

## **AEMC draft rule change and review priorities for 2023-2024**

### **Australia is undergoing a transformational shift to net zero**

The energy sector is at the heart of the great challenge to achieve net zero by 2050. The scale and complexity of the changes the sector will face over the next 20 years is immense. In an increasingly complex world, there are great opportunities to maximise the benefits of the transition for consumers, and the Australian economy. The market is evolving at pace and by working with other key stakeholders to get the right market settings in place, we can expect a smoother transition that will unlock the enormous benefits of cleaner, smarter, affordable and reliable energy. The AEMC is working to become more innovative, take risks and prioritise the most important issues to get things done.

### **The AEMC's prioritisation framework is designed to use our resources to do the work that matters most**

Our prioritisation framework identifies our priority areas for reform. Addressing the key issues under these areas of reform is critical to supporting the Energy Ministers' strategic direction and achieving the national energy objective (NEO)<sup>1</sup>.

Our work program aims to provide long-term benefits to consumers. We are acutely aware of the cost of living pressures facing energy consumers. The AEMC, as an independent statutory body, is required to take a long-term view, to address the issues with today's volatility and to keep progressing long-term reform that benefits consumers. Our proposed prioritisation for the next 12 months aims to strike this balance.

Our prioritisation framework aims to:

1. Identify our key focus areas over the next 12 months to guide the rule changes and reviews to be progressed and our forward-looking thought leadership insights for better consumer outcomes.
2. Create transparency around our priorities.
3. Identify new and strategic ways of working and delivering our priority work. This includes continuing to leverage expertise across market bodies, streamlining existing rule-making processes and consolidating projects where it is appropriate to address issues collectively.

### **The AEMC should prioritise key areas of reform to enable a transition that aligns with the long-term interest of consumers**

The AEMC considers five key areas of reform should be prioritised in the 2023-2024 financial year:

1. Resilience
2. Consumer energy resources (CER)

---

<sup>1</sup> to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.

3. Transmission reform
4. Emissions reduction
5. Reliability, system security and future wholesale market design (post-2030)

The 2023-2024 work program will prioritise rule changes and reviews seeking to address key issues within these areas of reform. This is discussed further in the table below.

However, these areas are not exclusive. We will continue to progress rule changes as a priority when requested by Energy Ministers, critical to the functioning of the energy system or if there is a threat to vulnerable consumers.

### **The AEMC is seeking feedback on our draft rule change and review priorities**

We are interested in your feedback on:

- the proposed five key priorities; and
- any issues that may be missing.

We are trying to keep our priority list to five most critical issues for the next 12 months. In developing the list, we take into account issues being progressed elsewhere (e.g. Australian Energy Regulator's (AER) consumer vulnerability framework or the Australian Energy Market Operator's (AEMO) Engineering framework) and focus on the role the AEMC can play in the sector.

### **The AEMC will publish final rule change and review priorities by May 2023**

Our final priorities will be published after stakeholder engagement on draft priorities in April and May 2023.

Key area of reform	Objective and key projects
<p><b>1. Resilience</b></p>	<ul style="list-style-type: none"> <li>• The resilience of the energy system is being challenged by the increasing frequency and severity of extreme events.</li> <li>• The objective of this priority is to improve the resilience of the energy system and markets so that they can resist, absorb, accommodate to, and recover from the effects of disruptive events in a timely and efficient way.</li> <li>• It will include work on rule changes and reviews in areas such as compensation schemes and gas markets.</li> <li>• It will also include work on rule changes relating to the connection process and technical standards, focussing on updating these for the new technologies connecting as the generation mix transitions.</li> </ul>
<p><b>2. Consumer energy resources (CER)</b></p>	<ul style="list-style-type: none"> <li>• CER needs to be better integrated into the market to achieve NEO.</li> <li>• Reform should consider the following principles:                             <ul style="list-style-type: none"> <li>○ consumers’ freedom to choose how their energy resources are used.</li> <li>○ market arrangements should enable CER to improve the efficiency of the system (CER integration benefits all).</li> </ul> </li> </ul> <p>The priority will include work on Unlocking CER benefits through flexible trading and scheduled lite rule changes as well as finalisation of reviews into CER technical standards and Metering.</p>
<p><b>3. Transmission reform</b></p>	<ul style="list-style-type: none"> <li>• More transmission infrastructure and a more interconnected grid is needed to achieve net zero.</li> <li>• It is important to ensure regulatory framework is fit for purpose to support the timely and efficient delivery of major transmission projects, and better signals are in place to better coordinate new battery, generation, and network build.</li> <li>• This priority will include rule changes from the AEMC Transmission review and the ESB’s Transmission access reform work stream.</li> </ul>
<p><b>4. Emissions reduction</b></p>	<ul style="list-style-type: none"> <li>• The proposed legislative changes to include an emission reduction objective in the NEO significantly impact the AEMC’s work plan as the objectives guide our decision-making.</li> </ul> <p>The AEMC will prioritise guidance to stakeholders on how the new amendments will be applied in our decision making, any consequential rule changes to harmonise existing rules with the national energy objectives and any urgent emissions related rule changes the AEMC receives.</p>
<p><b>5. Reliability, system security and the future wholesale market (post 2030)</b></p>	<ul style="list-style-type: none"> <li>• The AEMC will:                             <ul style="list-style-type: none"> <li>○ consider key changes to reliability settings that aim to provide real time and investment signals to address reliability.</li> <li>○ progress key reforms in system security</li> <li>○ work with governments and market bodies on issues relating to long-term wholesale market design.</li> </ul> </li> <li>• This work will include consideration of rule changes to adjust the market price settings and the reliability panel’s work on the form of the reliability standard.</li> </ul>