

# *Australia-India Energy and Minerals Forum 2010*

## Energy Market Reforms

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# Outline

## Looking Back

- energy market reforms in Australia
- overview of National Electricity Market (NEM)
- energy market institutions (AER, AEMC, AEMO)

## Looking Forward

- ongoing energy market reforms
- managing the investment challenge
- transitioning to a low carbon economy

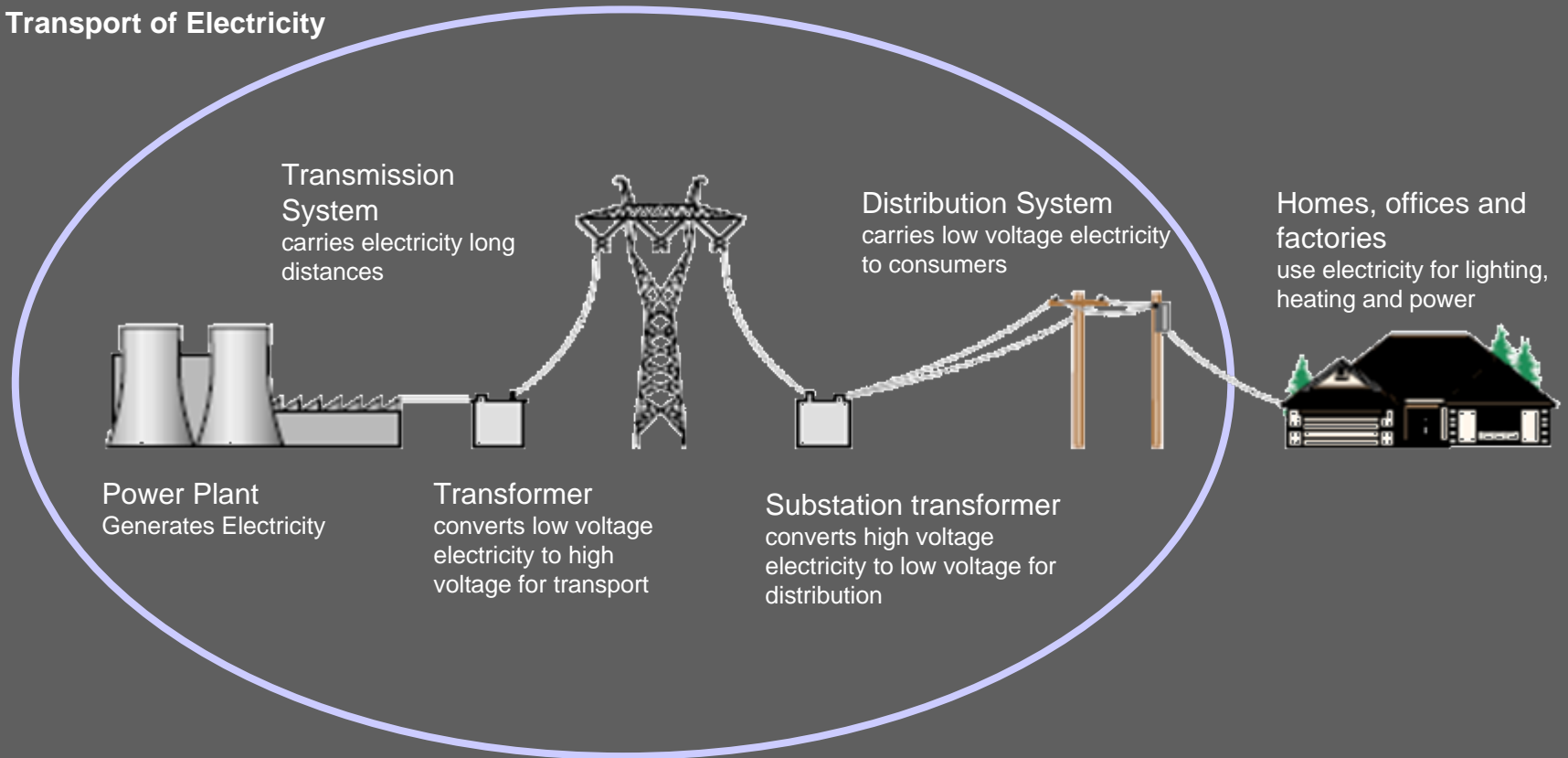
# Energy Market Reforms in Australia

## Until the 1980's:

- electricity industry characterised by regionally fragmented markets
- industry dominated by vertically-integrated, state-owned businesses
- lack of competition in the market

# Until the 1980's... one State-owned company for generation, transmission, distribution and retail

## Transport of Electricity



# Energy Market Reforms in Australia

## Late 1980's

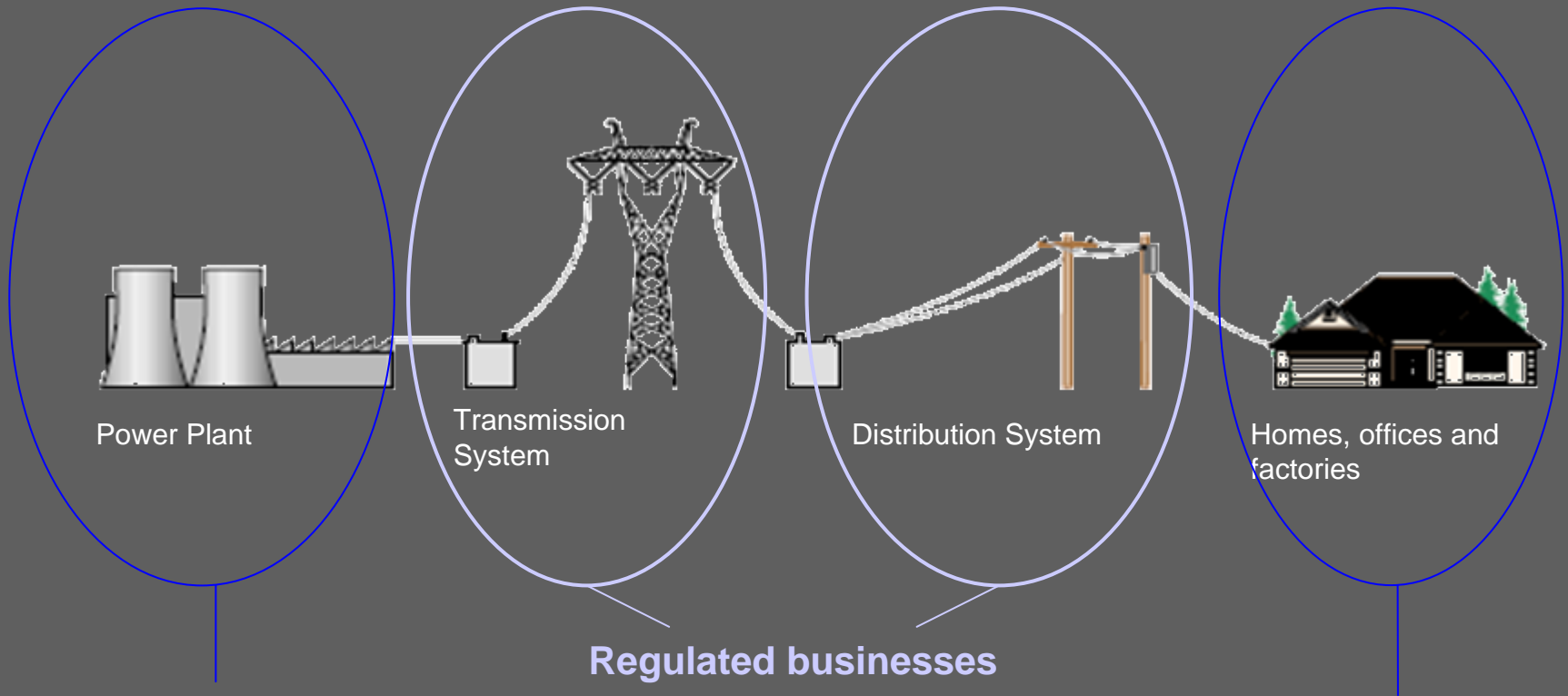
- began investigations into an integrated electricity grid

## In 1993, the Hilmer Review into National Competition Policy argued for:

- greater competition among government-owned entities
- the removal of interstate barriers to trade in energy (such as electricity and gas)
- the separation of monopoly transmission and distribution segments from the competitive generation and retail electricity markets

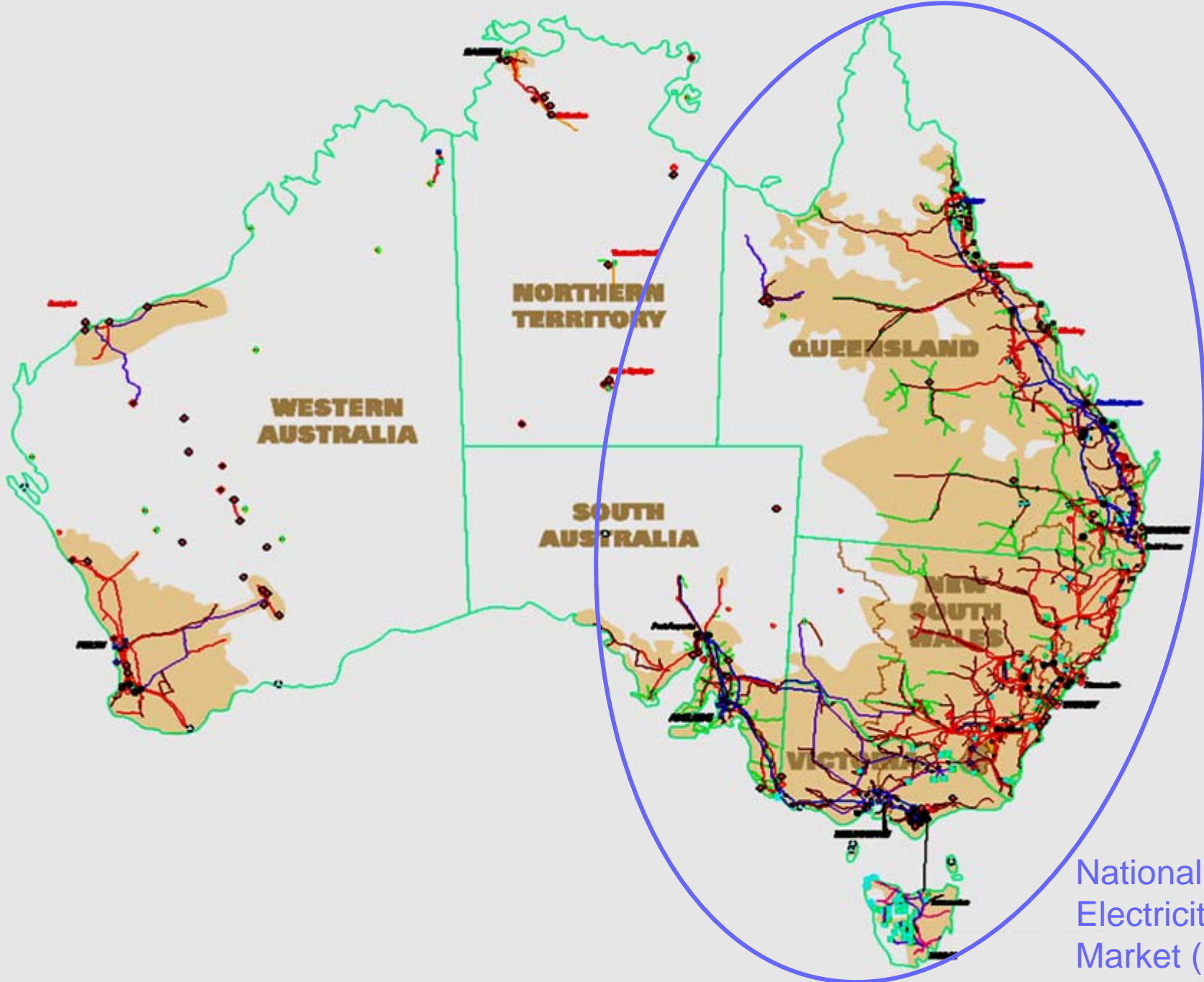
# Now... Greater separation of generation, transmission, distribution and retail

Transport of Electricity



Competition between  
businesses

Competition between  
businesses



National Electricity Market (NEM)

# Energy Market Reforms in Australia

**2001 – Ministerial Council on Energy (MCE) formed**

**2002 – Parer Review, *Towards a National and Efficient Energy Market*, lead to:**

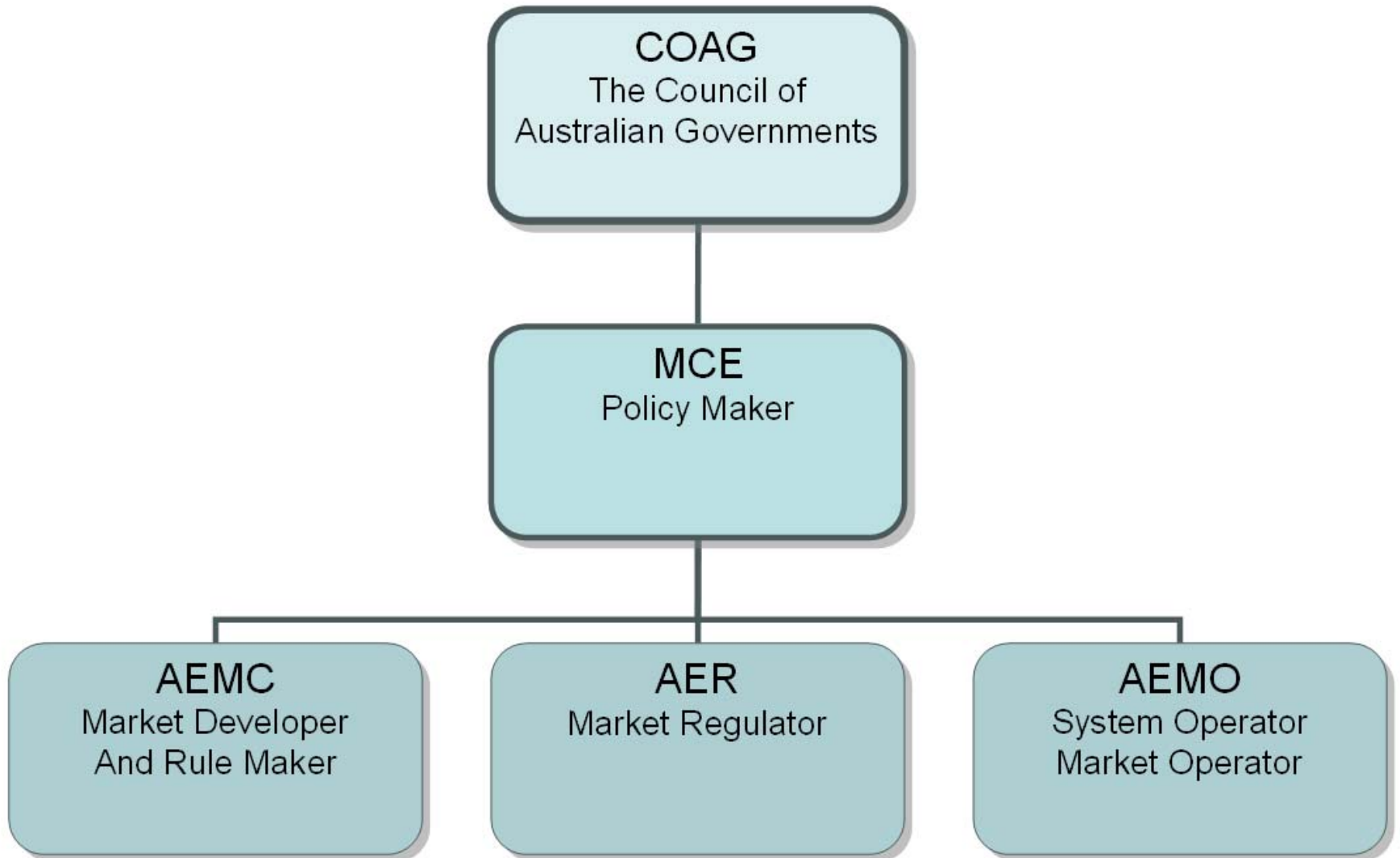
- *Australian Energy Market Commission (AEMC)* established in 2005 as the independent market development body and rule maker
- *Australian Energy Regulator (AER)* established in 2005 as the market regulator
- Improved transmission regulatory framework

**2006 – Scales Review into *Energy Reform, The Way Forward for Australia (ERIG)*, lead to:**

- *Australian Energy Market Operator (AEMO)* established in 2009 as the market operator
- National Transmission Planner



# Energy Market Institutions



# Gas Market Reforms in Australia

## *Gas Pipeline Access Law and the National Third Party Access Code for Natural Gas Pipeline Systems (1997)*

- unbundled transmission pipelines from distribution

## **National Gas Laws and Rules (July 2008)**

- natural gas pipelines under a national regulatory framework

## **Gas Market Bulletin Board**

- provides transparent and independent market information to assist in delivering market based outcomes

## **The Short-Term Trading Market (STTM)**

- a new balancing market, majority of gas still bilateral contracts
- aims to provide greater transparency through clear market rules and an open market and market based outcomes as buyers can source the lowest cost suppliers

# Ongoing Energy Market Reforms

## Energy market reforms are ongoing:

- implementation of a National Energy Customer Framework (NECF)
- wide ranging ongoing reform agenda

## Major challenges facing the energy market:

- insuring the investment framework continues to facilitate timely investment
- managing the transition to a low carbon economy

# Managing the Investment Challenge

**Sending the right signals for efficient investment**

## **Information to market**

*Market Data (AEMO)*

*Electricity Statement of Opportunities (AEMO)*

*Gas Statement of Opportunities (AEMO)*

*National Transmission Statement - NTS (AEMO)*

*National Transmission Network Development Plan (AEMO),  
replacing the NTS*

*State of the Energy Market (AER)*

*Annual Report on the Performance of the NEM (AEMC)*

**Additional work to ensure that the existing market mechanisms facilitate efficient investment**

# Transitioning to a low carbon economy

Australia's energy market framework is considered to be robust in the face of climate change policies

**20% Renewable Energy Target by 2020**

**Carbon Pollution Reduction Scheme (after 2012)**

MCE has a forward work program to promote transparency, efficiency and competition in this transition period and beyond

# Summary

## Energy Market Reforms to date

- promoting increased competition and private sector investment
- transition from fragmented markets to national framework
- established independent energy market governance institutions
- market reforms are ongoing to ensure that market mechanisms continue to ensure system reliability and facilitate efficient investment

# References

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Ministerial Council on Energy: [www.mce.gov.au](http://www.mce.gov.au)

Australian Energy Regulator: [www.aer.gov.au](http://www.aer.gov.au)

Australian Energy Market Commission: [www.aemc.gov.au](http://www.aemc.gov.au)

Australian Energy Market Operator: [www.aemo.com.au](http://www.aemo.com.au)