

Australian Energy Market Commission

# Strategic Plan

2021/22 - 2024/25



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# Introduction

from our Chair and our Chief Executive



Anna  
Chair



Benn  
Chief Executive



**It is a privilege to be responsible for rule-making and expert advice as the Australian energy sector undergoes fundamental change in how energy is used, created, delivered, sold and stored.**

When the Commission was established in 2005 the sector in Australia was vastly different. The power system was characterised by large geographically-concentrated generators, delivering energy one way to a passive consumer base. A massive transition is happening now that is actually three separate transitions all at once. We are now moving from thermal plants to renewable inverter-based generators. We are also moving from large generators to smaller, more dispersed generators and finally from passive to active consumers. Energy is moving two ways with Australian consumers having the fastest rate of solar uptake in the world. As technology and digitalisation advances, in 10 years' time it will be different again.

Not only is change happening but the pace of change is accelerating. In the Commission's first year we did 24 rule changes and reviews. Last year we completed 70 rule changes and reviews, and several projects as part of the Energy Security Board's work program. How do we, as the organisation responsible for expert policy advice and making the rules that underpin the system, best contribute in this environment?

Starting as we mean to continue, this strategic plan was developed through a highly collaborative process with all Commissioners and staff, and we drew from input from our key stakeholders across government, consumer groups, industry and market bodies for their valuable insight and views as we developed our plan.

**As part of our strategic planning process, we identified two key uncertainties that we need to grapple with.**

The first is the level of coordination in responding to climate change both in Australia and internationally, and how this impacts the energy sector as it decarbonises. The second is the pace, nature, and scale of disruption that new technologies will bring to the Australian energy sector and how this can both impact and empower consumers. Navigating these two key uncertainties will be critical to the success of the Commission during this time of unprecedented change. Uncertainty brings challenges in making rules that address the critical issues of today but also have the right flexibility to set up the market for an evolving future. It also brings opportunity – never in its existence has the role of the Commission in being forward looking and thinking about the long-term been as important as it is today. Getting the settings right now for the future energy market opens up the potential for enormous benefits from cleaner, smarter, affordable and reliable energy.

We know through talking to our stakeholders that they value the Commission's technical expertise and our rigorous open and transparent rule-making process. We also know that they see we can get better at how we engage and listen, our connection to their issues and how we apply our deep knowledge in practical ways.

Our strategic plan outlines how we will navigate through these key uncertainties. We understand that the transformation and pace of change of the sector means we need to adapt our key skills and apply them in different ways to continue to add real benefits for energy consumers.

Uncertainty means we need a different and adaptable approach in how we make decisions. We have identified three key areas where we can adapt what we do to focus on how we add more value in an uncertain world. These are being more practical in our decision making, always being forward thinking and being collaborative and inclusive in all that we do.

If we get these things right, we maximise our chance of providing clarity and direction for the sector through changing times.

## Being more practical

We will focus on what works, on how rules interact with consumer behaviour, and develop rules and advice that take into account what is happening in the sector and how things are implemented in a complex, evolving world.

## Being forward thinking

In a rapidly changing world we need to be smarter about the problems we tackle and how we solve them. Today's solution needs to fit with what is happening tomorrow and in 10 years' time. A strength of the Commission is being able to take a view of the entire sector and look forward in our advice, in our analysis and in how we make rules. We need to make sure they fit together with the long-term direction of the sector.

## Being collaborative

Constantly adapting the way we collaborate with all our stakeholders so that our engagement is truly two-way and ongoing. Different perspectives are essential to solving complex problems that come with the transition. We will only be successful and achieve better outcomes by hearing and working through the issues from different points of view. Our job isn't to have all the answers but to deliver the right solutions together.

## Of course, our people are the key to the success of this strategy, and that's why we are continuing to invest in our staff's capability and wellbeing.

We are lucky to have an exceptionally talented and purpose-driven group of professionals committed to delivering the best outcomes for consumers as a new energy future evolves.

We look forward to working together to meet these challenges and taking the great opportunities that lie ahead in delivering benefits for all consumers during this time of transformation.



# Our strategic context

**Throughout our 2020-2021 strategic planning cycle, we have given great consideration to ensuring our Strategic Plan is as resilient as possible in an inherently uncertain future.**

Our Commissioners, Executive Leadership Team and Strategy Development Team went through a process of gathering strategic intelligence about the Commission's internal, sectoral, national and global context. We then applied methods of scenario planning experts such as Peter Schwartz, Richard Hames and Arie de Geus to identify the two most important uncertainties about our future context that this Corporate Plan must be resilient to. These uncertainties and their implications for the Commission are summarised below.

In undertaking this scenario planning we were mindful of our role. The Commission is one of four energy market bodies (including the Australian Energy Regulator (AER), the Australian Energy Market Operator (AEMO) and Energy Consumers Australia (ECA) reporting to Energy Ministers. Energy Ministers set the strategic direction of the energy sector through the Strategic Energy Plan.

The Strategic Energy Plan aims to provide clarity of direction for market bodies and participants in the transitioning energy system. The Commission is also a member of the Energy Security Board (ESB) responsible for whole of system oversight for energy security and reliability to drive better outcomes for consumers.

**These uncertainties are not our predictions of the future, nor the only uncertainties about the future we considered relevant in developing our plan.**

Rather they are the two key variables whose outcomes will have significant implications for our operating environment. They were used to test and validate the direction in our Strategic Plan, our objectives and what we will do to achieve them.

### Uncertainty 1

#### **The level of coordination of Australia's response to climate change.**

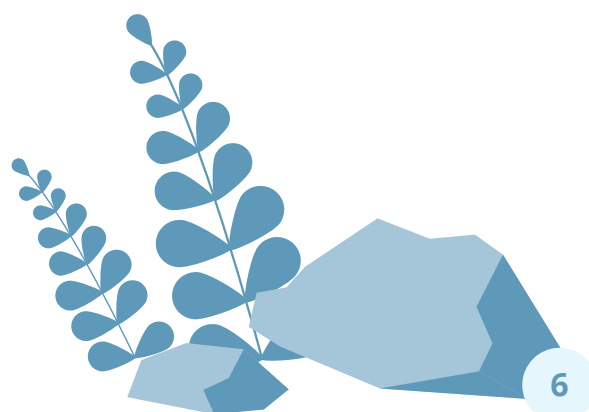
Global and national economic, social, technological, and political trends are putting pressure on Australia to respond to climate change. While all nations and Australian jurisdictions are responding to this pressure, the extent of the response – by industry and governments – is uncertain.

### Uncertainty 2

#### **The pace, nature and scale of disruption that new technologies will bring to the Australian energy sector.**

New technologies are already disrupting the way we use, create, deliver, sell and store energy. This is certainly expected to continue, but at what rate of change, at what points along the energy supply chain, and what new technologies will be adopted is unknown.

The uncertainties were used to map different scenarios and test our Strategic Plan against those futures. This gives us greater confidence that, despite uncertainty, our strategic objectives will help us deliver on our purpose of working for future productivity and living standards, by contributing to a decarbonising, affordable and reliable energy system for consumers.



# AEMC at a glance

We work for Australia's future productivity and living standards, by contributing to a decarbonising, affordable and reliable energy system for consumers.

## How we do it

We lead, collaborate, adapt and influence

## What we do

We listen, make practical rule changes and provide expert advice in a rapidly changing world

## Where we want to be

### In the next 6 months we will...

We deliver effective outcomes for consumers through practical rule changes and expert advice

Implement a new, practical and transparent decision-making framework that guides action towards a decarbonising, affordable, and reliable energy system.

We improve the energy market through more forward-thinking action and decisions

Work together with the ESB and other market bodies to secure clear commitment on rule changes and advice to drive required market design change. Learn and adapt the way we work to deliver the right outcomes.

We continuously adapt the way we engage and collaborate with all stakeholders

Improve engagement with all of our stakeholders through user-centric, two-way engagement methods and processes. Implement a strategic intelligence capability allowing us to deeply engage with and understand stakeholder contexts and needs.

## Our priority initiatives

We will focus our effort over the next 12 months on the following initiatives...



01

**A new decision-making framework** so that we deliver timely and effective rule changes when they are needed



02

**A prioritisation framework** ensuring focus on the most important issues through structured and consistent approaches



03

**Better engagement and collaboration with stakeholders** to build support and consensus for change across the sector



04

**'Brevity'** - improved accessibility and effectiveness of our work and supporting communications materials



05

**Forward thinking** to consider where the sector is moving and deliver the right outcomes



06

**Effective collaboration with market bodies** will lead to better long-term outcomes for energy consumers



07

**Continuing to invest in our people** to enhance and develop our ways of working to deliver on our strategic plan



# Our strategic identity

## Why we do what we do

**We work for Australia's future productivity and living standards, by contributing to a decarbonising, affordable and reliable energy system for consumers**

Energy is a key input to all sectors of the Australian economy. We recognise that decarbonised, affordable and reliable energy is a key enabler of improved consumer living standards.

In our vision for the future, energy simply works for all consumers. Consumers do not worry about their energy bills. Consumers do not worry when they turn on a light switch or charge a device, no matter where they are. Consumers do not worry about blackouts on hot days. Consumers do not worry about contributing to emissions.

By ensuring energy simply works for Australian businesses, we help the economy to grow sustainably and competitively, as well as providing certainty for investment, innovation and jobs.

## How we do it

**We lead, collaborate, adapt and influence**

We know that we cannot achieve this vision alone. Many stakeholders are involved in designing, operating, and regulating the energy sector, and we believe it works best when all stakeholders – market bodies, government, industry and consumers – are aligned and working towards a shared goal.

## What we do

**We listen, make practical rule changes and provide expert advice in a rapidly changing world**

As the rule maker and adviser for Australian energy markets, it is our role to understand how the rapidly changing context in which we operate affects the interests of consumers in the long term and design a future-proof system accordingly. We must account for trends such as decarbonisation, technological change and market transformation, and the uncertainty that the interaction between these trends creates in the sector.

# Our strategic direction

**Consistent with our focus on outcomes for consumers, we chose to articulate our strategic direction using objectives and key results rather than a traditional goal setting approach.**

Objectives and key results take us beyond a plan and closer to the execution realm of strategy. Our strategic direction sets out where we would like to be in the next three years (our objectives) and how we will know that we are on the right path along the way (the accompanying key results).



## Objective

**We deliver effective outcomes for consumers through practical rule changes and expert advice.**

## Currently...

Our rules and advice strive to be theoretically right but could be more practical given our rapidly changing external world.

### 06 months from now...

- ✓ We have a new, practical and transparent decision-making framework that guides action towards a decarbonising, affordable, and reliable energy system.
- ✓ We have explained to our stakeholders what the decision-making framework means for them.

### 01 year from now...

- ✓ We have adapted our internal systems and processes to support the new decision-making framework.
- ✓ We deliver timely and effective rule changes and advice that keep pace with evolving trends.

### 03 years from now...

- ✓ We are proactively working with stakeholders to evaluate the impact of rules made and ensure that our decision-making framework is working.

#### Objective

**We improve the energy market through more forward-thinking action and decisions.**

#### Currently...

Our work program is driven by many voices, different jurisdictional priorities and uncertainty in the sector given the pace of the transition.

#### 06 months from now...

- ✓ We work as part of a team with the ESB and the energy market bodies and have clear commitment for how we work together on rule changes and advice to drive required market design change.
- ✓ We are learning and adapting the way we work in our role.

#### 01 year from now...

- ✓ We have collaborated with our stakeholders to create a priority framework for rule changes and reviews.
- ✓ We have actioned the first tranche of work in the priority framework.

#### 03 years from now...

- ✓ We are providing practical rules that create greater investment certainty for the sector and forward-looking expert advice that improves stakeholder confidence in the energy system.

#### Objective

**We continuously adapt the way we engage and collaborate with all stakeholders**

#### Currently...

We engage using highly structured one-way channels that are most accessible for industry and other large system player contributions.

#### 06 months from now...

- ✓ We have defined and expanded our stakeholder segments and identified the best way to engage with those segments proactively.
- ✓ We have contemporary stakeholder engagement methods and processes that are user-centric, two-way, and appreciated by stakeholders as being genuine and pragmatic.
- ✓ We have developed a strategic intelligence capability that allows us to track and manage stakeholder relationships and deeply engage with and understand stakeholder contexts and needs.

#### 01 year from now...

- ✓ We have ongoing and regular engagement with stakeholders and always 'close the loop'.
- ✓ We balance different stakeholder groups' perspectives to inform our priority framework and rule changes.
- ✓ We provide support and advice to our stakeholders so that everyone can engage with the energy system equitably.
- ✓ We are collaborating with jurisdictions to optimise outcomes across the energy system.

#### 03 years from now...

- ✓ Stakeholders are regularly and easily engaging with us to provide input into our rule changes.

# Priority initiatives

## The next 12 months

**We have identified seven key initiatives to focus our effort on over the next 12 months to kick start our transformation to achieve our key results.**



### A new decision-making framework

01

The Commission's *Applying the Energy Market Objectives* guide was published in 2019. The energy market objectives are at the heart of every decision the Commission makes. Recognising the unprecedented change and transition underway the Commission is updating its approach to applying these objectives. The new decision-making framework will allow us to take a practical and transparent approach to decision making that works to help deliver a decarbonising, affordable, and reliable energy system for all consumers. This new framework will explicitly increase the consideration of implementation issues and be used to drive process improvements within the Commission. Transparency will ensure that our stakeholders understand our approach to decision making, so that we deliver timely and effective rule changes when they are needed.



### Prioritisation framework

02

How we have worked up until now will not enable us to deliver what is required to provide consumers with the energy system of tomorrow. Having clear guidance for the organisation on how to prioritise and appropriately resource projects allows for decisions to be made around the most valuable work we can do. The Commission remains open to all to identify issues and seek a rule change to improve the system for all consumers. However, the focus of the organisation needs to be on the work that provides the largest benefit to all in this time of transition.

A new prioritisation framework will help us to improve how we prioritise work through a structured and consistent approach on the most important issues. The Commission will consult annually on review and rule change priorities for the next 12 months. These will be published on the Commission website and we will continue to update these on an ongoing basis. Our priorities for the 2021-2022 timeframe are now up on our website.



# Priority initiatives

## The next 12 months



### Better engagement and collaboration with stakeholders

03

Feedback and input from stakeholders across industry is a core element of what we do and critical to performing our role, understanding trends and concerns, being forward thinking and making good decisions. A two-way dialogue is critical in building trust and transparency around how we make our decisions and the outcomes we are seeking to deliver.

We are aware of the depth and breadth of the reform agenda and are working to strengthen our open and transparent processes, methods and strategic intelligence capabilities, to evolve them to fit the pace and speed of the world we are in. How we can better support our stakeholders is key.

We are focused on engaging early and often with key stakeholders in a way that meets their needs. By doing so, we make the most of our position to understand issues from different perspectives, build support and consensus for change across the sector.

We are continuously looking at ways we can better engage and collaborate with all stakeholders and make providing feedback easier through new and improved digital platforms, new engagement tools, industry forums, focus and working groups and different ways of working. This initiative will increase opportunities to engage, listen, inform and deepen engagement around and beyond our work program.



### Brevity

04

The ability to deliver effective outcomes for consumers through practical rule changes and expert advice relies on us communicating complexity with simplicity and brevity. Clear and accessible materials are important in conveying the objectives and benefits of rule changes and facilitating better engagement in defining problems, identifying solutions and eliciting diverse perspectives on both.

With the volume of engagement needed on reforms across the sector, stakeholders have decreasing amounts of time. Having shorter, targeted and more impactful documents will allow stakeholders to identify the information they need faster. It will also help them to understand clearly how the Commission has made reforms – what it heard from stakeholders, how it considered this feedback in the context of the problem and the basis for which it made its decision. It is important that stakeholders understand how they have been heard.

Brevity will improve the accessibility and effectiveness of all Commission, rule changes and review work and supporting communications materials.

# Priority initiatives

## The next 12 months



### Forward thinking

05

Deep understanding of markets and economics is a central part of the Commission. These skills are complemented by engineering and policy-making expertise. We aim to bring cross sectoral teams together to grapple with the challenges the energy sector is facing and seek views across the sector on how to improve outcomes for consumers. It isn't enough to grapple with the challenges of today. To deliver on our objectives we need to look forward and consider where the sector is moving to in order to be able to deliver the right outcomes.

Our in-house quantitative analysis and energy market modelling capability will continue to be leveraged to provide unique insights for an increasingly complex, interrelated and expanding work program. Our forward thinking will continue to be improved through fostering and expanding our relationships with academic institutions undertaking cutting-edge research and involvement with key international energy market forums.



### Effective collaboration with market bodies

06

Effective collaboration between energy market bodies will lead to better long-term outcomes for energy consumers. The Commission will continue to partner with energy market bodies formally and informally to deliver better outcomes, including through better coordinating and sequencing of work programs and streamlining implementation of rule changes. Our strategic plan recognises how central this is for us to be able to deliver effective rule changes and reviews.



### Continuing to invest in our people

07

The outcomes we seek to achieve will only be realised through our people. An engaged workforce where we support one another, value diversity and expand our expertise in a broad range of capabilities necessary for our objectives is critical.

We will work with our people to identify opportunities to strengthen our ways of working and look at introducing new ways of working that deliver on our strategic plan. Our focus will be on providing opportunities to help drive engagement, retention and inspire our people to do their best work and learn and grow.

Finally, underpinning every initiative is aligning how we work with our values and behaviours to ensure we all find meaning in our work. The best work happens when we know that what we do does not just work but contributes to something that will improve other people's lives. We will define our values and behaviours to support the implementation of our Strategic Plan.

# Measuring our success

**Our Strategic Plan updates the objectives that will set out directions and the key results we are looking to achieve.**

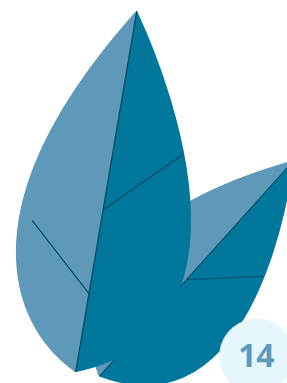
The Key Results outlined above will be our key measure of success as we transform the AEMC toward the delivery of:

- less theoretical and more practical rule changes and expert advice for consumers
- less reactive and more forward-looking action and decisions for improving the energy market, and
- less one way and more collaborative and adaptive ways of engaging with all stakeholders.

**Each of our priority initiatives for the next 12 months will have detailed plans that will allow us to keep track of our progress towards those key results month by month.**

The plans will be complete with milestones and timeframes, and how the plans will drive our internal and external change and measure our success. Some of these results will be available in six months' time, others may take 12. They will lay the groundwork for the next three years of change.

To reflect this change, we must also redesign our performance framework to ensure close alignment between our key performance indicators (KPIs) and objectives. The KPIs in our current Statement of Intent have always been there to measure our performance. While they are good indicators of our outputs, we are also interested in developing a KPI framework that measures not only our outputs, but the outcomes and impact of what we do. Moving to a framework that considers outcomes and impacts will necessarily include measures that are not wholly within our control. Nevertheless, we need to measure how we contribute to the outcomes we are all seeking to deliver, including with other market bodies, jurisdictions and the sector. Our Statement of Intent from Energy Ministers will be updated regularly in this context and informed by the Energy Ministers' Strategic Energy Plan, which outlines the strategic direction of the energy sector.



# AEMC prioritisation framework: 2021-2022

**As part of our prioritisation framework we will set priority areas of reform.**

Addressing these priorities, and the issues and trends that they speak to, is critical to supporting the Energy Ministers' Strategic Energy Plan. It is also critical to delivering a reliable, secure, affordable and low emissions energy supply in an efficient and timely way and meets the expectations of energy customers and the community.

**The purpose of the prioritisation framework is to use our resources so we are doing the work that matters most. It has three aspects:**

## **Identify our key focus areas**

Over the upcoming 12 months, to guide the rule changes and reviews to be progressed, and our forward-looking thought leadership insights for better consumer outcomes.

## **Be transparent**

About what these priorities are and what that means for what work will be delivered. The priorities act as a guide for rule change proponents but are not exclusive. Other rule changes falling outside of the priorities will still be progressed if they are urgent or critical to the functioning of any of the electricity, gas or retail markets. Of course we always prioritise other work asked of us directly by Energy Ministers.

## **Identify new and strategic ways of working and delivering our priority work**

Including continuing to leverage expertise across market bodies, streamlining existing rule making processes, bundling and sequencing 'projects' where it makes sense to address issues collectively.





**We have consulted on draft priorities and listened to the feedback in developing the following priorities for 2021-2022 for our work program:**

### **Recommendations**

Prioritise recommendations made by Energy Ministers in relation to the Energy Security Board's Final advice on Post 2025 Market Design (P2025).

### **Essential System Services**

The Commission has been progressing a substantial work program that complements and is interdependent with the P2025 Essential system services and scheduling and ahead mechanisms reform pathway. Finding new ways to procure enough essential services to keep the power system stable and secure remains a critical priority for the sector.

### **Enabling and integrating Distributed Energy Resources**

The Commission has been progressing a substantial work program that complements and is interdependent with the P2025 DER Implementation Plan. Effectively integrating these distributed resources into the NEM and properly valuing the flexibility from customer demand in a market that has always been dominated by supply is essential to getting us to the NEM of the future.

### **Transmission planning and investment framework**

New transmission investment is critical to the transitioning energy sector. We need to build transmission in areas where we have not required large amounts of transmission capacity previously, driven by new generation. We need up-to-date and fit-for-purpose frameworks that will deliver timely investment.

### **Removing regulatory burden**

Opportunities to remove unnecessary regulatory burden from the rules will be taken by the Commission whenever possible.

In line with our approach last year, the Commission will not undertake a number of its regular reviews. At this stage the Commission proposes not to undertake its regular Electricity Network Economic Regulatory Framework review and Retail Energy Competition reviews again in 2021-2022. We will continue to undertake our Residential Electricity Price Trends work and will agree how it can be streamlined with jurisdictions.

We expect that the metering and transmission planning and investment framework, gas market reform and preparatory work for a hydrogen economy will also be key areas of focus of our review and advice work this year.