



COAG Energy Council

## Energy Security Board Terms of Reference

The establishment of the Energy Security Board follows a recommendation of the Finkel Review and a subsequent Report by the Chief Scientist and his panel to the COAG Energy Council. The Finkel Report recognised that the electricity system is in transition and that a critical turning point has been reached.

The purpose of this Board is to implement the Finkel blueprint. Key outcomes are increased security, future reliability and rewards to customers for reductions in their demand. The transition process should be orderly; system and network planning must support the transition; and strong governance must achieve a more adaptable system that can better integrate emerging technology.

<b>Chair and Deputy Chair</b>	The Chair and Deputy Chair will be independent members, endorsed by the COAG Energy Council.
<b>Membership</b>	<p>The Energy Security Board consists of the Chair and Deputy Chair, together with the Chairs of the Australian Energy Market Commission and the Australian Energy Regulator, and the Chief Executive Officer of the Australian Energy Market Operator.</p> <p>A quorum consists of one of the Chair and Deputy Chair and all three of the market representatives noted above. Where a market body member is unavailable to attend a Board meeting, a representative may attend in their place if considered appropriate by the Chair.</p>
<b>Observers and Other Organisations</b>	<p>In addition to members, Senior Committee of Officials-nominated representatives may attend as an Observer to the meetings recognising that there may be times when the Board wishes to discuss matters in a smaller group.</p> <p>The Chair may invite representatives from other organisations to participate in specific meetings, as appropriate. These organisations may include, for example, the Clean Energy Regulator, Australian Renewable Energy Agency, Clean Energy Finance Corporation and Energy Consumers Australia.</p>



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<b>Operations of Board</b>	<p>The Board is likely to meet every two weeks initially and once established will probably move to monthly meetings as determined by the members and the Chair. The Board has agreed to make the meetings face-to-face as often as practicable and meetings are expected to alternate between Sydney and Melbourne for convenience. Work will mainly be conducted out-of-session and progress and planning will be monitored by the Board.</p> <p>The Board is expected to work as a team and make decisions on the basis of consensus wherever possible. Differences should be made clear and discussed freely and clearly by the Board. The Chair will bring these debates to the attention of the Senior Officials and COAG when appropriate to do so and a way forward will be recommended by the Chair following Board discussion.</p>
<b>Rule Changes</b>	<p>Particular processes have been spelt out where there is not consensus at the Board for proposed Rule Changes under the National Electricity Law, National Energy Retail Rules or the National Gas Law. In this situation a proposed Rule Change will be provided to the Council where a majority of Board members agree the Rule change. (The principle of one vote per member applies.) Where a market body does not vote in favour of a proposed rule change, advice to Council will specify the reasons why it did not favour the Rule Change.</p> <p>Where proposing rule changes to the Council, the Board will present a package that:</p> <ul style="list-style-type: none"><li>• Demonstrates that appropriate consultation, consistent with the COAG best practice principles, has occurred beforehand with stakeholders and include in their advice to Council details of the consultation and a summary of views expressed.</li><li>• Indicates the rationale for the proposed rule change.</li><li>• Details how the proposed rule change achieves consistency with the NEO, NGO and/or the NERO.</li></ul>



<p><b>Senior Committee of Officials and Other Matters</b></p>	<p>The Board will provide all reports and updates to the Senior Committee of Officials in advance of providing to the Council to ensure adequate time for advice and briefing for ministers.</p> <p>Individual board members will immediately notify others members of any issue that could impact on the performance of the responsibilities of market bodies, the Board or the National Electricity Market<sup>1</sup> (NEM) as a whole.</p> <p>The Chair and Deputy Chair will attend meetings of the Council to enable ministers to seek further information and provide direction.</p> <p>Administrative support for the Board will be provided by AEMO. Further support will be provided by a senior level project team drawn from the market bodies as appropriate to the tasks in hand and as agreed by the Chair.</p>
<p><b>Scope of Board responsibility</b></p>	<p>The Board will support the transition of Australian energy markets and advance the long term interests of consumers in this process. It will have responsibility for the implementation of recommendations from the Independent Review into the Future Security of the National Electricity Market (Finkel Review), and provide whole-of-system oversight to the Council on energy security, reliability and affordability in the NEM. It will facilitate better planning, co-ordination and action between governments, the Energy Council, and market bodies. The Board’s work will support the National Electricity Objective and the National Gas Objective. The Board will provide Council with assessments of the performance of the NEM, any significant opportunities and risks in its operation and how they should be dealt with.</p> <p>Board members will share with each other information, discuss regulatory issues – in particular, emerging risks and threats to NEM security and reliability – and, if the need arises, coordinate responses to those risks and threats.</p> <p>In responding to emerging risk or broader system stress where more than one member of the Board has responsibility for responding to the situation, the Board will coordinate that response.</p> <p>Board members will act in the interests of the NEM as a whole. However, these Terms of Reference do not affect or modify market bodies’ existing legal functions and responsibilities.</p> <p>In undertaking its work, the Board will need to build strong relationships with the Council, the Senior Committee of Officials, and with all sectors of the energy</p>

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<sup>1</sup> The National Electricity Market includes the wholesale markets, network access regimes and retail markets.



<p><b>Scope of Board responsibility (cont.)</b></p>	<p>sector. The Board will work collaboratively with jurisdictions and with other bodies relevant to the NEM and its operation.</p> <p>In particular, the Board will:</p> <ul style="list-style-type: none"> <li>• Oversee implementation of the Finkel Review recommendations, as listed under the <i>specific actions to progress Board responsibilities in the next 18 months</i></li> <li>• Provide information to Council as required on developments in the NEM and proposed steps to be taken to address potential threats to reliability and security</li> <li>• Provide advice on governments’ actions affecting the NEM</li> <li>• Propose law and rule changes to the Council</li> <li>• Undertake a coordinating role to analyse and manage emerging risks arising from external or internal factors impacting on the operation of the NEM, and ensure appropriate actions are taken by market bodies and the Council to address the risks.</li> <li>• Publish an annual <i>Health of the NEM Report</i> describing the performance of the NEM, actual and emerging risks, and progress against the Statement of Expectations issued by the Council. The report must include a fact sheet that can be easily understood by household energy users. Embargoed copies of the report must be provided to the Council at least ten days before publication.</li> <li>• Undertake any other actions to support the transition of Australian energy markets as directed by the Council.</li> </ul>
<p><b>Review and reporting</b></p>	<p>The performance of the Board will be assessed annually by the Council against this Terms of Reference and the Board’s Statement of Intent.</p> <p>The Board will report to Council on its progress as a standing item.</p> <p>The Board will be able to refer matters to the Council/Senior Committee of Officials for its consideration.</p> <p>After the three year term, an independent review of the Board and its secretariat will be undertaken and advice provided to Council.</p>
<p><b>Specific actions to progress Board responsibilities in the next 18 months</b></p>	<p>The Board’s priority actions include:</p> <ul style="list-style-type: none"> <li>• Deliver an annual <i>Health of the NEM report</i>, with the first due by December 2017</li> <li>• Deliver a data strategy for the NEM in consultation with the Australian Energy Regulator, with consultation on strategy design to be undertaken and</li> </ul>



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	<p>finalised by the end of 2017, and the data strategy completed and implemented by end 2018</p> <ul style="list-style-type: none"><li>• Work with the Energy Council to develop new Statements of Expectations to the Australian Energy Regulator and Australian Energy Market Commission, and a Statement of Role for the Australian Energy Market Operator by mid 2018</li><li>• Work with the energy market bodies, Energy Council and other relevant stakeholders to optimise the end-to-end rule change process by mid 2018</li><li>• Develop, in consultation with the Australian Cyber Security Centre and the Secretary of the Commonwealth Department of the Environment and Energy, an annual report into the cyber security preparedness of the NEM, with the first report to be delivered by end 2018</li><li>• Oversight delivery of all recommendations in the Finkel Blueprint, with the ones below having a delivery date of end 2017<ul style="list-style-type: none"><li>○ AEMO's summer report</li><li>○ AEMO to require generator information on fuel resource adequacy and fuel supply contracts</li></ul></li><li>• Initiate other work to deliver the recommendations in the Finkel Review as directed by the Council.</li></ul>
<p><b>Terms of engagement</b></p>	<p>The Energy Security Board (ESB) acknowledges that has been established by the COAG Energy Council following a recommendation in the Finkel Review. The ESB's broad purpose is to implement the recommendations in the Finkel Review as agreed by COAG Energy Council and to oversee the orderly transition underway in the National Electricity Market under the strategic direction of the COAG Energy Council.</p> <p>Unlike the three market bodies, the ESB will not conduct work for one jurisdiction. It will only undertake work as directed by the COAG Energy Council.</p>