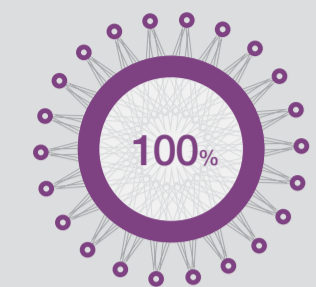
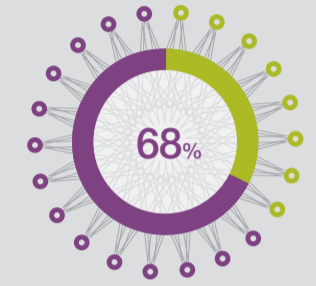


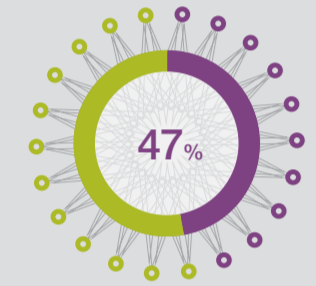
How we delivered on market development this year



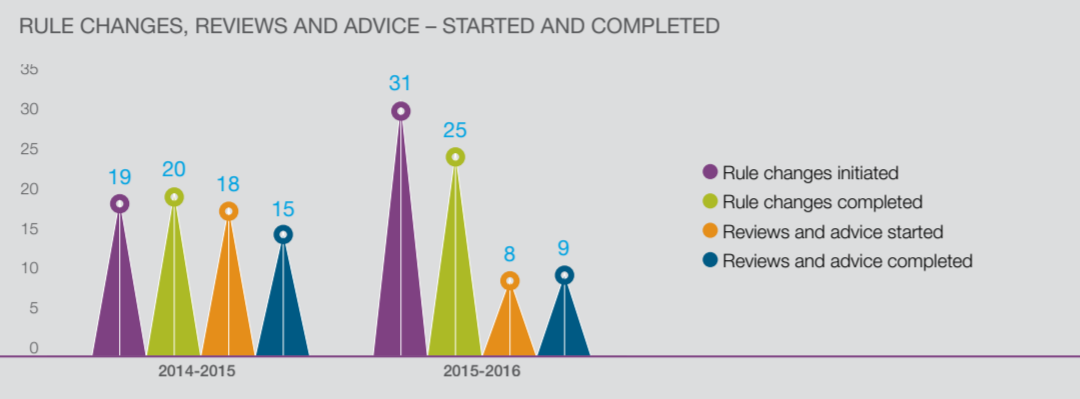
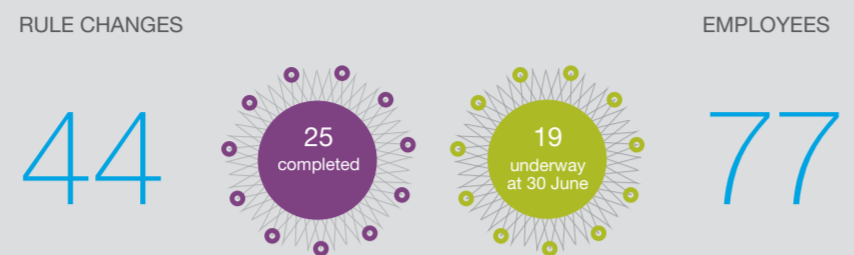
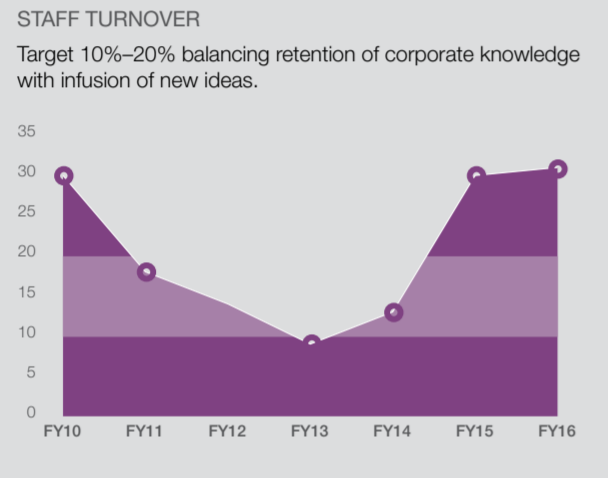
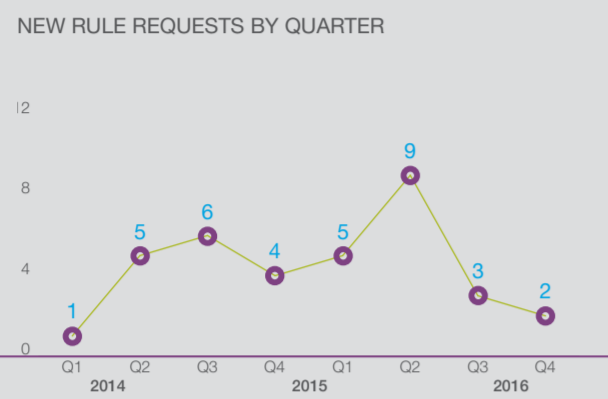
100% of market reviews and advice completed within original terms of reference timelines



68% of rule changes completed without extension after initiation

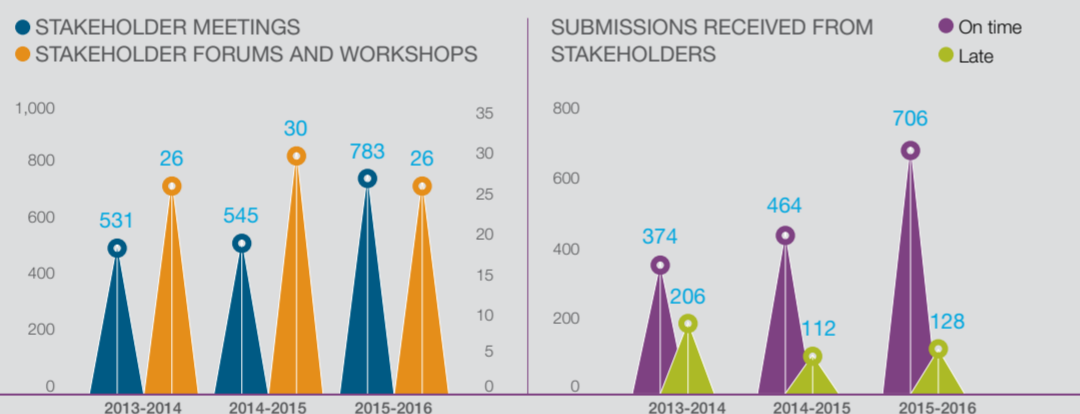


47% of rule changes initiated within four months

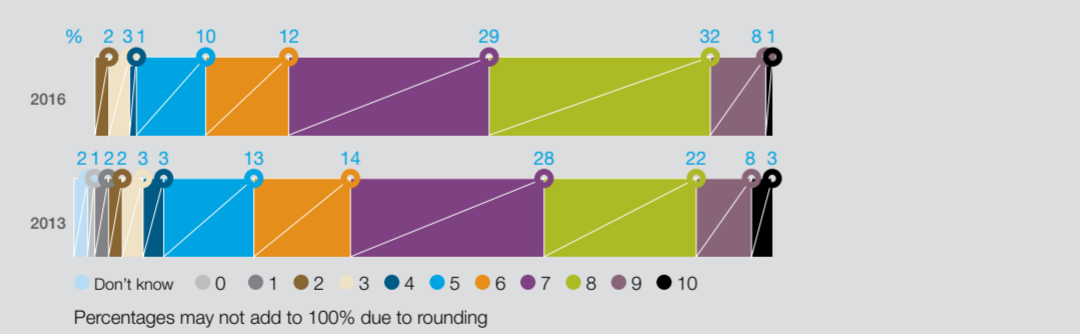


Extent of engagement

The volume of our engagement increased significantly, with more than 780 separate stakeholder meetings and presentations on rule change projects, reviews or energy market issues generally. We also received and assessed 834 submissions to all projects undertaken throughout the year, an increase of 31% from the previous year.



2016 REPUTATION SURVEY: Positive opinion has strengthened significantly since our last stakeholder survey in 2013. Over the period overall opinion of the AEMC has lifted and 70% of stakeholders rated our performance at 7 or more out of 10 in 2016 compared with 61% in 2013.



2016 KEY ATTRIBUTES SURVEY: Average rating out of 10



Work program overview 2015/2016

Our values

Our Vision
Flexible and resilient markets that benefit consumers.
Our Mission
To improve consumer outcomes from the strategic development of energy markets, through rules and advice.
Our Values
ENGAGEMENT is at the core of everything we do. We aim to build and maintain strong relationships with stakeholders and we value their input to our rule making and strategic advice to governments. We focus on pursuing opportunities for consultation and expanding the range of organisations, groups and individuals with whom we collaborate.

INTEGRITY speaks to the respect we have for our stakeholders, our high standards of impartiality, objectivity and the transparent processes that frame the work we undertake. An ethical, reliable and consistent approach is paramount in all our dealings with governments, industry and consumers.

LEADERSHIP reflects our desire to foster and support informed debate on energy market development. We engage with governments, consumers and market participants to promote dialogue and understanding. We value different perspectives and welcome meaningful debate on energy market issues. We share our knowledge, and empower those who look to us for advice.

Joining the dots on energy market transformation

Change is accelerating in the deeply interconnected energy sector; linking electricity and gas; spreading technological innovation across new energy services for consumers; and including other policy areas like the environment. The Commission is taking a big picture approach to its work program with consumer interests front and centre as the sector transforms.



CHAIRMAN JOHN PIERCE



CHIEF EXECUTIVE ANNE PEARSON

Emissions policy has changed the face of Australia's power system. Recent investment has focussed on wind and solar while significant capacity, mainly coal-fired, has permanently or temporarily exited. At the same time households and businesses are becoming active energy shoppers in competitive markets and comprehensively changing the way they use electricity.

The growing range of technologies and energy service options for consumers to choose from is amazing. We have seen storage penetration, microgeneration and smart consumption management emerging as driving forces in the competitive retail market. Of course people still want reliable energy supply and a secure power system at the best possible price. But today they also want reduced carbon emissions.

A major theme emerging from Commission conversations with stakeholders for some time has been the importance of environmental and energy policy integration. Environmental policy can directly influence movements in wholesale and retail prices, changes to investment incentives and risk allocation, as well as the level of consumer engagement with the market. So while it is governments' role to determine required environmental outcomes, such as emissions levels, the mechanism used to achieve them needs to be compatible with how markets operate. The AEMC's role is to provide advice on those mechanisms and see them implemented in a way that supports the efficient operation of the energy market and the long-term interests of consumers.

The Council of Australian Governments Energy Council has asked its officials for advice on potential impacts of carbon policies on the energy sector to facilitate better integration; and support its engagement with the Department of the Environment and Energy's 2017 review of the Emissions Reduction Fund and Safeguard Mechanism. Both the AEMC and the market operator, AEMO, are assisting officials with this work.

As we adjust to this new world one thing is for certain. The energy sector is not static. There will be different challenges tomorrow and regulatory frameworks will need to be adaptable into the future.

Our work program this year highlighted significant projects to address structural changes which are underway in the energy market:

- a comprehensive reform package to redesign the east coast gas market; not just for gas users but to boost the ability of the power system to integrate renewables;
- more sophisticated market and regulatory mechanisms to maintain power system security including an

AEMC review on the impact of renewables on system security which was announced just after the close of the year under review;

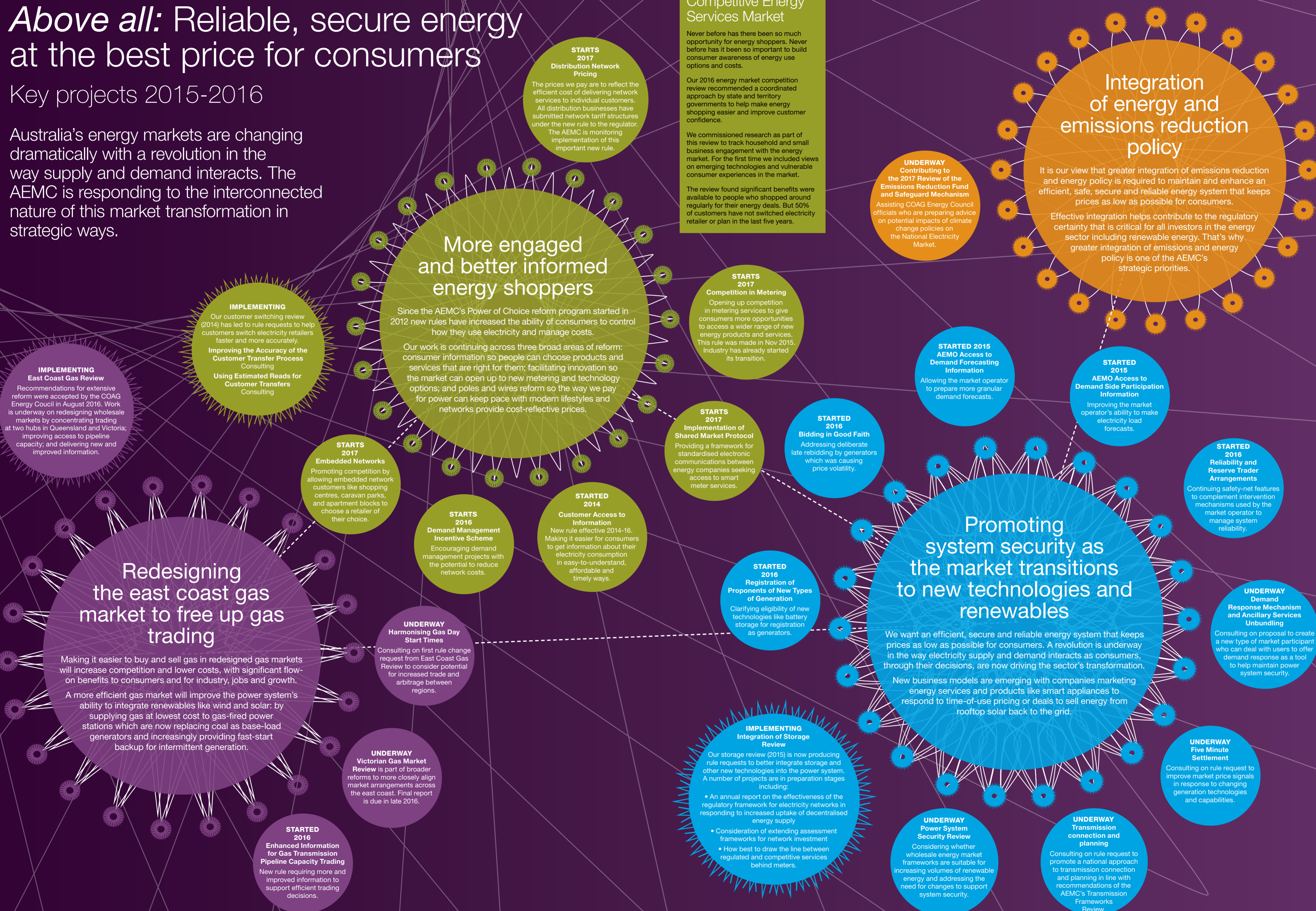
- ongoing development of advice on integrating environmental and energy policy so we can answer the question; what mechanism will be used to move from the 2020 emissions target to the 2030 emission target as part of Australia's commitments under the Paris agreements;
- continued support for the development of the energy services market, including the AEMC's Power of Choice work program that puts consumers in the driver's seat so they can make the energy choices they want with appropriate consumer protections.

This year's AEMC overview outlines how, through its work program, the Commission is facilitating and developing a flexible, resilient market framework.

Above all: Reliable, secure energy at the best price for consumers

Key projects 2015-2016

Australia's energy markets are changing dramatically with a revolution in the way supply and demand interacts. The AEMC is responding to the interconnected nature of this market transformation in strategic ways.



Redesigning the east coast gas market to free up gas trading

Making it easier to buy and sell gas in redesigned gas markets will increase competition and lower costs, with significant flow-on benefits to consumers and for industry, jobs and growth. A more efficient gas market will improve the power system's ability to integrate renewables like wind and solar: by supplying gas at lowest cost to gas-fired power stations which are now replacing coal as base-load generators and increasingly providing fast-start backup for intermittent generation.

IMPLEMENTING
East Coast Gas Review
Recommendations for extensive reform were accepted by the COAG Energy Council in August 2016. Work is underway on redesigning wholesale markets by concentrating trading at two hubs in Queensland and Victoria; improving access to pipeline capacity; and delivering new and improved information.

IMPLEMENTING
Our customer switching review (2014) has led to rule requests to help customers switch electricity retailers faster and more accurately.
Improving the Accuracy of the Customer Transfer Process
Consulting
Using Estimated Reads for Customer Transfers
Consulting

STARTS 2017
Embedded Networks
Promoting competition by allowing embedded network customers like shopping centres, caravan parks, and apartment blocks to choose a retailer of their choice.

STARTS 2016
Demand Management Incentive Scheme
Encouraging demand management projects with the potential to reduce network costs.

STARTED 2014
Customer Access to Information
New rule effective 2014-16. Making it easier for consumers to get information about their electricity consumption in easy-to-understand, affordable and timely ways.

UNDERWAY
Harmonising Gas Day Start Times
Consulting on first rule change request from East Coast Gas Review to consider potential for increased trade and arbitrage between regions.

UNDERWAY
Victorian Gas Market Review
is part of broader reforms to more closely align market arrangements across the east coast. Final report is due in late 2016.

STARTED 2016
Enhanced Information for Gas Transmission Pipeline Capacity Trading
New rule requiring more and improved information to support efficient trading decisions.

More engaged and better informed energy shoppers

Since the AEMC's Power of Choice reform program started in 2012 new rules have increased the ability of consumers to control how they use electricity and manage costs.

Our work is continuing across three broad areas of reform: consumer information so people can choose products and services that are right for them; facilitating innovation so the market can open up to new metering and technology options; and poles and wires reform so the way we pay for power can keep pace with modern lifestyles and networks provide cost-reflective prices.

STARTS 2017
Distribution Network Pricing
The prices we pay are to reflect the efficient cost of delivering network services to individual customers. All distribution businesses have submitted network tariff structures under the new rule to the regulator. The AEMC is monitoring implementation of this important new rule.

STARTS 2017
Implementation of Shared Market Protocol
Providing a framework for standardised electronic communications between energy companies seeking access to smart meter services.

STARTS 2017
Competition in Metering
Opening up competition in metering services to give consumers more opportunities to access a wider range of new energy products and services. This rule was made in Nov 2015. Industry has already started its transition.

STARTED 2016
Bidding in Good Faith
Addressing deliberate late rebidding by generators which was causing price volatility.

STARTED 2016
Registration of Proponents of New Types of Generation
Clarifying eligibility of new technologies like battery storage for registration as generators.

IMPLEMENTING
Integration of Storage Review
Our storage review (2015) is now producing rule requests to better integrate storage and other new technologies into the power system. A number of projects are in preparation stages including:
• An annual report on the effectiveness of the regulatory framework for electricity networks in responding to increased uptake of decentralised energy supply
• Consideration of extending assessment frameworks for network investment
• How best to draw the line between regulated and competitive services behind meters.

Competitive Energy Services Market
Never before has there been so much opportunity for energy shoppers. Never before has it been so important to build consumer awareness of energy use options and costs.
Our 2016 energy market competition review recommended a coordinated approach by state and territory governments to help make energy shopping easier and improve customer confidence.
We commissioned research as part of this review to track household and small business engagement with the energy market. For the first time we included views on emerging technologies and vulnerable consumer experiences in the market.
The review found significant benefits were available to people who shopped around regularly for their energy deals. But 50% of customers have not switched electricity retailer or plan in the last five years.

STARTED 2015
AEMO Access to Demand Forecasting Information
Allowing the market operator to prepare more granular demand forecasts.

UNDERWAY
Contributing to the 2017 Review of the Emissions Reduction Fund and Safeguard Mechanism
Assisting COAG Energy Council officials who are preparing advice on potential impacts of climate change policies on the National Electricity Market.

Integration of energy and emissions reduction policy

It is our view that greater integration of emissions reduction and energy policy is required to maintain and enhance an efficient, safe, secure and reliable energy system that keeps prices as low as possible for consumers.

Effective integration helps contribute to the regulatory certainty that is critical for all investors in the energy sector including renewable energy. That's why greater integration of emissions and energy policy is one of the AEMC's strategic priorities.

Promoting system security as the market transitions to new technologies and renewables

We want an efficient, secure and reliable energy system that keeps prices as low as possible for consumers. A revolution is underway in the way electricity supply and demand interacts as consumers, through their decisions, are now driving the sector's transformation.

New business models are emerging with companies marketing energy services and products like smart appliances to respond to time-of-use pricing or deals to sell energy from rooftop solar back to the grid.

UNDERWAY
Power System Security Review
Considering whether wholesale energy market frameworks are suitable for increasing volumes of renewable energy and addressing the need for changes to support system security.

UNDERWAY
Transmission connection and planning
Consulting on rule request to promote a national approach to transmission connection and planning in line with recommendations of the AEMC's Transmission Frameworks Review.

UNDERWAY
Five Minute Settlement
Consulting on rule request to improve market price signals in response to changing generation technologies and capabilities.

STARTED 2016
Reliability and Reserve Trader Arrangements
Continuing safety-net features to complement intervention mechanisms used by the market operator to manage system reliability.

UNDERWAY
Demand Response Mechanism and Ancillary Services Unbundling
Consulting on proposal to create a new type of market participant who can deal with users to offer demand response as a tool to help maintain power system security.