



**6 February 2014**

Energy White Paper Taskforce  
Department of Industry  
GPO Box 1564  
CANBERRA ACT 2601

**By email: [EWP@industry.gov.au](mailto:EWP@industry.gov.au)**

Dear Sir/Madam

### **Energy White Paper Issues Paper**

AGL Energy (**AGL**) welcomes the opportunity to make a submission to the Department of Industry's Energy White Paper Taskforce (**Taskforce**) on its Issues Paper, as part of its development of an Energy White Paper.

As one of the largest energy retailers in Australia and a leading investor in many types of energy production, AGL is well placed to comment on the issues that the Taskforce will need to consider in developing an Energy White Paper. AGL operates across the supply chain and has investments in coal-fired, gas-fired, and renewable electricity generation and upstream gas exploration and production projects. AGL is Australia's largest private owner, operator and developer of renewable generation in Australia. AGL is also a significant retailer of energy with over 3.8 million electricity and gas customers in Victoria, New South Wales, South Australia and Queensland.

The development of the Government's Energy White Paper is a crucial element of Australia's energy reform agenda. It is an opportunity to have an entirely holistic view of the energy sector, and to devise strategies that work cohesively towards central objectives. Such an outlook encourages the development of conditions conducive to long term efficiency in investment and expenditure, and enables the creation of market structures that are characterised by competition and innovation in order to benefit customers over the long term. It is also an opportunity for the Government to develop innovative strategies that capitalise on growth opportunities, and approach economic, social or environmental challenges in a slightly different way. We commend the Government's focus on alternative fuels in the transport sector as such an example.

The various parts of Australia's energy sector are experiencing vastly different dynamics. Australia's wholesale electricity market is currently oversupplied as a result of reductions in electricity demand, improved end use energy efficiency, and the increased installation of residential solar PV systems. By contrast, the east coast gas market is set to experience a profound increase in demand over the near term following the construction of LNG export terminals in Queensland. This, combined with restrictive regulatory arrangements impacting gas exploration opportunities, is set to have a significant impact upon domestic gas market dynamics.

Retail energy markets operate at varying levels of efficiency across the States, with much scope for improvement through the removal of redundant regulation, and minimising unnecessary differences between frameworks and arrangements in each State. Not only does unwarranted regulation stifle the competitive process, in the case of price regulation it can actually be destructive to it. Accordingly it is imperative that the Taskforce, through its current review process, reiterates the importance of achieving retail price deregulation across all the NEM States, along with supportive technology that empowers customers and allows them to proactively manage their energy usage.

Above all, this process allows the Government to articulate overarching policy objectives for the energy sector, and to provide strategic direction for its various components. The Government would be aware of the importance of policy and regulatory certainty to the

health and welfare of Australia's economy and society. While unexpected changes to the economic or social landscape can necessitate changes in policy, it is vital for the Government to take a long term view in developing its White Paper, so as to avoid the need for unnecessary policy changes later that are designed to address issues that can be predicted now. Such uncertainty would significantly disincentivise the very investment that is crucial to enhance the efficiency of the sector and the ability of the sector to deliver upon the range of economic, social, environmental and community objectives that need to be achieved in the national interest.

We provide in Attachment 1 AGL's position on key areas of focus in the Government's Issues Paper. AGL would be happy to provide further information to the Taskforce should this be helpful. Please contact me on [tanelson@agl.com.au](mailto:tanelson@agl.com.au) or on (02) 9921 2516 or Anita George at [ageorge@agl.com.au](mailto:ageorge@agl.com.au) or on (03) 8633 7212 if you have any questions in relation to AGL's position on these issues.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tim Nelson', with a stylized flourish at the end.

Tim Nelson  
Head of Economic Policy and Sustainability