



Express law fast track information for clients

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Establishment of the Australian Energy Market Operator

In a major reform, electricity and gas markets in eastern Australia will now be operated by a single national energy market operator, called the Australian Energy Market Operator Ltd (AEMO).

Legislation conferring functions and powers on AEMO comes into effect today, enabling AEMO to commence operations.

Background

Prior to the establishment of AEMO, electricity and gas markets were operated by separate market operators. The national electricity market was operated by the National Electricity Market Management Company Ltd, while gas markets in the states and territories were operated by various jurisdictional operators (see below).

In April 2007 the Council of Australian Governments (COAG) agreed to establish a single, industry funded, national energy market operator for both electricity and gas to strengthen the national character of energy market governance.

Outline of reforms

The key points to note about the establishment of AEMO are as follows.

Australian Energy Market Operator: structure

AEMO is a not-for-profit **company limited by guarantee**, the membership of which will comprise governments (60 per cent) and industry (40 per cent). The governments of all jurisdictions except (initially) Western Australia and the Northern Territory will be members.

AEMO will join the Australian Energy Market Commission (AEMC: responsible for the National Electricity Rules and the National Gas Rules) and the Australian Energy Regulator (AER: the economic regulator) as the **main bodies** in national energy market governance.

Australian Energy Market Operator: functions

AEMO will **assume the functions** of five existing market operators:

- the National Electricity Market Management Company Ltd (NEMMCO)
- the Victorian Energy Networks Corporation (VENCorp)

- the Gas Market Company Ltd (GMC) in New South Wales and the Australian Capital Territory
- the Retail Energy Market Company Ltd (REMCo) in South Australia
- the Queensland Gas Retail Market Operator (GRMO).

In addition, AEMO will carry out new functions such as the **National Transmission Planner** (NTP) function for electricity, which will ensure the strategic, nationally focussed and efficient development of major transmission flow paths; and the preparation of the **Gas Statement of Opportunities** (GSOO), which will assist market participants to make informed decisions about investment in pipeline capacity.

New regulatory framework

A key part of the implementation of AEMO involved establishing the regulatory framework, which was outlined by the Ministerial Council on Energy, comprising the energy Ministers from the Commonwealth, states and territories.

- Changes to the **National Electricity Law** (NEL) (a schedule to the *National Electricity (South Australia) Act 1996* (SA)) and the **National Gas Law** (NGL) (a schedule to the *National Gas (South Australia) Act 2008* (SA)) were made in order to confer functions and powers on AEMO.
- Functions and powers were also conferred on AEMO by changes to the **National Electricity Rules** and the **National Gas Rules**. Amendments were also made to **regulations**, being the *National Electricity (South Australia) Regulations* and the *National Gas (South Australia) Regulations*. New subordinate instruments, called **Procedures**, providing for the regulation of gas markets by AEMO, were also made.
- **Commonwealth and state Acts** which apply the NEL and NGL as a law of their jurisdiction were amended to reflect the establishment of AEMO.

AGS was closely involved with the Department of Resources, Energy and Tourism in formulating these reforms, with two of its lawyers posted with the Department for the duration of the project.

The Acts containing the AEMO-related amendments to the NGL and the NEL can be found by clicking on the relevant links below.

[*National Gas \(South Australia\) \(National Gas Law - Australian Energy Market Operator\) Amendment Act 2009*](#)

[*National Electricity \(South Australia\) \(National Electricity Law - Australian Energy Market Operator\) Amendment Act 2009*](#)

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