



NEWS

New priorities for electricity and natural gas market development

The Australian Energy Market Commission Chairman, John Pierce, today released a statement of principles developed by the Commission with consumer and industry stakeholders to guide energy market development.

Speaking at the Eastern Australian Energy Markets Outlook conference in Sydney today, Mr Pierce said:

“We want to make it easy for consumers to have a voice in regulatory and policy processes – and help them manage their energy use more efficiently.

“There is a strong link between the performance of our energy markets and the competitiveness of the national economy. We need to maintain arrangements which promote productivity improvements in energy markets and allow these to be passed through in energy users’ prices.

“The energy prices and other outcomes that we see as consumers are a combination of what happens in the competitive generation and retail sectors, the regulated network sectors and of government policies which impact the energy sector,” Mr Pierce said.

“Over the next few years our new priorities will extend our investigations into major issues affecting energy prices, service reliability and investment efficiency.

“Some important issues raised by our stakeholders include:

- the appropriate allocation of network costs to customers with solar PV (the most frequently raised topic in stakeholder workshops and submissions);
- downstream gas market development issues in the eastern states; and
- the challenge to attract the most efficient investments that minimise costs for consumers in the face of the National Electricity Market’s current oversupply of generation capacity.”

Mr Pierce outlined the importance of good process in successful regulation:

“The positive engagement of stakeholders in preparing this document confirms the value of using a consultative process to develop our strategic priorities. It also reflects the AEMC’s responsibility to carry out our work in a transparent, predictable way.

“Taking the time to follow open and transparent processes involving all affected parties is the hallmark of developing policy that produces good outcomes and achieves long term objectives.”

Strategic Priorities for Energy Market Development

Mr Pierce was launching the Australian Energy Market Commission’s 2013 Strategic Priorities for Energy Market Development.

In consultation with industry and consumers, the AEMC has developed three priorities which will help guide our advice to the Council of Australian Governments (COAG) and our approach to rule making.

2013 AEMC Strategic Priorities for energy market development - continued

Our refined strategic priorities will guide our market development work and inform the advice we provide governments.

Consumer Priority – Strengthening consumer participation and continuing to promote competitive retail markets

The consumer priority is about enabling consumers to confidently participate in all parts of the energy supply chain where they desire to do so. This reflects an environment in which consumers are presented with greater opportunities for active participation as technologies advance; as retailers differentiate their offerings; and competition increases.

One of the key issues raised for this priority is re-structuring network tariffs. More flexible, cost-reflective prices would provide incentives to reduce peak demand and minimise the cost of our electricity system over the longer term.

One source of stakeholder concern is that network costs of consumers with rooftop solar PV are subsidised by other consumers because the full costs and benefits of distributed generation (such as solar PV) are not reflected in the prices consumers pay for electricity.

The AEMC will look to address these issues in its assessment of a request by SCER to change distribution pricing arrangements. The rule change would require network charges to be based on the drivers of network costs as far as possible so that consumers can see the value of their consumption choices (such as reducing power use at peak times) and pay prices that reflect the impact of their consumption decisions on network costs.

Gas Priority – Promoting the development of efficient gas markets

The gas priority identifies the need for a strategic gas market development plan within which the industry can work towards achieving a more mature and well-functioning market.

There is little disagreement among participants that the eastern gas market is experiencing a period of significant change. But uncertainty exists around what these changes mean and the direction that gas market development should take over the next 10 to 15 years.

The scale of the changes which are occurring in the gas sector means that it is important to evaluate whether the existing downstream market frameworks continue to be well suited to the new environment in which they are now placed.

The AEMC will continue to work with SCER, the Australian Energy Market Operator, the Australian Energy Regulator and stakeholders more broadly on a pathway to support the development of Australia's gas markets.

Market Priority – Supporting market arrangements that encourage efficient investment and flexibility

The market priority is concerned with the way market, regulatory and policy environments interact and impact prices and investment. This reflects the importance of predictable but flexible market arrangements, and of open and transparent processes for change.

It is important that policy decisions take account of impacts on all sectors they are likely to affect. We are most likely to get integrated policy outcomes when decisions are taken in a transparent manner and after full consultation.

About the AEMC

The Australian Energy Market Commission is the independent body responsible since 2005 for providing policy advice to Australian governments on the electricity and gas sector. Its role is separate from the Australian Energy Regulator, which regulates the sector and the Australian Energy Market Operator.

For information contact:
AEMC Chairman, **John Pierce** (02) 8296 7800
AEMC Chief Executive, **Paul Smith** (02) 8296 7800

Media: Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817

23rd October 2013