



National Energy Market Reform

Background

National Energy Market (NEM) reform has its origins in the national competition policy agenda of the 1980s and 1990s. This culminated in the 'Parer review', conducted in 2002, which set the framework for the most recent round of reforms and the impetus for all States and Territories operating under one set of energy market rules.

This reform is overseen by the Ministerial Council on Energy (MCE), which comprises representatives from all State, Territory and Federal Governments. The Australian Energy Market Commission (AEMC) is responsible for energy market rule making, market development and policy advice for the MCE. The Australian Energy Regulator (AER) administers and enforces rules established by the AEMC.

Milestones and Timelines

1998: NEM commenced operation with Victoria and NSW (other jurisdictions joining since then)

2004: The Australian National Energy Market Agreement (amended in 2006)

2005: AEMC established

2009: Regulation of energy distribution services to be transferred from state to national regulator (AER)

2010: Non-price retail regulation (customer protections) to be transferred from state to national regulator (AER)

National Energy Customer Framework (NECF)

A key component of the national framework is the national consumer protections, equivalent to Victoria's current Energy Retail Code. The National Energy Customer Framework Review is of great importance to Victorian consumer representatives as we do not want to lose protections currently provided under the Retail Code. Victorian advocates, and those from other states, have championed the Victorian framework as a 'best practice' model upon which a national framework should be built. However, energy companies that operate across jurisdictions have been pushing for less obligations, arguing that the regulatory burden in Victoria is too great.

Retailer of Last Resort (ROLR)

This on-going review is looking at the design of the Retailer of Last Resort (ROLR) scheme. The ROLR is important as it ensures that customers remain on supply in the event an energy retailer goes out of business.

Current issues up for debate are:

- Who should bear the cost of a ROLR event? Affected customers or the retailers?
- When and how should a retailer be allowed to exit the market?
- The tariff and terms and conditions available to customers experiencing a ROLR event.

The role of the State Government

The shifting of responsibility for energy policy to the federal arena raises significant questions regarding the ongoing role of the state government, including:

- The funding and delivery of energy concessions.
- Consumer protection unique to the Victorian energy market and/or consumers.

National Energy Market Reform: Key Agencies and Links

Agency	Role
Ministerial Council on Energy (MCE) - www.mce.gov.au	The national policy and governance body for the Australian energy market.
Australian Energy Market Commission (AEMC) – www.aemc.gov.au	Rule making, market development and policy advice (concerning both the NEM and elements of natural gas markets).
Australian Energy Regulator (AER) – www.aer.gov.au	Regulates the wholesale electricity market and responsible for the economic regulation of the NEM electricity transmission and distribution networks.
Federal Department of Resources, Energy and Tourism (DRET) - http://www.ret.gov.au/energy/Pages/index.aspx	Federal Energy Policy

COAG National Energy Market Agreement (2004) -

<http://www.mce.gov.au/assets/documents/mceinternet/IGA%5FFINAL%5F%2830JUNE2004%292004071310032320041112162849%2Epdf>

Ministerial Council on Energy's Retail Policy Working Group, Consultation and Information Papers –

<http://www.mce.gov.au/index.cfm?event=object.showIndexPage&objectID=ABCAC654-FDD7-D769-1D484931AE1226DD>

Report prepared for the MCE Retail Policy Working Group on the Retailer of Last Resort (RoLR) Scheme (September 2008) -

<http://www.mce.gov.au/assets/documents/mceinternet/Release%20of%20the%20Retailer%20of%20Last%20Resort%20combined%20file20081003154023%2Epdf>

AEMC's Review of the effectiveness of competition in Victoria –

<http://www.aemc.gov.au/electricity.php?r=20080115.165948>