

COAG Energy Council
GPO Box 787
CANBERRA ACT 2601

14th February 2019

Submitted via e-mail to: energycouncil@environment.gov.au

Dear Sir/Madam,

Review of the Australian Energy Market Commission Establishment Regulations

The Australian Energy Council (the “**AEC**”) welcomes the opportunity to make a submission in response to the COAG Energy Council’s *Review of the Australian Energy Market Commission Establishment Regulations 2005 Issues Paper*.

The Energy Council is the industry body representing 23 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

Discussion

Recommendation 7.2 of the Finkel Review¹ was to establish the Energy Security Board (“**ESB**”), initially a non-statutory body to provide whole-of-system oversight for energy security and reliability. While the ESB would have a budgetary allocation from the COAG Energy Council, the Panel recommended limited resourcing by locating the ESB within one of the market bodies. Most importantly, the Panel considered that the COAG Energy Council should review the ESB’s performance and future after a period of three years.² The AEC notes the limited opportunities industry has had to comment on the rationale supporting the establishment of the ESB, and the powers it has been granted.

On this basis, the proposal to amend the Australian Energy Market Commission Establishment Regulations to grant access to confidential information to the ESB breaches the Finkel Review’s recommendation in two fundamental ways.

- Firstly, by enabling the sharing of confidential information it anticipates the ESB having a significant secretariat of itself, rather than relying on the resources in the individual institutions which form the ESB.
- Secondly, by implementing such an arrangement the COAG Energy Council appears to be anticipating the ESB will exist beyond its original timeframe of three years.

Despite the Finkel Review’s intention to streamline energy market policy development, the overlap between organisations and confusion regarding the organisations’ roles has hampered industry consultation, and led to both fragmentation and duplication. For example, the scope of the Australian Energy Market Commission’s (“**AEMC**’s”) recent *Coordination of Generation and Transmission Investment Review*³ had significant overlap with the ESB’s *Converting the Integrated System Plan into Action* work.⁴ It was unclear during the AEMC’s review, and remains unclear while the ESB develops documents such as its *Integrated System Plan; Action Plan*,⁵ which organisation has precedence in advising the COAG Energy Council, and how inconsistencies between the organisations’ views are to be resolved. This is a particular concern when fundamental changes

¹ Finkel *et al.*, *Independent Review into the Future Security of the National Electricity Market: Blueprint for the Future*, June 2017

² *Ibid.*, p.166

³ Available at <https://www.aemc.gov.au/markets-reviews-advice/reporting-on-drivers-of-change-that-impact-transmi>

⁴ Energy Security Board, *Converting the Integrated System Plan into Action*, 21st September 2018

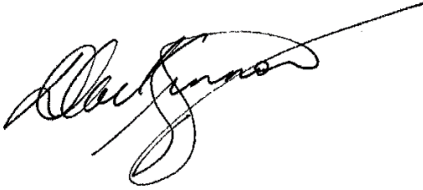
⁵ Energy Security Board, *Integrated System Plan; Action Plan*, 2018, available at <http://www.coagenergycouncil.gov.au/publications/integrated-system-plan-action-plan>

to the market such as dynamic regional pricing have been foreshadowed.⁶ In an environment which has significant uncertainty due to technological change and political vacillation, the introduction of further bureaucracy is unwelcome.

On this basis the proposal to allow the AEMC to share confidential information with the ESB appears to consolidate rather than remedy this situation. The AEC strongly believes the ESB should operate within its intended mandate of a coordinating body, and therefore not need access to confidential information.

Any questions about this submission should be addressed to the writer, by e-mail to Duncan.MacKinnon@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,



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⁶ Australian Energy Market Commission, *Coordination of Generation and Transmission Investment Final Report*, 21st December 2018, p.vii