location, security, enclosure and panel sizes and materials, and wiring.</p> <p>Status: Officials will work with the AEMC and AEMO to identify changes required and advise SCER on the scope of changes that may be needed to support the intent or implementation of these rule changes.</p>
Consumer protection (NECF) clarifications / additions					
14.	NECF amendments for consumer protection in context of smart meters & related products and services	✓	✓	✓	<p>Purpose: Officials have undertaken a review of the consumer protection and safety issues that need to be addressed in the context of the deployment and use of smart meters. The review covers issues including new pricing arrangements, third party service providers, direct load control and billing.</p> <p>Status: Officials are working to identify implementation options for the outcomes of the review, for consideration by SCER where appropriate. This includes legislation passed by the South Australian Parliament in November 2013 to give Minister power to make initial rules in relation to smart meters. Rules relating to billing and load control products are being developed.</p>
Pricing structure transition					
15.	Delivery of the market settings to allow for jurisdictions to provide consumers with the option to move to time-varying pricing	✓			<p>Purpose: Electricity prices that better signal the cost of supplying electricity would help consumers make informed choices about the value of their consumption decisions. In December 2012, SCER agreed to develop the market settings to allow for jurisdictions to provide consumers with the option to move to time-varying pricing.</p> <p>Status: Legislation has been passed by the South Australian Parliament (November 2013), as lead legislator, to enable appropriate mechanisms to provide for consumer choice. A rule change proposal is being developed to allow for alignment of network and retail tariffs in jurisdictions that require retailers to offer specific standing offer tariffs.</p>
16.	Reform of the distribution pricing principles to provide better guidance for setting cost reflective distribution network charges	✓			<p>Purpose: These changes would provide better guidance to distribution network businesses on the factors they should take into account in setting cost reflective prices, for example, how they should calculate the long-run marginal cost of providing network services to meet peak demand. The changes would also introduce opportunities for stakeholders to comment on distribution network pricing proposals, which would provide better information to businesses about how their customers would be likely to respond to prices.</p> <p>Status: A rule change proposal was submitted in September 2013 for consideration by the AEMC.</p>
17.	Consumer engagement program (reporting of jurisdiction actions and sharing of best practice)		✓		<p>Purpose: Consumer engagement during a pricing transition will help consumers understand the benefits that could be available to them from changing to a different pricing structure.</p> <p>Status: Jurisdictions will consider their consumer engagement strategies when they develop their policies for pricing transitions.</p>
Distribution company incentives for demand management					
18.	Reform the demand management and embedded generation connection incentive scheme available to distribution businesses	✓			<p>Purpose: In the Power of Choice review, the AEMC recommended a reformed incentive scheme to provide distribution network service providers with an appropriate return for demand side participation projects that deliver a net cost saving to consumers. This would help to overcome a preference towards network capital investment resulting from insufficient financial rewards from undertaking demand side participation projects.</p> <p>Status: A rule change proposal was submitted to the AEMC in December 2013.</p>
Wholesale electricity market demand response					
19.	A proposal for a new wholesale market demand side participation option, and a new category of market participant for ancillary services.			✓	<p>Purpose: A new option for demand side resources to participate in the National Electricity Market (NEM) wholesale market for electricity would enhance participation by some consumers by allowing them to see the value of reducing their consumption in response to spot market prices. The option could reduce the costs of wholesale market participation by allowing specialist third parties to trade in the market on behalf of consumers with demand response capabilities. Consumers who see sufficient value in the option could also participate on their own behalf. A new category of market participant to provide ancillary services separate to electricity supply would be considered at the same time.</p> <p>Status: AEMO was due to submit a rule change proposal to the AEMC by the end of 2013. At its December 2013 meeting, SCER agreed to request AEMO to defer lodgement of the rule change proposal and requested officials to undertake further work on the DRM, including a cost benefit study, due to a change in market circumstances since the initiative was first proposed.</p>

No.	Work streams	Policy Areas			Description ¹
		Improving pricing and incentives	Informing choice	Enabling Response	
20.	Clarifying AEMO's role in demand forecasting for its market operational functions, in particular to improve forecasting of demand side responses in the market.	→	→	→	<p>Purpose: These changes are intended to improve AEMO's ability to account for demand side participation in its forecasts of energy demand. These include enhancing AEMO's powers to collect information on available demand side participation (for example available demand side participation from aggregators, networks, and energy users), and requiring AEMO to assess and report on the likely responsiveness of non-scheduled load and non-scheduled generation to changes in price. This would improve AEMO's ability to account for demand side participation in its energy forecasts, which are used for a range of purposes in market operations.</p> <p>Status: A rule change proposal was submitted to the AEMC in December 2013</p>
Energy efficiency and demand side interaction					
21.	Review of energy efficiency programs' interaction with demand side policy.	→	→	→	<p>Purpose: Energy efficiency and demand side participation are closely linked as options for consumers to manage their energy consumption and costs. Better coordination between energy efficiency and demand side participation policy and programs could result in more effective program design and resource allocation, and better outcomes for consumers.</p> <p>Status: Officials will consider options for progressing this work stream.</p>
22.	Data availability on appliance load profiles.	→	→	→	<p>Purpose: Better information on the load profiles of appliances would help in targeting energy efficiency and demand side participation activities, and identifying opportunities for direct load control.</p> <p>Status: Officials will consider options for progressing this work stream.</p>
Distributed Generation					
23.	National Strategy on Energy Efficiency – distributed generation		✓	✓	<p>Purpose: The Strategy includes measures to address barriers to harnessing electricity markets to better enable the uptake of economic and cost-effective distributed generation.</p> <p>Status: Ongoing, including consideration of developing connection standards for small embedded generation (see below).</p>
24.	Feasibility study of embedded generation connection standards.			✓	<p>Purpose: Consistent technical standards for embedded generation connections could lower costs for embedded generation project developers and distribution networks.</p> <p>Status: SCER officials have undertaken a study to consider whether it is technically feasible to develop such standards, and the degree of stakeholder support.</p>
25.	AEMO Small Generator Framework Design		✓	✓	<p>Purpose: AEMO has developed a number of principles for small generators (less than 5 MW) covering issues such as registration, metering, settlement, security and reliability, and information provision.</p> <p>Status: A final report was completed in April 2010 to guide AEMO's approach to prioritising future actions to address identified barriers to small generator participation in the NEM. AEMO submitted a rule change proposal to implement elements of the framework in December 2011. This rule change has now been made, and AEMO is in the process of implementing consequential changes to procedures. The status of other aspects of the framework is available on the AEMO website, www.aemo.com.au.</p>
26.	Protocols and standards for direct load control			✓	<p>Purpose: In the electric vehicles review, the AEMC noted the potential of managed electric vehicle charging as a form of demand side participation. The AEMC considered that protocols and standards would help to manage the impact on networks and other participants of switching large blocks of controlled loads.</p> <p>Status: A Rule has been put in place by the AEMC and AEMO is developing subsidiary procedures.</p>
Retail market evolution and regulation					
27.	AEMC review of retailer switching		✓	✓	<p>Purpose: In the Power of Choice review, the AEMC recommended a review into the time taken to complete customer requests to switch retailers. Improving the requirements for switching retailers could improve competition and residential consumer participation in the electricity market.</p> <p>Status: The AEMC is undertaking this review.</p>
28.	Advice to Ministers on need for additional regulation of third party energy service providers		→	→	<p>Purpose: A range of services could help consumers make decisions about their energy consumption and demand side participation options, for example energy efficiency advice and direct load control options. There is debate in the industry about if any or all of these services should be included in the same regulatory framework that applies to selling and supplying electricity.</p> <p>Status: Officials will progress work for Ministerial decision on whether any changes are necessary to the framework currently established by the national energy laws and the Australian Consumer Law, taking into account the current stage of development of the market for energy services.</p>
29.	Clarify definition of 'sale of energy' in the National Electricity Retail Law		→	→	<p>Purpose: In the electric vehicles review, the AEMC considered that there is room for confusion on whether providing electricity for charging electric vehicles is a 'sale of energy' as defined in the energy retail law. The answer to this question has consequences for how electric vehicle charging services are regulated and the protections available to consumers.</p> <p>Status: The AER has provided clarification on this matter in its Issues Paper on the regulation of alternative energy sellers circulated in October 2013.</p>
Broader work streams relevant to demand side participation					
30.	Productivity Commission Inquiry into Electricity Network Regulation	→	→	→	<p>Purpose: The review examined benchmarking arrangements in network regulation, including consideration of demand side issues. For example, one goal of benchmarking could be to consider the extent to which networks have engaged in optimal demand side management.</p> <p>Status: The Productivity Commission (PC) provided its report to the Australian Government in April 2013. On 26 June 2013, the Australian Government released its response to the PC inquiry report</p>

No.	Work streams	Policy Areas			Description ¹
		Improving pricing and incentives	Informing choice	Enabling Response	
31.	Smart Grid Smart City demonstration project	✓	✓	✓	<p>Purpose: The project will demonstrate a range of smart grid technologies and applications, including in-home displays, smart appliances, distributed storage, and fault monitoring and response. The project is supported by activities including a Smart Grid Strategic Policy and Regulatory Steering Committee, and a Smart Grids Standards Roadmap.</p> <p>Status: Underway; due for completion in 2014.</p>
32.	Direct load control appliance standard			✓	<p>Purpose: Direct load control allows cycling of appliances during periods of peak demand. Availability of an appliance standard reduces the transaction costs for a customer who chooses to sign up to a direct load control offer.</p> <p>Status: Standards have been developed for appliances including air conditioners, pool pumps and various kinds of water heaters. Consultation has concluded on whether to mandate the inclusion of 'smart appliance' interfaces in air conditioners, pool pumps, water heaters and electric vehicle chargers.</p>
33.	National Strategy for Energy Efficiency	✓	✓	✓	<p>Purpose: The National Strategy on Energy Efficiency captures the broad range of inter-jurisdictional work on energy efficiency, which is a form of demand side participation.</p> <p>Status: Ongoing implementation.</p>

Meaning of symbols

✓	Substantially contribute to the objective	✓	contribute to the objective	→	Provide input to workstreams for this objective
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Completed work

No	Work streams	Policy Areas			Description
		Improving pricing and incentives	Informing choice	Enabling Response	
Demand Side Participation					
1.	Power of Choice (Demand Side Participation) Review	✓	✓	✓	<p>Purpose: The Stage 3 Power of Choice review considered all market and regulatory arrangements that impact on the electricity market supply chain, including the Rules, other national and jurisdictional regulations, commercial arrangements and market behaviours. The review made recommendations in areas including consumer education and engagement, competition in advanced metering, transitions to cost reflective retail prices, wholesale market participation by demand side resources, network incentives for demand side management, and interaction with energy efficiency policy.</p> <p>Status: The AEMC released its final report on 30 November 2012. Recommendations in the review form part of COAG new electricity market reform agenda, under the theme 'empowering consumers'. At its 14 December 2012 meeting, SCER agreed to develop a number of Rule change proposals and other work representing the first tranche of work responding to the review.</p>
2.	Demand Side Participation Review Stage 2	✓	✓	✓	<p>Purpose: The review considered arrangements for demand side participation in the NEM. The AEMC Stage 2 review identified that getting prices right was the ideal approach to supporting demand side participation, but that where this couldn't be achieved (e.g. because of transaction costs), there is a role for other approaches to demand side participation. The review considered: economic regulation of networks, network planning standards and service incentives, distribution network planning, network access and connection, wholesale market participation, and reliability.</p> <p>Status: The three Rule changes below were specific outcomes of the review. The review also supported work initiated or planned by market institutions and MCE, and identified the relevance of broader energy market reforms to demand side participation. These include distribution network planning and expansion, the form of reliability standards, AEMO's Small Generator Framework Design, AEMO's Rule change on frequency control ancillary services, and consideration of distributed generation technical standards through an AEMC Comprehensive Review of Technical Standards.</p>
3.	Rule change: carry-over of DSP costs	✓		✓	<p>Purpose: An outcome of the DSP2 review, the Rule change requires that the AER, in designing and implementing an Efficiency Benefits Sharing Scheme, consider the possible effects of the scheme on a Transmission Network Service Provider's incentive for the implementation of non-network alternatives.</p> <p>Status: Completed December 2011.</p>
4.	Rule change: avoided TUOS	✓		✓	<p>Purpose: An outcome of the DSP2 review, the proposed Rule change intended that embedded generators not be double-paid through both Network Support Payments from transmission businesses and avoided Transmission Use of Service (TUoS) payments from distributors. The AEMC considered that these payments may compensate for different services, and the final Rule clarifies that while embedded generators can receive both payments, they should only be compensated once for each distinguishable benefit they provide.</p> <p>Status: Completed December 2011.</p>
5.	Rule change: innovation in DG connection	✓		✓	<p>Purpose: An outcome of the DSP2 review, the Rule requires the AER to consider improving the incentives for Distribution Network Service Providers to consider ways of more efficiently connecting embedded generators under the Demand Management Incentive Scheme framework.</p> <p>Status: Completed December 2011.</p>
6.	Chapter 5A – DG connection process (and standardised technical requirements for small generators)		✓	✓	<p>Purpose: The Chapter 5A package contains provisions to streamline the process for retail customers to connect embedded generation to the network. Standards are identified for micro-embedded generation (up to 30 kW three phase).</p> <p>Status: Chapter 5A will come into force in each jurisdiction along with the NECF. A feasibility study on developing technical standards for mid-scale embedded generation connections is currently being underway. A Rule Change Proposal has been submitted by stakeholders regarding connection processes, for consideration by the AEMC.</p>
7.	National Framework for Distribution Network Planning and Expansion			✓	<p>Purpose: This Rule change package includes provisions requiring distribution companies to establish a demand side engagement strategy, and to publish information about their networks in a way that makes it easier for demand side proponents to identify potential opportunities. For projects not exempt, the Regulatory Investment Test for Distribution (RIT-D) will establish a process for assessing and seeking proposals for non-network solutions.</p> <p>Status: The AEMC has made its final determination for this Rule change.</p>
8.	Total Factor Productivity review	✓			<p>Purpose: Longer-term moves to total factor productivity (TFP) as a basis for regulating revenue or prices for network businesses have the potential to improve the incentives for efficient demand side participation to address network constraints, by more closely aligning regulation with intended outcomes, rather than particular ways of achieving them. A TFP based regulatory regime may drive network service providers to seek out the most efficient options for delivery of the service required by consumers, including demand side and supply side options.</p> <p>Status: The AEMC found that before TFP-based regulation could be implemented, consistent and robust data on network businesses' inputs and outputs is needed.</p>
9.	National Framework for the Economic Regulation of Distribution	✓			<p>Purpose: National Rules governing economic regulation of electricity distribution networks were established on 1 January 2008, replacing the separate Rules that previously operated in each jurisdiction. Aspects of the reforms seek to address barriers to, and balance the incentives for, distributed generation and demand side response. For example, the framework requires the AER to consider the extent to which distribution businesses have considered efficient non-network alternatives when assessing their expenditure forecasts.</p> <p>Status: The Rules came into force for the distribution businesses in each NEM jurisdiction at the first five-year revenue determination after 1 January 2008.</p>

No	Work streams	Policy Areas			Description
		Improving pricing and incentives	Informing choice	Enabling Response	
10.	National Energy Customer Framework – Bill Benchmarking	✓	✓		<p>Purpose: The NECF package includes provisions for retailers to provide information to customers about their energy usage compared to similar households in their area.</p> <p>Status: Most NEM jurisdictions will introduce bill benchmarking at the start of the NECF in their jurisdiction.</p>
11.	Prudential requirements (<i>Energy Market Prudential Readiness Review</i>)	✓			<p>Purpose: The review included a proposal to ensure prudential requirements take account of the consumption profiles of different retailers' customers. This may lower costs for retailers whose customers avoid high price periods.</p> <p>Status: AEMO submitted a Rule change request to implement the outcomes of the review in October 2011. The AEMC made a final determination in October 2012 that includes provisions that AEMO must take into account the relationship between average and peak demand when developing the methodology to be used to determine prudential settings.</p>
12.	Energy Information Hub (Scoping study)		✓		<p>Purpose: A scoping study has been completed on establishment of an energy information hub or system to improve energy information disclosure that would provide customers or their representatives with easier access to their energy information currently held by retailers and distributors.</p> <p>Status: The scoping study is available on the Department of Industry (www.ret.gov.au) website.</p>
13.	AEMC Review of Energy Market Arrangement for Electric and Natural Gas Vehicles			✓	<p>Purpose: The former Ministerial Council on Energy (now SCER) asked the AEMC to provide advice on the costs and benefits on energy markets from take up of these vehicles, and the energy market arrangements necessary to facilitate take up.</p> <p>Status: The AEMC has published its final report of this review.</p>