

9 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: a more detailed view

On 7 April 2020 the market bodies advised of an agreed set of objectives and criteria for considering altering the implementation dates, and the key elements of the joint work program that is assessed as able to continue.

We agreed to provide a more detailed view of the regulatory work plan addressing all regulatory work. This is now attached.

As foreshadowed, our intent is to publish this advice for stakeholder feedback before finalising it. We will be scheduling a stakeholder workshop next week in order to take key industry and consumer representatives through the attached and provide more detail around what we see the interdependencies to be between:

- the proposed delay to industry's obligations to progress the implementation of the five-minute settlement rule;
- other interdependencies that we are considering that have informed our advice to progress regulatory work as outlined in the attached.

A separate workshop will also be held next week with jurisdictions to provide any further information required and seek comment. Input from both workshops will inform the aggregate impact on industry and consumers of a prioritised reform agenda and allow us to make necessary amendments.

In relation to the attached:

- where work is flagged to progress, market bodies will be looking at ways of providing flexibility for participants where required and actively engage with stakeholders to streamline consultation. Other consultation will be delayed. The consultation burden from rules that are on foot or pending (awaiting initiation) falls to the latter half of this year. The AEMC is also able to extend the statutory timeframes relevant to rules on foot and will do so where this is necessary to adjust to industry pressure as we move through the pandemic.
- the market bodies are collaborating to determine what regulatory work can be grouped for progression to allow for coordinated, and less costly, implementation. This will inform the timelines for the progression of rules that are awaiting initiation.
- implementation timeframes for rule change proposals that are not yet determined will all be targeting 2021-2022 timeframes where practicable. AEMO and AEMC will continue to work closely to ensure implementation timeframes are realistic, given industry pressure.
- where rules have been made, the attached outlines the timeframes for implementation of these rules, where AEMO implementation is involved - and includes the proposed delay for five minute settlement. For other rules made, where market participants have compliance difficulties, they are encouraged to contact the AER at an

early stage. The AER will work with all market participants to address concerns and will, where appropriate, consider a more flexible approach to ensure market participants can continue to operate in the long-term interests of end users.

Our advice on prioritisation will be finalised by 23 April 2020.

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

Attachment: Regulatory Work Plan

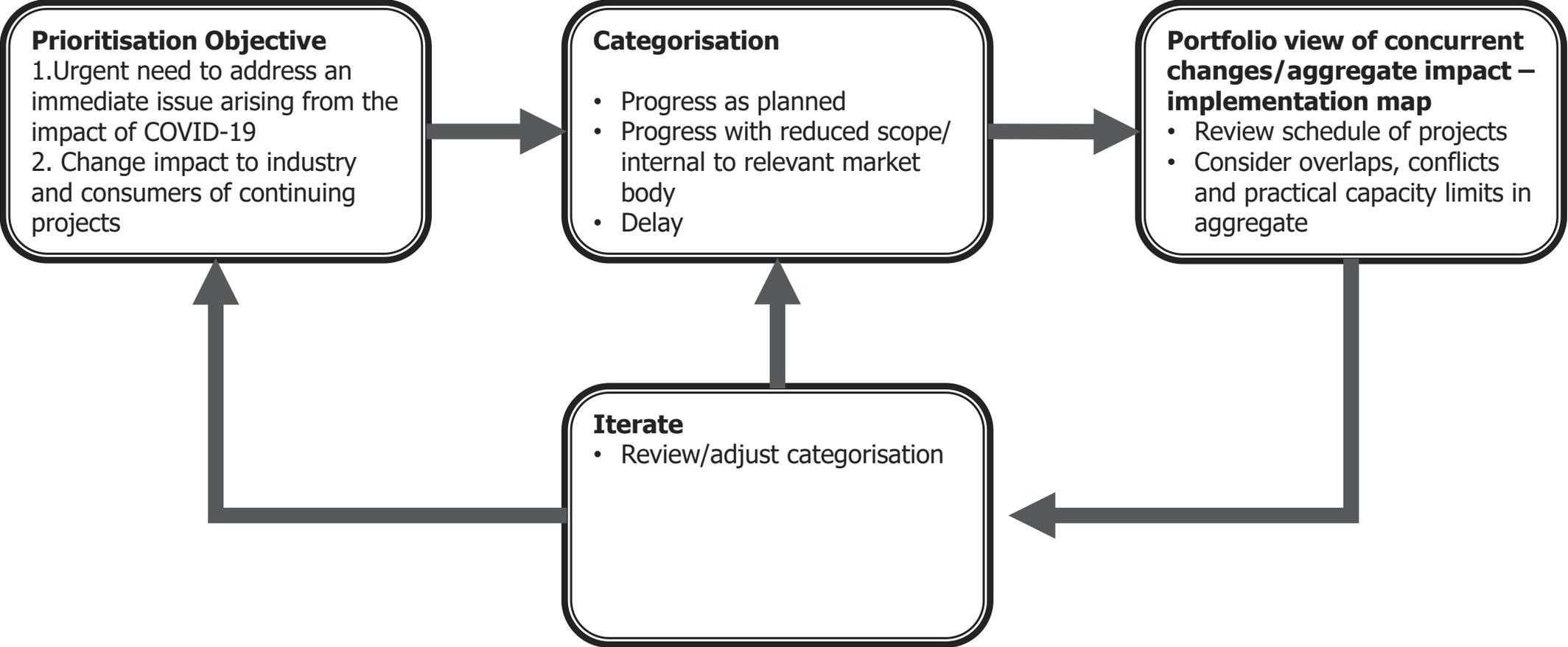
Joint market body prioritisation framework

Prioritisation Objective	Criteria
1. Urgent need to address an immediate issue arising from the impact of COVID-19	<ul style="list-style-type: none"> • 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. Change impact to industry and consumers of continuing projects	<ul style="list-style-type: none"> • 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

Regulatory work to which objectives have been applied		
1. Rule has been made and <ul style="list-style-type: none"> • implementation underway by AEMO/industry OR • implementation yet to commence by either AEMO/industry or is currently being scoped internally by AEMO 	2. Rule change on foot or expected (includes reviews or market design work): <ul style="list-style-type: none"> • no implementation is on foot. Longer term coordination of implementation issues on foot • AEMO has provide advice on how likely implementation of some rule changes on foot or expected could have their implementation coordinated to allow for lower cost implementation 	3. Other (AER guideline, AEMO procedure/review) <ul style="list-style-type: none"> • where implementation is underway for an AEMO procedure • where an AER guideline will need to be implemented by industry

Potential outcomes from criteria application		
1. Progress as planned <ul style="list-style-type: none"> • market bodies will be flexible where necessary with current timeframes 	2. Progress: <ul style="list-style-type: none"> • with reduced scope • market bodies continue, industry pause • group relevant reform projects to allow for a better coordinated implementation cost and effort 	3. Delay <ul style="list-style-type: none"> • initiate rule change at a later time • for later implementation date

Application of prioritisation framework – an ongoing process



Advice provided to COAG Energy Council

On 7 April 2020 the COAG Energy Council were advised that key elements of the joint work program that were assessed as able to continue:

- 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 has submitted a rule change required to give effect to this change today;
- 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.

This advice remains unchanged. Further detailed advice is included in next slides.

Detailed advice

- Beyond these priority projects, the following slides show the regulatory work that will either progress on existing or extended timeframes, or be delayed. Each has been assessed in accordance with the objectives and criteria.
- Where work is flagged to progress, market bodies will be looking at ways of providing flexibility for participants where required and actively engage with stakeholders to streamline consultation.
- The market bodies are collaborating to determine what regulatory work can be grouped for progression to allow for coordinated, and so cheaper, implementation.
- Implementation timeframes from rules on foot will all be targeting 2021- 2022 timeframes where practicable. The consultation burden from rules on foot or awaiting initiation falls to the latter half of this year.
- If market participants have compliance difficulties, they are encouraged to contact the AER at an early stage. The AER will work with all market participants to address concerns and will, where appropriate, consider a more flexible approach to ensure market participants can continue to operate in the long-term interests of end users.
- We are seeking comment from jurisdictions, industry and consumers, to test whether the project list is achievable (from a financial and workforce perspective) or requires amendment.

Advice: rule has been made

Impacted Industry Sector	Primary Objective	Reform Status	Reform Initiative	2020				2021				2022				2023							
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Initiatives Identified by Market Bodies to continue (as at 7 April 2020)																							
Industry-wide	Market	Committed	Five Minute Settlement (5MS) and Global Settlement	[Green]				[Green]				Q2	5MS	[Red dot]	Q4	GS	[Red dot]						
Wholesale	Security	Committed	Mandatory Primary Frequency Response	[Purple]	[Blue]	[Green]	[Red dot]																
Wholesale	Security	Committed	System Restart Services, Standards and Testing	[Purple]	[Blue]	[Blue]	[Red dot]																
Retail	Consumer	In progress	Wholesale Demand Response Mechanism	[Purple]	[Blue]	[Blue]	[Blue]	[Green]	[Green]	[Green]	[Green]	[Green]	[Green]	[Green]	[Green]	[Green]	[Green]	[Green]	[Green]	[Green]	[Green]		
Industry-wide	Reliability	In progress	Reliability Initiatives - Interim		[Purple]	[Purple]	[Purple]	[Green]															
Wholesale	Security	In progress	Visibility and Security of Dispatch (Stage 1) - Interim		[Yellow]	[Purple]	[Purple]																
Wholesale	Security	Proposed - Review	Visibility and Security of Dispatch (Stage 2) - Interim		[Yellow]	[Yellow]	[Yellow]	[Purple]	[Purple]	[Blue]	[Blue]	[Blue]	[Blue]	[Blue]	[Blue]	[Blue]	[Blue]	[Blue]	[Blue]	[Blue]	[Blue]		
Industry-wide	Market	Proposed - Review	Two-Sided Market - Intermediate																				
Industry-wide	Market	Proposed - Review	Ahead Market - Intermediate																				
Industry-wide	Market	Proposed - Review	Coordination of Generation and Transmission Investment - Intermediate																				
				High Level Design				Market Design				Indicative Execution Range: Legislation, Rules, Procedures, IT											

Key:

- [Yellow] Policy Development/Market Design
- [Purple] Rules Development
- [Blue] Procedure/Guideline Development
- [Green] Implementation - IT or engineering systems, processes
- [Red dot] Committed Go-Live Date
- [Yellow triangle] Proposed Go-Live
- [Blue square] Indicative Go Live
- [Purple diamond] Estimated Go Live

Advice: rule changes on foot/expected and reviews

PROJECTS					
Project category	Project title	Proponent (where rule change)	Project number	Status	Progress or delay
Gas	DWGM maintenance rule change	AEMO		Expected	Delay
Gas	Gas supply guarantee review			Expected	Progress
Gas	2020 biennial review into liquidity in wholesale and gas pipeline trading markets		GPR0007	In progress	Progress
Networks	Action to implement priority renewable energy zones			In progress	Progress
Networks	Electricity network economic regulatory framework review 2020		EPR0078	In progress	Progress
Networks	Fair cost allocation methodology for inter-regional transmission		EPR0081	In progress	Progress
Networks	Governance of DER national technical standards	Dr Kerry Schott AO		In progress	Progress
Networks	Updating the regulatory frameworks for distributor-led stand-alone power systems		EMO0038	In progress	Progress
Networks	Connection to dedicated connection assets	AEMO	ERC0294	In progress	Progress
Networks	Introduction of metering coordinator planned interruptions	Chair of the Competition Metering Industry Group (CMIG), a sub-branch of Master Electricians Australia	ERC0275	In progress	Progress
Networks	Distributor liability under deemed standard connection contracts	Mr Stephen Kraus	RRC0034	Pending	Progress
Networks	Review of competitive metering arrangements			Pending	Progress
Networks	Distribution access and pricing reforms	DEIP		Expected	Progress
Networks	P2025 - DER integration			In progress	Progress
Governance	ESB review of the NER		CRP0102	In progress	Progress

Advice: rule changes on foot/expected and reviews

PROJECTS					
Project category	Project title	Proponent (where rule change)	Project number	Status	Progress or delay
Reliability	Load shedding provisions in the NER	AER		Expected	Delay
Reliability	Interim reliability measures - out of market capacity reserve; amend the trigger for RRO			In progress	Progress
Reliability	Transparency of unserved energy calculation	Reliability Panel	ERC0279	Pending	Delay
Reliability	Operating reserve market	Infigen Energy Limited	ERC0295	Pending	Progress
Reliability	P2025 - Capacity Mechanisms			In progress	Progress
Retail/consumer outcomes	De-energisations during nationwide lockdown	ESCOSA		Expected	Progress
Retail/consumer outcomes	Better bills rule change	Commonwealth		Expected	Delay
Retail/consumer outcomes	Life support rule change - process improvements	EWON		Expected	Delay
Retail/consumer outcomes	NEM data strategy			In progress	Progress
Retail/consumer outcomes	Residential Price Trends			In progress	Progress
Retail/consumer outcomes	Retail Competition review 2020		RPR0012	In progress	Progress
Retail/consumer outcomes	Long term standing offer notice	The Honourable Josh Frydenberg MP, on behalf of the Australian Government	RRC0022	Pending	Delay
Retail/consumer outcomes	Retail market transparency	Energy Consumers Australia	RRC0033	Pending	Progress
Security	Implement a generalised power system risk review (outcome of black system event review)	SCO		Expected	Progress
Security	Introduce protected operation (outcome of black system event review)	SCO		Expected	Progress

Advice: rule changes on foot/expected and reviews

PROJECTS					
Project category	Project title	Proponent (where rule change)	Project number	Status	Progress or delay
Security	Interim measures on system security - a review of compensation mechanisms following a short notice commitment or decommitment decision	AEMO		Expected	Progress
Security	Interim measures on system security - requirements on large loads to provide information on their intent to respond to spot markets	AEMO		Expected	Progress
Security	Interim measures on system security - requirements on scheduled generators and timeframes on commitment and decommitment decisions	AEMO		Expected	Progress
Security	Interim measures on system security - requirements on semi-scheduled generators to follow dispatch targets	AER		Expected	Progress
Security	Interim measures on system security - requirements on semi-scheduled plant to provide ongoing information on restrictions to their available capacity	AER		Expected	Progress
Security	Interim measure on system security - requirements on scheduled generators to provide information on commitment timeframes, and cost and operating information that would assist potential intervention decisions	AEMO	RPR0014	In progress	Progress
Security	Investigation into system strength frameworks		EPR0076	In progress	Progress
Security	Removal of disincentives to primary frequency response	AEMO	ERC0263	In progress	Progress
Security	Maximum reactive current during a fault	Renewable Energy Revolution	ERC0272	Pending	Delay
Security	Fast frequency response market ancillary service	Infigen Energy Limited	ERC0296	Pending	Progress

Advice: rule changes on foot/expected and reviews

PROJECTS					
Project category	Project title	Proponent (where rule change)	Project number	Status	Progress or delay
Security	Review of the system restart standard			Pending	Progress
Security	Synchronous services markets	Hydro Tasmania	ERC0290	Pending	Progress
Security	P2025 - Essential system services			In progress	Progress
Security	Affected participant compensation for FCAS losses	AEMO	ERC0285	Pending	Progress
Security	Compensation following directions for services other than energy and market ancillary services	AEMO	ERC0287	Pending	Progress
Security	Compensation for scheduled loads affected by interventions	AEMO	ERC0284	Pending	Progress
Security	Recovering affected participant compensation for RERT activation	AEMO	ERC0286	Pending	Progress
Security	Removal of intervention hierarchy	AEMO	ERC0291	Pending	Progress
Security	Removal of mandatory restrictions framework	AEMO	ERC0289	Pending	Progress
Security	Removal of obligation to counteract during intervention	AEMO	ERC0292	Pending	Progress
Security	Clarify the applicability of rule arrangements during market suspension (outcome of black system event review)	SCO		Expected	Progress
Wholesale markets	Reporting outcomes against forecasting re PASA and pre dispatch rule change	AER		Expected	Delay
Wholesale markets	Scheduling errors	AEMO		Expected	Delay
Wholesale markets	Delayed implementation of 5MS & GSM	AEMO		Expected	Progress
Wholesale markets	P2025 - Aging Thermal Generation Strategy			In progress	Progress
Wholesale markets	P2025 - Ahead markets			In progress	Progress

Advice: rule changes on foot/expected and reviews

PROJECTS					
Project category	Project title	Proponent (where rule change)	Project number	Status	Progress or delay
Wholesale markets	P2025 - COGATI		EPR0073	In progress	Progress
Wholesale markets	P2025 - Two-sided markets			In progress	Progress
Wholesale markets	Mechanisms for wholesale demand response	PIAC/Total Environment Centre/The Australia Institute Australian Energy Council South Australian Minister for Energy	ERC0250 (RRC0027)/ ERC0247/ ERC0248	In progress	Progress
Wholesale markets	Generator registration thresholds	Australian Energy Council	ERC0256	Pending	Progress
Wholesale markets	Integrating energy storage systems into the NEM	AEMO	ERC0280	Pending	Progress

Advice: AER guidelines and processes

Guideline process	Timing	AER prioritisation
ISP Guidelines	Draft Guidelines - 15 May 2020 Final Guidelines - 21 August 2020	Final Guidelines originally due 31 July 2020 . Timeframe will be extended to allow additional time (6 weeks) for stakeholder consultation.
RRO opt-in Guideline	Final decision by 30 June 2020	Draft guideline published for consultation on 19 March 2020.
Retailer Authorisations Guideline review	Flexible	AER will continue work internally. Consultation timing to be confirmed after 1 July 2020
ARENA/AER planned joint Value of DER study (VaDER study) and DER Guideline	Input to Victorian regulatory determinations (not required by Rules)	AER will continue work
Transmission DMIA Guideline	By March 2021	AER will continue work internally. Consultation to be approached flexibly
Distribution Ring-fencing guidelines review Transmission Ring-fencing guidelines review	Flexible	AER will continue work. Consultation timing to be confirmed after 1 July 2020
Retail Pricing Information Guidelines review	Flexible	Delay
Other processes with stakeholder impacts		
Electricity Default Market Offer	Final Determination published by 1 May 2020	Open letter issued to stakeholders in early April seeking views on COVID impacts.
Review on inflation	By 31 December 2020	
Interim measures on system security - requirements on semi-scheduled generators to follow dispatch targets AND requirements on semi-scheduled plant to provide ongoing information on restrictions to their available capacity	Submit by 30 June 2020	Interim security measure agreed by COAG EC
Load shedding rule change request	Submit by 30 June 2020	
Value of Customer Reliability - Widespread and long duration outages	Current consultation period ends 1 May 2020. Conclusions document expected in July 2020.	AER will continue work. Consultation to be approached flexibly
CCP2 review	Flexible	AER will continue work
Consumer vulnerability strategy	Flexible	AER will continue work with reference to current work, including AER Statement of Expectations

Next steps

Area	Date
1. Publication of proposed approach to prioritisation	• Thursday 9 April
2. Industry consultation: workshop	• Thursday 16 April
3. Jurisdiction consultation: workshop	• Thursday 16 April
3. Provide final advice on prioritisation	• Thursday 23 April