



EnergyAustralia

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

27 May 2013

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Chairman

Strategic Priorities for Energy Market Development 2013 (project number EMO0025)

EnergyAustralia welcomes the opportunity to comment on the Commission's strategic priorities for continued energy market development. EnergyAustralia is one of Australia's largest energy companies, providing gas and electricity supply to over 2.8 million household and business customers. We own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia including coal, gas and wind assets.

We are broadly supportive of the strategic priorities identified by the Commission and the recognition of the strategic importance of gas markets is a welcome addition in the strategic plan. The objective statements for the priority areas are sound, however the specific work programs under the strategic objectives are in some ways more reflective of a list of work in progress rather than a coherent strategic plan. We will continue to actively engage on the elements of the work program individually.

Specific comments on each priority are outlined below.

1. "Consumer Priority – Strengthening consumer participation while continuing to promote competitive retail markets"

As the market becomes more sophisticated there is a tendency for increases in regulatory burden, and the unnecessary costs that follow, to go unchecked. One important way in which regulatory burden can be minimized is to ensure a high degree of consistency across NEM regions. The intention of the NECF in this regard would be enhanced by limiting regional derogations as far as possible (and as soon as possible). Another important way in which regulatory burden can be minimized is by pursuing retail price deregulation in all regions as soon as possible.

2. "Gas Priority – Promoting the development of efficient gas markets"

We support the view that gas markets will become increasingly important to overall energy market development in Australia. Consequently we support the AEMC's increased focus on the development of efficient gas markets. The development of transparent, liquid and competitive gas markets will ensure adequate investment is undertaken efficiently to meet the future needs of the market. The elevation of this strategic priority

will ensure the AEMC is well positioned to assist in providing advice on future market developments within the gas sector while also providing an ongoing assessment of the overall direction and objectives for gas market reform.

3. *"Market Priority - Market arrangements that encourage efficient investment and flexibility"*

As stated in the Discussion Paper "uncoordinated policy measures can have unintended policy consequences, with material impacts on the electricity market" (p.43). A prime example of this relates to the RET. An increasing RET (as a proportion of total actual electricity demand) could have broader implications for NEM sustainability. In order to maintain a high level of system reliability, non-firm generation capacity such as wind requires reliable generation capacity such as coal and gas to be available simultaneously (especially in periods of peak demand). An obvious tension arises between the two market designs as the RET's proportion grows, because reliable generation capacity is not explicitly rewarded in an energy-only market and can be heavily penalised by a mandated market for renewables.

For any questions regarding this submission, please contact me on 03 8628 1183.

Yours sincerely

Signed for email

Steven Wright
Carbon Policy Manager