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Mr John Pierce
Australian Energy Market Commission
PO Box A2449
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Submitted online: www.aemc.gov.au

12 October 2017

Dear Mr Pierce,

Reference EMO0032: Strategic priorities for the Australian energy sector Discussion Paper

AGL Energy (**AGL**) welcomes the opportunity to make a submission in response to the AEMC's Discussion paper: Strategic priorities for the energy sector (**Strategic Priorities**).

AGL is one of Australia's largest integrated energy companies and the largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy, providing energy solutions to around 3.5 million customers throughout eastern Australia.

In addition, AGL is continually innovating our suite of distributed energy services and solutions for customers of all sizes (residential, business and networks). These 'behind the meter' (**BTM**) energy solutions involve new and emerging technologies such as energy storage, electric vehicles, solar PV systems, digital meters, and home energy management services delivered through digital applications.

As the AEMC recognises, Australia's electricity system is undergoing a significant transformation. At the transmission level, variable renewable generation is increasingly replacing older thermal generation plant. At the distribution level, penetration of small-scale generation is proliferating as households and businesses across the country take up distributed energy resources and become both consumers and producers of electricity. The once linear supply chain - where electricity generated by large power stations is transported across the high-voltage transmission network and through the low-voltage distribution network and into homes and businesses - is becoming increasingly decentralised and bi-directional. There are both opportunities and challenges associated with this inexorable transition.

Within this transition, we agree that policy-makers need to take a long-term approach to properly account for the National Electricity Objective (**NEO**), National Gas Objective (**NGO**) and National Energy Retail Objective (**NERO**) that seek to promote efficient investment in, and efficient operation and use of energy services for the long-term interests of customers, necessitating a comprehensive and forward-looking strategic view.

As the rule-maker, the AEMC has a critical role in responding to these objectives and shaping the energy sector policy through its rule determinations and consultative process with industry participants. As such, we welcome the AEMC taking a long-term evolutionary approach to assessing the major issues that are likely to arise in future rule-change proposals through an analytical principles-based approach, and support the development of the AEMC's Energy Sector Strategic Priorities paper, which provides a position on current and future challenges and opportunities facing Australia's energy sector and energy markets.



While the Independent Review into the Future Security of the National Electricity Market (**Finkel Review**) made a number of recommendations relating to power system security and reliability, we agree that the priorities of the energy industry extend beyond these recommendations and will continue to evolve as certain recommendations are implemented and market conditions change. An overarching strategic policy that is adaptable and flexible is therefore welcome as a positive step to guide rule-makers and direct energy policy into the future.

We note the very substantial background information that the AEMC has included in its Strategic Priorities to inform its Goals, in particular, section 3 of the Discussion Paper regarding the links between energy market issues.

While we support the AEMC publishing its views on energy market issues, we would caution the AEMC to make assumptions about facets of the energy market in their policy-making and setting of long-term goals. The energy market is at a period of particularly significant transition, and making assumptions about interrelationships about issues may impose artificial constraints on the AEMC's ability to be open and responsive to novel rule change proposals.

In particular, while useful to understand the AEMC's rationale for goal-setting, some of the commentary concerning relationships between the wholesale market, the contract market, the role of renewable generation, demand response, and the role of gas in terms of overall system security and reliability we consider make strong assumptions on matters that may evolve over time. We consider that some of these positions should not necessarily be used as axioms to form the basis of policy direction in the future without carefully considering how the energy market is changing over time.

The AEMC's Analytical Framework

Conceptually, we agree that strategic priorities must take into account the current landscape of issues facing the industry (the AEMC's proposed **Analytical Framework**) prior to establishing aspirational **Goals** for the energy sector. We also agree that a strategy or approach to meeting those goals should be developed in the context of the current environment (**Initiatives and Work Programs**). We also support the **Sequencing and Prioritisation** of these Initiatives and Work Programs to identify dependencies between work programs or particular initiatives that should be prioritised.

We support the proposed Analytical Framework as a structure for assessing current issues in the energy sector. Rather than viewing each category proposed as a constraint, we view the categories within the proposed Analytical Framework as fundamental imperatives for the efficient operation of the energy sector.

AGL has given considerable thought to the future of energy in Australia and believes that two fundamental imperatives will drive the future of energy in Australia: decarbonisation, and the centrality of customers' unique preferences and expectations. We are pleased to see that these are also at the primacy of the AEMC's framework.

Undoubtedly, we agree that the top layer of the analytical framework should relate to consumers, indicating the primary importance of the industry operating in such a way as to deliver the outcomes, energy services and protections that consumers require, whether the consumers are residential, commercial or industrial, or 'market customers' in the sense that they are entities purchasing energy from a wholesale energy market. The energy sector is primarily concerned with delivering a service to consumers, and the primacy of this service is critical in developing effective policy and setting strategic objectives over the long-term.

We also strongly support the AEMC's view that the integration of energy and emissions reduction policies is a fundamental imperative rather than an aspirational goal, and concur with the AEMC's view that mechanisms to achieve emissions reductions in the electricity sector should be aligned and integrated with the design and



operation of the energy market. We consider that this element of the analytical framework could be expressed more broadly, taking into account the cross-sectoral impacts of emissions reductions obligations and the potential impact on the energy sector from broader carbon constraints.

Furthermore, we agree that system security and reliability is a critical aspect of effective energy delivery. Within the fundamental imperatives of prospering in a carbon constrained future and the centrality of customer's energy, maintaining system security and reliability to an acceptable standard is a further constraint within which energy markets must be operated and managed.

Within this framework, we consider that there are guiding policy principles that could underpin the AEMC's Analytical Framework and inform the development of aspirational goals for the sector. In our view, these would be a welcome addition to the Strategic Priorities document as they would provide a useful link between the AEMC's Analytical Framework and the proposed suite of Goals that follow.

Guiding policy principles

In the context of a future where decarbonisation and the centrality of customers' unique preferences and expectations are fundamental imperatives, AGL believes that policy should be guided by the following principles to ensure the sector's smooth transition and ongoing delivery of secure, affordable and sustainable energy into the future:

- where feasible, using **competitive markets** to deliver and value energy services;
- establishing policy, regulatory and market frameworks that are **technology neutral**;
- establishing **appropriate technology standards** that do not contradict broader policy objectives and are based, where possible, on international standards that encourage investment, ensure Australia keeps up with improving efficiencies and global best practices, promote customer choice, support competition and encourage economies of scale;
- utilising **price signals** to encourage efficient investment and operational decisions;
- **allocating risks** to parties that are best able to manage them;
- introducing **regulation only where necessary** to address a market failure, including to ensure system safety, security and reliability;
- ensuring an **equal playing field** where different providers of products and services, in markets, must compete openly on their merits;
- a customer protections framework that ensures all customers have the **basic right to access energy**; and
- ensuring a framework that is **inclusive of all customers** including vulnerable customers the opportunity to participate and benefit from the energy market transformation.

Keeping these principles as a guidepost improves the predictability of modifications to existing regulatory and market frameworks when it becomes evident they are required. Open competitive markets and technology neutrality provide firms the impetus and latitude to pursue technology and service delivery innovations that meet system needs at efficient cost. We are already seeing evidence that holding to these principles promotes opportunities for addressing system impacts emerging from one set of technology innovations with technology innovations occurring elsewhere.



Fundamental Goals and Objectives

Having regard to these high-level guiding principles, we consider that policy-makers should consider number of core strategic priorities and elements of effective public policy reform, which we have outlined in Attachment A.

Should you have any questions in relation to this submission, please contact Stephanie Bashir on 03 8633 6836 or myself on 02 9921 2516.

Yours sincerely,

A handwritten signature in grey ink, appearing to read 'Tim Nelson', is written in a cursive style.

Dr Tim Nelson

Chief Economist



Attachment A – Core strategic priorities and elements of effective public policy reform

Having regard to our guiding policy principles, AGL believes that a proposed suite of goals for policy-makers should deliver on the following core elements. To a large extent, we believe these are adequately reflected in the AEMC’s Strategic Priorities; however, we would caution the AEMC to retain a broad principles-based approach to these matters.

1. Establishing investment certainty in a carbon constrained future

More than 80% of electricity generated in Australia is sourced from the combustion of fossil fuels, the majority of which is provided by coal-fired generation. The transition to a decarbonised and modernised generation sector requires large scale investment, much of which will be less than half way through its asset life at the end of the current RET scheme and Government current 26-28% target under the Paris Agreement.

Investment will be best supported by emissions reduction policy that provides macro level certainty as to the timeframe and operating life of incumbent plant and reduced levels of uncertainty as to the market environment within which current investments will operate in post 2030. Greater certainty in these areas will support a more efficient transition, guiding decisions on new investments, management of existing capital stock, policy development, community transition and energy market development. We strongly support the AEMC’s stated goal that a sustainable national emissions reduction strategy is a critical element not only in meeting Australia’s international binding obligations under the Paris Agreement but also providing sufficient certainty for investors to commit to new generation projects.

Integrated policies are required to ensure that these objectives can be jointly pursued over time. As the decarbonisation and modernisation of the electricity sector will span several decades, a long-term vision and trajectory for this transition is essential to provide investors with confidence to develop the long-lived and often capital intensive projects that will enable Australia to reduce its emissions efficiently over time, and at least cost.

AGL supports the recommendations by the Finkel Review to introduce a Clean Energy Target to incentivise new low emissions generation into the market in a technology neutral fashion.¹ We consider that shifting the point of liability from retailers to generators may provide a more robust and durable approach to the development of a CET. Also, it is worth considering integrating the ‘generator reliability concept’ with the CET. Such integration could take the form of a requirement on new variable generators to demonstrate the provision of contracts to support adequate availability of risk mitigation tools in a decarbonised energy system (see subsequent ‘firm’ capacity discussion).

AGL also notes the Finkel Review’s recommendation for a three year notice of closure requirement for all large generators to support orderly transition,² and note that this is a critical complementary policy mechanism to support the CET that must be included in the design principles for an emissions reduction policy. We otherwise concur that any mechanism should be adaptable, technologically neutral, support competition, and allocate risks to the parties best-placed to identify and respond to risks in an efficient manner.

We encourage governments to implement these important policy reforms in a timely and coordinated manner and support the AEMC’s position that a coordinated emissions reduction trajectory between state and federal governments with a single overarching policy and emissions reduction mechanism should be

¹ Dr Alan Finkel AO, Chief Scientist, Chair of the Expert Panel, *Independent Review into the Future Security of the National Electricity Market: Blueprint for the Future* (June 2017), Available at <http://www.environment.gov.au/system/files/resources/1d6b0464-6162-4223-ac08-3395a6b1c7fa/files/electricity-market-review-final-report.pdf>, page 23.

² Ibid.



introduced across the national electricity market with individual state and territory targets incorporated into the national target.

2. Market design that supports low-emissions generation and related ancillary services

The NEM was framed on the basis of thermal capacity investments and in most cases, assumes that demand is relatively inelastic, and that dispatchable thermal generation is able to meet demand. The optimal generation mix therefore becomes the balance between the load duration curve and price duration curves. The shift to renewable energy is showing the limitations of the NEM's thermal-centric design in that both the load duration and price duration curves are shifting, diminishing the economic viability of incumbent large-scale synchronous generation capacity.

As the generation mix changes to incorporate a growing amount of renewable energy, demand for energy services such as Frequency Control Ancillary Services (**FCAS**), reactive power, and inertia will increase as the traditional suppliers of these services exit the market.

Maintaining system security will therefore require complementary measures that accommodate a NEM in transition. Accommodating greater levels of variable renewable generation in the NEM requires correcting for the unintended consequences of climate change policy on the operation of energy markets. In AGL's view, key mechanisms for doing so include:

The introduction of incentives to ensure that intermittent generation sources become 'firm' and dispatchable

To ensure additional renewable generation beyond the current RET does not impact system security, policy makers may consider adding a requirement for dispatchability to new intermittent generation. Within an energy-only market, the total cost of renewables subsidies will be greater if they are constructed with no reference to their impact on system security. A system whereby renewable generators partner, through direct or indirect means, with complementary 'firm' capacity (such as open-cycle gas turbines, pumped hydro or advanced batteries) has the potential to address such concerns.

The use of existing and new supplementary markets to improve security, reliability and system resilience

The introduction of new ancillary services markets will ensure that users appropriately value services to support system security and reliability, such as inertia, that had previously been available for free and in surplus. South Australia in particular is moving away from thermal fuel sources of generation capacity and has experienced significant increase in the proportion of its energy being supplied by renewable, intermittent, generation sources. Contracting services, such as inertia, in such an environment would significantly help to address concerns with regards to security and reliability of electricity supply as the sectoral transformation continues.

AGL anticipates that the needs of the wholesale energy market will increasingly be supplied through a proliferation of distributed energy resources (**DER**), and the extent of the uptake and utilisation of DER may affect the role of large scale assets within future markets. Accordingly, the wholesale market will increasingly need to accommodate a diverse portfolio of decentralised low-emissions generation assets, which may affect both the development of industry scale investments as well as the accessibility of supportive ancillary services.

We anticipate that the role of traditional generation will increasingly be met by flexible DER and a range of low-emissions generation. However, the proliferation of DER within a broader generation mix will require a commensurate ability to co-ordinate those assets in order to maximise the benefit to the primary and ancillary



wholesale markets. AGL's virtual power plant (**VPP**) is an example of how DER can deliver those services within a competitive market if it is orchestrated effectively.

AGL considers that future industry scale investments will increasingly need to conform to the following design principles to effectively complement decentralised low-emissions generation:

- be *modular and adaptable*, capable of combining with multiple medium and large scale fuel sources;
- utilise conversion technologies to deliver *high efficiency* and *low emissions* outputs;
- be *scalable* or *grid-scalable*, making it applicable to the grid as well as the distribution market (with its capacity to facilitate energy back flows); and
- be adaptable to the increased penetration of DER behind the meter.

3. Customer choice and preferences

Customer preferences are continuously evolving. The availability of distributed renewable generation and other digital technologies is enabling customers to exert greater control over their energy usage and demand improved services and a wider range of products from energy service providers. Although energy remains an essential service, customers now have far greater choice as to how that service is delivered.

A decade ago, the choice for customers was simply 'who' sold them energy. Now the choice is who and 'how' (and increasingly 'when') – how they will be supported by online services and flexible payment options, how they will combine grid supplied and distributed energy sources, how they expect to be able to monitor and control usage, and increasingly how they will share energy and share in value streams available beyond the home (e.g. network and wholesale values).

Australia leads the world with small-scale solar PV installations. Across the country, approximately 17% of households have a solar PV system installed. This number exceeds 25% in some jurisdictions. Installations are expected to continue to grow, and will increasingly be accompanied by the installation of a battery energy storage system. Although currently the domain of so-called 'early adopters', expected cost declines and associated reductions in the length of pay-back periods for battery energy storage technology are anticipated to see an acceleration in take up. Bloomberg New Energy Finance predicts that by 2040, 24% of residential buildings will have a storage system installed.³

The continued growth in distributed energy resources has implications for price dispersion. Distributed energy technologies which very substantially lower grid-drawn energy supply, will amplify the heterogeneity of customer needs and preferences, and is thus likely to increase the extent of price dispersion. It may also lessen the relevance of analyses which look only to unit price to determine value being delivered to customers by retail energy service providers. Some customers may begin to more heavily weight 'value-added' services over unit prices alone. These services might include an enhanced feed-in tariff, the ability to participate in peer-to-peer electricity trades, the availability of demand response products or the opportunity to be rewarded for provision of network and wholesale support services back to the system.

These changing market dynamics necessitate public policy reform to ensure fit-for purpose consumer protection and robust participation in a competitive market. It is also important that the retail regulatory and market framework does not seek to impose rigid price-setting frameworks that have the unintended consequences of limiting the ability of both old and new market players to innovate their offerings in response to new technology developments and changing consumer preferences

³ Bloomberg New Energy Finance, Annabel Wilton, *Australia Behind-the-Meter PV and Storage Forecast*, 22 February 2017.



The consumer protection regulatory framework should also be reviewed to ensure it remains fit-for-purpose. The consumer protection framework should recognise that consumers are not homogenous but rather have their own distinct and unique preferences. The framework should be flexible enough to accommodate innovation in product and service provision (including the business or delivery model), and not constrain informed customer choice and participation. Importantly, it should promote competitive neutrality and allow existing and emerging business models to compete on their merits, enabling consumers to choose products and services that suit their circumstances.

AGL notes that the COAG Energy Council and the AEMC have recently implemented several market reforms in response to changing customer sentiment and interactions in the NEM. These changes, largely through the AEMC's Power of Choice reforms, place greater emphasis on increasing competition, customer choice, innovation and demand-side participation. We support these principles and their embodiment in the national energy rules.

The regulatory framework should facilitate digital engagement and service providers in their efforts to expeditiously bring to market new products and services and through channels that consumers' value. It should promote competitive neutrality and allow existing and emerging business models to compete on their merits, enabling consumers to choose products and services that suit their circumstances. The price, product and service benefits that flow to customers from competitive markets are predicated on the ability of customers to participate effectively in those markets. Thus attention should be paid to policy reforms that remove barriers to participation, including reviewing the impact of home tenure on access to products and services, tenancy law reform and improving community outreach to vulnerable parts of the community.

In an environment where customer heterogeneity is expanding, it is positive that the retail regulatory and market framework is allowing new entrants with novel business models to enter the market and offer newly designed services to customers. By 'disrupting' the retail energy services market, new entrants drive enhanced competition amongst all market players. It will be important that governments reviewing retail electricity prices keep sight of the fast-evolving consumer energy landscape and do not, in an attempt to protect consumers, propose a return to more rigid price-setting framework. Reducing price dispersion is likely to reduce competition and have a detrimental impact on low-income customers. AGL research (see attached paper) shows that price dispersion provides significant benefits to the family formation household demographic where vulnerability is highest due to low income per person and higher than average energy consumption. It is highly likely that price dispersion will become more pronounced as electricity markets decarbonise. As more costs become sunk, uniform pricing set to marginal cost will become even more problematic as large capital costs would not be recovered. As such, it is important that policy makers continue the push towards deregulated retail electricity markets to facilitate, rather than obstruct, the goals of efficient pricing and decarbonisation.

4. Grid modernisation and network reform

AGL believes that the future of the grid will be as a gateway to multiple competitive platforms that enable a range of markets for customers. In our view, the AEMC may have a limited approach with regard to effective markets in its paper. We consider that while a principles-based approach is useful in promoting efficient markets, there are current constraints in the regulatory framework that may impede growth in future products and services that are likely to provide benefit to consumers in a carbon-constrained world.

The distribution network will increasingly become the platform across which customers expect to be able to connect and transact. Competing energy service providers are beginning to trial and offer innovative products and services that leverage the grid to provide customers with access to other markets and value streams.



Rather than simply enabling the consumption of electricity delivered from centralised plant, the grid will have an increasingly important role facilitating a range of other service markets. These include markets for grid stability services (frequency and voltage), markets for services which support the network in constraint conditions, markets for wholesale demand response at times of tight supply, and 'peer-to-peer' energy trading.

There will not be a single business or delivery model to enable these mixed interactions and respond to the broad spectrum of customer needs and preferences. Reflective of the heterogeneity of customer needs and preferences, AGL expects product and service offerings from a broad mix of energy service providers to be similarly heterogeneous (see attached paper on price dispersion). The grid should provide a two-way energy platform upon which competing energy service providers can build their product and service offerings. The distributed energy ecosystem of the future may involve multiple distributed markets and service platforms co-existing and interacting. Energy service providers will invest, test, learn and innovate their offerings, and bear the risks and rewards associated with these endeavours.

The need for an optimisation function therefore is needed and should be carried out by a party that is independent and exposed to financial incentives. By modifying the overall volume and shape of demand, DER can be deployed and operated to avoid or delay more expensive augmentations to the network. Further, smart inverters and local sensing devices can enable the provision of voltage and frequency services back to the distribution network and is an associated benefit of DER.

However, a network support or grid stability service might only be required on a limited number of occasions per year, and this is similarly the case with demand response to meet a wholesale supply constraint. The remainder and majority of the time, customer-owned DER installed behind-the-meter is likely to be employed directly for meeting the comfort and consumption needs of the customer. Accordingly, an efficient deployment and use of DER will enable co-optimisation across these multiple uses and value streams. It will also recognise that it is ultimately a customer's choice as to how their BTM resources are deployed and what compensation or reward they expect for participating in different service markets (including providing network support).

AGL sees competition and innovation in technology and business models as the primary means for meeting this co-optimisation challenge and aligning the interests of energy service providers with those of the customers they serve. To enable efficient 'value stacking' requires the need for the location and size of grid support services and their value to the network to be made explicit, so that products and services can be designed by competing energy service providers to address these and build those values into the commercial model.

This will directly benefit customers investing in DER by ensuring the least cost deployment and highest value use of those assets are made, and by promoting the availability of a range of retail offers and bundled products to meet distinct customer preferences. Importantly, it will indirectly benefit all customers by ensuring investment in assets or services which support reliable network operation are efficient, thereby ensuring the efficiency of overall network costs.

Network businesses should be required to test the competitive market for the provision of demand response and other non-network solutions before developing their own programs or directly investing in distributed energy technologies and including such expenditure in the regulated asset base. Further, Network businesses must demonstrate greater value to customers prior to proceeding with network based solutions. To facilitate the development of viable competitive products which address network needs, network businesses should also make available sufficient and useful data about the characteristics and location of those network needs and the costs of alternative network investments.



The exception, perhaps, is in the situation where networks must make investments in technologies to support grid stability. As a general principle, networks should be prevented from including in their regulatory proposal and regulatory asset base (**RAB**), capital expenditure for assets that are located behind a connection point. However, in certain limited circumstances, networks, and in particular transmission networks, could be allowed to invest in new technologies for grid stability if that investment is not towards a service that could otherwise be provided by a competitive market. Furthermore, if the investment or operation of any asset behind a connection point further even has the potential of impeding or displacing future competitive investment, it should also be restricted.

Such an exception could only be considered where a network support and control ancillary service (NSCAS)—such as network loading, voltage control, or transient stability—needs to be delivered to the market, where an exemption is provided by the AER for a distribution service under strict terms, or where a transmission network is utilising new technology to support their services. In particular, at a transmission level, networks could investigate these opportunities as transmission-connected assets that are providing grid stability have a much lower change of interrupting other potential competitive value streams.

If networks can develop efficient technologies to support grid stability within these parameters, then a commensurate entitlement to add the cost of that asset to their regulated asset base (RAB) should apply. However, where the output of that service is linked to a competitive market (for example a market for FCAS or the wholesale generation market), networks should not be able to operate those assets and obtain the financial benefit of operating that asset. This creates an unbalanced approach to network investment for grid stability and reduces the ability for competitive markets to procure the competitive service at the best price.

Rapid technological advancements, increased availability and declining costs associated with DER may mean that, over time, non-network solutions increasingly become more suitable investments than further network investments. Indeed, the market inception of DER-related services and solutions will make future patterns of network demand uncertain. Assumptions that non-network solutions will not be suited to particular applications may, in time, be challenged by these developments.

Networks operate monopoly infrastructure and are the monopoly purchasers of demand response and other non-network solutions. Therefore, it will be critical to maintain a clear focus on the role of distribution businesses through the grid modernisation process. In AGL's view, network businesses should be required to test the competitive market for the provision of demand response and other non-network solutions before developing their own programs or directly investing in distributed energy technologies and including such expenditure in the regulated asset base.

There is a natural requirement on businesses operating in the competitive market to maintain a definite customer focus in the products and services they develop, and to innovate and extract efficiencies and additional values where possible, so that the product delivered to the end-customer addresses their needs and preferences while being price competitive. Without this competitive discipline and with a singular focus on network benefits, programs delivered directly by distribution businesses are unlikely to result in the most efficient deployment of distributed energy technologies.

However, the current regulatory framework does not require network businesses to draw on competitive markets to deliver network support and demand management solutions. Instead network monopolies can (and are sometimes encouraged to) directly invest in technologies installed behind-the-meter provided this is ostensibly to assist in the management of the network. This creates a barrier to the development of well-functioning markets in products and services enabled by distributed energy technologies, including demand management programs. Without effective competition in the delivery of such services, the efficiency of network spending, customer choice and innovation will all be negatively impacted.



Further, care in the design of network cost-recovery and pricing frameworks is key to driving efficient network utilisation, efficient adoption of distributed energy technologies and mitigating potential equity issues that arise where those without the ability to adopt distributed generation technologies are left to bear a disproportionate share of remaining network costs. Distribution businesses are currently introducing more cost reflective network tariffs to support the achievement of these outcomes. However, with overall declining grid utilisation and spare capacity in many networks, there is a question as to whether the policy intent behind the introduction of cost-reflective pricing can be achieved without a clear policy on the treatment of the existing regulated asset base.

5. Strong governance

Finally, appropriate energy market governance is critical in delivering on these objectives and actions. AGL is keen to ensure that governance and regulatory frameworks continue to be positioned to deliver benefits to energy users into the future, within the context of evolving technology and community expectations. AGL believes that the COAG Energy Council has a primary role in driving energy policy in Australia. There are opportunities to improve the Council's strategic focus and prioritisation of issues, and to build a common purpose amongst the different jurisdictions. Further, empowering different jurisdictions to take the lead on driving national reform through the Council on different issues may help to improve the implementation of agreed national reforms across all jurisdictions, and would reduce the duplication of work between States and ensure national consistency.