



INFORMATION

AUSTRALIAN ENERGY MARKET COMMISSION LEVEL 15, 60 CASTLEREAGH STREET SYDNEY NSW 2000
T: 02 8296 7800 E: AEMC@AEMC.GOV.AU W: WWW.AEMC.GOV.AU

Harmonising the rules with the updated energy objectives

Rule changes are required to harmonise key provisions of the national energy rules with the introduction of emissions reduction into the national energy objectives.

Energy ministers have agreed to introduce an emissions reduction component into the energy objectives

Energy Ministers have approved an update to the national energy objectives which embeds emissions reduction. This allows for the explicit consideration of emissions by market bodies and other market participants. The *Statutes Amendment (National Energy Laws) (Emissions Reduction Objectives) Bill 2023* will update the national energy laws and is currently before the South Australian Parliament.

We have published a consultation paper on two rule change requests

Energy senior officials on behalf of the Ministerial Council on Energy (as constituted by the Energy Ministers Sub-group) submitted two rule change requests on 4 July 2023 seeking to harmonise the rules to reflect the intent of the law change and ensure consistent application of the updated objectives.

The rule change requests include three categories of priority amendments to give effect to the updated objectives and provide clarity on the treatment of emissions reductions:

1. Rules for network/pipeline expenditure proposals and assessment
2. Rules for electricity network planning and investment frameworks
3. Rules to enable a streamlined process for updating Australian Energy Regulator (AER) statutory guidelines, guidance documents and instruments to reflect the updated energy objectives.

Categories two and three are bundled in one rule change request.

Rule change request one relates to the network and pipeline expenditure rules

The first rule change request aims to ensure the application of the updated national energy objectives to those rules relating to capital and operating expenditure on networks and pipelines, as the emissions component of the updated national energy objectives will not automatically flow through to these provisions in the rules. The proponent considers this will contribute to the achievement of the updated energy objectives by ensuring that the capital and operating expenditure decisions of network and pipeline businesses take due consideration of the effects of these expenditures on emissions.

The proponent has suggested rule amendments to include emissions reduction considerations in the capital expenditure objectives and operational expenditure objectives that determine what a distribution network service provider's or transmission network service provider's revenue determination must include. A similar amendment is proposed for the gas rules relating to capital and operational expenditure of regulated gas pipelines to ensure harmonisation of the rules with the law.

Rule change request two relates to the network planning and investment rules, as well as AER guideline updates

The second rule change request seeks to harmonise the rules with the updated national

energy objectives and to streamline the process to update AER guidance to reflect the change in the energy objectives. It includes:

- a proposal to harmonise the electricity network planning and investment rules to clarify how emissions reduction should be considered within the framework
- a proposal to enable the AER to carry out a streamlined consultation process to update its guidelines and guidance documentation to incorporate the new emissions reduction component of the national energy objectives.

The first of the above proposals builds on our recommendations in the *Transmission planning and investment review*. This component of the rule change is considered a priority, so that emissions reduction can be transparently and consistently balanced against the other components of the national electricity objective in the 2026 integrated system plan and in revenue investment tests. The proposal highlights a number of areas in the rules where amendments may be required, including whether emissions abatement should be included as a class of market benefits.

The second of the above proposals identifies an opportunity to reduce the administrative burden on the AER and market participants. The rule change proponent noted that approximately 65 guidelines and guidance documents may need to be updated as a result of the change to the energy objectives. It recommends that the rules are amended to enable the AER to streamline the consultation process for these updates.

We encourage you to provide your feedback

There are a number of opportunities for engaging with us throughout the rule change process. Stakeholders are invited to make submissions to the consultation paper by **17 August 2023**.

To make a submission Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code ERC0362.

Other opportunities for engagement may include one-on-one discussions or industry briefing sessions.

For information contact:

Senior adviser, **James King** 02 8296 0665

Director, **Alisa Toomey** 02 8296 0633

Media enquiries: media@aemc.gov.au

20 July 2023