

7 April 2020

The Hon Angus Taylor MP
Chair – COAG Energy Council
Minister for Energy and Emissions Reduction

By email: angus.taylor@energy.gov.au

Dear Minister,

Prioritising implementation timeframes for rule changes

On 26 March 2020, the market bodies advised of the collaboration on foot to consider the timeframes for implementation of market reforms to ease the pressure on industry in responding to the impacts of COVID-19.

We have developed an agreed set of objectives and criteria for considering altering the implementation dates, and an initial view of an adjusted work plan for the market bodies and industry. The key projects within this plan are described below, but it is noted that further adjustments may be required in response to COVID-19 changes and feedback from industry.

The objective and criteria are twofold:

1. **Objective 1:** Urgent need to address an immediate issue arising from the impact of COVID-19

The criteria involved in applying this objective include undertaking rule changes where:

- there is a direct security impact needing to be addressed immediately and implemented in a 6 – 12 month period
- urgent policy issues relating to the impact of COVID-19 on consumers arise, including in relation to affordability, reliability, access to energy, safety, and treatment of vulnerable customers.
- measures are needed to support market participant resilience given the impact of COVID-19.

2. **Objective 2:** Change impact to industry and consumers of continuing projects

The criteria applied to rule changes include considering:

- the materiality of implementation to industry, in terms of cost and industry availability
- the impact to consumers of not progressing with the change, the aggregate impact on industry of a prioritised reform agenda
- impact of unnecessary delay in making decisions on implementation
- prioritising work which will be necessary to support the recovery and ongoing operation of the market when the pandemic is reducing and over
- the ability of stakeholders, including consumer stakeholders to engage in consultation processes.

We have applied these objectives and criteria to rule change processes (completed, on foot and expected), regulatory reviews and design work, implementation programs, and the development of guidelines and procedures.

From this process the market bodies have developed an implementation map in which we have outlined the regulatory work across the three bodies that will:

- continue as planned, unless feedback from industry indicates alternative or extended timeframes are necessary.
- continue with a reduced scope or be paused for industry implementation/consultation while market bodies continue work 'internally'

- be deferred for a later implementation date or be grouped with relevant reform projects to allow for a better coordinated implementation cost and effort.

Key elements of the joint work program that is assessed as able to continue include:

- Five minute settlement implementation: AEMO can progress this foundational initiative internally as currently planned. . It is proposed industry be provided with a 12 month delay so they can defer the remaining expense associated with this initiative. AEMO will prepare a rule change required to give effect to this change which will be submitted to the AEMC shortly;
- Interim reliability initiatives as agreed at March COAG Energy Council meeting (out of market reserves and amended RRO trigger);
- Interim security initiatives as agreed by the March COAG Energy Council meeting: to be progressed as soon as rule changes are developed by the AER and AEMO and received by the AEMC;
- Intermediate 2025 measures to develop a two sided market, ahead market and CoGATI;
- The wholesale demand response mechanism (that is expected to be finalised in June 2020) which has been designed to be able to be implemented with minimal expense to industry
- Recently made rule changes regarding mandatory primary frequency control and systems restart service, both regarded as critical for security of the power system.

In addition to these specific initiatives, priority will be given to projects to provide support to consumers and the financial viability of industry participants (for example enhanced ROLR arrangements) if they are proposed.

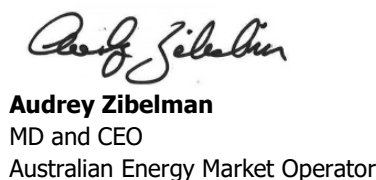
We will provide a more detailed view of the industry work plan addressing all regulatory work, shortly. Our intent is to publish this map to industry for feedback before finalising it. Our desire is to proceed as expeditiously and practically as possible.

Should you require further information please contact us.

Yours sincerely,



John Pierce AO
Chair
Australian Energy Market Commission



Audrey Zibelman
MD and CEO
Australian Energy Market Operator



Clare Savage
Chair
Australian Energy Regulator

Cc: COAG Energy Council Members
COAG Energy Council SCO Representatives
Dr Kerry Schott AO, Chair, Energy Security Board