



Harmonising the energy rules with the updated energy objectives

The AEMC has made final electricity, gas and retail rules to harmonise the rules with the objectives

The Commission has made more preferable final rules that align the national energy rules with the updated national energy objectives, which now include consideration of reducing Australia's greenhouse gas emissions. Our final determination follows stakeholder consultation on our draft determination and rules that were published in response to two rule change requests from Energy Senior Officials on behalf of the Ministerial Council on Energy.

Our final rules ensure that the addition of emissions reduction to the national energy objectives is reflected throughout the national energy rules in a clear and consistent way. Key aspects of our final rules include:

- adding 'changes to Australia's greenhouse gas emissions' as a class of market benefit for the Integrated System Plan (ISP) and Regulatory Investment Test for Transmission and Distribution (RIT-T and RIT-D) processes
- allowing electricity networks and gas pipeline operators to propose expenditure that contributes towards achieving emissions reduction targets in their revenue proposals and access arrangement proposals
- providing the AER with streamlined consultation processes to assist its update of numerous guidelines and instruments due to the changes to the energy objectives and this rule change.

The final rules also clarify that the benefits of emissions reduction should be considered alongside other relevant considerations of price and quality, safety, reliability and security of electricity and gas. This ensures that the economic benefits of emissions reduction are properly considered when market bodies and regulated businesses perform cost benefit analyses under the national energy rules.

The final rules commence on 1 February 2024.

Electricity network planning and investment rules are now aligned with the updated energy objectives

The final rules clarify how emissions reduction is to be factored into network planning and investment frameworks, such as the ISP and RIT processes. For example, the ISP and RIT processes must now consider 'changes to Australia's greenhouse gas emissions' as a market benefit, and AEMO is required to consider all emissions reduction targets listed on the [targets statement](#) when preparing the ISP. Amendments to the terms 'net economic benefit' and 'overall economic value' in the NER and NGR have been made to include the economic benefits of emissions reduction.

Electricity networks and gas pipeline operators may now propose expenditure that contributes to emissions reduction

Our final rules amend the electricity capital and operating expenditure objectives (and equivalent provisions for gas) so that networks and pipeline operators may propose expenditure on regulated services that contributes towards meeting emissions reduction targets.

This type of expenditure may not have been able to be included in revenue proposals under the previous rules. This is because the rules that governed whether expenditure should be approved did not explicitly include emissions reduction considerations.

We have made some minor changes to our draft rules

Following stakeholder feedback to our draft determination, we have made changes to the draft rules to better reflect the policy intent, with no major changes to policy positions. The final electricity and gas rules also contain some new or amended transitional provisions that:

- give the AER the discretion to apply the new or old rules to revenue determination and access arrangement processes that are currently underway
- require the AER to specify when its updated network planning guidelines apply to ISP and RIT processes that are underway at the time of the update
- enable the AER to consult on its network planning guidelines individually, in groups or all together, and
- allow AEMO to not include emissions as a class of market benefit in the Final 2024 ISP if guidance on a value of emissions reduction is not issued by the Ministerial Council on Energy by 29 February 2024.

Our final rules contribute to the NEO and support the energy transition to net zero

The final rules:

- **Contribute to achieving government targets for reducing Australia's greenhouse gas emissions** by clarifying how emissions reduction is expected to be factored into decision-making processes established under the national energy rules.
- **Promote principles of market efficiency** by improving transparency and clarity in how emissions reduction and the updated energy objectives should apply to the ISP, RIT and revenue determination/access arrangement processes.
- **Achieve successful and balanced implementation** by balancing the need for timely reform with the impact of changes on processes underway. Timely reform is required to resolve potential inconsistencies between the national energy rules and the updated national energy objectives.
- **Promoting good regulatory practice** by improving the predictability, stability and transparency of the application of the updated energy objectives throughout the national energy rules. The final rules ensure the treatment of emissions reduction in regulatory processes is transparent and replicable.

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