

AUSTRALIAN ENERGY MARKET COMMISSION

IMPLEMENTING THE INDEPENDENT REVIEW

INTO THE FUTURE SECURITY OF THE NATIONAL ELECTRICITY MARKET (FINKEL REVIEW)



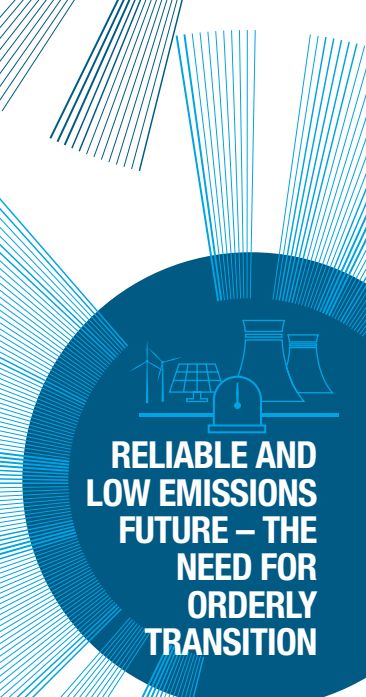
RECOMMENDATION	WHAT	WHEN
Better, clearer information on prices, contracts, and energy use See Finkel recommendations 6.1, 6.4 and 6.3	Work has been expedited on the Prime Minister's request to change the electricity rules so companies must inform customers when their discount benefits end, and set out the dollar impact of doing nothing. See the <i>notification of fixed benefit period rule request</i> .	Rule change due to be finalised by November 2017
	The AEMC is assisting the Energy Security Board with its first <i>annual health of the national electricity market report</i> .	December 2017
	Competitive roll-out of advanced meters will improve energy use data available to customers, so it is easier for them to compare offers.	New rules commence December 2017
	<i>Retail energy competition reviews</i> conduct annual consumer surveys and recommend ways to improve information and awareness of energy use options and costs.	AEMC annual report on retail energy competition is published each July
Appropriate consumer protections See Finkel recommendations 6.5 and 6.9	<i>Review of regulatory arrangements for embedded networks</i> is considering whether regulatory arrangements for embedded network customers are appropriate given the increased number of consumers under these arrangements and the range of new products and services entering the market.	AEMC review draft report September 2017 with final due November 2017
	The <i>alternatives to grid supply rule request</i> is considering appropriate protections to apply to stand-alone systems.	Draft determination September 2017
	<i>Strengthening protections for customers requiring life support equipment rule request</i> from the AER is considering a stronger registration and deregistration process for life support customers.	Draft determination September 2017
Consumer participation in the market through distributed energy resources, demand side participation, and peer-to-peer trading See Finkel recommendations 2.5, 2.8 and 6.7	As new energy service providers emerge with more high-tech choices for consumers this AEMC review, <i>distribution market model</i> , has explored options to put consumers in the driving seat – giving them more control over how their batteries and other distributed energy service resources like solar panels and smart appliances are used.	AEMC final report on distributed energy services market published August 2017
	The AEMC <i>frequency control frameworks review</i> is looking at opportunities to use distributed energy resources to support the more effective control of system frequency in the power system.	This review was initiated in July 2017
	The AEMC <i>reliability frameworks review</i> is considering mechanisms to facilitate demand response in the wholesale energy market. The Australian Energy Market Operator (AEMO) is currently working on a number of pieces of work that relate to this review, including advice to the Commonwealth Government around the adequacy of dispatchable generation in the national electricity market.	Consultation on this review has started and a progress report incorporating stakeholder feedback will go to energy ministers in December 2017
	The AER is implementing a new <i>demand management incentive scheme and innovation allowance</i> in accordance with new rules made by the AEMC, which provide incentives for network businesses to research, develop and invest in demand management projects with the potential to reduce long term network costs.	Underway

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REWARDING CONSUMERS

RECOMMENDATION	WHAT	WHEN
Efficient spending on network and non-network solutions See Finkel recommendations 5.1 and 6.8	The AEMC's review of the <i>electricity network economic regulatory frameworks</i> will consider whether the incentive framework is appropriately balanced.	2018 review is underway
	AEMC <i>coordination of generation and transmission investment review</i> is underway to provide options to improve the efficiency and coordination of generation and transmission planning and investment and to provide input to AEMO's integrated work plan.	Underway as stage 2 of the AEMC's reporting on drivers of change that impact transmission frameworks
	The AEMC's new rules on <i>replacement expenditure planning arrangements</i> place new obligations on network businesses to provide more information on their plans for retirement and replacement of electricity network assets.	These new rules commenced in September 2017



RELIABLE AND LOW EMISSIONS FUTURE – THE NEED FOR ORDERLY TRANSITION

RECOMMENDATION	WHAT	WHEN
Designing a framework that sends signals to incentivise the right investment at the right time, and provides tools to intervene when necessary See Finkel recommendations 2.1, 3.2, 3.4 and 6.7	The <i>reliability standard and settings review</i> is considering whether the standards and settings remain suitable to guide efficient investment in the power system to meet consumer demand.	Consultation on new reliability standards are underway and due to commence in 2020
	The <i>reliability frameworks review</i> is considering possible changes to existing intervention mechanisms, such as the lack of reserve and the reliability and emergency reserve trader frameworks, as well as any new mechanisms for delivering an adequate supply of dispatchable energy. This includes considering the need for a day-ahead market, a strategic reserve or a generator reliability obligation to assist in maintaining system reliability.	Consultation on this review is underway
	The <i>declaration of lack of reserve conditions rule change request</i> seeks to replace the contingency-based definitions of lack of reserve conditions with a system triggered by a wider range of risks.	Consultation on this rule is underway
	The <i>generator technical performance standards rule change process</i> will consider applying new obligations to generators in line with South Australian arrangements.	Consultation on this rule is underway
Helping design and implement emissions reduction mechanisms that can integrate with energy policy See Finkel recommendations 3.1, and 3.2	The AEMC has provided advice to COAG Energy Council in December 2016 on integrating energy and emission policy. This included analysis of three emissions reduction mechanisms, their characteristics and their relative impacts.	Advice provided December 2016
	The AEMC is currently developing design options for a clean energy Target to deliver to energy ministers from South Australia, Queensland, Victoria and the Australian Capital Territory.	Final report due to energy ministers October 2017

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RECOMMENDATION	WHAT	WHEN
Maintain a strong system See Finkel recommendations 2.1	The AEMC is introducing regulatory arrangements to require network service providers to maintain system strength above agreed minimum levels at key locations in the power system. This is part of the <i>managing power system fault levels rule</i> .	New rule made September 2017
Resisting frequency changes See Finkel recommendations 2.1	<p>The AEMC is introducing a new requirement on transmission companies to maintain a minimum level of inertia that will help the system resist frequency changes. This will be achieved through the <i>managing power system frequency rule</i>.</p> <p>The AEMC is considering the introduction of a market-based mechanism to realise market benefits that could be obtained through the provision of inertia above the minimum obligation on transmission network service providers under the <i>inertia ancillary service market rule</i> request.</p>	<p>New rule made September 2017 A minimum initial inertia level will be set by June 2018</p> <p>A draft rule will be published in November 2017</p>
Requirements for generators to support system security See Finkel recommendations 2.1	<p>The AEMC has made a new rule on <i>generator system model guidelines</i> requiring more information from generators to allow AEMO and network service providers to better understand and manage the power system.</p> <p>The <i>generator technical performance standards rule</i> change process will consider placing requirements on generators in relation to system strength, reactive power and voltage control capabilities, the performance of generators during and subsequent to contingency events, and active power control capabilities.</p>	<p>New rule made September 2017</p> <p>Consultation on this rule is underway</p>
Introducing better frequency control frameworks and mechanisms to manage the system See Finkel recommendations 2.2, 2.3, 2.5	<p>The AEMC's <i>frequency control frameworks review</i> is considering: appropriate generator performance standards; how to incorporate fast frequency response services; and the appropriate frequency control arrangements in a world with more rooftop solar.</p> <p><i>Review of the frequency operating standard</i> is assessing whether the existing standard is appropriate to maintain a secure power system.</p> <p>AEMC's final report on the <i>distribution market model</i> sets out the key characteristics that could enable investment in and operation of distributed energy resources to be optimised, as well as short-term actions that could be taken to facilitate distribution-level markets.</p> <p>New <i>emergency frequency control schemes</i> were put in place in March 2017 along with a new category of contingency event – the protected event – to allow pre-emptive management of the system in certain low probability but high consequence events.</p>	<p>This review is underway</p> <p>Consultation on this review is underway and new standards would take effect in mid-2018</p> <p>Review completed</p> <p>New rules in place</p>

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RECOMMENDATION	WHAT	WHEN
<p>Advice on strategic priorities for the sector</p> <p>See Finkel recommendations 7.1, 7.2 and 7.4</p>	<p>The market bodies and Energy Consumers Australia are jointly developing advice to inform COAG Energy Council's strategic energy plan in line with terms of reference issued to the AEMC by the COAG Energy Council in December 2016.</p>	<p>Consultation is underway on the AEMC draft strategic priorities discussion paper</p>
	<p>The AEMC is a member of the newly established Energy Security Board.</p>	<p>Regular meetings of the ESB are underway</p>
<p>Maintain a regulatory framework that is fit for purpose</p> <p>See Finkel recommendations 7.7 and 7.9</p>	<p>The AEMC continually reviews and monitors large parts of the electricity rules. Noting that the AEMC cannot initiate rule changes it instead makes recommendations through its reviews to COAG Energy Council if the rules need updating for any reason including in light of changing technologies and conditions.</p>	<p>Sections of the electricity rules are currently being reviewed through the <i>Annual economic regulatory frameworks review, Reliability frameworks review, Frequency control frameworks review, Review of embedded networks, Reporting on drivers of change in transmission frameworks and the Energy sector 2017 strategic priorities.</i></p>
	<p>The AEMC has been using the expedited rule-change process for urgent rule changes.</p>	<p>Underway</p>