



Energy markets must address environmental policy imperatives

AEMC Chairman John Pierce addresses CEDA Energy Series on the *National Electricity Market in Transition*
Thursday 26 November 2015 Sydney

Future reform of Australia's energy markets must be more closely considered in tandem with environmental policy as technology, changing consumer preferences and new patterns of both generation and demand accelerate.

The Australian Energy Market Commission (AEMC) Chairman, John Pierce, today highlighted the need to look beyond policy silos as one of the key elements of strategic priorities for Australia's energy markets over the next two years.

"We are at an inflection point in energy markets," Mr Pierce said during an address to the CEDA Energy Series in Sydney. "The pace of change is creating new opportunities that demand greater flexibility to maintain market resilience.

"Consumers are driving transformation in energy markets and we are at the edge of a new energy services market – one in which it also becomes increasingly important to make sure that consumer protections are appropriate for these changing times."

Mr Pierce said greater integration of environmental and energy policy is required to maintain and enhance an efficient, safe, secure and reliable energy system that keeps prices as low as possible for consumers.

"Environmental policy which has tended to be developed externally to the energy market, can directly influence outcomes including movements in wholesale and retail prices, changes to investment incentives and risk allocation as well as the level of consumer engagement with the market," he said.

"Over the last few years the market has been faced with a paradox: wholesale energy prices and energy demand fell, while retail prices increased," he said.

"These challenges are not insurmountable," Mr Pierce said.

"While governments should determine environmental outcomes, such as emissions levels, the mechanism used to achieve them should be compatible with how energy markets operate," Mr Pierce said.

"Integration of the tools used to control emissions with the operation of the energy market is the only means of achieving both energy and emission reduction policy objectives," he said.

Strategic Priorities for Energy Market Development

Mr Pierce launched the 2015 updated Australian Energy Market Commission's Strategic Priorities for Energy Market Development at the CEDA forum today.

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Consumer Priority: Enabling consumers to make informed decisions in competitive retail markets

Building on the Power of Choice reforms over the past five years, the Consumer Priority will focus on protection, engagement and participation so consumers can benefit from the innovations in energy markets. It is consumers themselves who are the best judges of what works for them and much of our work has been driving more opportunities for consumers to make informed choices about the way they use electricity based on the benefits that end-use services provide.

Gas Priority: Promoting the development of efficient gas markets

Guided by the COAG Energy Council's Vision for Australia's future gas market, the Gas Priority is looking at different gas market development pathways to promote trading and risk management, preserve signals for investment in pipeline capacity and address new levels of complexity. Lower transaction costs and fewer barriers to entry will promote more competition in the wholesale markets which can be expected to benefit retail prices.

Markets and Networks Priority: Encouraging efficient investment and flexibility

Companies are now competing to offer energy services, not just energy. Networks will evolve from one-way energy delivery systems into multi-directional 'smart grids'. The Markets and Networks Priority is focussed on facilitating the right conditions for business evolution which promotes the long-term interests of consumers.

Mr Pierce's speech is available online at www.aemc.gov.au

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