

COAG Energy Council

Meeting Communique

BRISBANE / 1 MAY 2014

THE INAUGURAL MEETING OF THE COAG ENERGY COUNCIL WAS HELD TODAY IN BRISBANE.

AT ITS MEETING OF 13 DECEMBER 2013, THE COUNCIL OF AUSTRALIAN GOVERNMENTS (COAG) AGREED TO STREAMLINE ITS COUNCIL SYSTEM AND REFOCUS IT ON COAG'S PRIORITIES.

THE COAG ENERGY COUNCIL IS ONE OF EIGHT NEW COUNCILS AND WILL REPLACE THE FORMER STANDING COUNCIL ON ENERGY AND RESOURCES (SCER). THE COUNCIL WILL MEET TWICE A YEAR.

The first meeting gave Ministers the opportunity to consider the draft Terms of Reference for the COAG Energy Council which are to be action oriented and focus on national priorities for the Council over the next 18 months. The final Terms of Reference for the COAG Energy Council are to be agreed by COAG later this year.

The Council was chaired by the Hon Ian Macfarlane, Commonwealth Minister for Industry, with membership to comprise State, Territory and New Zealand Ministers responsible for energy and resources.

The COAG Energy Council will provide a forum for collaboration on developing an integrated and coherent national energy policy and any implications from the Commonwealth's abolition of the carbon tax. Ministers' statutory obligations under national energy laws will also be core to the Council's work.

Ministers agreed that they would continue to meet to discuss resources issues and agreed that a business case will be put to the Chair of COAG on inclusion of resources in the scope, Terms of Reference and title of the COAG Energy Council.

Ministers also agreed that stakeholder engagement and participation should underpin the Council's approach to its work program and priorities and delivered on their December 2013 commitment to make stakeholder participation a regular feature of Council meetings.

Stakeholder Engagement

CSIRO Energy

The COAG Energy Council welcomed a presentation from Dr Alex Wonhas and Dr Damian Barrett from the CSIRO Energy Flagship. Ministers noted the strategic level research and development work being undertaken on enhanced gas resource characterisation; improved gas production methods; improved recovery of gas from coal seams; beneficial use of extracted water for agriculture; and community consultation processes in coal seam gas development regions.

NOPSEMA

Ministers were briefed by National Offshore Petroleum and Safety Environmental Management Authority (NOPSEMA) Chair, Mr Keith Spence, and Chief Executive Officer, Ms Jane Cutler on NOPSEMA's expanded functions for environmental approvals for offshore petroleum and greenhouse gas activities in Commonwealth waters. Ministers also received update reports on industry performance and compliance.

Energy Market Bodies

Ministers met with the three energy market bodies – the Australian Energy Market Commission (AEMC), Australian Energy Regulator (AER) and Australian Energy Market Operator (AEMO) to discuss their work programs and how these were contributing to the development of the national energy market and responding to the challenges of rising electricity prices.

Stakeholder Discussions

Representatives of industry and consumer peak bodies, statutory agencies, market bodies and businesses provided Ministers with an industry view of the key issues facing the energy and resources sectors and discussed with Ministers how the Council might work effectively to address these. Delegates urged Ministers to take effective leadership on shared issues in the sectors, and to become more transparent and consultative. Ministers appreciated the cooperative industry proposals put forward and noted that these would be very useful in advancing the reform process.

Resources

NOPSEMA – Extension of Role to Coastal State Waters

Ministers noted opportunities to further streamline regulatory arrangements for petroleum activities, including the potential to reduce the regulatory burden on the offshore petroleum industry through the conferral of powers and functions on NOPSEMA for occupational health and safety, integrity (including well integrity) and environmental management in designated coastal waters. The Northern Territory and South Australia agreed to commence discussions with NOPSEMA regarding potential conferral. Without prejudice to other jurisdictions' positions, it was agreed that discussions will continue between officials of those jurisdictions and the Commonwealth and NOPSEMA on the potential impacts for industry, regulators and government and timeframes for further streamlining of regulatory approvals for offshore petroleum projects extending into coastal waters.

Western Australia and Tasmania maintain their position to continue oversight of their own waters.

Gas Market Development

Commencement of Wallumbilla Gas Supply Hub

Ministers welcomed the successful completion of the work program to develop a voluntary gas supply hub in Wallumbilla, Queensland, which began operation on 20 March 2014. The gas supply hub was developed and implemented by AEMO over two years in close consultation with gas industry participants. The gas supply hub offers a low-cost, flexible method of buying and selling gas at the interconnecting gas transmission pipelines. It is providing the gas industry with greater opportunity to buy and sell gas around larger contractual transactions.

Australian Gas Market Development Plan Update

Ministers endorsed an update of the Australian Gas Market Development Plan to reflect key priorities and progress on existing initiatives, including the current implementation of pipeline capacity trading measures and commencement of the Wallumbilla gas supply hub. To ensure reform priorities continue to reflect the COAG Energy Council forward agenda, Ministers tasked officials with preparing regular updates to the Plan for consideration at future Council meetings.

Ministers also noted the status of the Commonwealth's commitment to develop an eastern Australian gas supply strategy. The strategy will describe the approach of the Commonwealth for the improvement of the eastern Australia gas market, including those priorities it will commit to progress in partnership with State and Territory governments through the COAG Energy Council. The strategy is being informed by stakeholder feedback on the Eastern Australian Domestic Gas Market Study and will be integrated with the Commonwealth's forthcoming Energy White Paper.

Energy Market Reform

Network Regulation and Demand

The COAG Energy Council noted that changes in the production and consumption of electricity in recent years, most notably declining annual consumption (and divergence from peak demand), and an increasing uptake of distributed generation, may have significant implications for the future of the electricity markets and the electricity supply industry. The COAG Energy Council also noted that, as part of the current AEMC distribution pricing rule change, a number of case studies on the impacts of new and emerging technologies are being undertaken. The AEMC's rule change will be completed by November 2014.

Ministers agreed to task officials to consider scenarios, based on the AEMC case studies, to identify and assess potential challenges to and risks facing Australian electricity networks over the next two decades, and to consider any implications for the statutory and regulatory framework within which the industry operates. This work program is not intended to re-prosecute recent reforms, rather strategically consider the flexibility of the regime to adapt to changing circumstances. The COAG Energy Council will consider officials' findings, together with recommendations for further work, at its mid-2015 meeting.

Metering

Ministers welcomed the commencement of the AEMC's rule change process to consider a competitive framework for the delivery of metering services in the National Electricity Market. The Council also noted findings and provided an initial response to recommendations from the AEMC's smart meter Open Access Review. Ministers noted that the recommendations, which aim to support open access and common communication standards for demand-side services delivered by smart meters, will be considered further as part of the metering competition rule change process.

Ministers agreed to task AEMO to provide further advice on minimum functionality for smart meters by October 2014, and a shared market protocol for smart meter communications by February 2015. This advice will support consideration of jurisdictional metering policies and market procedures which should apply under the new metering framework.

Ministers also agreed to undertake analysis of data emerging from the introduction of smart meters and flexible pricing in Victoria, and from tariff-based trials in other jurisdictions, to better understand how the introduction of cost-reflective tariffs may impact on different consumer groups. The Council also tasked officials to investigate and progress a package of consumer decision and communication tools to support a smooth transition to competitive metering as adopted.

The above reforms are part of the suite of initiatives currently being implemented in response to the AEMC's 2012 Power of Choice Review. A series of rule changes have been submitted to the AEMC, which in addition to metering reforms, include changes to data access, distribution pricing principles and network incentives, to support an optimal level of demand-side participation in the National Electricity Market.

Establishment of Energy Consumers Australia

The COAG Energy Council agreed to Energy Consumers Australia (ECA) being established as soon as possible and by no later than 1 January 2015. In recognition of the importance of ECA to increasing consumer advocacy on national energy market matters of strategic importance or material consequence for energy consumers, the COAG Energy Council tasked officials with developing robust administrative arrangements for ECA. The COAG Energy Council expects that officials will keep stakeholders informed of the progress to establish ECA through regular bulletin updates.

The COAG Energy Council also agreed to ECA's company constitution which provides direction for the ECA Board and Chief Executive Officer in regard to matters such as, but not limited to, the objective, activities and powers of the company.

Retail Price Reporting Function

Ministers agreed to task officials to investigate establishing a price reporting function for the AER. The investigation will consider the scope, including the costs and benefits, of the price reporting function, which jurisdictions may choose to adopt.

Review of Governance Arrangements for Energy Markets

Ministers discussed the scope and terms of reference for a broad review of the energy market institution governance arrangements, in keeping with a commitment to COAG to review these five years after the creation of its last institution, AEMO, and noted COAG's commitment of December 2012 to a review by the Commonwealth of the resources, independence and operational arrangements of the AER within 18 months.

State and territory Ministers reiterated their support for separation of the AER from the Australian Competition and Consumer Commission. The Chair agreed to communicate these views to the Australian Government.

While the COAG Energy Council considers that the energy market governance framework has performed well, it viewed this review as an opportunity to test the need for improvements, given there has been significant evolution in the national energy frameworks, including the creation of gas and retail laws, changes in financial markets, and changes in the way electricity is generated, transmitted and used. Officials will undertake further work on the detailed terms of reference for consideration by Ministers.

Further Developments on a National Approach for Reliability Standards

In line with the COAG in-principle agreement on 7 December 2012 to adopt a national framework for setting electricity network reliability requirements, the COAG Energy Council discussed a high level opt-in framework for a national approach for reliability standards to be set out in the National Electricity Rules. Ministers requested officials to finalise a framework document for consideration at their next meeting.

Other Matters Considered by Ministers:*Review of Electricity Customer Switching – Release of AEMC Final Report*

The Council welcomed the release of the AEMC's final report on the Review of Electricity Customer Switching on 10 April 2014. The Council noted that officials are currently reviewing the AEMC's final report and recommendations, which the Council will consider at a later date. A copy of the report is available on the [AEMC website](#).

Energy Productivity

Ministers noted that officials had commenced work to review priorities in relation to national coordination on energy productivity, taking account of existing activities and commitments and the Australian Government's Energy White Paper process, and would report back to the next COAG Energy Council meeting on any joint work that may be needed to advance those priorities. The purpose of this work is to ensure that actions are well-coordinated and aligned to government priorities and policies in delivering cost savings and productivity benefits to businesses and households. Ministers also approved the Equipment Energy Efficiency forward work plan and budget.

Policy Updates

Ministers were provided with an update on the Commonwealth Energy White Paper, its review of the Renewable Energy Target scheme, the Emissions Reduction Fund and repeal of the Carbon Tax, the Exploration Development Incentive and the Deregulation Agenda. They each provided an update of relevant policy developments in their own jurisdictions.

Ministers noted progress from jurisdictions in relation to price deregulation including the recent announcement from New South Wales that it will deregulate electricity prices from 1 July 2014.

Ministers acknowledged and supported the continued reform process being undertaken in the Northern Territory with the last remaining part of the National Energy Market puzzle after nearly two decades of reform. They further noted that the Power and Water Corporation is perhaps the last government monopoly which is to be reformed in line with the COAG reform process. The Council recognised and supported the Minister's reform efforts.

Membership List

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

Commonwealth (Chair)	The Hon Ian Macfarlane MP Minister for Industry
New South Wales	The Hon Anthony Roberts MP Minister for Resources and Energy
Victoria	The Hon Russell Northe MP Minister for Energy and Resources
Queensland	The Hon Andrew Cripps MP Minister for Natural Resources and Mines
	The Hon Mark McArdle MP Minister for Energy and Water Supply
Western Australia	The Hon Bill Marmion MLA Minister for Mines and Petroleum
	The Hon Mike Nahan MLA Minister for Energy
South Australia	The Hon Tom Koutsantonis MP Minister for Mineral Resources and Energy
Tasmania	The Hon Matthew Groom MP Minister for Energy
	The Hon Paul Harriss MP Minister for Resources
Australian Capital Territory	Mr Simon Corbell MLA Minister for Environment and Sustainable Development
Northern Territory	The Hon David Tollner MLA Northern Territory Treasurer
	The Hon Willem Westra van Holthe MLA Minister for Mines and Energy
New Zealand	Hon Simon Bridges MP Minister of Energy and Resources

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