

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

THE MEETING GAVE MINISTERS THE OPPORTUNITY TO FURTHER PROGRESS THE IMPLEMENTATION OF SCER'S ENERGY MARKET REFORM IMPLEMENTATION PLAN; AUSTRALIAN GAS MARKET DEVELOPMENT PLAN; NATIONAL HARMONISED REGULATORY FRAMEWORK FOR NATURAL GAS FROM COAL SEAMS; MULTIPLE LAND USE FRAMEWORK; AND NATIONAL MINERAL EXPLORATION STRATEGY.

THE MEETING WAS ALSO AN OPPORTUNITY FOR MINISTERS TO MEET WITH KEY ENERGY STAKEHOLDERS TO DISCUSS OPPORTUNITIES AND CHALLENGES FOR THE NATIONAL ENERGY MARKET AND ITS FUTURE DEVELOPMENT.

15 Year Anniversary of the National Electricity Market

Today is the fifteenth anniversary of the National Electricity Market (NEM) commencement. To mark the anniversary and to acknowledge the enduring story of this important economic reform, the Australian Energy Market Commission (AEMC) commissioned KPMG to interview leading figures involved in the market's evolution in order to identify the lessons of their experience. The compilation of these interviews was released today as a landmark publication in conjunction with today's SCER meeting.

The NEM has proved itself to be a resilient example of cooperative micro-economic reform in the face of significant change to the Australian economy. This publication has been released by the AEMC to document how the reform process was managed to draw lessons and insights for dealing with issues we face today in the energy and other sectors of the economy. The publication is available on the [AEMC website](#).

Reports to SCER

Ministers discussed a number of strategic energy issues with the three energy market bodies today – the AEMC, the Australian Energy Market Operator (AEMO), and the Australian Energy Regulator (AER).

During these discussions, ministers considered key factors impacting on the electricity market, especially in a new era of declining demand. Ministers focussed on the impact of market developments on network tariffs and agreed to consider these impacts further and investigate possible measures to mitigate these effects in the first ministerial meeting in 2014.

Further, ministers considered the current situation in the eastern gas market and recognised the rapid changes under way as a result of the development of liquefied natural gas (LNG) export facilities at Gladstone, Queensland. Ministers noted the tightening supply-demand balance and discussed ways to improve competition in the market. The Commonwealth's commitment to an Eastern Australian Gas Supply Strategy to 2020 was also welcomed.

Ministers also discussed key strategic issues for the uranium industry and welcomed the Uranium Council's Transport Strategy and noted the recommendations provided. Ministers agreed that the Australian uranium industry faces significant transport challenges, which must be addressed by jurisdictions through collaborative efforts to ensure efficient and timely access to the international market.

SCER also noted that the Uranium Council is progressing work for the consideration of ministers on radiation protection and environmental regulation industry challenges.

Energy Stakeholder Discussion

Representatives of the peak energy industry organisations, consumer groups, the energy market bodies and energy businesses attended part of the SCER meeting to share with ministers their perspectives on the future direction and development of the national energy market including network regulation, demand side participation, gas development and consumer engagement in the market.

It was agreed to make stakeholder participation a regular feature of SCER meetings to provide a regular and structured forum for the exchange of views between ministers and stakeholders.

Energy Market Reform

Limited Merits Review

SCER welcomed the passing of the Statutes Amendment (National Electricity and Gas Laws—Limited Merits Review) Bill 2013 through South Australia's Parliament on 26 November 2013 and the changes to the Competition and Consumer Regulations 2010 that were made by the Australian Government on 12 December 2013.

SCER noted that these amendments represent a significant and timely reform of the regulatory system that will contribute to ensuring future prices faced by electricity and gas consumers are not higher than necessary to deliver a reliable and secure supply of electricity.

SCER further noted that these amendments have been introduced in line with the Council of Australian Governments' (COAG) commitment to have changes to the limited merits review regime in place prior to the commencement of the next round of regulatory determinations in mid-2014.

Establishment of Energy Consumers Australia

SCER further considered its in-principle decision of 31 May 2013 and 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.

Energy Consumers Australia will address the gap identified by Expert Advisors John Tamblyn and John Ryan in their [Report to SCER](#) and focus on national energy market matters of strategic importance or material consequence for energy consumers, in particular, residential and small business consumers.

SCER tasked officials with continuing work on the development of administrative arrangements for Energy Consumers Australia and, in particular, the finalisation of a draft constitution and budget for consideration at the first SCER meeting in 2014.

SCER also agreed to a Statement of Purpose for Energy Consumers Australia's initial transition period. This is expected to run until 1 January 2015. The Statement outlines SCER's expectations for the Board and Chief Executive Officer (CEO) for the transitional period.

These decisions open the way for officials to start the recruitment processes for Energy Consumers Australia's Board and CEO early in 2014.

Further Developments on a National Approach for Reliability Standards

Ministers welcomed the AEMC's reports on a proposed national framework for reliability standards for both distribution and transmission and agreed to further work on the national framework for consideration in the first meeting in 2014. Individual jurisdictions will also report to COAG on their position on adopting the national framework following the first SCER meeting in 2014.

Ministers also agreed to two interim measures proposed by the AEMC in the final report for its Review of the National Framework for Distribution Reliability and requested the AEMC develop common definitions for distribution reliability measures and agreed to the AER assuming responsibility for establishing values of customer reliability for use in the setting of reliability requirements for the next round of regulatory determinations commencing in mid-2019.

Review of Energy Market Bodies

Ministers considered proposals to undertake a scheduled review of the governance of the energy market bodies: the AEMC, the AER and AEMO. Ministers supported bringing forward the independent review of the AER's resourcing and capacity scheduled for mid-2014. It was also agreed that the governance arrangements for the AEMC and AEMO be reviewed at the same time the AER review is being undertaken. Officials were requested to develop terms of reference for these reviews to be considered by ministers.

Ministers agreed that the AER should have sufficient capacity to undertake its full range of functions. State and territory ministers expressed strong support for structural separation of the AER from the Australian Competition and Consumer Commission (ACCC).

Northern Territory Electricity Reforms

SCER noted the significant work currently being undertaken by the Northern Territory Government to reform its electricity sector.

SCER welcomed the Northern Territory's announcement of its intention to adopt national frameworks as part of its reform process and noted that these measures will promote an efficient retail energy market, including appropriate customer protections. Adopting national frameworks will also help to ensure electricity network revenues reflect the efficient costs of delivering a reliable and secure electricity supply.

Gas Market Development

SCER discussed key strategic issues facing the east coast domestic gas market over the coming decade. Ministers noted that the growth in gas production was having a transformational impact on the economy driven by billions of dollars in investment and creating opportunities for thousands of Australian businesses and individuals. Ministers discussed cases of where some regulatory settings are impacting on gas resources being brought to market at a critical period in its expansion, which was exacerbating the current tightness in supply. Ministers considered experiences in developing regulatory models which facilitated the establishment of new types of gas production while still protecting the environment, water resources, farm land and the community. Ministers noted progress in applying leading practice regulation as specified in the SCER endorsed National Harmonised Regulatory Framework for Natural Gas from Coal Seams.

SCER agreed to officials updating the Australian Gas Market Development Plan to reflect key priorities, for endorsement at the next meeting. SCER also noted the Commonwealth will be consulting with stakeholders to facilitate development of its Eastern Australian Gas Supply Strategy to 2020.

Gas Transmission Pipeline Capacity Trade Decision RIS

SCER welcomed the completion of work investigating options to facilitate further trade in gas transmission pipeline capacity in the eastern Australian gas market.

Ministers endorsed the Decision Regulation Impact Statement (RIS) for Gas Transmission Pipeline Capacity Trading and agreed to pursue enhancements to information provision and standardisation of contractual terms and conditions. These measures are aimed at reducing transaction costs to facilitate pipeline capacity trading.

Officials will begin implementing the measures in consultation with stakeholders in 2014. This work will complement ongoing industry-led initiatives and the broader SCER gas market reform agenda. The Decision RIS is available on the [SCER website](#).

Natural Gas from Coal Seams Harmonised Framework – Implementation Update

SCER noted each of the jurisdictions' updates on their work to implement each of the Framework's 18 leading practice recommendations. These recommendations cover the four key operational areas of coal seam gas (CSG) over the lifecycle of development: well integrity, water management and monitoring, hydraulic fracturing and chemical use. State and territory jurisdictions will report annually to SCER on further implementation efforts of the Framework.

To provide New South Wales (NSW) communities with information on CSG development, the NSW Government has produced a location map of CSG wells within the State giving details of the company, the date drilled and the status of the well including whether the well was hydraulically fractured. Accurate mapping of CSG activities will allow communities to better understand the nature and level of exploration and development in proximity to them. The interactive map is a part of the NSW Government's initiative to consult communities about CSG. The map was launched on the Coal Seam Gas - Informing the Community website (www.csg.nsw.gov.au) in early October 2013.

Gas Reserves/Resources and Production Reporting

SCER released a [report](#) about the potential for tight oil and gas, shale oil and gas and coal seam gas in Australia. The initiative is a proactive response by SCER to investigate a possible domestic gas shortage on the east coast of Australia in the immediate future and potential concerns across all jurisdictions in the longer term.

The data in the report has been sourced from data provided by State and Northern Territory authorities, other reporting bodies and data published by operating companies.

While presenting an accurate overall forward trend in production, the report findings regarding estimates of unconventional resources are conservative. In this regard the findings potentially understate the overall prospectivity of the unconventional resources and it is also probable that the majority of the resources will not be produced in the short term.

SCER notes the key data gaps in the report and is considering potential ways to close those gaps, noting data confidentiality issues and implications of imposing additional reporting requirements on industry.

Other matters considered by Ministers:

Market Power

SCER noted advice from officials on the potential need for amendments to the National Electricity Law (NEL) to introduce a new wholesale market monitoring function for the Australian Energy Regulator (AER). SCER requested that officials further define requirements of and approach to a market monitoring function in the NEL.

Forecast Trends in Electricity Prices – Release of 2013 AEMC Report

SCER welcomed the release of the AEMC's annual report on electricity price trends-2013 Residential Electricity Price Trends Report. This report, published today, projects that on a national level residential electricity price increases are expected to moderate over the next three years, increasing on average by 1.2 per cent per year from 2012/13 to 2015/16. The report represents the independent analysis of the AEMC of the drivers behind trends in electricity prices over a three year horizon. There is a degree of variability between the states and territories that underlies the national average. A copy of the report is available on the [AEMC website](#).

Enforcement Regime Review

SCER has released the final report by Allens and NERA Economics Consulting on the Review of Enforcement Regimes in the National Energy Laws. This review considered the effectiveness of enforcement regimes operating within the national regulatory framework and how these regimes will continue to ensure the protection of consumer interests, as well as energy market integrity.

The final report is available on the [SCER website](#). Ministers have requested that officials develop a response to the recommendations in the report following further consultation with stakeholders in 2014. Consultation details will be announced at a later date.

Demand Response Mechanism (DRM)

Ministers considered the DRM and the work by AEMO in developing the proposed rule change. Ministers also noted the change in market circumstances since the completion of the Power of Choice review. While continuing to recognise the value of demand side reform, ministers agreed to request AEMO to defer lodgement of the rule change proposal and requested officials to undertake further work on DRM, including a cost benefit study, and report back to ministers at their first meeting in 2014.

Multiple Land Use Framework

Ministers endorsed the final Multiple Land Use Framework (MLUF), which provides jurisdictions with a framework to address land access as well as land use issues, noting that the Victorian Government has a moratorium on approvals for hydraulic fracturing and the issuing of new onshore gas exploration licences and will be consulting extensively with the Victorian community. The Framework is designed to assist in the application of multiple and sequential land use approaches for planning, policy and development across the minerals and energy resources sectors.

The MLUF supports better outcomes by providing a mechanism for increased transparency and consistency in land use decision-making, more effective engagement with communities and landholders and helps retain options for current and future land use to maximise the net benefits to present and future generations. The MLUF is available on the [SCER website](#).

Ministers agreed to consider at its next meeting the development of a national environmental data repository and the development of a national or east coast framework for subsidence surveying.

Ministers also welcomed ongoing work for a streamlined 'one stop shop' approach to environmental approvals to help reduce red tape burdens facing key resource development projects.

National Mineral Exploration Strategy and Mineral Exploration Investment Attraction Plan

SCER noted the progress to date of the implementation of the National Mineral Exploration Strategy, including the Mineral Exploration Investment Attraction Plan. The focus of the strategy is the acquisition and delivery of pre-competitive geoscience and applied geoscience research to assist exploring undercover.

This ensures that Australia is competitive in attracting mineral exploration investment and safeguards the longevity of Australia's minerals industry. The Council noted the pre-competitive geoscience initiatives underway in the States and the Northern Territory, as well as the collaborative undercover program led by Geoscience Australia to promote mineral exploration. The communication strategy to promote Australia to make it the preferred destination for investment in mineral exploration is underway. Further information on these programs is available on the [SCER website](#).

Membership List

SCER 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 Nicholas Kotsiras 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 Bryan Green MP Minister for Energy and 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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