



Discussion paper: Strategic priorities for the energy sector

Discussion paper

In a discussion paper published today, the AEMC outlines priority actions for governments and energy market bodies to support the delivery of secure and reliable electricity and gas to households and businesses at the lowest possible cost, while also meeting emissions reduction commitments.

Today's paper is the next step in developing strategic priorities to address challenges in the energy sector, and also to harness opportunities from the advancements in energy technologies, as requested by the COAG Energy Council in December 2016. These priorities will contribute to the COAG Energy Council's strategic energy plan as recommended by the Finkel review.

The electricity system is transforming from centralised synchronous generation to more non-synchronous variable wind and solar and more local, distributed generation. Retail electricity prices have increased by around 20 per cent in many regions, driven by generator retirements, higher gas prices and a lack of clarity about future emissions reduction policies.

Gas markets are also experiencing upheaval, with sharp price rises in recent years driven by the growth of the LNG export industry and restrictions on gas supply. This has raised concerns about whether gas can play the role of a 'transitional fuel' as the electricity market evolves to more renewable generation.

At the same time, new technologies are changing the way households and businesses use energy, and opening up more opportunities to sell power back to the grid.

Building on the Finkel review's recommendations, the discussion paper proposes a set of goals for Australia's energy sector, key work to deliver the goals, and measures to track progress. The goals cover the areas of:

- best price outcomes and affordability, along with better information, enhanced consumer participation and engagement, and improved protection for energy consumers
- the integration of energy and emissions policy, underpinned by a long-term national emissions reduction target
- a secure electricity system, which adapts to maintain adequate system strength and frequency control as the generation mix changes, and also in the face of human and environmental threats
- a reliable electricity system, with sufficient capacity to produce and transport electricity at the least cost and appropriate intervention mechanisms to deal with shortfalls and emergencies
- efficient gas and electricity markets, including mechanisms to facilitate demand response and enable distributed energy resources to participate in the market

- effective regulation of monopoly networks so they can achieve their security and reliability obligations at the lowest long-term cost to consumers
- facilitating the evolution of networks to deliver dynamic, two-way energy flows as the uptake of distributed energy resources like batteries accelerates
- coordinated investment in transmission and generation so new supply can be added to the system at the lowest possible cost
- access to efficiently priced gas and gas pipelines, supported by the continued implementation of gas market reforms
- effective governance through leadership and strategic direction, clear roles and effective coordination among the energy market bodies, and faster rule changes and responses to market developments.

It is envisaged that this advice on strategic priorities will be further developed in collaboration with the newly established Energy Security Board, the Australian Energy Market Operator (AEMO), the Australian Energy Regulator (AER) and Energy Consumers Australia (ECA). The final advice will inform the COAG Energy Council's strategic priorities and work program for the next three years.

Stakeholders are encouraged to provide their feedback on the proposed strategic priorities and work program. Submissions are due by 10 October 2017.

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

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