



Centre for Energy and
Environmental Markets

REVIEW OF GOVERNANCE ARRANGEMENTS FOR AUSTRALIAN ENERGY MARKETS

Submission in response to the Panel's Draft Report

by

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About CEEM

The UNSW Centre for Energy and Environmental Markets (CEEM) undertakes interdisciplinary research in the design, analysis and performance monitoring of energy and environmental markets and their associated policy frameworks. CEEM brings together UNSW researchers from the Australian School of Business, the Faculty of Engineering, the Institute of Environmental Studies, and the Faculty of Arts and Social Sciences and the Faculty of Law, working alongside a number of international partners. Its research areas include the design of spot, ancillary and forward electricity markets, market-based environmental regulation, the integration of stochastic renewable energy technologies into the electricity network, and the broader policy context in which all these markets operate.

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1 Introduction

CEEM welcomes the opportunity to contribute further to this important Review. Clear governance arrangements are fundamental for setting and meeting Australia's energy objectives, as a necessary, if alone insufficient, pre-requisite for effective planning, decision-making, risk and reward allocation, and accountability.

This submission broadly follows the structure of the Draft Report July 2015, written by the Panel for the Review of Governance Arrangements for Australian Energy Markets. Section 1.1 addresses CEEM's priorities regarding the framing of the Review. Section 1.2 comments on Chapter 1 of the Draft Report. Section 2 addresses Chapter 2 of the Draft Report, and so on. A major weakness of the draft report in our view is the absence of any assessment of how well or poorly governance arrangements have met the National Electricity Objective (NEO) to date, or the stated objectives of the Australian Energy Market Agreement (AEMA) more generally. We present a very preliminary assessment against the stated objectives of the AEMA in Section 7 but urge the Panel to undertake a far more detailed assessment as part of their review. Also, our view is that Chapter 5 of the Draft Report insufficiently addresses the planning responsibilities of AEMO, and accordingly Section 5 of our submission seeks to also provide some preliminary discussion of this topic.

Note, finally, that our comments on the Draft Report's findings and recommendations are made by exception, focusing on key matters of support or opposition. Page numbers used in references refer to the Draft Report.

1.1 Approach to the Review

We propose that the Review would benefit if the following aspects were better addressed:

- The scale of governance challenges and necessary changes:** The Panel identifies two strong recurring themes in the submissions – an unprecedented pace of change in the energy sector driven by IT and renewable technologies and climate change policy; and a 'strategic policy deficit' which "... are most evident at the policy level, but they have also been identified across the market institutions as a whole." We agree and therefore wonder why the Panel's proposed changes to governance arrangements appear so modest in most regards. It seems unlikely that only modest 'tweaks' are required to effectively address the challenges identified.
- Terms of Reference:** CEEM finds that in some areas the alignment of the Draft Report with the Terms of Reference is unclear. The Review's findings should be explicit about what the Terms of Reference allow and do not allow to be concluded about the effectiveness of governance arrangements. An example is the Panel's discussion of the National Energy Objective (NEO) – "*Consideration of possible changes in the national energy objectives has been raised by a number of submitters, but is not something that the Panel is inclined to contemplate. That is because the great weight of international thought and experience would speak against such change, and very compelling reasoning and evidence would be needed to overturn that body of work. No such reasoning and evidence have been put before the Panel.*" (p.13). It should be noted, however, that the Panel's Issues Paper did not ask submissions to address the appropriateness, or otherwise, of the NEO.

More generally, the boundary between climate and energy governance is difficult to define in a meaningful way – all energy policies have potential climate implications while most climate policies have energy implications. It would be helpful for the Panel to be clearer about this, particularly given the greater strategic role it believes that the AEMC should play.

- **Australian Energy Market Agreement (AEMA):** The Draft Report provides a welcome focus on the present inadequacy of Energy Council arrangements and opportunities to improve them. The Panel's *Issues paper* references AEMA 22 times and notes that the Council's "... mandate in energy markets is limited to matters defined by the AEMA, which is its key foundation document for energy market matters." However, the Draft Report provides little discussion of AEMA beyond suggesting that "... *its general policy stance is towards promoting efficient production, distribution and supply of electricity and gas in the long-term interests of consumers, including by encouraging competition where it is considered feasible*"(p.13) and that "*The Panel's general conclusion is that the division of functions established by the current governance arrangements remains appropriate for serving the purposes of the Australian Energy Market Agreement (AEMA) and serving the relevant national objectives*" (p.8). How can such a conclusion be supported without addressing the objectives agreed in AEMA which go well beyond those summarised by the Panel?

For example, one of the six agreed objectives is to "*address greenhouse emissions from the energy sector, in light of the concerns about climate change and the need for a stable long-term framework for investment in energy supplies*". The Panel notes the importance of climate change as a driver of potentially disruptive change in the industry but places climate change mitigation efforts as one of the policy areas developed outside of the national energy governance arrangements (p.25). To the extent that is correct, such placement of climate change policy outside energy governance arrangements is a design choice, and the evident failure of climate change governance to date suggests that alternative options require consideration. Another example is the AEMA objective to "*enhance the participation of energy users in the markets including through demand side management and the further introduction of retail competition, to increase the value of energy services to households and businesses*". The Panel's draft report doesn't mention energy services at all, and includes only a few mentions of demand-side participation. Again, this seems contrary to the explicit focus on the long term interests of consumers that is meant to drive governance.

To conclude, an explicit effort to address AEMA objectives in the Panel's final report could be a valuable contribution to such discussions.

- **Consultation process:** The Draft Report recommends more meaningful consultation processes to strengthen Australia's governance arrangements – a point that we certainly agree with. However, it does not itself demonstrate such an approach in our view. The Draft Report does not indicate what approach has been taken to consider submissions. Such an approach might include a summary of stakeholder views, identifying an overview of areas of agreement and disagreement. Instead the Draft Report picks out particular submissions on particular points and this limits the value of the efforts the Panel must have taken to reach its recommendations.

- **Methodology:** It would be valuable if the Panel clarified the methodology of the Review. The focus would seem to have been on the submissions, however, as noted above the presentation of the submissions seems very limited. Has the Panel undertaken additional investigations and, if yes, what were these? If there is an emphasis on submissions, then what efforts are being made to ensure there is sufficiently broad stakeholder representation?
- **Assessment of governance arrangements:** The Terms of Reference call for the Review to “consider the performance of current governance arrangements for energy markets”. Our view is that such consideration should be outcomes-focused, with reference to objectives. It is not clear from the Draft Report whether this was done. Asking for submissions from stakeholders regarding their view of what has and hasn’t worked is useful, but doesn’t represent such a Review. Instead, such a consideration would involve a formal assessment of outcomes compared to the National Electricity Objective, the National Gas Objective, the National Energy Retail Objective, and the AEMA. For example, and as noted above, we put forward a very preliminary assessment of outcomes against the stated objectives of the AEMA in Section 7 that highlights serious concerns regarding the performance of the governance arrangements overall.
- **The risks of regulatory capture.** The Panel’s view that “...despite the stream of economic literature that is concerned with ‘industry capture’, there is a dearth of evidence to suggest that this has been a significant problem in national jurisdictions that are the most obvious comparators with Australia.” (p.58) is extraordinary on the face of it. The OECD certainly doesn’t agree and has flagged regulatory capture as a key factor in the Global Financial Crisis.¹ Perhaps the Panel could clarify what sort of evidence is required. Also, its suggestion that “Clear thinking, a sharp focus and clever use of available technology can achieve a great deal” (p.58) doesn’t seem to make sense in this context.

1.2 The Panel’s introductory comments

The Panel provides a valuable context for this Review in Chapter 1, identifying the need for significant improvements in governance, but then fails to go beyond recommending incremental modifications.

CEEM certainly agrees with the Panel’s view that the current pace of change in the energy sector “can be expected to increase the differences between the consequences of good policy and poor policy, and between good governance and poor governance” (p.10).

The following, from Chapter 4 regarding AEMO’s market development activities, can be broadened to be an understated reflection of the current situation with respect to Australia’s energy sector governance:

¹ See, as just one example, the comments of Rolf Alter, Director, OECD Public Governance and Territorial Development Directorate.

www.oecdobserver.org/news/fullstory.php/aid/3682/Public_governance:_The_other_deficit.html

"The institution framework was developed when the electricity sector consisted of centralised generation transmitted to consumers. A number of technologies have since emerged which are having significant impacts on the sector – smart meters, solar PV system and energy storage systems. The market development role that institutions should play with respect to these later changes has not always been clear." (p.68)

This Review has the opportunity to address such misalignment so that governance arrangements foster rather than follow Australia's energy transition. However, it doesn't seem that this opportunity has been grasped, limiting the value of the Review in advising policy makers of how we might best address the major challenges that we face.

Draft Report's Position	CEEM's Submission
Evidence and themes presented	
Unprecedented pace of change combined with 'strategic policy deficit' are strong themes in the energy sector at present (p.9)	Agreed. The seriousness of the associated problems however, "identified across the market institutions as a whole" (p.9), do not seem to be reflected in the Panel's relatively modest findings and recommendations.
"the retail level [is] where, to date, the shared common purposes of National Electricity Market (NEM) policies appear to be more limited than they are at the levels of wholesale markets and networks." (p.10)	It is true that retail is the unfinished business of electricity industry restructuring but this does not mean that a national framework would necessarily make things better. In part, this lack of shared common purpose at the retail level reflects the public's concerns and scepticism about the value of retail market competition, and the privatisation push that it has entailed. Given that the interests of consumers are meant to be the objective of governance efforts, this disconnect requires greater attention by the Panel. Furthermore, a national approach risks promoting deployment of "lowest common denominator" standards – a risk that Panel notes but doesn't appear to pay great attention to. Innovation often actually benefits from niches rather than consistency with the "lowest common denominator" and the role of various State government policy efforts in testing and proving different policy measures should be acknowledged.
Limitations of good governance	
"Market governance is concerned with establishing and enforcing sets of rules that facilitate exchange transactions between buyers and sellers" (p.10)	Critically, it also about managing the interface between market and non-market sectors, particularly given that around half of the cost to consumers of the electricity sector is directed to non-market network expenditure.
Unique characteristics of electricity markets (p.11)	It may be valuable for the Panel's explanation of what a "normal market transaction" is to be expanded upon. Good governance of electricity markets must consider more than just the issue of complexity, but also fundamental issues around coordination as well as competition.

Balance required between rule adaptability and predictability (p.11)	It seems likely that the wrong rules pose a greater problem than unpredictable rules.
"there are ever-present pressures to seek to use institutional structures as economic instruments to achieve specific market outcomes" (p.11)	Agreed. The Panel should expand on this with an assessment of which of the special interest groups are most likely to threaten good governance, and how these risks can best be managed.
Fragmentation risk	
The AEMA is identified as a means to drive collective action by the Australian jurisdictions (p.12)	The AEMA is an important component of the energy sector governance arrangements and therefore the Review should examine it and attempt to assess how well or badly governance has delivered on it.
"The general policy stance [of the AEMA] is towards promoting efficient production, distribution and supply of electricity and gas in the long-term interests of consumers, including by encouraging competition where it is considered feasible" (p.12)	This is an inadequate summary of the AEMA, which also refers to other objectives including regarding investment conditions and greenhouse emissions.
National objectives	
"Focus (that is, limited scope) means that regulators are not asked to resolve major policy trade-offs that, in a democratic system, are the proper responsibilities of parliaments" (p.12)	There seems to be a fundamental gap in the Draft Report regarding how critical policy decision-making, including regarding trade-offs, is made. The Panel should explore how Australian parliaments determine such decisions regarding the energy sector. The Energy White Paper process would appear to be important in this regard. According to the Minister for Industry and Science it aims to "provide a consistent and integrated national energy policy" (Australian Government 2015). Yet the Energy White Paper is not referred to at all by the Panel.
"Consideration of possible changes in the national energy objectives has been raised by a number of submitters, but is not something that the Panel is inclined to contemplate". Reference to a lack of "reasoning and evidence" being put to the Panel. (p.13)	A review of the suitability of the national objectives was explicitly not requested in the Terms of Reference and subsequent Issues Paper so it seems inappropriate for the Panel to make a conclusion on it.
"Expanded explanation might help address any existing misunderstandings"	We support efforts to clarify national objectives given the broader impacts of energy really go beyond consumers, to citizens. A further example is regarding environmental

regarding national objectives (p.13)	objectives; although clearly part of the AEMA, these are not explicitly referred to in the National Electricity Objective but may be implied.
The separation of institutional functions	
"the Panel has not encountered compelling evidence to suggest that 'undue influence' [on the energy sector governance institutions] is a major systemic problem" (p.15)	It should be clarified whether statements such as this are based solely on submissions received by the Panel, or its own investigations. More generally, the methodology of the Review could be clarified. What sort of evidence might actually satisfy the Panel of the influence of 'undue influence'?
The wider context	
"the Panel is of the view that the energy market governance architecture is sound" (p.15)	It is not clear whether this conclusion refers to energy market governance as per the Terms of Reference, or whether it is incorporating wider aspects of governance. The latter would certainly seem contrary to outcomes in areas such as energy specific climate change mitigation efforts.

2 Setting strategy and determining priorities

Energy holds cross-sectoral significance for Australian society and accordingly the associated planning and decision-making should be integrated. In particular, virtually all energy policy has climate implications while most climate policies target the energy sector.

Draft Report's Position (or restatement of stakeholder views where marked *)	CEEM's Submission
COAG Energy Council	
No mention of the Energy White Paper	As flagged above regarding National Objectives (p.12 of Draft Report) the role of Australia's Energy White Paper process should be addressed by this Review. The Energy Council should not act in isolation from the Australian Government's energy policy strategy. The interaction should be outlined and opportunities for improvement explored. It may be that stakeholders find the Energy White Paper process to be inadequate at present. If this is the case this should be stated and be considered in the Review's recommendations. This is particularly important given the apparently limited role of the Energy Council in the preparation of the 2015 Energy White Paper, yet its apparently key role in implementing some of its recommendations. Does the Panel consider this appropriate governance?
Stakeholder participation in COAG Energy Council	This has been a very positive development. For improved transparency, the Energy Council should state how it is

meetings has increased*	determined what stakeholders are invited to participate.
The role of SCO and its working groups	
Implementation role of SCO has been performed too slowly*	CEEM agrees that this has been problematic.
Transparency, accountability and consultation	
Recommendation #7: "That the transparency of the activities of the Council be greatly enhanced through its website, improved communication tools and other appropriate forums."	CEEM supports such measures to improve transparency and transforms energy policy development and implementation into an ongoing, dynamic process.
Strategy development work	
<p>Recommendation #3 "That SCO be charged with the responsibility to present to the Council for consideration recommendations on strategic direction and the specific priorities and work plan which should be adopted. The AEMC should be charged with the responsibility for initiating the development of this advice in consultation with SCO."</p> <p>"AEMC is best placed to initiate the formulation of strategic priorities in consultation with SCO" (p.23)</p>	<p>The risk of industry capture of the AEMC should be acknowledged. CEEM proposes that it is preferable to rather have a better resourced COAG EC or SCO.</p> <p>Also, if policy trade-offs need to be determined politically, key considerations are:</p> <ul style="list-style-type: none"> • Is the AEMC best placed to do this? • What falls within strategic priorities and what doesn't? • Taking the example of reducing emissions from the energy sector, how would the AEMC drive a strategic priorities discussion in this?
Recommendation #5 "That SCO be supported by an expanded secretariat located within the Australian Government Department of Industry and Science and that the secretariat includes a small number of appropriately qualified officers seconded from Australian Government and state and territory jurisdictions."	Agreed. Relating to this recommendation and more broadly, funding concerns about key institutions involved in Australia's energy sector governance arrangements should be considered in the context of the significant financial flows in the sector. Consistent with the Panel's view that the current pace of change in the energy sector increases "the differences between the consequences of good policy and poor policy, and between good governance and poor governance", there is a strong business case for getting governance arrangements right by appropriately resourcing key institutions.

<p>Reinforcing the national characteristics of reform</p>	
<p>Recommendation #8: "That a 'necessity criterion' be established to apply to proposals by individual jurisdictions that seek exemptions from otherwise nationally agreed arrangements."</p>	<p>Significant caution should be taken on this proposal because it represents a significant shift from the central role currently played by the States in energy sector governance. The Panel states that it does not see a need for an overhaul of governance arrangements yet this proposal might involve quite significant changes in practice. If a shift away from the States is warranted, the case for the Commonwealth formally taking over energy sector responsibility needs to be very carefully made.</p> <p>The reference to the European Union is valid however it should be acknowledged that the EU also has a founding principle of subsidiarity where governance arrangements should strive to have decisions made as close as possible to those affected, and only centralise decision making when these tasks can't be performed at a more local level.</p> <p>Furthermore, differences between the States has in the past fostered some significant innovation in energy policy and this may be lost under a 'necessity criterion', without accessing the full benefits that a fully national approach offers, that may only be available from full Commonwealth responsibility for energy.</p>

3 Rules and rule-making

Draft Report's Position	CEEM's Submission
An independent rule maker	
"The Panel considers it best practice for both functions to maintain the separation of the rule maker and the rule adjudicator... The vision of separation of functions as set out in the Parer Report remains appropriate in today's environment" (p.29)	CEEM agrees that this is fundamental for good energy sector governance.
The strategic role of the AEMC	
Recommendation #1: "The AEMC's mandate should be revised to include an obligation to advise the Council through SCO every three years on strategic direction, and propose the priorities for the Council work programme. Included in this advice would be a comprehensive review of the rules as a whole to help inform this process. This review should be directed at advising whether the rules are consistent with the strategic priorities, are fit for purpose and are not impeding beneficial and innovative developments in energy markets. In the intervening years, this document should be updated annually to address any major unanticipated changes in the market and advise on their implications for the strategic priorities and facilitate timely adjustments to the work plan."	<p>CEEM agree with the work needed on 3 yearly strategic direction but caution should be taken about it being performed by the AEMC due to the risks of industry capture. Further analysis of the prospects of a better resourced SCO and secretariat, as recommended by the Panel in Chapter 2, should be made before determining the AEMC's suitability for this task.</p> <p>CEEM agrees with the proposed "comprehensive review of the rules as a whole" as an important opportunity to ensure legislation is fit for purpose given significant technological changes in the sector.</p> <p>CEEM agrees with the Panel's view that "change is likely to be driven most by the implications and opportunities of technological innovation, which are typically better understood by market participants" (p.31). The experience of the past decade, however, is that some of the major industry changes arose from parties not formally seen as market participants eg. household solar installers. This Review should address how to broaden stakeholder engagement appropriately beyond the usual suspects.</p>
The need for a gateway test	
"To ensure that this mechanism is not used	CEEM suggests that such reporting could be made transparent to the public as well.

inappropriately, the use of the gateway test could be reported to the Council in a transparent fashion" (p.35)

4 Regulatory decision-making

Draft Report's Position	CEEM's Submission
The independence of the AER	
"each [alternative] would likely also see some narrowing of AER activities (more specifically consumer and competition functions would remain with the ACCC, along with price monitoring and surveillance of those markets that are open to competition)." (p.56)	Here and in preceding sections including "Organisational independence and financing" and "Consumer engagement", the Panel makes a valuable explanation of the different nature of the AER's key responsibilities in retail and networks. The Review would benefit from the argument put forward by the Panel being developed further. In making the recommendations at the end of the chapter it is not clear what the Panel concludes regarding the suggestion of narrowing of the AER's scope.
A stand-alone AER	
"A number of possible objections were raised during the consultation process, the first of which is the administrative cost of effecting such a change" (p.57)	CEEM does not consider this a major factor in the context of the billions of dollars involved in the decisions that the AER makes.
<p>Recommendation #1: "The AER should have full management and financial autonomy, and that this would be most effectively achieved by re establishing it as a stand-alone regulatory body."</p> <p>"despite the stream of economic literature that is concerned with 'industry capture', there is a dearth of evidence to suggest that this has been a significant problem in national jurisdictions that are the most obvious comparators with Australia... Clear thinking, a sharp focus</p>	<p>CEEM is concerned with this recommendation. The explanation of the cultural and resourcing needs of the AER to effectively perform its role is well made by the Panel. However the Draft Report's dismissal of the risk of Industry capture if the AER separates from the ACCC is overly brief. It appears to be a strange position to take given regulatory failures contributing to the global financial crisis amongst other examples. CEEM suggests that looking to some US Federal regulatory agencies would provide relevant experiences.</p> <p>It should be expanded upon how the controls of "clear thinking, a sharp focus and clever use of available technology" will help such a risk.</p> <p>Perhaps the Review should comment on the recent decision of the AER to defer demand management innovation to what is effectively 2019, and whose interests that serves.</p>

and clever use of available technology can achieve a great deal." (p.58)	
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5 Market operation and electricity industry planning

Chapter 5 of the Draft Report focuses on AEMO's role as market operator and does not adequately address AEMO's important transmission network planning responsibilities. Planning in Australia's energy sector has evolved as the industry has been restructured, and there would be significant value in clarifying the associated governance arrangements. The absence in the Draft Report of any emphasis on AEMO's national transmission network planning role is perhaps indicative of this need.

Planning is the process of analysing, deciding upon and then organising the activities required to achieve desired goals. In electricity industries planning can result in decisions on what, where and when to invest in or divest from, in terms of generators, poles and wires, loads, and energy efficiency opportunities. CEEM's submission below is based on this meaning of planning.

Draft Report's Position	CEEM's Submission
Other AEMO functions	
"AEMO has the role of the TNSP for Victoria" (p.69)	The Draft Report could better clarify AEMO's important network planning roles. AEMO's role in Transmission planning in Victoria and its relationship with the DTSOs who own, maintain and operate the DSN is an interesting and important one.
Recommendation #4 "That the COAG Energy Council work with states such as Victoria to develop alternative arrangements for state-specific activities currently carried out by AEMO, and that the Council transfer other legacy responsibilities undertaken by AEMO to the AER or other appropriate bodies."	The Review would benefit from a description of AEMO's role as national transmission planner; this is absent in the Draft Report. Once clarified, consideration of AEMO's present state-focused roles in South Australia and Victoria can be better assessed. There is an issue of consistency with having AEMO undertaking additional planning roles only in some jurisdictions, but perhaps the answer is to have AEMO undertake transmission planning for the other states as well. After all, the Victorian network arrangements are often put forward as an example of efficient network investment that those States with government owned networks might wish to emulate. Perhaps AEMO's planning role has contributed to this perceived improved performance.
AEMO ownership structure	
"the Panel does not recommend a change to full industry ownership or, for that matter, full government ownership" (p.72)	AEMO is ultimately funded by end-users currently. Given that the national objectives focus on the long term interests of consumers further consideration of this matter should really explore the option of full public ownership to avoid risks of capture.

6 Governance processes

Draft Report's Position	CEEM's Submission
<p>Funding of market institutions</p> <p>"As part of decisions on funding arrangements, the Council should consider whether there are appropriate opportunities for seeking contributions from market participants or other parties in the energy markets" (p.87)</p>	<p>This is a concerning proposal. Given that end users ultimately bear the costs incurred by market participants and that the energy sector can have a significant impact on societal benefit, CEEM suggests that drawing funding from market participants introduces risks of industry capture and reducing competition, for limited, if any, benefit.</p>

7 Appendix

7.1 Assessment against the stated objectives of the AEMA

AEMA objective: “establishment of a framework for further reform to:” (COAG Energy Council 2013)	CEEM’s Preliminary Assessment
i) “strengthen the quality, timeliness and national character of governance of the energy markets, to improve the climate of investment”	There has certainly been a move towards a more national character of governance and significant investment has occurred – but unclear whether it has been the most appropriate investment in generation, and it is unlikely to have been the most appropriate for networks. While national frameworks can reduce the compliance burden of different State arrangements, it also carries the risk of ‘lowest common denominator’ frameworks. In the past, State Governments have played a valuable role in policy development by exploring different types of approaches and instruments.
ii) “streamline and improve the quality of economic regulation across energy markets to lower the cost and complexity of regulation facing investors, enhance regulatory certainty, and lower barriers to competition;”	By most measures there has been a failure to manage network investment – assessment of this failure needs to get beyond blaming the failure to fully privatise the network businesses and address underlying causes. More generally, regulatory certainty to private investors may merely move inherent risks (eg. the potential need for large and rapid emission reductions from the electricity sector in the near future) onto the public.
iii) “improve the planning and development of electricity transmission networks, to create a stable framework for efficient investment in new (including distributed) generation and transmission capacity;”	More coherent transmission planning has certainly been assisted by giving AEMO a national transmission planning role. It would be useful to question why it took almost a decade from the start of the NEM for this glaring planning need to be formally recognised. There are of course still concerns of over investment in intraregional networks. It is also surprising that the objective explicitly flags efficient investment in distributed generation without explicitly referring to distribution network investment.
iv) “enhance the participation of energy users in the markets including through demand side management and the further introduction of retail competition, to increase the value of energy services to	There has been important progress on formal recognition of this including the AEMC ‘Power of Choice’ review. However, progress to date has been limited. Part of the problem is that the debate is still framed in terms of private consumers undertaking rational behaviour in response to more competitively priced energy commodities. This misses the key need for new players that assist end-users to participate

households and businesses;”	effectively in the retail market, and market arrangements that focus on increasing competition in energy services, which are after all what end-users actually seek, rather than commodity kWh.
v) “further increase the penetration of natural gas, to lower energy costs and improve energy services, particularly to regional Australia, and reduce greenhouse emissions; and”	This objective is now likely accepted as a mistake given rising cost of gas, and improved electrical equipment alternatives including reverse cycle heat pumps. It is telling that there are still programs using public money to facilitate gas distribution in regional Australia despite these lower cost alternatives.
vi) “address greenhouse emissions from the energy sector, in light of the concerns about climate change and the need for a stable long-term framework for investment in energy supplies.”	Governance of our policy efforts to address greenhouse gas emissions from the energy sector has been highly flawed to date, and requires urgent attention. This is likely the most important task ahead for the energy sector and should therefore play a key role in this review.

8 References

- Australian Government, 2015. *Energy White Paper 2015*, Available at: <http://ewp.industry.gov.au/sites/test.ewp.industry.gov.au/files/EnergyWhitePaper.pdf>.
- COAG Energy Council, 2013. *Australian Energy Market Agreement - as amended 9 December 2013*, Available at: <http://www.scer.gov.au/governance/agreements/>.