



Strategic priorities for energy market development - 2013

Stakeholder views sought on proposed strategic priorities

The AEMC has released a discussion paper that reviews our strategic priorities for energy market development. We seek your views on three proposed priorities. The proposed consumer and market priorities build on two of the existing priorities. The proposed gas priority reflects expectations that the gas sector will grow significantly in coming years.

Continuing a well-informed debate on priorities for market development

The AEMC has today published a discussion paper on strategic priorities for the stationary energy sector. This discussion paper is part of the AEMC's review of our existing strategic priorities for energy market development, which we developed in 2011. When the strategic priorities are finalised later this year they will guide our market development work and inform the advice we provide to governments.

We are keen to generate as much consensus as possible in relation to our strategic priorities. The validity and influence of our priorities for the market will be greater if they take account of stakeholders' views and, as far as possible, represent a consensus among stakeholders in the energy sector. We are encouraging stakeholders to participate in the consultation process, including attending our workshops in Sydney, Brisbane and Melbourne and submitting a written response to our consultation.

The proposed new strategic priorities

In the two years since the AEMC developed its 2011 strategic priorities for energy market development, there have been considerable developments affecting the energy sector. These include the introduction of a carbon price, a significant slowing in demand growth and progress in developing LNG export facilities in Queensland. Australian governments have also implemented other recent changes affecting the energy market, including changes to retail markets.

The AEMC has made substantial progress with many projects that contribute to addressing the 2011 strategic priorities. We have completed a major change to the rules for electricity and gas network regulation. We have also provided final reports to the Standing Council on Energy and Resources for our Power of Choice review and have finalised our Transmission Frameworks Review.

It is timely to review our strategic priorities.

Our proposed new strategic priorities for energy market development are:

- Strengthening consumer participation while continuing to promote competitive retail markets ("consumer priority");
- Promoting the development of efficient gas markets ("gas priority"); and
- Market arrangements that encourage efficient investment and flexibility ("market priority").

The proposed strategic priorities take account of feedback from consumer and gas sector representatives who felt that our 2011 strategic priorities had not given enough priority to the issues they considered most important for the future development of the energy sector.

Since many of the issues leading to our existing priorities remain relevant, we have retained two of the priorities (consumer and market priorities) although we have shifted their focus to better reflect recent developments.

Submissions on the strategic priorities discussion paper are due by 27 May 2013.

Consumer priority: strengthening consumer participation while continuing to promote competitive retail markets

This proposed consumer priority recognises the important role of consumers and their ability to exercise more choice in how they use energy and the types of energy services they receive. It also recognises the importance of competitive retail markets for delivering outcomes that are in the long-term interests of consumers as we move to an energy sector that delivers services rather than just a commodity to consumers.

The AEMC's Power of Choice Review includes an implementation plan which, if followed, can help to make substantial progress in addressing this priority. The implementation of these recommendations can help to empower consumers so that they can make choices about how to manage their electricity consumption and choose the best energy services to meet their needs.

Gas priority: promoting the development of efficient gas markets

This proposed gas priority recognises the growing importance of gas as a fuel source and export commodity, with the very large LNG developments planned on the east coast of Australia. These LNG developments have the potential to link the east coast wholesale gas price to prices in the Asia-Pacific region, including the United States. How the gas sector develops in Australia and interacts with the electricity sector is uncertain. This is likely to depend primarily on wholesale gas and carbon prices. This will also depend on a range of regulatory functions and decisions by the Commonwealth, state and territory governments.

Our proposed gas priority highlights the need to work with suppliers and consumers to understand whether the current market arrangements will continue to promote the efficient development of the gas market over the longer term.

Market priority: market arrangements that encourage efficient investment and flexibility

This proposed market priority recognises that an attractive environment for investment will remain important if Australia's stationary energy sector is to secure the capital necessary to provide efficiently priced, safe, secure and reliable electricity. The nature of future investment is inherently uncertain, so it will be important that market arrangements facilitate investment options that best meet future requirements, without creating barriers or distortions that affect decision-making. The future focus is likely to be less about the quantity of investment, and more about putting in place policy frameworks that provide incentives to find the most efficient investment options.

Stakeholder consultation

We encourage as much stakeholder participation as possible in the discussion about our proposed strategic priorities.

The AEMC is holding three half-day stakeholder workshops to receive feedback on the strategic priorities proposed in the discussion paper:

Sydney – Wednesday 24 April 2013
Brisbane – Monday 29 April 2013
Melbourne – Wednesday 1 May 2013

Registration details for the workshops are on our website at www.aemc.gov.au.

We welcome written comments on the discussion paper, which are due by **Monday 27 May 2013**.

For information contact: AEMC Senior Director, Paul Smith (02) 8296 7800

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

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