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DEPUTY CHIEF MINISTER

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Mr John Pierce
Chair
Australian Energy Market Commission
john.pierce@aemc.gov.au

Dear Mr Pierce,

Thank you for informing the ACT Government about the release of the Australian Energy Market Commission's strategic priorities discussion paper. I would like to offer the following comments for the Commission's consideration.

Timeliness of reviews and rule making processes

A number of stakeholders have raised concerns regarding the timeliness of reviews and the rule making process. While I appreciate the time taken often reflects the complexity and the volume of issues requiring consideration, this has significant implications for the pace of market development. To continue to reflect the needs of users and the industry, the Commission and energy market frameworks must be able to respond to rapid changes in the market due to emerging technologies, new business models and changing conditions. The Commission should consider whether energy market processes continue to support market developments and delivery of strategic priorities in a timely manner. Currently it is my view they do not.

Pricing

Australia now has some of the highest electricity prices globally by some measures. A significant increase in inefficient network investment in recent years contributed towards this trend. I acknowledge this particular issue was not the primary responsibility of the Commission, and has since been addressed by rule changes and changes to the national electricity market framework progressed by Governments. However, I believe it continues to remain a matter for introspection as well as an important lesson of the vigilance and foresight that needs to be undertaken by Governments and energy market bodies to anticipate industry responses to regulatory changes. A market that ultimately fails to deliver good price outcomes to end users cannot be said to be performing effectively.

ACT LEGISLATIVE ASSEMBLY

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Interaction between Carbon and Energy policies

At its recent meeting in Perth on 23 July 2015, the COAG Energy Council stressed the importance of ensuring consistency between national energy market objectives and policies to reduce greenhouse gas emissions. The electricity generation sector is responsible for over a third of national emissions highlighting potentially significant changes in the future. While officials are currently exploring how the national energy market bodies could contribute towards ensuring this consistency, I would also urge the Commission to consider this issue in greater detail in its work generally and in the development of strategic priorities. I note and support the Commission's assessment that without input from the energy sector into design and implementation, future emission reduction policies may lead to avoidable inefficiencies in the market.

Supporting uptake of storage technologies

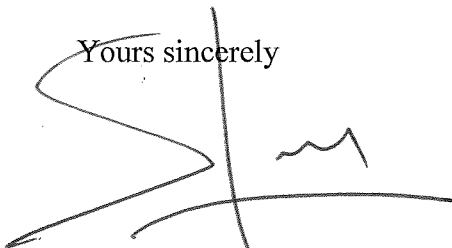
The discussion paper highlights emerging technologies and new business models with the potential to dramatically transform the energy sector. It notes the importance of ensuring the regulatory framework supports these new technologies and models - so that their uptake is driven by consumer preferences, and not regulation.

With respect to this, the emergence of storage technology is viewed as particularly promising. A number of networks and retailers are either developing or actively marketing battery storage products to households and businesses. This work is being accelerated by reduction in storage costs and expectations of further reductions in the coming years. The ACT Government sees battery storage as a fundamental resource in a low carbon, high renewable energy penetration grid. This also has significant implications for carbon and energy policy interactions noted above. Based on the experience with small scale solar, the timeframe for widespread adoption could be within a decade. In this respect, it is important that both Governments and the energy market bodies are actively working towards supporting the uptake of storage technologies.

I hope the Commission finds these comments useful in the consideration and development of strategic priorities. Please contact Sean Das (02) 6207 7462 or at Sean.Das@act.gov.au if you would like to discuss the issues raised in this letter.

Thank you for taking the time to write to me.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Simon Corbell', written over a horizontal line.

Simon Corbell MLA
Minister for the Environment

27.10.15