BUSINESS ADVISORY FORUM TASKFORCE
ENERGY MARKET REFORM RECOMMENDATIONS TO COAG
7 DECEMBER 2012

a) **Endorse** the Standing Council on Energy and Resources (SCER) energy market reform package, noting Queensland reserves its position on matters that are subject to its electricity sector review.

b) **Support** the early and full implementation of the Australian Energy Market Commission’s (AEMC) “Economic Regulation of Network Service Providers Rule Change”, so that benefits can be passed on to consumers in the next round of regulatory determinations.

c) **Agree** to request that SCER prepare and release a Regulatory Impact Statement by December 2012 and provide advice to the next COAG meeting on reform to the Limited Merits Review Regime to ensure that institutional arrangements for future merits review are consistent with the long term interests of consumers, with any relevant legislation to be enacted by no later than the end of 2013.

d) **Agree** with respect to reliability standards that:
   
i. reliability standards be guided by the AEMC’s best practice methodology, and include an assessment of price/reliability trade-offs, and accounts for local conditions;
   
ii. states and territories agree in principle to adopt the new best practice framework for reliability standards (to be developed by the AEMC and which will give primacy to affordability for consumers at agreed levels of reliability and take account of regional considerations) and to transfer responsibility for applying the framework to the Australian Energy Regulator (AER), with a final decision by the end of 2013; and
   
iii. the standards should be implemented as soon as practicable, so they can be applied in the earliest possible round of pricing resets to ensure benefits are quickly passed on to consumers.

e) **Agree** to request that SCER provide advice to COAG by June 2013 on a strategy and implementation plan to deliver comprehensive demand side participation, drawing as appropriate on the AEMC's Power of Choice review, which will include advice on:
   
i. arrangements regarding demand side management mechanisms such as smart meters and direct load control devices;
   
ii. flexible and cost reflective network and retail pricing options;
   
iii. balanced incentives, including changes to the regulatory framework, to encourage efficient investment in demand side participation measures; and
   
iv. any necessary consumer protections and/or measures to ensure consumer access to, and control of energy consumption data.
f) **Agree** to request SCER to provide advice to COAG, by June 2013, on options to amend current arrangements for competition reviews by the AEMC, to accelerate reviews.

g) **Agree** to request that SCER will report to COAG by the end of 2013 on proposals by jurisdictions to enhance competition in electricity markets, with SCER advice on:

i. the development of best practice approaches to the determination of regulated retail prices, reflecting any guidance by the AEMC; and

ii. moves to cost reflective pricing structures, with provision for choice of tariff structures for smaller customers.

h) **Agree** that those jurisdictions within the interconnected energy market that have not yet adopted the National Energy Customer Framework (NECF) will implement it by no later than 1 January 2014, subject to the resolution of outstanding issues in Victoria and Queensland, with SCER to report to COAG by June 2013 and in early 2014 on progress in resolving outstanding issues and implementing the NECF.

i) **Note** the Commonwealth will request the ACCC to consider the need to enhance information available to vulnerable consumers on ways they can manage their energy bills.

j) **Agree** that SCER will provide advice to COAG by June 2013 on progress against its energy market reform implementation plan, as updated to account for December COAG decisions, and appropriate accountability arrangements. These accountability arrangements will include ongoing oversight by COAG of implementation of energy market reforms.

k) **Agree** that this implementation plan will incorporate COAG’s current energy reform agenda under the Seamless National Economy National Partnership Agreement, including COAG-endorsed timelines and deliverables where these have not been replaced by new reform elements, and that the COAG Reform Council will continue to report to COAG on implementation.

l) Welcome the Commonwealth’s additional funding for the AER to implement important energy market reforms and the Commonwealth’s commitment to the long-term capacity of the AER, with the proposed independent review of the AER and its operational requirements in 18 months’ time to ensure resourcing is adequate, and the operational arrangements are effective, to meet the demands of the new regulatory regime drawing on the experience of the transitional period, and in particular the AER’s ability to make network price determinations in the interests of consumers.