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COAG Energy Council turned around the Australian energy ship



Alan Finkel seen speaking at Australian Energy Week 2017. COAG Energy Council agreed on 49 of his 50 recommendations. Pat Scala

by Josh Frydenberg

Last Friday's COAG Energy Council meeting in Brisbane will be remembered – in the words of the Australian Energy Market Operator's chairman Tony Marxsen – as "the one where the energy ship turned around". The Turnbull government is determined to ensure he is right.

The country needs a more reliable and affordable energy system and the unprecedented number of substantive measures agreed to by Australia's energy ministers will do just that.

For the first time, [wind and solar generators](#) will be required to provide additional storage to stabilise the system, be it by battery, pumped hydro or gas. Provision of fast frequency response and inertia, technical services which prevent statewide blackouts, will now be their responsibility too.

The closure of large thermal generators like Hazelwood with just a few months notice will be a thing of past as a minimum three-year notice period will now be required. Enhanced cyber security, system planning and transparency around retail electricity prices with rewards for consumers will also occur.

The new Energy Security Board

In total 49 of the 50 recommendations of the Finkel review were adopted along with a timetable for implementation.

Despite initial reservations by some states, we were also able to agree on a new Energy Security Board, which will be critical in driving the implementation phase and ensuring the necessary co-ordination between the relevant market bodies: AEMO, the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER).



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Clearly the fiftieth recommendation yet to be resolved is that of the Clean Energy Target (CET). But given that the Finkel report was handed to COAG leaders just five weeks ago and the CET Finkel intended would not be implemented until 2020, there is no reason to rush to a decision without due consideration of all relevant factors.

States can't go it alone

Political posturing by Labor states threatening to go it alone on the CET would only exacerbate problems in the market not diminish them. National problems require national solutions and states which seek to unilaterally enact policies to meet targets entered into by the Australian Government under international agreements are stepping outside their remit.

Exhibit A is South Australia's painful example going it alone with their "big experiment" which led to a [recklessly high renewable energy target](#) and rising electricity prices as well as a less stable system.

Another issue discussed was that of gas. COAG has been remarkably effective in agreeing to a historic set of reforms around gas pipelines and the Australian Competition and Consumer Commission is doing important work lifting the veil on gas pricing and margins in the wholesale market. But Victoria and the Northern Territory continue to lock up their abundant gas resources and prevent them from being developed.

It's a bit ironic for Victoria to grandstand on the CET while ignoring a key recommendation from Finkel's review that states drop their mindless bans on onshore gas development, accept the science and move to a case-by-case regulatory regime.

Questions about gas

To do so would put more gas into the domestic market, reduce prices and lessen the need for the federal government to intervene by way of export gas restrictions.

The question has to be asked of Victoria and the Northern Territory: if it's good enough for the Labor states of Queensland and South Australia to do the right thing and develop their unconventional gas resources, why not them? Surely the answer is that Queensland and SA don't think anything less of their regional communities, but rather have managed those interests in a more evidence-based and effective way.

With nearly half the household power bill made up of network costs, the meeting also noted the abolition of the limited merits review which should have a significant impact on reigning in this major expense. The commonwealth has also made known its concerns with the lack of competition in Queensland and the alarming bidding practices by state owned generators. As a result the commonwealth has written to the AER seeking advice on what more can be done to stop such behaviour short-changing consumers.

Ministers also heard from AEMO ahead of the peak energy demand period over summer about what is being done to secure the system. Interacting closely with generators to ensure their maintenance timetables and resource stocks are appropriate for summer is AEMO's priority. This includes a major emphasis with ARENA and the States of NSW, Victoria and South Australia on demand side response, which is aiming to secure at least 160 megawatts of reserve capacity.

The politics of energy has been divisive at best but we should not lose sight of the areas of common interest between the commonwealth and the states. What unites us is much more than what divides us and where there is significant and substantial agreement, as there was last Friday at the COAG Energy Council meeting, it should be recognised as such.

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Josh Frydenberg is chair of the COAG Energy Council and the federal Minister for the Environment and Energy.

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