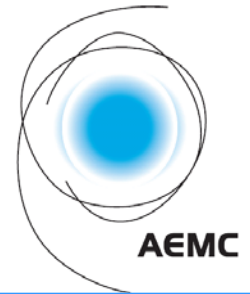


NARUC International Relations Committee
Sunday, November 16, 2008
New Orleans

Australian Energy Market Arrangements
and Experience

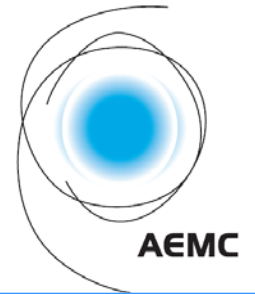
John Tamblyn
Chairman
Australian Energy Market Commission

Overview



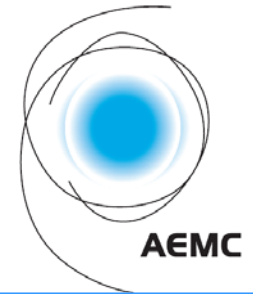
- Australia's recent energy market experience
 - Energy reforms and institutional arrangements
 - Energy market design and performance
 - Current challenges and responses
- International consultation and co-operation
 - The APP Energy Regulatory and Market Development Forum

Australia's energy reform process



- 3 phases of energy market development
- Role of the Council of Australian Governments
- Energy market governance and institutions

INSTITUTIONAL STRUCTURE OF THE NEM



MINISTERIAL COUNCIL
ON ENERGY (MCE)

Responsible for:
Energy policy

AUSTRALIAN ENERGY MARKETS
COMMISSION (AEMC)

Rule making, market development
and advice to the MCE

AUSTRALIAN
ENERGY
REGULATOR
(AER)

NATIONAL
ELECTRICITY
MARKET
MANAGEMENT
COMPANY
(NEMMCO)

NEMMCO

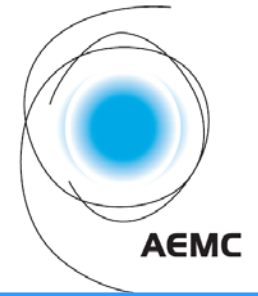
- independent system and market operator

AER

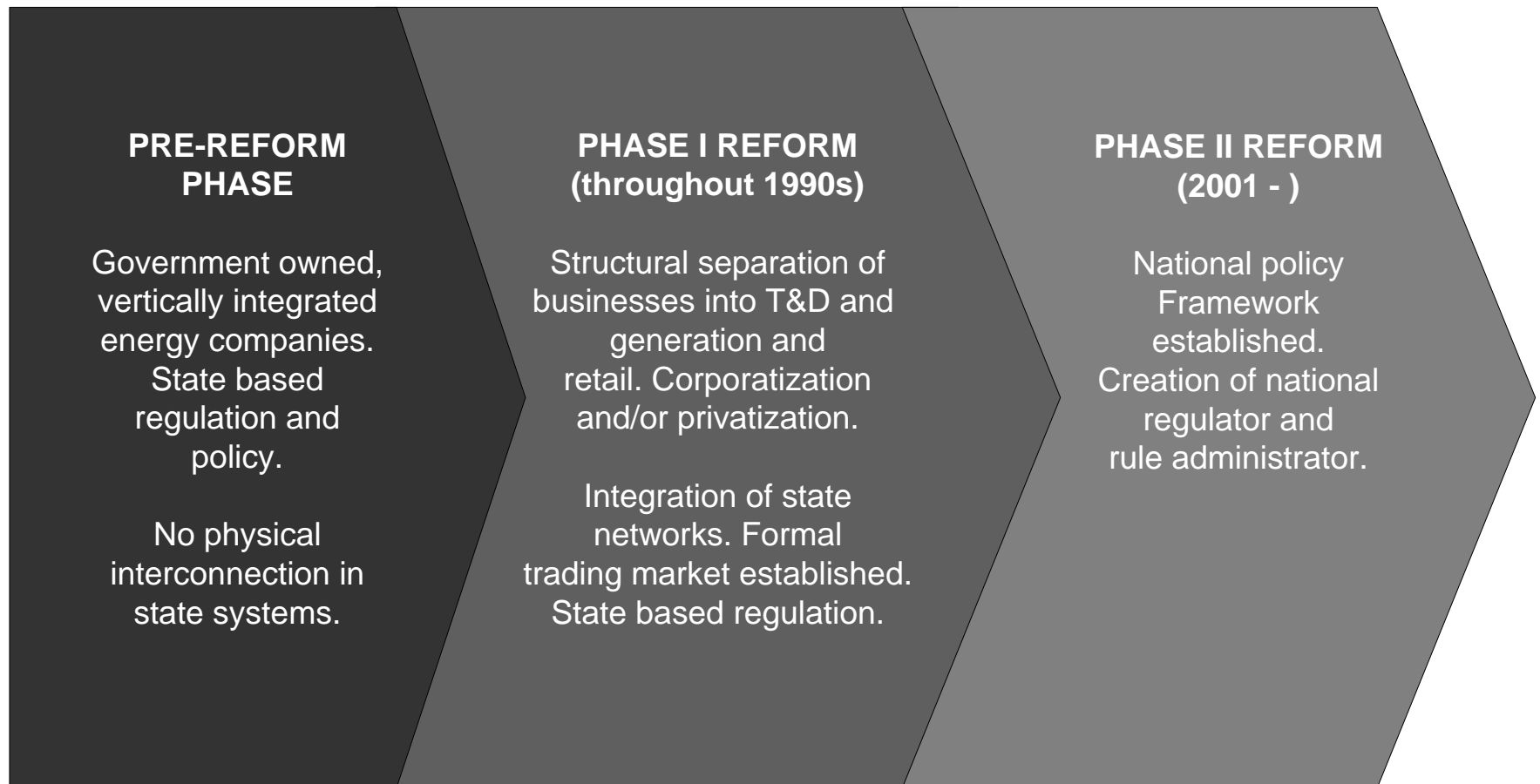
- rule compliance and enforcement
 - network economic regulation
-

MARKET PARTICIPANTS

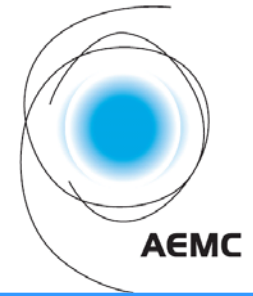
Transmission & distribution network service
providers, generators, retailers, large customers
and traders



THE PATH TO REFORM

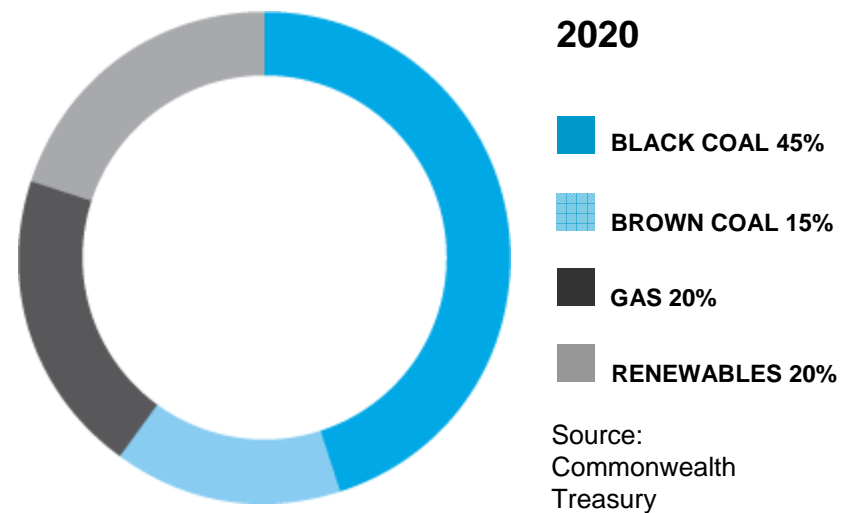
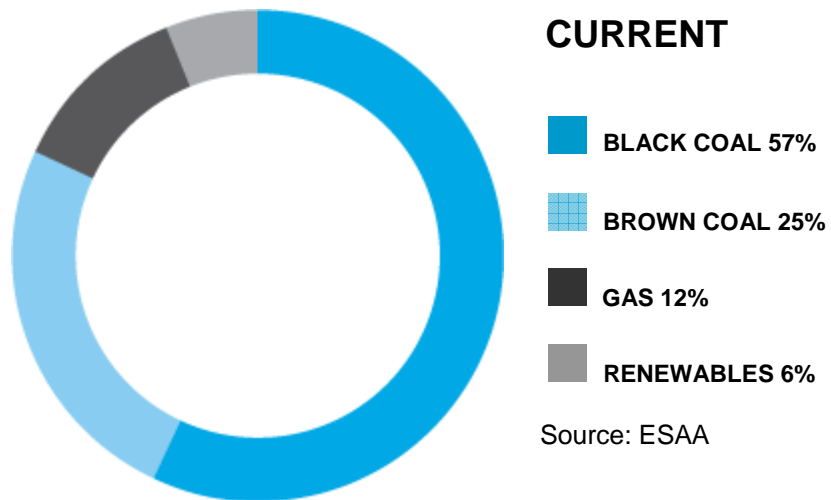
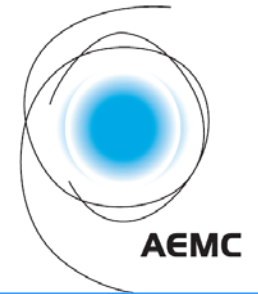


Australia's energy market design and performance

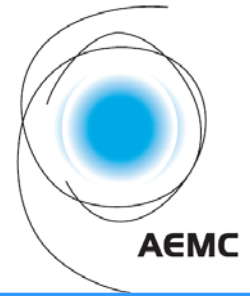


- Abundant coal and gas resources deliver low cost energy
- Energy only electricity market design
 - Competitive wholesale and retail markets
 - Regional pricing and settlement
 - \$A10,000 spot price cap
 - Short-term emergency capacity mechanism
- Incentive regulation of monopoly networks
 - Common carriage, open access model
 - No financial transmission rights
- Emerging generation and network adequacy risks

CURRENT GENERATION FUEL MIX IN THE NEM

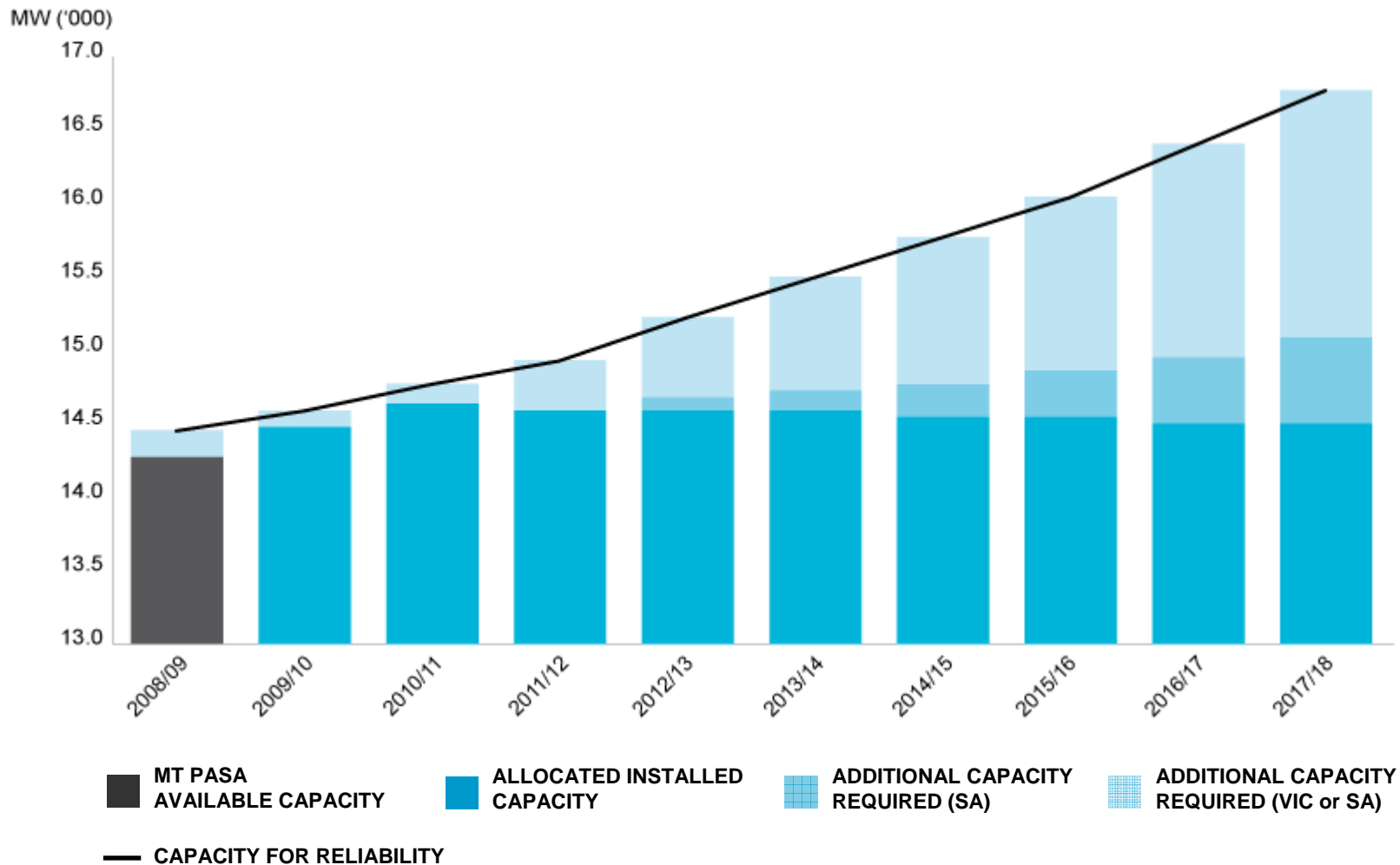


Current energy market challenges and responses

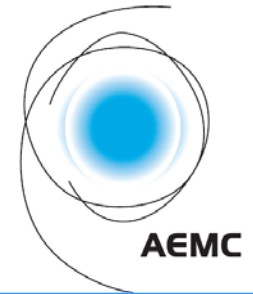


- Tightening balance of energy supply and demand
- Rising energy and plant and equipment costs
- Prospective impact of climate change policies
- The critical challenges include:
 - Will generation adequacy be maintained?
 - Will investments in electricity and gas networks be sufficient?
 - Should the market design be changed to better meet the challenges?

TIGHTENING DEMAND AND SUPPLY CONDITIONS – VICTORIA AND SOUTH AUSTRALIA

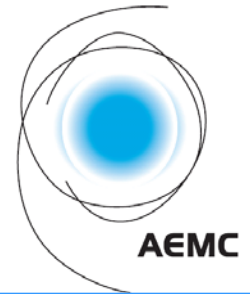


Asia-Pacific Partnership on Clean Development and Climate



- Membership: USA, South Korea, Japan, India, China and Australia
- Objective: address climate change, energy security and air pollution consistent with
 - Economic development and poverty reduction
- APP has 8 Task Forces including the Power Generation and Transmission Task Force
 - Goal of PGT Task Force is to promote efficiency/ environmental performance of power generation networks and end use

Energy Regulatory and Market Development Forum



- Objective: to facilitate sharing of information on regulatory and policy experience and to:
 - Facilitate development of best practice regulatory and market arrangements
 - Bring together energy policy-makers and regulators, industry participants, system and market operators and researchers
- **Activities to date include**
 - Development of a 3 year work program
 - Publication of two member-wide documents
 - Forum conference in Sydney in June 2008

APP International Governance Arrangements

