

energyministers

Meeting Communique

Friday 12 August 2022

ENERGY MINISTERS MET TODAY TO DISCUSS THE STATUS OF THE MARKET FOLLOWING RECENT VOLATILITY, PROGRESS ON ACTIONS MINISTERS AGREED AT THEIR LAST MEETING AND AGREED NEW REFORMS AS THE ECONOMY MOVES TO NET ZERO EMISSIONS.

Energy Ministers are aware of the significant cost of living pressures facing Australian consumers, and were pleased to see that decisions already taken have helped to stabilise eastern electricity and gas markets - this has been affirmed by the heads of the energy market bodies. All Ministers agreed that deeper action is needed to drive further stability and address price pressures. Ministers also recognised the need to reduce emissions from the energy sector as a high priority.

To this end, Ministers agreed a set of new actions to address current issues and support the stable transformation of the sector over the longer term. The most major of these being:

- A package of gas market reforms including extending the Australian Energy Market Operator's (AEMO) powers and functions to enable them to better forecast and manage east coast supply shortfall risks in winter 2023 and beyond.
- Agreement to put an emissions objective into the National Energy Objectives as the first action under a now agreed National Energy Transformation Partnership
- Taking more active control of the work to ensure firming capacity is in place as the system evolves, and the best means to manage the risks of disorderly exit of coal generation.

Ministers heard updates from the energy market bodies and the Australian Competition and Consumer Commission on the recent east coast market suspension and current operating conditions in the electricity and gas markets.

Ministers noted information provided on domestic fuel availability and price outlook for 2022-23 summer and instructed senior officials to explore options to develop fuel availability and price outlook as a biannual product.

Substantial progress has been made on all the actions agreed by Ministers at the 8 June Meeting. On these Ministers:

- Agreed to reform the Retailer of Last Resort regime in response to the Australian Energy Market Commission's updated review of the regime and market resilience and to progress the associated legislative amendments.
- Received advice from the Energy Security Board regarding options to mitigate similar future east coast market crises.
- Noted a consultation process has commenced to seek feedback on legislative reforms to enable new electricity and gas market monitoring powers for the Australian Energy Regulator.

Ministers were briefed by the Western Australian Minister, the Hon Bill Johnston MLA, regarding the Western Australian capacity market that has been in operation since 2005, and the recent announcement by the Western Australian Government of the retirement of all State-owned coal fired power stations (totalling 1,200MW) by 2030.

National Energy Transformation Partnership

Ministers agreed the vision, principles and key initial priority areas for a new **National Energy Transformation Partnership** promised at the last meeting, which represents a fundamental reset of relations across governments and the first fully integrated national energy and emissions agreement.

The first action under the Partnership is to **fast track an emissions objective into the National Energy Objectives** – answering the call that has been there for too long. This ensures that the transformation to net zero is delivered in the long term interests of consumers, guided by affordability.

Through the Partnership we will also:

- Identify and declare **transmission of national significance** (including the actionable projects in the Integrated System Plan - Marinus, VNI West (via Kerang), and Humelink) to accelerate the timely delivery of these critical projects and ensure better community consultation.
- Start work on a co-designed **First Nations Clean Energy Strategy** with First Nations people to help drive the energy transformation.
- Develop detailed **integrated energy infrastructure** and **regional planning scenarios** that span gas and electricity networks, electrification pathways and new industry possibilities to identify jobs and investment pathways for renewed manufacturing and new industries, like hydrogen.
- Assess the **workforce, supply chain and community needs** associated with the pipeline of transmission, renewable energy, storage and industry development opportunities. This will inform domestic on-shoring opportunities, investment needs, identify supply chain risks, and community engagement needs to support a national action plan on these issues.
- Recognise the role **electricity networks and demand side participation** will play in delivering the energy transformation

Implementation of Post-2025 reforms

Capacity mechanism – Ministers agree that reliability and security of energy supply are critical throughout the transition and therefore instruct Senior Officials to propose options for a framework that delivers adequate capacity, ensures orderly transition, and incentivises new investment in firm renewable energy to ensure the system can meet peak demand at all times. Ministers further instruct Senior Officials to commission both economic and emissions reductions analysis to support this work.

Ministers thanked the Energy Security Board for the detailed work undertaken and agreed market bodies will collaborate with, and contribute to the work of Senior Officials and the ESB under the leadership of Ministers.

Managing the risks of a disorderly exit of coal generation

Ministers intend to take a more active role in delivering the firming capacity needed as the system transforms and consider the best means to manage the risks of a disorderly exit of coal generation.

Congestion management – Ministers, noting the critical importance of providing more certainty for investment in renewable energy on the east coast, asked the Energy Security Board to expedite

work on a congestion management mechanism as much as possible, and for a detailed update on this work at the next Energy Ministers meeting.

Gas Market Reforms

Ministers were briefed by the Australian Competition and Consumer Commission and the Australian Energy Market Operator on the current market situation and the risk of gas supply shortfalls in 2023 on the east coast, as reflected in the Australian Competition and Consumer Commission's latest Gas Inquiry report and Australian Energy Market Operator's report on the east coast gas supply and demand situation.

Energy Ministers noted the active measures being taken by the Commonwealth to ensure sufficient gas is supplied to east coast markets to address forecast shortfalls through renegotiation of the Heads of Agreement (HoA) and the renewal and review of the Australian Domestic Gas Security Mechanism (ADGSM). They also discussed the need for additional reforms to allow the Australian Energy Market Operator to manage supply adequacy risks in the east coast gas market as they arise.

Ministers confirmed that an urgent rule change has been submitted to the Australian Energy Market Commission to give the Australian Energy Market Operator power to contract underutilised storage capacity before winter 2023. Energy Ministers also agreed to take a range of actions aimed at supporting a more secure, resilient and flexible east coast gas market.

This included quick progression of measures to ensure the Australian Energy Market Operator can manage security and reliability risks across east coast gas markets in the lead up to and during winter 2023.

- **Improving the security of gas supply.** As a matter of urgency, Energy Ministers agreed to extend the Australian Energy Market Operator's powers and functions to provide it with tools to manage supply shortfalls in the east coast market in winter 2023;
- **Making sure we're prepared for future winters.** This includes the Australian Energy Market Operator's development of an annual Winter Readiness Management plan for east coast energy markets and incorporation of gas supply and system adequacy risks into their annual Summer Readiness Plan. This will enable security and reliability risks to be identified early and considered in both electricity and gas markets and will identify actions the Australian Energy Market Operator can take to maintain system security and reliability while minimising market distortion and costs to consumers.

Ministers also directed Officials to:

- **Make sure market bodies have the information they need,** by designing and consulting on a package of reforms to provide the Australian Energy Market Operator and gas market participants with improved visibility of short, medium and long term supply, demand and system adequacy, allow the Operator to signal emerging issues to the market, and provide the Operator with a set of system management mechanisms to respond effectively if a market response to address a gap in system adequacy is not forthcoming;
- **Make sure domestic gas markets function more efficiently and transparently,** by developing and submitting rule changes on anonymised trading and harmonised prudential arrangements to improve the flexibility and liquidity of domestic gas markets when responding to demand and supply shocks; and

- **Ensure more gas suppliers can provide gas into the market** by further investigating options to extend a third party access framework for upstream gas infrastructure and gas storage facilities, as recommended by the Australian Competition and Consumer Commission, to help bring more gas supply to market from smaller producers and improve utilisation of existing storages.

Ministers also made it clear that these reforms are about improving efficiencies and supporting further supplies for the domestic market and are respectful of existing foundational contracts for export supply and of international partners. More detail will be provided on the Energy Ministers' website.

Governance

Energy Ministers agreed practical governance improvements they will make to the operation of the Energy Ministers' Meeting.

Energy Ministers agreed to new Statements of Expectation for the energy market bodies and to a number of energy market body board appointments.

Membership

The Energy Ministers' Meeting comprises Commonwealth, State, Territory and New Zealand Ministers responsible for energy.

Commonwealth (Chair)	The Hon Chris Bowen MP, Minister for Climate Change and Energy
New South Wales	The Hon Matthew Kean MP, Deputy Premier, Treasurer, Minister for Energy
Victoria	The Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Action, Minister for Solar Homes
Queensland	The Hon Mick De Brenni MP, Minister for Energy, Renewables, and Hydrogen and Minister for Public Works and Procurement
Western Australia	The Hon Bill Johnston MLA, Minister for Mines and Petroleum; Energy; Corrective Services; Industrial Relations
South Australia	The Hon Tom Koutsantonis MP, Minister for Energy and Mining
Tasmania	The Hon Guy Barnett MP, Minister for Energy and Renewables
Australian Capital Territory	Mr Shane Rattenbury MLA, Minister for Water, Energy and Emissions Reduction
Northern Territory	The Hon Selena Uibo MLA, Minister for Renewables and Energy
New Zealand	The Hon Dr Megan Woods MP, Minister of Energy and Resources

Energy Ministers' Meeting Secretariat
Telephone: (02) 6243 7844 Email: EnergyMinisters@industry.gov.au
GPO Box 2013 Canberra ACT 2601