

Principles to guide jurisdictional schemes

In its final advice on Post-2025 energy market reforms, the Energy Security Board recommended Energy Ministers adopt a set of principles to guide the development of any future jurisdictional schemes to ensure a common approach that is consistent with current market signals for investment.

These principles are non-binding and no way constrain or prejudice the actions of jurisdictions to respond to their specific needs and context, including the role of government ownership.

The following principles have been agreed by Energy Ministers, based on input from the ESB and jurisdictions:

1. Participants that are party to jurisdictional contracts should be incentivised to make operational decisions based on wholesale price signals (inclusive of ancillary services).
2. Jurisdictional schemes should incentivise investors to enter bilateral contracts with market participants rather than rely on an underwriting contract with a jurisdiction. This minimises the level of Government support required, the risk that is borne by consumers or governments on their behalf and maximises liquidity in the contract market.
3. Consideration should be given to maximising the transparency around government investment. Where possible, jurisdictions should share with the market information about:
 - a. the volume, technology type, location, and timing of entry and/or exit of generation supported by jurisdictional schemes, as soon as is practical to do so.
 - b. subject to confidentiality constraints, the nature of any arrangements reached in an Orderly Exit Management Contract that are relevant to the exiting generator's behaviour in the market.
4. If jurisdictions are considering an Orderly Exit Management Contract in relation to a retiring generator:
 - a. the recovery of electricity related costs arising under orderly exit contracts may be funded by the market.
 - b. the contract itself should include obligations on generators to:
 - i. bid into the market and make the specified capacity / services available at the required times.
 - ii. ensure sufficient fuel is available and maintenance undertaken to meet output requirements until the end of the agreed term.