

AEMC Statement of Intent 2024

1. Introduction and Context

On 19 September 2022, the Australian Energy Market Commission (AEMC) received a Statement of Expectations from Energy Ministers. The Statement of Expectations communicates Energy Ministers' expectations for the operation and performance of the AEMC that is consistent with the AEMC's independent statutory role for rule-making and market development for the majority of the Australian Energy Market. The issuing of a Statement of Expectations is regulatory best practice and outlines Energy Ministers' views on improving governance, transparency, collaboration and outcomes from all market bodies.

The AEMC is required to develop an annual Statement of Intent in response to the Statement of Expectations. This is the AEMC's second Statement of Intent for the Statement of Expectations which was issued in September 2022.

The Statement of Intent focuses on:

- How the AEMC intends to achieve the requirements of the Statement of Expectations.
- The AEMC's role in delivering on its key statutory requirements.
- AEMC's approach to best practice stakeholder engagement and collaboration with governments, market bodies, market participants, energy consumers and investors.
- A set of outcome-focused performance indicators as well as metrics for the operation of the AEMC.

The AEMC is responsible for rule-making and market development of the majority of the Australian Energy Markets. As a national, independent body, the AEMC makes and amends the detailed rules for the National Electricity Market (NEM), involving participating eastern states, elements of the Northern Territory Electricity Market, elements of natural gas markets including in Western Australia. The AEMC is also responsible for retail electricity markets in jurisdictions covered by the National Retail Law.

To further support the development of these markets, the AEMC also provides strategic and operational advice to the Ministers responsible for Energy. The AEMC does this in accordance with processes set out in the national energy laws, the central focus of which is the long-term interests of consumers. The AEMC also monitors, reviews and reports on the safety, security and reliability of the national electricity system through the reliability panel.

2. AEMC Strategic Challenges and Objectives

In 2023, the most significant legislative amendments to the legislation that governs the AEMC's rule making and advice functions took place with the passing of the Emissions Reduction Objectives Bill through the South Australian Parliament. This legislation means the AEMC can consider a new emissions reduction component alongside the existing criteria for price, quality, safety, reliability and security. This is a significant and profound change. The AEMC has subsequently received a value for emissions reduction from Energy Ministers which will be used in its rule-making and review processes where relevant.

The scale and complexity of change the sector will face over the next 20 years is immense. 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. In these times of greater uncertainty, we are becoming more innovative, taking risks and prioritising the most important issues to get things done.

The AEMC's Strategic Plan, launched in September of 2021, set out the objectives for the Commission that will enable it to navigate through these uncertainties. These objectives included:

- Being more practical, focussing on interactions between the Rules and what is happening in the sector and the broader environment.
- Being forward-thinking, ensuring that advice and changes fit together with the long-term direction of the sector.
- Being collaborative, adapting the way that we collaborate with all our stakeholders so that our engagement is truly two-way and ongoing.

We have made good progress on implementing this plan. We have implemented new ways of working that aim to:

- Focus our resources on key priorities that we communicate to our stakeholders;
- Improve and invest further in long-term strategic work for the sector;
- Take a practical approach to delivering rule changes that work for consumers;
- Work collaboratively with all our stakeholders and reach out to new participants in the energy market.

However, the pace of change in the sector coupled with the significant change in our governing legislation in 2023 we have decided to revisit our Strategic Plan. In November 2023, the AEMC commenced work on a strategic refresh. The purpose of the strategic refresh is to consider progress against the 2021 Strategic Plan and the evolving nature of the transformation of the sector and reflect on how we can make a greater impact in delivering our work in the midst of the pace of change and the challenges facing the sector over the next twenty years.

The work will inform AEMC priorities for the 2024-25 financial year. We are aiming to complete our strategic refresh early in the 2024-25 financial year.

3. AEMC priorities and response to Statement of Expectations

The Commission acknowledges and accepts the Energy Ministers' 2022 Statement of Expectations. This Statement of Intent is an update to the version that was approved by Energy Ministers in April 2023.

The market is evolving rapidly and by working closely with Energy Ministers, fellow market bodies, industry and key stakeholders to ensure the right market settings are in place, we can expect a smoother transition.

In our capacity as an advisory body to the Commonwealth, State and Territory governments, the AEMC will continue to provide strategic and operational advice to Energy Ministers and meet the expectations outlined in the 2022 Statement of Expectations to achieve the objectives of the Strategic Energy Plan (SEP).

The Commission notes that some elements of the Strategic Energy Plan (SEP) have evolved including the development of the National Energy Transformation Partnership (NETP) and the wrap-up of the Energy Security Board (ESB) and transition to the Energy Advisory Panel (EAP). The AEMC will continue to work with jurisdictional governments to contribute to achieving their reform priorities.

The AEMC will:

1. perform its roles and functions as defined in the Act and in accordance with requirements in the legislation and agreements listed in Schedule 1 of the Statement of Intent
2. support, through its work, the achievement of:
 - a) the National Electricity Objective, the National Gas Objective, and the National Energy Retail Objective

- b) the outcomes and objectives of the SEP
- 3. manage the rule change process and consult and decide on rule change requests made by others, in accordance with processes set out in the law, with a central focus on the long-term interests of consumers
- 4. undertake reviews and provide advice to Commonwealth, State and Territory governments on improvements to regulatory and energy market arrangements
- 5. ensure its rule change and review processes that contemplate regulatory change have regard to the principles of best practice regulation set out in the Regulatory Impact Analysis Guide for Ministers' Meetings and National Standard Setting Bodies (2021), including by:
 - a) ensuring establishment of a case for action before addressing a problem, and ensuring there is an acceptable level of evidence
 - b) improving the quality of regulation impact analysis through the use, where possible, of cost benefit analysis. This will include a new transparent tiering approach to the AEMC work that outlines our decision-making on the level of cost benefit analysis that we undertake.
 - c) ensuring the regulatory impact of any proposed regulatory change is made fully transparent to the public as soon as possible and to relevant decision makers in advance of decisions being made
- 6. act independently and objectively in performing its functions and exercising its power, in accordance with the requirements of the Act and the national energy laws, and in accordance with best regulatory practice and good corporate governance
- 7. understand the impact on the energy sector of policies outside the energy market portfolio – such as emissions reduction policies – and promote integrated and consistent policy outcomes
- 8. provide advice on what initial reforms are necessary to current regulatory frameworks to improve the timely and efficient delivery of major transmission projects.

The AEMC's priority is to deliver for consumers in the long-term. We work to improve Australia's future productivity and living standards by contributing to a decarbonising, affordable and secure energy system.

Our current priorities include:

1. Resilience

The resilience of the energy system is being challenged by the increasing frequency and severity of extreme events. The objective of this priority is to improve the resilience of the energy system and markets so that they can resist, absorb, accommodate, and recover from the effects of disruptive events in a timely and efficient way.

2. Consumer energy resources (CER)

CER needs to be better integrated into the market to achieve the national energy objectives. The objective of this priority is to prioritise reform that considers consumers' freedom to choose how their energy resources are used and how market arrangements should enable CER to improve the efficiency of the system to benefit all.

3. Transmission

More transmission infrastructure and a more interconnected grid is needed to achieve net zero. The objective of this priority is to ensure the regulatory framework is fit-for-purpose to support the timely and efficient delivery of major transmission projects, and better signals are in place to coordinate new battery, generation, and network build. This priority includes rule changes from the AEMC Transmission review and leading work on Transmission Access Reform.

4. Emissions reduction

Legislative changes to include an emission reduction component in the national energy objectives significantly impact the AEMC's work as the objectives guide our decision-making. The objective of this priority is to embed the new objective in our work including through the harmonisation rule changes.

5. Reliability, system security and future wholesale market design (post-2030)

The objective of this priority is to consider key changes to reliability settings that aim to provide real time and investment signals to address reliability, progress key reforms in system security including those relating to the connections process and technical access standards. It also involves working with governments and market bodies on issues relating to long-term wholesale market design. This work includes consideration of rule changes to adjust the market price settings and the Reliability Panel's work on the form of the reliability standard.

The AEMC updates its strategic priorities annually. The next update will occur early in the 2024-25 financial year, to coincide with the completion of our strategic refresh. Consistent with our previous approach to identifying our strategic priorities, the process will seek input from all key stakeholders including consumer groups, market participants, market bodies and governments.

Effective prioritisation is key to the AEMC being effective in delivering on its statutory objectives. The scale and pace of change in the sector means it is critical that the AEMC focuses on the highest priority issues that will deliver the greatest outcomes for consumers over the long run. The AEMC intends to be transparent and consultative over its priority process. To be effective the AEMC needs to balance its work on urgent rule changes, advice to Ministers and critically its own independent forward-looking assessments of how the rules and sector need to evolve to continue to meet the needs of customers.

In addition, as the independent body responsible for energy market rules we will continue to look to remove regulatory burden and streamline and update the rules.

4. Stakeholder Engagement and Communication

Collaboration and effective engagement with stakeholders is fundamental to our ability to successfully meet our statutory objectives. This requires building relationships with stakeholders, including new stakeholder groups, to help increase our understanding of the key energy issues and concerns affecting the community. A key priority identified in our Strategic plan is adapting the way that we collaborate with all our stakeholders so that our engagement is truly two-way and ongoing.

We do this through our core work in rule making and undertaking reviews with an open, transparent and collaborative approach to stakeholder input. In addition, we have set up regular forums to connect with stakeholders across the sector and the community including:

- Investors forum
- Consumer strategy group
- Consumer priorities forum
- Innovator roundtables
- Academic mini-conferences (connecting research and policy)

We also have a dedicated engagement function with regular dialogue with energy market participants, peak body organisations and industry and consumer groups. We track and test the success of our engagement approach through a biennial stakeholder engagement survey. The key outcomes of the 2022-2023 survey have been published on our website.

4.1 Relationship with Energy Ministers

To enable the AEMC to undertake its core rule-making and review functions the relationship between Energy Ministers and the AEMC is essential.

The AEMC Chair and Chief Executive have regular meetings with Energy Ministers, as well as Senior Officials from each jurisdiction. The AEMC uses a number of channels to engage with Ministers on issues and priorities.

We also facilitate a weekly forum for jurisdictions to provide a briefing on upcoming publications from market bodies. Energy Ministers can expect the AEMC will continue to support them by providing high quality and evidence-based advice on:

1. developing issues and required market and regulatory changes relevant to the Energy Ministers priorities, including growing and developing energy markets so consumers benefit from more efficiently operating markets
2. other issues as requested by Energy Ministers
3. clear communications on how the AEMC's work program of rule change requests and reviews support Energy Ministers'
4. clear and timely communications on any other relevant matters
5. clear and transparent reporting on projects, budgets, and other matters as required
6. an annual Statement of Intent, in response to a Statement of Expectations, which will include, measurable and quantifiable outcomes-based performance measures.

4.2 Relationship with Market Bodies

The AEMC is one of several institutions established to govern the Australian electricity and gas markets. We are the statutory rule-maker and play an important role in market development and provision of advice to Energy Ministers.

A key element of the AEMC's Strategic Plan is ongoing effective collaboration with the other market bodies.

The AEMC has developed new joint engagement protocols with the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) to continue to improve collaboration and interaction between market bodies, leading to better long-term outcomes for energy consumers.

The AEMC has also continued to support market body collaboration through the former Energy Security Board (ESB) now Energy Advisory Panel (EAP). In particular, the AEMC has supported the operation of the EAP assuming Chair and secretariat responsibilities for the first annual rotation.

4.3 Relationship with Consumers

Consumers are at the heart of everything we do at the AEMC. We remain focused on effectively engaging with consumers and their representatives so their views can inform our work program.

We strive to be accessible and transparent by facilitating effective two-way communication with consumer representatives.

We enhance our understanding of consumer needs by conducting surveys, focus groups and forums to deepen consultation with consumer group leaders on their strategic priorities for energy market development.

This provides open communication beyond project-specific consultation and responds to requests by consumer stakeholders for more strategic engagement on market-wide issues. We engage regularly with consumer groups to continually gain insight into consumer needs and to keep them informed of our work streams.

We embrace partnerships with consumer groups, such as our recent partnership with Energy Consumers Australia to develop a communications campaign to support the accelerated rollout of smart meters.

Finally, we ensure our documents and online materials are clear and user-friendly and our consultation processes are engaging and transparent.

We remain agile to consumer feedback and continue to focus on delivering for consumers in the long-term.

4.4 Relationship with Market Participants

We maintain open and active dialogue with industry and business peak bodies to fully understand the implications of our decisions and ensure the advice we provide to Energy Ministers reflects real-world and real-time information.

Our stakeholder base is widening in the wake of market and technological change, with a growing number of renewable generation and battery participants, and innovators coming on board.

We engage frequently with industry through stakeholder reference groups, forums, workshops and meetings around specific rule changes and reviews and at Commissioner and senior management level.

Outside of project-specific engagement, we seek out stakeholders through initiatives such as investor forums and a newly established innovators forum to ensure we are communicating with a varied list of industry stakeholders and market participants on broad themes.

Industry representatives are also part of the Reliability Panel, along with AEMO, network & consumer representatives. This panel was established by the AEMC under the National Electricity Law to monitor and provide advice about the safety, security and reliability of the national electricity system.

4.5 Relationship with the South Australian Minister

The AEMC was established by the South Australian parliament under the Australian Energy Market Commission Establishment Act 2004 (SA) and is therefore accountable to the South Australian Minister for Energy and Mining.

The AEMC carries out its work in accordance with the Act and other relevant national energy legislation, rules and agreements.

The AEMC Chair and Chief Executive meet regularly with the Minister and the South Australian Energy Senior Official to discuss key industry and organisational matters.

6. Reporting

6.1 Financial reporting

The AEMC continues to implement a robust and transparent financial management program on which we report quarterly to the South Australian Minister for Energy and Mining. The AEMC's finance department regularly coordinates with the Government of South Australia and the Auditor-General's Department to ensure all information is delivered in a thorough and efficient manner.

6.2 Other reporting requirements

In addition to the relationship with the South Australian Minister, the AEMC recognises that it is accountable to all Energy Ministers and will provide a bi-annual report against the metrics outlined in this Statement of Intent as well as an Annual Report.

Apart from the reporting requirements under the Australian Energy Market Commission Establishment Act 2004 (SA) and National Energy Laws, the AEMC is required to comply with a number of South Australian, New South Wales and Commonwealth laws relating to such matters as record keeping, information disclosure, financial reporting and employment related matters.

7. Key Performance Indicators

The proposed AEMC performance indicators for the Statement of Intent are aimed at delivering on the key metrics that demonstrate outcomes from AEMC activities in line with the Statement of Expectations and metrics regarding the overall efficiency and organisational health.

It is proposed these metrics will remain consistent with the 2022 Statement of Intent, to align with the key objectives of the AEMC’s current Strategic Plan.

It is proposed the metrics will be reviewed next year to ensure they remain fit-for-purpose, are consistent with our work on the strategic refresh and appropriately capture the evolving nature of our work responding to the transformation of the sector. We report on these metrics as part of the AEMC’s Annual Report and half-yearly reporting to Energy Ministers and all information is made available on our website.

Category	Metric
Practical rule changes and advice	<p>Make meaningful and substantial progress on the need for the design and delivery of, key market design priorities:</p> <p><u>Resilience</u></p> <p><u>Consumer energy resources (CER)</u></p> <p><u>Transmission</u></p> <p><u>Emissions Reduction</u></p> <p><u>Reliability, system security and future wholesale market design (post-2030)</u></p> <p>Metric: Regular qualitative reporting on progress of rule changes and reviews against these agreed priorities. Priorities will be updated bi-annually with input from key stakeholders including jurisdictions, market bodies, market participants and consumer groups. The next update will occur for 2024-25 financial year.</p> <p>Track progress of the outcomes of key rule changes that have been recently implemented to determine their success and to influence future decisions.</p>
Being collaborative – Engaging with stakeholders	<p>Stakeholder Reputational Research overall reputation score and approach to collaboration of >60 per cent (i.e., >60 per cent of respondents provide a score of 7 or more out of 10 in satisfaction)</p> <p>AEMC Stakeholder Reputational Research score of 60 per cent on collaboration with other market bodies.</p> <p>Survey stakeholders for 20 per cent of AEMC projects within a financial year.</p>
Investing in our people	<p>Turnover of our people at 15 per cent to 25 per cent per year.</p> <p>Overall score from staff engagement survey at 70 per cent or above</p>
Delivering our work efficiently	75 per cent of rule change requests initiated within four months of receipt

	Actual expenditure tracks budget +/- [5 per cent].
	Embed the brevity framework throughout the organisation, measured by: <ul style="list-style-type: none"> • Performance score from Stakeholder Reputational Research of 50 per cent on public consultation

Lead Indicators (that guide our work):

Taken from current Strategic Energy Plan Outcomes and Objectives

Category	Metric
Affordability	Representative consumers retail bills for electricity and gas
Security	Number of system interventions related to system security
Reliability	Amount of unserved energy (with reference to reliability standard) and interruptions to gas supplies
Sustainability	Electricity and gas sector emissions