The Hon Julia Gillard MP  
Prime Minister  
Chair, Council of Australian Governments  
Parliament House  
Canberra ACT 2600

Dear Prime Minister

Following your letter to First Ministers of 7 August 2012 requesting all jurisdictions, through the Standing Council on Energy and Resources (SCER), to commit to developing recommendations for improving energy consumer outcomes by the end of this year, I am pleased to advise that SCER has engaged intensively and in good faith to develop a decisive response to the current challenges of rising energy prices.

SCER considers Energy Market Reform – Putting Consumers First (attached) provides a comprehensive, coherent and well considered suite of actions to restore the focus of the electricity market on serving the long term interests of consumers. We will act to strengthen regulation, empower consumers, enhance competition and innovation, and ensure balanced network investment. As described in the recommendations in the attached implementation plan, these are technically complex areas which influence long-lived investment decisions and we must be mindful to get the balance right so as to ensure Australians continue to enjoy a reliable supply of electricity while seeking to lower costs.

SCER welcomed the Commonwealth’s proposal for additional resourcing to improve the Australian Energy Regulator’s (AER’s) capacity. Some Ministers expressed concern that the existing structural arrangements which place the AER within the Australian Competition and Consumer Commission (ACCC) could limit the regulator’s ability to effectively perform its operations and requested that separation of the AER and ACCC should be considered by COAG.

Amendments to the Australian Energy Market Agreement (AEMA) will be required if jurisdictions agree to a new approach to competition reviews and reliability standards as proposed in the reform package. SCER is also proposing as part of the reform package, that COAG adopt revised principles for Feed-in Tariff arrangements. These recommendations are summarised in the attached Implementation Plan along with an assessment of those recommendations relevant to Western Australia and the Northern Territory, who are not currently part of the National Electricity Market.

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We look forward to COAG’s consideration of these proposals and to continuing cooperation between the Commonwealth, States and Territories in delivering these reforms.

Yours sincerely

[Signature]

Martin Ferguson
Chair
Standing Council on Energy and Resources