

AEMC Chairman John Pierce
AEMC Strategic Priorities forum
Opening remarks
Melbourne, 12 September 2017

*****CHECK AGAINST DELIVERY*****

Good morning everyone and thank you for joining us.

I'd like to begin by acknowledging the traditional owners and custodians of the land on which we meet today, the people of the Kulin Nation. I pay my respects to their Elders both past and present.

Before I make a few comments on why we're here today I'd like to introduce my colleagues here today. I am very pleased to welcome Dr Kerry Schott, independent chair of the Energy Security Board and Clare Savage the ESB deputy chair, Audrey Zibelman, CEO of the Australian Energy Market Operator and Paula Conboy, Chair of the Australian Energy Regulator. We will also hear from Rosemary Sinclair, CEO of Energy Consumers Australia who will be sharing her thoughts later in the session.

This is the first time that all of us have shared a public platform but it certainly won't be the last. That is because the transformation agenda we have ahead of us will take the combined efforts of us all - working with you, our stakeholders.

The Commission has undertaken a Strategic Priorities analysis every two years since 2011. It was our tool to engage with governments, consumers, market participants, businesses and other market institutions on the key issues facing the market. That collaborative work with stakeholders raised big issues for reform, the features of the decentralising market, the scope of the emissions mechanisms, the need to redesign the gas market.

This current Strategic Priorities process builds on that previous work and pushes it to greater prominence on the COAG Energy Council agenda. And this time the Commission is working closely with the AER, AEMO and through the ESB process, to deliver advice to the Council as an input into their Strategic Energy Plan - a Plan that the Finkel Review recommended to guide the evolution of the market into the long-term.

So, as I mentioned, many of you have already been on this journey of priority setting with us before.

But this time it's different – there's a lot more at stake and the decisions that governments make in the coming months could have fundamental consequences not just on the energy sector, but for the wider economy, for decades to come.

Our energy markets are undergoing a massive transformation.

Domestic gas markets are adjusting to the impact of LNG exports at the same time significant reforms are being introduced to make it easier to buy and sell gas across the East Coast.

Our electricity market is moving from decades of centralised energy production to a system with a much greater penetration of intermittent, and increasingly distributed, generation – and without any certainty over future emissions reduction policy.

That's why there can be only one agenda in the room today – and that must be a focus on the outcomes of this transformation for consumers, large and small.

These changes working through the sector necessitate a different way of doing things - but how do we make this transformation work – for businesses, for consumers, for those wanting to invest and in a way that allows us to reduce our emissions footprint?

It's a fact – there are no silver bullets. But how do we make sure we are asking the right questions – questions about how reforms will interact with each other, how they will affect prices – and stay focused on outcomes – when many want to make the questions about a particular technology or even a particular power plant?

The Finkel Review identified a number of recommendations that will go a long way to helping achieve the transformation, and the AEMC, working with the ESB and the teams at AEMO and the AER, are getting on with implementing those recommendations.

We're doing that in the short term through our rule changes – new rules have been made to provide emergency frequency control tools. And we're currently finalising rules to deliver more inertia into the system and require maintenance of a minimum level of system strength that will help deal with greater voltage fluctuations.

But importantly, we're also focused on making the transformation work in our market development role – through our Frequency Control Frameworks Review, the Reliability Frameworks Review and other processes we have in play. The Reliability Frameworks Review particularly, will consider a range of fundamental changes to the design of the market that may improve the ability of the market to deliver more capacity, and capacity valued by the power system, when it is needed – both in the short and longer term.

These review processes allow us to take a broad perspective on the required market changes. They allow consideration of a full range of options and to seek your input on their pros, their cons, their impact on market participants, and their interaction with other reforms already underway.

For example, in making recommendations on additional changes to the market design in the Reliability Frameworks Review, understanding the implications of moving to a 5 minute dispatch and settlement world will be vital.

And, going back to asking the right questions, one of the most important things that the Commission seeks to understand, particularly in a time of significant change, is how these reforms will interact to deliver benefits to consumers?

Because there are lots of actions we *could* take to keep the lights on, and the gas flowing ...

...but not all of these will deliver the objectives while keeping bills affordable for consumers, and supporting much needed private sector investment, which in the electricity sector at least, is estimated to be in the billions.

The Finkel Review will take us a long way – particularly on system security and reliability issues. The strategic priorities process is however an opportunity to identify additional priorities that are also vital for market transformation. The Finkel Review touched on some important elements associated with the transformation of distribution networks, but efficient utilisation of distribution assets is increasingly important in a distributed energy future and so greater focus is likely required there. Paula may well have more to add on this topic.

And of course, there are a range of other issues that you will identify and I encourage you therefore to use this forum and the other consultation processes we are running to share your views on how we make the transformation work. We are releasing a discussion paper today that lays out some of the opportunities and challenges that the Commission has identified. We welcome your input and perspectives on this and the AEMC team will provide you more details on how to do that later in the session.

I believe we will have time for Q&A at the end so now I will turn things over to Kerry.

- Ends -