

WHITE PAPER
APRIL 2026

POWER DYNAMICS

ENERGY GOVERNANCE IN AUSTRALIA



Funded by

**RACE for
2030**

ACKNOWLEDGEMENTS

This White Paper draws on the insights and contributions of more than one hundred individuals, including interviewees and members of an Expert Panel convened to support this project. The strong level of engagement reflects the widely shared view that effective energy governance is critical for Australia's future. The project team is deeply grateful for the time, expertise and perspectives contributed by the Expert Panel, interviewees and people who responded to consultation papers.

While informed by these contributions, this is an independent White Paper and does not represent a consensus view. Interviewees and Expert Panel members were not asked to endorse the findings or recommendations, and their views may differ from those expressed in the White Paper.

The project was supported by the RACE for 2030 Cooperative Research Centre, whose assistance made this work possible.

Acknowledgment of Country

This White Paper was produced on the lands of the Wurundjeri people of the Kulin nation.

Copyright

© Energy Efficiency Council 2026. This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be reproduced without prior written permission from the Energy Efficiency Council. Questions regarding reproduction should be addressed to the Energy Efficiency Council, 1 Nicholson Street, East Melbourne, Victoria 3002.

Disclaimer

Reasonable efforts have been made to ensure the contents of this publication are factually correct. However, the Energy Efficiency Council does not accept responsibility for the accuracy or completeness of the contents, and shall not be liable for any loss or damage that may be occasioned directly or indirectly through the use of, or reliance on, the contents of this publication.

Design

Minus Plus Multiply

Citation

Murray-Leach, R. 2026 *Power Dynamics: Energy Governance in Australia White Paper*, Energy Efficiency Council, Melbourne.

EXECUTIVE SUMMARY

Australia's energy system is undergoing a profound transformation, driven not only by investment in large-scale infrastructure, but also by the decisions of millions of households and businesses about how they produce and use energy. Both are shaped by energy market design and a broad range of policies.

The governance of energy market design and related public policy – referred to as 'energy governance' in this White Paper – affects energy reliability, affordability and sustainability and public support for the energy transition. Energy governance can be simplified as **who** makes public policy decisions, **how** they are made and **whose interests** are considered.

The Energy Efficiency Council (EEC), supported by the RACE for 2030 Cooperative Research Centre (RACE), commissioned this White Paper from independent expert Rob Murray-Leach to identify practical governance reforms to help Australia successfully navigate the energy transition. The project draws on research, public consultation and confidential interviews with more than one hundred leaders across governments, market bodies, industry, research and civil society.

A FRAMEWORK BUILT FOR STABILITY IS UNDER STRAIN

Australia's energy governance framework spans a wide range of institutions, including National Electricity Market (NEM) bodies, ministerial councils and government departments responsible for policy areas such as electricity supply, housing and transport.

This framework largely evolved during a period of stable technologies, steady growth in demand and broad alignment among governments. While this framework delivered significant benefits, these conditions no longer hold.

Governance arrangements designed to implement and incrementally refine the energy market are struggling to reform that market and deliver integrated energy policy. These arrangements were intended to minimise the need for political intervention, but the transition requires decisions that are inherently political due to their scale, cross-sectoral interactions and distributional impacts.

In a period of rapid change, energy governance must support integrated decision-making in an environment of uncertainty – identifying emerging challenges, rapidly testing policy options across a range of possible futures, considering interactions between market and non-market interventions and assessing trade-offs to inform timely decisions.

Australia has a large pool of capable experts working to manage the transition. Their task is made significantly harder by interrelated governance issues that include:

- fragmentation of responsibilities across governments, portfolios and institutions, leading to siloed analysis and inconsistent policy signals
- difficulties in securing social licence and political agreement, particularly for multilateral reforms
- institutions being tasked with roles they are not well suited to, especially where governments have not resolved underlying policy questions
- insufficient focus on consumer behaviour, energy efficiency, electrification and consumer energy resources (CER)
- under-representation of the views and interests of consumers, researchers and emerging industries
- gaps in the data, research and diverse perspectives needed for effective decisions.

Unless these issues are addressed, reforms will be delayed, inconsistent and contested, increasing risks to the sustainability, affordability and reliability of energy.

RECOMMENDATIONS

There was widespread agreement between interviewees that governance reform is necessary. However, governance reforms must be well considered, as they have costs and can divert attention from more immediate policy challenges.

This White Paper includes targeted recommendations relating to market bodies. However, it deliberately adopts a broader focus and does not seek to comprehensively redesign institutional structures. While institutional design matters, many of Australia's governance challenges arise less from the structure of individual organisations, and more from the context in which they operate.

Governments are the key decision-makers for major energy reforms, both within and beyond the NEM. While market bodies provide critical expertise, issues that are complex, cross-sectoral or require deep reform will often need to be progressed by task groups that include governments, market bodies and external experts.

Public policy decisions are also shaped by a broader ecosystem of industry, consumer advocates, researchers and think tanks. While formal decisions must sit with accountable institutions, the information and social licence needed to support those decisions often emerge through more distributed and informal processes.

This White Paper proposes a package of practical but material recommendations which reflect analysis supported by both extensive consultation and research. These recommendations build on prior efforts by governments and institutions and examples of successful reform within the current system.

Recommendations are grouped into seven themes which are complementary and should be read as a package:



Theme 1 – Match reforms to levels of government

In a period of rapid transition, some policies should be made nationally or NEM-wide for consistency, while others are better made by individual states and territories to enable experimentation, local tailoring or faster progress. Interjurisdictional forums and institutions should enable not just national and NEM-wide policy but also support and coordinate decentralised decision-making.



Theme 2 – Improve integration, coordination and collaboration

Energy policy spans multiple fuels, sectors and objectives, including housing, transport, industry, health, welfare and economic development. Measures to improve coordination include cabinet sub-committees, sub-national collaboration and greater use of secondments and task groups.

However, a shift to whole-of-system energy governance requires culture change across a broad range of departments and institutions and must be driven by energy ministers, premiers and the Prime Minister.



Theme 3 – Expand demand-side policy capability

Millions of consumer decisions that relate to energy use, electrification, efficiency and CER are fundamentally reshaping Australia's energy system. Governance, however, remains heavily focussed on large-scale supply.

Demand-side policy capabilities need to be rapidly built up within government departments, market bodies and the broader energy sector.



Theme 4 – Actively seek diverse views and interests

Effective reform requires deep engagement with consumers and other stakeholders to improve decision-making and build social licence.

Funding for expert consumer representation needs to be increased. For some key issues, deliberative forums with a broad range of stakeholders are not a luxury, but essential for timely reform.



Theme 5 – Expand investment in diverse policy-relevant research

In a period of change and uncertainty, decisions must be informed by diverse research and analysis. Energy companies, consumer representatives, research institutes, and think tanks can rapidly generate diverse ideas, test proposals and help build social licence.

Governments should increase funding and coordination for policy-relevant research. The costs of increasing funding for energy research would be significantly outweighed by the benefits of more efficiently navigating the energy transition.



Theme 6 – Provide centralised data, modelling and information

The research and investment decisions needed for the transition require accessible data, information and modelling tools. Targeted investments in shared infrastructure, such as a national data system, would improve the quality and efficiency of analysis across the sector.



Theme 7 – Refine institutional roles

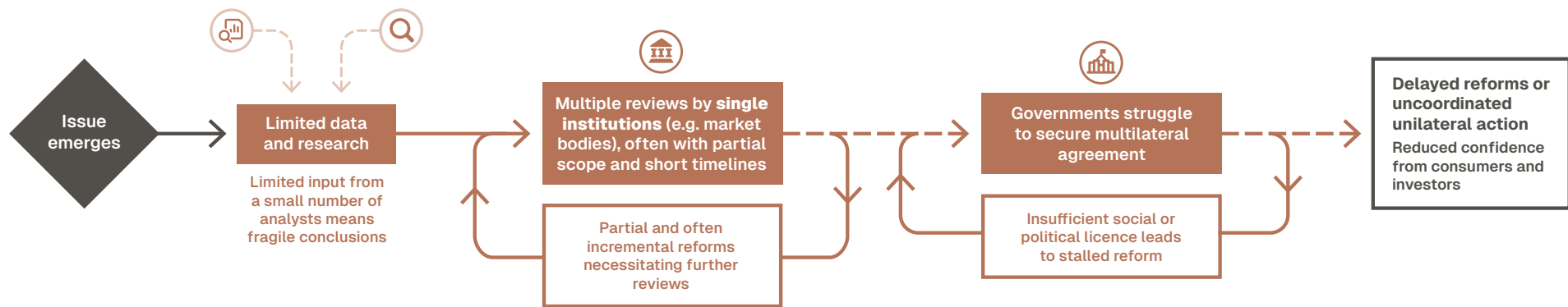
Market bodies should be reformed to better perform their core functions, reduce their efforts on tasks they are not well suited to, and contribute more time to multi-organisation task groups and individual governments' projects.

CONCLUSION

Effective energy governance will be critical to navigating the energy transition. Policy development is rarely linear, but **Figure 1** highlights that early investment in research, deliberation, coordination and multi-organisational reviews can improve the speed, quality and durability of policy reform. Strengthening governance will reduce the risk of delayed, fragmented or contested policies and enable an orderly, affordable, sustainable and publicly supported energy transition.

Figure 1. Fragmented and recursive reform vs. coordinated reform

Fragmented and recursive process



Coordinated process

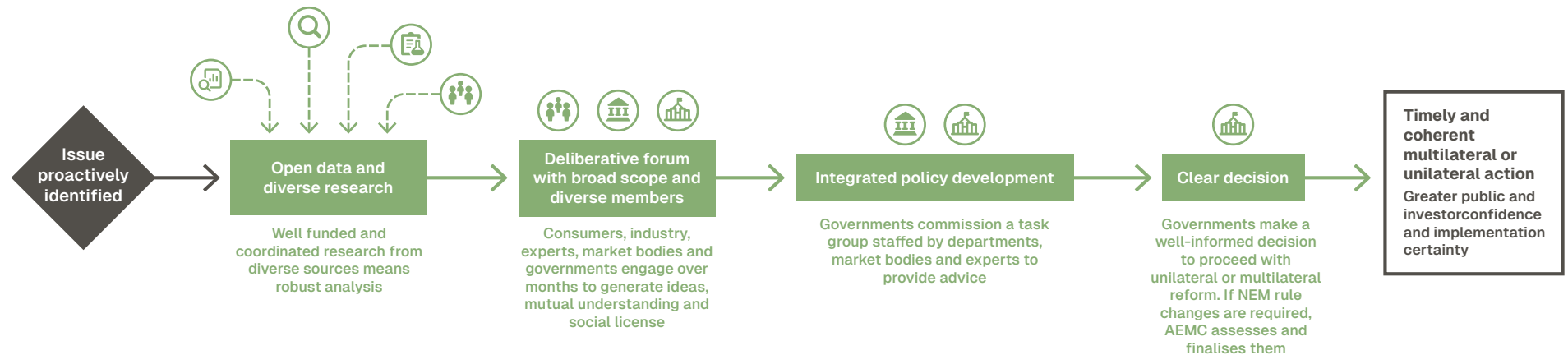


TABLE OF CONTENTS

3 EXECUTIVE SUMMARY

- 4 A framework built for stability is under strain
 - 5 Recommendations
 - 7 Conclusion
-

10 CONTEXT AND DIAGNOSIS

- 10 Public governance
 - 12 Fragmentation and coordination challenges
 - 16 Social licence
 - 17 Analytical issues
 - 21 Summary
-

22 RECOMMENDATIONS

- 25 Theme 1. Match reforms to levels of government
 - 30 Theme 2. Improve integration, coordination and collaboration
 - 35 Theme 3. Expand demand-side policy capability
 - 41 Theme 4. Actively seek diverse views and interests
 - 47 Theme 5. Expand investment in diverse policy-relevant research
 - 52 Theme 6. Provide centralised data, modelling and information
 - 55 Theme 7. Refine institutional roles
-

61 CLOSING REMARKS

63 REFERENCES AND APPENDICES

- 64 References and further reading
- 68 Appendix A. Project goals and methodology
- 70 Appendix B. Expert Panel members
- 72 Appendix C. Principles of good governance
- 77 Appendix D. Acronyms

CONTEXT AND DIAGNOSIS

This chapter outlines key governance challenges shaping energy decision-making in Australia, providing context for the recommendations in the following chapter.

PUBLIC GOVERNANCE

'Public governance' can be summarised as **who** makes policy decisions, **how** they are made and **whose interests** are considered.

Governance includes formal institutional structures, rules and procedures, but also informal elements such as shared ideas, cultural norms and relationships between individuals.¹ These informal elements act as hidden mechanisms that can enable or impede efficient decision-making and coordination.

Governance extends beyond governments and regulators. It includes citizens, consumers, businesses, industry bodies, researchers and civil society organisations that provide information, influence decisions and help build social licence.

¹ Organisation for Economic Co-operation and Development (OECD) 2020 *Policy Framework on Sound Public Governance: baseline features of governments that work well*, OECD Publishing, Paris.

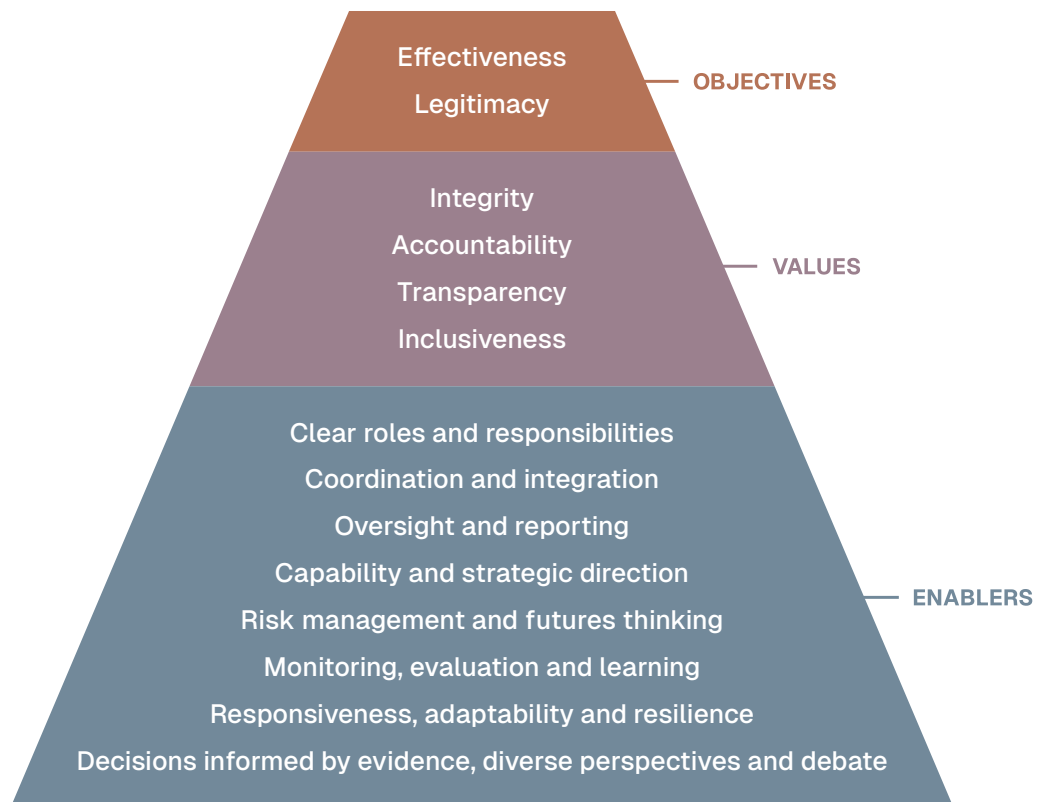
Households and businesses are part of energy governance as stakeholders that influence public policy decisions. They are also increasingly investors and decision-makers whose choices about technologies and energy use are directly reshaping energy systems. While these private choices are not a formal part of governance systems, they both influence and are influenced by governance.

Sound governance matters for two reasons. First, it improves the effectiveness of decision-making and therefore real-world outcomes. Second, it supports legitimacy by ensuring that decisions are lawful and widely perceived as competent, fair and made in the public interest. Achieving both outcomes requires governance systems grounded in both:

- **values**, including integrity, accountability, transparency and inclusiveness; and
- **enablers**, including whole-of-system coordination and decision-making informed by evidence, diverse perspectives and robust debate (see Figure 2).

This review considered these values and enablers in identifying both governance challenges and practical opportunities to strengthen energy governance. Appendix C provides further discussion of governance principles, drawing on work by bodies like the Organisation for Economic Co-operation and Development (OECD), the United Nations and the Australian National Audit Office (ANAO).

Figure 2. Principles of good public governance



Note: Based on analysis of governance frameworks by sources including OECD (2020) and ANAO (2003).

FRAGMENTATION AND COORDINATION CHALLENGES

Energy policy spans far more than just electricity generation and networks. It includes multiple fuels, distributed generation and end-uses such as appliances, buildings, vehicles and industrial equipment. As a result, energy policy intersects with areas such as land-use planning, housing, transport, industry and contributes to critical societal goals including wellbeing and economic development.

This breadth means responsibility for energy-related decision-making is distributed across multiple departments and institutions, even in countries with a single national government. While this White Paper primarily focuses on electricity, growing interactions between electricity, gas and liquid fuel markets mean this review adopts a broader perspective that reflects the need for **whole-of-system** energy governance.

In Australia, responsibility for energy policy is divided both across portfolios and between levels of government. The Australian Constitution does not explicitly mention energy and climate change, but section 51 sets out that the Australian Government can legislate on matters that include corporations, interstate trade, external affairs (such as international climate treaties) and issues referred by the states.^{2,3}

States and territories retain primary responsibility for many aspects of energy policy. While the Federal Government cannot directly legislate in many areas of state and territory responsibility, it can influence decisions through its fiscal capacity to support coordination, policy analysis and investments that are critical to the energy transition.

To manage this fragmentation, governments have progressively established both intra- and interjurisdictional governance arrangements. These arrangements were designed during a period when energy technologies and markets were relatively stable, and energy policy did not need to evolve rapidly. There was limited focus on integrating electricity market governance with end-use sectors such as buildings and transport, as relationships between supply and demand were seen as stable and well understood, and demand was treated as largely passive and not easily influenced.

From the late 1980s, East Coast governments began expanding interstate transmission connections to improve energy affordability and reliability. Physical interconnection increased the pressure for harmonisation of electricity markets and regulatory frameworks across jurisdictions. This harmonisation was feasible

2 Crossley, P. 2024 *Energy regulation in transition – Parliamentary Research Service Research Paper 2024-09*, Parliament of New South Wales, Sydney.

3 Kallies, A. 2021 'The Australian Energy Transition as a Federalism Challenge: (Un)cooperative Energy Federalism?' *Transnational Environmental Law*, 10:2 (2021), pp. 211–235

because governments broadly shared objectives of efficient electricity dispatch and incremental investment. However, achieving agreement still required extensive negotiation, resulting in the creation of the NEM and its governance model in the 1990s and early 2000s.

In the NEM, some decision-making functions are delegated to the market bodies – the Australian Energy Market Commission (AEMC), the Australian Energy Regulator (AER) and the Australian Energy Market Operator (AEMO). This reduced the need for governments to negotiate minor reforms and streamlined multijurisdictional decision-making.

However, cabinets and ministers remain the ultimate decision-makers, and some reforms formally or practically require intergovernmental consensus. Even where market bodies have delegated powers, they operate within both explicit rules and a broader tacit authorising environment shaped by governments and intergovernmental dynamics. For example, states and territories retain the ability to depart from national arrangements through jurisdictional variations (known as derogations), creating pressure for decisions and public positions that are acceptable across jurisdictions.

The context in which this framework was designed has changed. Rapid technological change, shifting markets and the imperative to reduce emissions have both increased the pressure for rapid policy change and redefined the objectives of energy policy. Consensus-based governance makes rapid reform difficult and tends to bias decision-making towards incremental change, particularly where governments differ in priorities or policy approaches.

The pressure for reform, combined with the difficulty in securing NEM-wide agreement, has led states and territories to increasingly act unilaterally. To date, states and territories have collectively implemented more than 400 jurisdictional derogations from NEM rules and regulations.⁴

At the same time, many issues that are now central to electricity policy — such as CER and the electrification of transport — were not envisaged within the original NEM framework. Policy in these areas has therefore developed through a mix of unilateral and multilateral processes outside the NEM framework, further increasing fragmentation (see Figure 3).

4 Crossley, P. 2024 *Energy regulation in transition – Parliamentary Research Service Research Paper 2024-09*, Parliament of New South Wales, Sydney.

As a result, energy policy in the East Coast is now governed through a complex mix of:

- unilateral Federal Government actions
- national multilateral agreements
- NEM-wide decisions made by governments or market bodies
- jurisdictional derogations from NEM rules and regulations
- unilateral state and territory policies that sit outside the formal NEM framework.

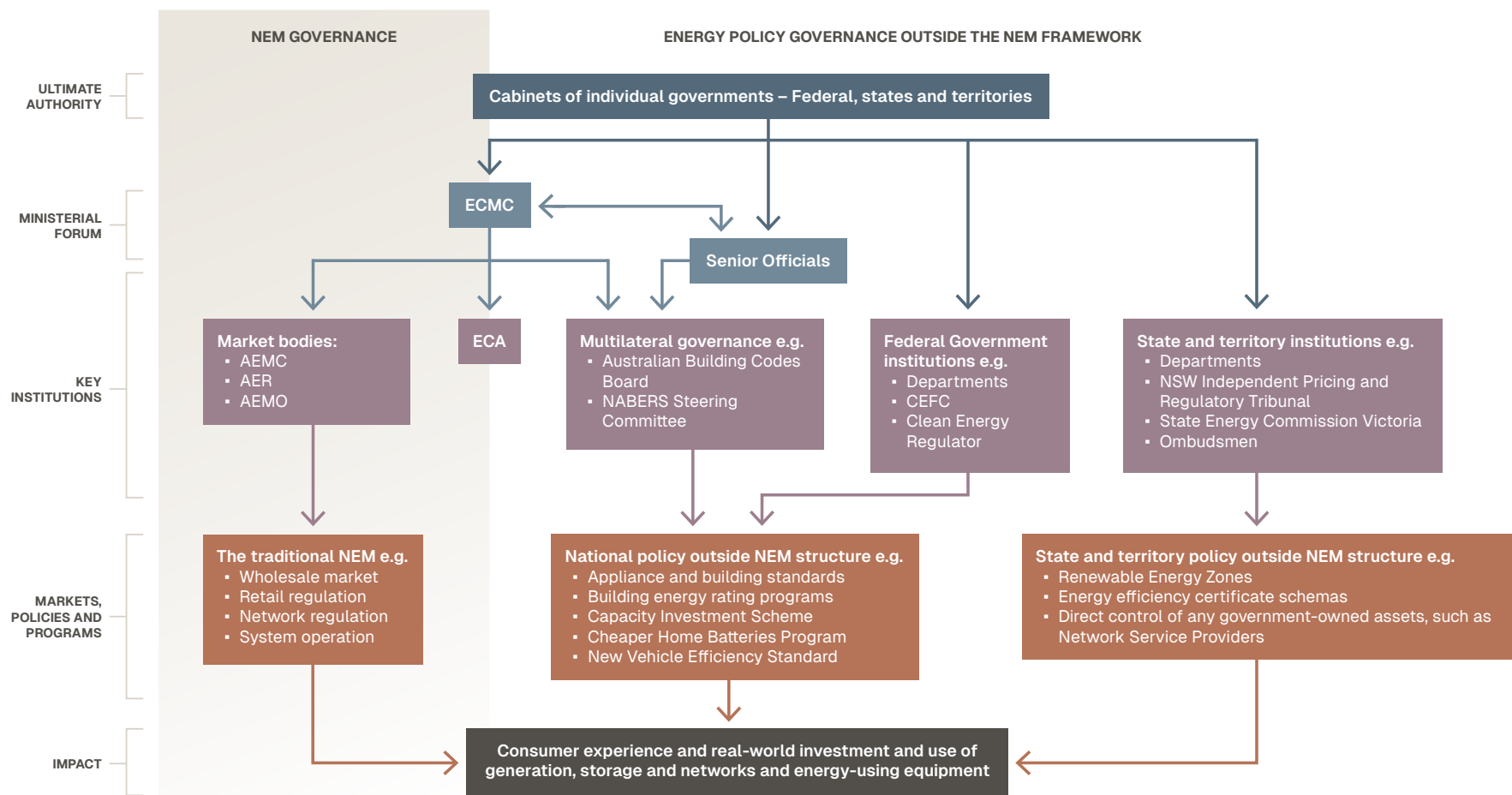
Western Australia and the Northern Territory have retained greater control over energy policy within their borders, although they remain affected by Federal Government policies and national agreements. While governance arrangements in these two jurisdictions are generally more straightforward, they face different challenges from smaller markets and fewer policy staff.

In summary:

- The NEM's consensus-based governance model makes reform slow and difficult. Recommendations to address this are set out in *Theme 1 – Match reforms to levels of government*.
- Energy policy is highly fragmented and requires significant coordination. This is addressed in *Theme 2 – Improve integration, coordination and collaboration*.
- Governance of energy supply and demand is poorly integrated. This is addressed in *Theme 3 – Expand demand-side policy capability*.

These structural features not only complicate decision-making but also shape the political dynamics of energy reform. When multiple governments, institutions and other parties must agree to change, building public acceptance and political legitimacy becomes critical.

Figure 3. NEM governance is part of a broader energy governance system



Notes: This figure is illustrative, and to aid clarity it omits many important institutions and programs. Acronyms in this diagram include AEMC (Australian Energy Market Commission), AER (Australian Energy Regulator), AEMO (Australian Energy Market Operator), CEFC (Clean Energy Finance Corporation), ECA (Energy Consumers Australia), ECMC (Energy and Climate Ministerial Council), NABERS (National Australian Built Environment Rating Scheme) and NEM (National Electricity Market).

SOCIAL LICENCE

For energy reforms to be possible and durable, they need broad public acceptance. This is often described as **social licence** – the level of public trust and consent that allows governments and institutions to implement change. Social licence has a direct impact on governments' ability to agree to and implement the reforms needed for the energy transition.

Energy policy is particularly vulnerable to politicisation because it is complex and highly visible. Public debate is often reduced to simplified positions, such as pro- and anti-renewables, which makes it harder to have constructive discussions about the detailed policy changes required to manage the energy transition.

As physical energy systems change, markets and regulations also need to adjust. Reform itself can attract more opposition than maintaining existing arrangements, regardless of its benefits.⁵ Opposition to reform can be significantly greater when it redistributes costs, benefits or risks between different groups of consumers, taxpayers and investors. These distributional impacts mean that even technically sound policies can become politically contested if they are perceived as unfair.

For example, reductions in rooftop solar feed-in tariffs largely reflect that daytime wholesale electricity prices have decreased as solar penetration has increased. However, some consumers interpreted this change as unfair.

Social licence is therefore not simply a matter of communication or public relations. It is shaped by the design of governance processes – including how decisions are made, whose voices are heard and how costs and benefits are distributed.⁶ *Theme 4 - Actively seek diverse views and interests* addresses the important topic of inequalities of influence in energy governance.

Conversely, social licence can also shape governance. Interviewees noted that the 2016 South Australian blackout – and the way it was politicised – strengthened state and territory resolve to retain policy levers they regarded as necessary to ensure energy reliability.

5 For example, see Oxera 2016 *Behavioural insights into Australian energy markets – prepared for the Australian Energy Market Commission*, Oxera, Oxford. Moleman, M et al 2025 “The role of status quo bias in shaping support for controversial transport policies: The counterfactual test”, *Transport Policy* 171, p454-461

6 O'Connor, R., Bice, S., and Henderson, H. 2025 *Strengthening Australia's reform 'muscle' via social licence to operate: evidence & practice*, ANZSOG Research Insights No.54. Australia and New Zealand School of Government, Melbourne.

Finally, while governments and institutions play important roles in building social licence, in a contested policy environment they cannot do this alone. Independent research institutes, non-profits and industry all contribute evidence and diverse perspectives to public debate, which can strengthen community understanding and social licence. In fact, surveys often show higher public trust levels in these groups as sources of information than in governments.⁷ Strengthening this broader ecosystem of institutions is addressed in *Theme 5 – Expand investment in diverse policy-relevant research*.

ANALYTICAL ISSUES

Governance arrangements shape how policy problems are analysed and decisions are made. While individuals may have broad perspectives, they operate within organisations with defined remits, incentives and ways of working.

Effective energy policy decisions require:

- a holistic perspective across the energy system and related sectors
- access to evidence, diverse perspectives and informed debate
- analytical processes that recognise and manage bias
- sufficient institutional capacity.

Current governance arrangements affect each of these conditions. The following sections outline several factors that impact energy policy analysis.

Barriers to holistic analysis

The fragmentation of energy governance in Australia not only creates policy gaps and duplication of effort, it also shapes how problems are analysed. For example:

- Reviews frequently examine a single aspect of an issue, such as retail tariffs, without also considering related elements like network pricing or incentive programs.
- States and territories typically focus their analysis on issues within their own borders, with less focus on interactions between jurisdictions.
- Institutions typically analyse the parts of the energy system within their remit. For example, AEMO historically focussed on large-scale generation and transmission, with less attention on distribution networks, energy efficiency and CER, limiting analysis of opportunities to co-optimize supply- and demand-side measures.

⁷ Edelman Trust Institute 2024 *Edelman Trust Barometer*, Global Report, Edelman, Chicago.

Siloing affects not just policy topics, but also analytical approaches. Robust analysis typically draws on multiple disciplines. However, organisations established to focus on particular functions – such as market design, regulation or engineering – are staffed, skilled and incentivised to prioritise those functions.

Similarly, states and territories often approach energy issues through a service-delivery lens, while the Federal Government tends to focus more on national frameworks. Both perspectives are necessary, and neither is sufficient on its own.

Interviewees highlighted positive instances of individuals coordinating across organisational boundaries to develop more holistic solutions. However, individuals can only do this to a limited extent, particularly when managing heavy workloads.

Formal coordination and informal information sharing can help reduce siloing, but institutions also need internal processes to support more holistic analysis. However, truly holistic analysis is most likely to emerge in system nexuses, such as government departments and multi-organisational task groups. These issues are examined further in *Theme 2 - Improve integration, coordination and collaboration*, *Theme 3 - Expand demand-side policy capability* and *Theme 7 - Refine institutional roles*.

Evidence gaps, research capacity and contestability

Effective decision-making depends on access to evidence, diverse perspectives and informed debate. Many interviewees provided strong feedback that there are gaps in the availability of data to inform research, policy development and investment decisions. However, raw data alone is insufficient – policy makers also require data interpretation, analysis and research.

Governments and market bodies undertake policy-relevant research and should continue to strengthen this capability. However, consumers, industry, research organisations and think tanks play critical complementary roles as:

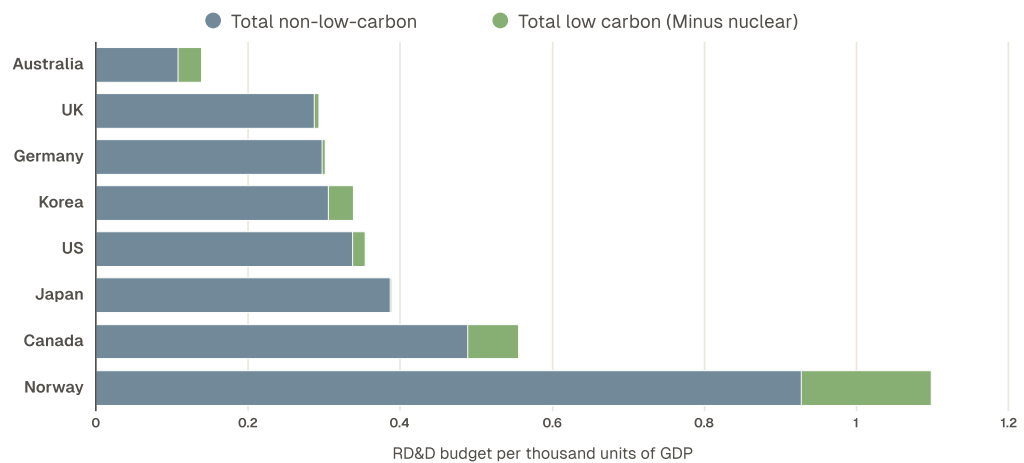
- They hold distinct information and perspectives. Consumers understand their lived experience and preferences. Industry understands how technologies and policies interact in practice, and are often the first to identify emerging challenges and innovate solutions. Researchers provide expertise such as behavioural insights.

- Diverse perspectives help to test assumptions and identify blind spots. The Commonwealth Investment Framework explicitly states that good governance should ensure “greater contestability and robustness of advice and decisions”.⁸
- Exploratory analysis can be contentious and is often best done at arms-length from decision-makers like governments and market bodies.

Ensuring a diverse set of evidence is even available to inform energy policy requires investment from government and industry. Despite this, investment in technical and policy-relevant research, development and innovation (RD&I) has declined in Australia. Federal Government investment in energy RD&I halved as a share of GDP from 0.06 per cent to 0.03 per cent between 2013–14 and 2023–24. Total Australian public investment in energy RD&I per unit of GDP was substantially lower than in comparable high-income countries in 2020 (see Figure 4).^{9,10}

Recommendations to strengthen data, information and diverse perspectives are discussed in *Theme 4 – Actively seek diverse views and interests*, *Theme 5 – Expand investment in diverse policy-relevant research* and *Theme 6 – Provide centralised data, modelling and information*.

Figure 4. Total public energy RD&I budgets in Australia compared to other high-income countries



Source: Australian Council of Learned Academies 2022 *Australian Energy Transition Research Plan Report 2 – Australia’s Funding of Energy Research, Quantum and Comparison*, Australian Council of Learned Academies, Canberra

8 Australian Department of Finance, 2025 *Commonwealth Investment Framework – Resource Management Guide 308*. Australian Government, Canberra. Accessed online 13 January 2026 from <https://www.finance.gov.au/government/commonwealth-investment-framework/commonwealth-investments-toolkit/governance>

9 EEC 2024 *Energy Research, Development and Innovation*, EEC position statement, EEC, Melbourne.

10 Australian Council of Learned Academies 2022 *Australian Energy Transition Research Plan Report 2 – Australia’s Funding of Energy Research, Quantum and Comparison*, Australian Council of Learned Academies, Canberra

Structural biases and analytical orthodoxy

Biases in decision-making arise from political constraints, individual experience and institutional context.

Institutions that operate close to governments are necessarily mindful of political constraints and may moderate public or even private analysis to manage political risk and maintain trust with ministers and other senior decision-makers. While often appropriate, this can limit the scope for exploratory thinking or early identification of emerging risks. As a result, functions such as horizon scanning, stress-testing and the exploration of uncomfortable scenarios are often better undertaken by organisations operating at some distance from formal decision-making processes.

Political constraints can be particularly challenging for institutions that report to multiple governments, as they operate under multiple sets of constraints. Several interviewees suggested that the NEM Wholesale Markets Setting Review (the Nelson Review) was able to explore a broader range of ideas because, although highly consultative, it had a single sponsor in the Federal Government.

Individuals often rely on assumptions that have been developed through decades of experience. As technologies, markets and policy objectives change, some of these assumptions may no longer be valid. As a result, many highly experienced energy professionals have needed to reassess long-held assumptions about the energy sector.

These assumptions can become institutionalised. For example, in periods of rapid change and uncertainty, policy processes often benefit from a 'future-back' approach that considers a range of plausible futures. However, government departments and market bodies often have established directions to generate central scenarios and use present-forward approaches to project future costs and outcomes from historical trends.

Political constraints can further entrench established assumptions and analytical frameworks. Orthodox approaches are generally accepted without justification, whereas novel approaches require greater effort to defend and may carry reputational risks for individuals advocating for them. As a result, institutions may rely heavily on established engineering or economic models to provide a perceived defensible analytical outcome, even where those models embed assumptions developed under earlier system conditions.

Interviewees highlighted several tacit assumptions embedded in both aspects of NEM design and policy reviews. These assumptions can narrow the range of options considered and make emerging problems harder to identify. They include:

- retail competition will naturally deliver lower energy bills for consumers
- demand is largely passive and should play a limited role in market design
- the energy system as a whole can be sufficiently optimised if markets simply optimise investment and dispatch of large-scale generation, rather than attempting to co-optimize supply- and demand-side investment.

In a period of rapid change, governance systems need to maintain a questioning approach to established assumptions. This White Paper examines mechanisms to broaden perspectives and challenge institutional biases in *Theme 4 – Actively seek diverse views and interests*, *Theme 5 – Expand investment in diverse policy-relevant research* and *Theme 7 – Refine institutional roles*.

Capacity and capability

Effective decision-making requires both sufficient capacity and capability, including resources and staff with appropriate experience.

Interviewees revealed that workloads across the energy sector exceed capacity, particularly in relation to market and policy reform. Some of this is inevitable in a period of extraordinary change, but there was strong agreement from stakeholders that a lack of collective prioritisation across the energy sector is both contributing to excessive workloads and limiting progress on priority reforms.

Governments must make major policy decisions about the future of the energy system, yet much of Australia's energy policy capability and capacity sits within market bodies. These institutions have deep technical and policy expertise, but structural factors limit how that expertise can contribute to system reform. The market bodies do not have the remit to undertake reviews covering every aspect of energy supply and demand or make decisions involving significant political trade-offs, and political constraints limit the analysis that they can undertake and statements that they can make in public.

This White Paper examines prioritisation and how the expertise within market bodies can better support government decisions in *Theme 2 - Improve integration, coordination and collaboration* and *Theme 7 - Refine institutional roles*.

SUMMARY

Australia's energy governance system faces several interacting challenges, including fragmented responsibilities, difficulties in securing social licence and institutional barriers to holistic analysis. The following chapter responds to this diagnosis with practical reforms.



RECOMMENDATIONS

The previous chapter identified a set of governance challenges affecting energy-related decision-making in Australia. This chapter translates that diagnosis into a package of practical governance reforms to help Australia navigate the energy transition.

To develop recommendations, this review needed to consider how to approach a central feature of Australian energy governance – the involvement of multiple governments. While this has several benefits, it also increases the complexity of policy coordination, can make it harder to secure agreement on key reforms and complicates accountability and the oversight of key institutions.

Interviewees expressed a wide range of views about this feature of Australia's energy governance. Some emphasised the practical difficulty of moving away from existing multi-jurisdictional arrangements. Others proposed greater Federal Government control over energy policy or replacing the NEM with separate state and territory markets connected by interstate trading arrangements.

There are credible arguments supporting all of these perspectives. This review does not adjudicate between these arguments and instead proceeds on the basis that the most likely scenario is that energy policy continues to be managed through a mix of unilateral and multilateral measures.

Accordingly, the recommendations in this White Paper are designed for a future in which the NEM continues in some form, even if it evolves substantially. However, the majority of the recommendations are just as relevant if energy policy were to become substantially more centralised or decentralised.

The recommendations focus on pragmatic reforms that can be implemented without a complete restructuring of energy institutions. This focus is not due to timidity. Governments should not shy away from major structural reforms where they are necessary, and this White Paper recommends a number of institutional changes.

However, structural redesign alone will not address some of the most significant challenges in energy governance. Even the 'perfect' suite of multilateral energy bodies would face complex authorising environments and political constraints. Elected governments can legitimately choose to not follow well-developed advice and struggle to reach multilateral consensus.

Ministers need to navigate the realities of intergovernmental relations, taking national or state and territory approaches depending on the issue. Some reforms will need to be progressed by time-limited task groups with specific terms of reference, because it will be too politically challenging to set up a permanent institution with remit so broad that they can make decisions on every aspect of energy policy.

Better engaging and supporting consumers, industry, non-profits and research institutes to contribute to policy development is not window-dressing – it is critical. In Australia's complex multi-jurisdictional energy system, this ecosystem of organisations performs a critical function of **distributed governance** that provides information, stability and social licence. With support, these groups can play an even greater role in rapidly developing, testing and socialising reform options.

The recommendations set out in this White Paper form a complementary package and are not alternatives. For instance, while departments should continue to directly conduct research and analysis (Recommendation 5.1), governments should also increase funding and coordination for research and analysis by consumer experts, industry, non-profits and research institutes (Recommendation 5.2) as these serve different and complementary functions.

The recommendations build on measures that governments have already undertaken to improve governance. Some recommendations highlight ways that governments and institutions have effectively navigated the current governance system, such as multi-organisational task groups, and argue for greater use of these approaches.

In a federated governance system, there are no silver bullets. Progress comes from working through complexity in a thoughtful and disciplined way. The recommendations outlined in this paper provide practical ways to do this more effectively and equip Australia's governance system to keep pace with the global energy transition.

Recommendations are split into seven themes:

- 1. Match reforms to levels of government** – determining when decisions should be multilateral, federal or state and territory, and actively coordinating and supporting decentralised decisions.
- 2. Improve integration, coordination and collaboration** – ensuring that energy governance has a whole-of-system perspective and is integrated with other policy areas.
- 3. Expand demand-side policy capability** – placing a much stronger focus on consumers, demand, energy efficiency, electrification and CER.
- 4. Actively seek diverse views and interests** – better engaging with the interests and views of consumers and under-represented groups.
- 5. Expand investment in diverse policy-relevant research** – expanding investment in research and analysis to support policy development.
- 6. Provide centralised data, modelling and information** – setting up national systems to support distributed investment, research and decision-making
- 7. Refine institutional roles** – reforming the market bodies to better perform their core functions and support governments in policy development.



THEME 1. MATCH REFORMS TO LEVELS OF GOVERNMENT

Navigating the energy transition requires a rebalanced governance approach, combining targeted multilateral and Federal Government action with decentralised decision-making that is actively supported and coordinated at the national level.

Different types of energy reforms are suited to different levels of government, depending on the nature of the policy challenge and its political context. These pathways to reform can be broadly summarised as: multilateral (including the NEM), federal, and unilateral state and territory.

Historically, energy governance has placed a strong emphasis on multilateral reforms, particularly within the NEM. This reflected the physical integration of the electricity system and the benefits of regulatory uniformity across jurisdictions. When governments were broadly aligned and technological change was modest, market bodies were able to refine market settings within a broad design framework.

Rapid technological change and diverging policy priorities have made consensus-based reform increasingly difficult. Multilateral reforms generally require not only consensus among relevant energy ministers, but also explicit or tacit approval from cabinets. As a consequence, attempting to secure all reforms through multilateral processes can result in delays and increased fragmentation. This requires a shift in approach that is already underway but not always explicit in policy discussions.

Multilateral reforms remain appropriate where national or NEM-wide outcomes are strongly desirable, the Federal Government lacks direct policy levers, and there is a politically viable path to agreement. In some cases, issues previously left to states and territories – such as technical interoperability standards – are now better addressed at the national level due to the pace of change and importance of consistency.

Successful multilateral reforms require governments to start with shared goals and, where reforms are significant or contentious, invest in collaborative and trust-based processes. Several interviewees suggested that the Nelson Review's strength lay less in novel policy development, and more in acting as an independent broker that engaged intensively to find and build agreement across governments.

Regardless of whether a multilateral outcome is strongly desirable, consensus between sovereign governments cannot be forced. In fact, several interviewees noted that reform was often faster – and sometimes only possible – when governments were not required to reach full consensus. In some cases, state and territory derogations from the National Electricity Rules have enabled sub-national progress where unanimity would not have been achievable. Proposals to significantly restrict derogations may therefore risk slowing reform and counter-intuitively increase fragmentation.

The Federal Government should take unilateral – but consultative – action where national outcomes are desirable and the Federal Government has suitable policy levers. There was widespread recognition among interviewees that the Federal Government's fiscal capacity and policy tools will be critical to the energy transition.

Several interviewees noted that the High Court's decision in *Vanderstock v Victoria* (2023), which held that the Victorian Government's electric vehicle road user charge constituted a duty of excise, illustrates that some policy instruments may need to be implemented by the Federal Government.

Unilateral state and territory action can be appropriate where the Federal Government lacks policy levers, multilateral agreement is unlikely in the near term, and speed, experimentation or local tailoring are important. Competitive federalism may, in some instances, produce better outcomes.

Given the increasing importance of smaller-scale energy resources and difficulty in securing rapid multilateral reform, some interviewees argued for more explicit decentralisation of policy to the state and territory level. For example, one interviewee suggested that the NEM and its institutions could focus on transmission and markets for large-scale generation, while states and territories develop separate approaches to distribution system operators that co-optimize large-scale resources with demand-side measures.

However, decentralisation should not imply isolation. National and NEM-wide collaboration can play an important enabling role in unilateral decisions through:

- **Shared analysis.** Jurisdictions can pool their insights, and the Federal Government and market bodies can provide analysis to support states and territories individually or collectively to make better decisions. This is particularly important for smaller jurisdictions with fewer policy resources.

- **Policy coordination** across jurisdictions and sectors, such as the coordination of the Federal Government-funded Nationwide House Energy Rating Scheme (NatHERS) and state and territory construction codes.
- **Voluntary harmonisation** of key policy features to reduce costs and complexity.

The Federal Government already plays, and should continue to strengthen, this enabling role through convening the Energy and Climate Change Ministerial Council (ECMC), funding analysis and tools that support distributed decision-making, and providing incentives that encourage effective policy design. Interviewees highlighted positive examples, including the Social Housing Energy Performance Initiative (SHEPI) and the Trajectory for Low Energy Buildings, where national funding and non-binding frameworks improved coordination and accelerated policy development while preserving jurisdictional flexibility.

Interviewees also noted that non-binding frameworks are particularly valuable where policy understanding and consensus are still emerging. Because frameworks often do not require policy commitments, they can often be approved by energy ministers without requiring explicit sign-off from cabinets, allowing faster progress.

In the context of this Theme of matching reforms to appropriate levels of government, we identified five complementary and immediate actions:

Recommendation 1.1

Expand national support for decentralised decision-making

The Federal Government, market bodies, national institutions, dedicated task groups and framework processes should provide analysis, tools and incentives to support better unilateral decisions at the state and territory level. Market bodies can and do already provide this support, but it could be expanded by states and territories more often commissioning confidential advice and seconding market body staff for projects.

Recommendation 1.2

Address key technical issues at the national level

Technical issues, such as standards for appliance interoperability, quality and energy efficiency, should generally be addressed at the national level in consultation with jurisdictions. Patchwork standards have significant costs for regulators, industry and consumers. The CER Taskforce is currently examining a national regulatory framework for CER. The function of regulating technical issues could be placed into a new or existing body.

Recommendation 1.3

The Federal Government to address energy sector emissions

The Federal Government should directly address policy challenges where it has relevant levers, national outcomes are critical and multilateral agreement is unlikely. Restraining emissions in the energy sector fulfils all these criteria. Governments have been unable to agree to multilateral reforms to restrain emissions in the NEM and, even if they could, this would not address emissions in Western Australia or the Northern Territory.

A Federal Government policy to restrain emissions in the electricity sector, such as reforms to the Safeguard Mechanism¹¹ or a Polluter Pays Levy¹², would support investment in renewable generation, reduce the pressure for states and territories to introduce bespoke policies, and enable multi-jurisdictional negotiations to focus on policy areas where governments are more aligned.

Recommendation 1.4

Commission a report into roles and responsibilities

The Australian Energy Market Agreement (AEMA) is a guidance document that sets out the roles and responsibilities of the Federal Government, state and territory governments and the market bodies in relation to energy policy. The AEMA was last updated in 2013 and there have been substantial changes in the actual and ideal roles and responsibilities of those bodies since then.

Renegotiating the AEMA might be excessively time-consuming during a period of flux. However, either the Federal Government, or the ECOMC, could commission a research institution or consultant to make recommendations on roles and responsibilities in addressing specific policy issues in the context of supported decentralised decision-making. Regardless of whether there is enough agreement to update AEMA, this report could be used informally to help guide decision-making.

11 Reeve, A. et al. 2025 *A practical path to net zero electricity*, The Grattan Institute, Melbourne.

12 Finighan, R. and Burfurd, I. 2026 *The case for pricing pollution*, The Superpower Institute, Melbourne.

Recommendation 1.5

Research and trial deeper decentralisation

Rapid declines in the cost of solar, battery and electric vehicle technologies are increasing opportunities to optimise energy investment not just at the state and territory level, but also locally.

National and state and territory markets and policies – such as proposals for distribution system operators – can play a critical role in enabling consumers and other parties to optimise locally. There is also a potential role for communities to participate more directly in decision-making on local energy infrastructure.¹³

The opportunity for community involvement in decision-making will vary by location. It is likely to be strongest in areas where social ties and infrastructure are geographically connected, such as some regional towns. Governments should work with highly engaged communities to pilot and evaluate different approaches – both to understand where local decision-making delivers the greatest value, and to build evidence on the design of enabling frameworks.

13 Australian Council of Learned Academies 2022 *Australian Energy Transition Research Plan - Report Five – transition dynamics*, Australian Council of Learned Academies, Canberra



THEME 2. IMPROVE INTEGRATION, COORDINATION AND COLLABORATION

Energy governance requires a whole-of-system perspective and strong integration with other policy areas, including buildings, transport and industry. Coordination and collaboration can be enhanced by both institutional structures and multi-organisational projects.

Australia's energy governance system is fragmented across institutions, sectors and policy processes. As the energy transition accelerates, the pace and complexity of reform is increasing beyond the capacity of existing integration and coordination mechanisms, creating risks that policy outcomes will be partial, poorly integrated and inconsistent.

Strengthening integration **within** governments is the most critical step to improving integration at the jurisdictional, NEM-wide and national levels. Governments are uniquely positioned to both develop whole-of-system thinking and deliver integrated decisions because of their broad mandates, wide pool of expertise and ability to influence matters as diverse as energy markets, building standards and land-use planning. Governments with strong internal integration can bring whole-of-system perspectives to intergovernmental negotiations and clear direction to market bodies.

Market bodies also need to have a whole-of-system perspective to be able to perform their functions and give high-quality advice on their areas of responsibility. This is discussed more in *Theme 3 - Expand demand-side policy capability* and *Theme 7 - Refine institutional roles*.

Formal intergovernmental institutions, such as the ECMC, play a critical role in coordinating decisions. However, these institutions can only process a small number of issues at a time. This makes distributed coordination essential, including:

- market bodies self-coordinating issues that don't need to be elevated to the ECMC
- formal information sharing, such as the Electricity Statement of Opportunities
- informal coordination between officials within and across organisations

- the broader ecosystem of consumer experts, industry, researchers and non-profits, who help to ensure that different issues and perspectives are considered if they are engaged early enough in policy processes

Informal coordination – such as conversations between officials in different organisations – is a fast, efficient, largely hidden and essential feature of any effective governance system. These processes work partly because they avoid the time-intensive transparency and accountability mechanisms required for formal decisions. As a result, informal coordination is well suited to exploratory discussions, such as officials floating ideas for joint projects. However, important decisions such as agreeing to start a joint project must ultimately pass through formal approval processes.

This section sets out seven recommendations for governmental integration, institutional coordination and practical processes to improve collaboration.

Recommendation 2.1

Drive integration through ministerial directions

Australian energy ministers, and ideally premiers and the Prime Minister, should issue clear directions to departments and institutions to take a whole-of-system approach to energy that integrates policy across institutions and portfolios.

Recommendation 2.2

Strengthen integration within governments

Energy policy needs to integrate all elements of supply and demand and be linked to areas like buildings, industry and transport and whole-of-government objectives around health, welfare and economic development.

Given the urgency and importance of managing the energy transition, each government in Australia should have strong mechanisms in place to ensure that these issues are internally linked, such as energy departments that are responsible for both supply- and demand-side policy, cabinet sub-committees for energy and regular meetings on energy between relevant department secretaries or deputy-secretaries.

Recommendation 2.3

Strengthen integration in intergovernmental forums

Stronger integration of energy policy within governments will be a key factor in driving integration at a national level. However, the importance, complexity and multi-portfolio nature of energy issues means that some energy issues should be elevated to National Cabinet to ensure coordination.

Coordination between ministerial councils should be approached on a case-by-case basis. For example, the National Construction Code is managed by the Australian Building Codes Board, whose secretariat sits within a Federal Government department but reports to both the ECMC and the Building Ministers Meeting.

Recommendation 2.4

Ensure the ECMC receives whole-of-system energy advice

ECMC meetings currently involve ministers, departments and market bodies. As the market bodies focus on particular aspects of the energy system and do not provide advice on issues like appliance standards or incentives for CER, the focus of ECMC discussions could skew towards particular topics and perspectives.

Senior officials already play an important role in ensuring that ECMC agendas and discussions reflect whole-of-system considerations, but this should be supported by reinstating stakeholder forums with ministers (Recommendation 4.7) and having a future-focussed research commissioning body attend meetings (Recommendation 5.2).

Recommendation 2.5

Collectively set reform priorities

Decisions on what market and policy reforms to pursue have significant impacts on other energy sector participants. For example, when the AEMC reviews a rule change proposal it creates workloads for stakeholders in the consultation process, as well as workloads for AEMO and the AER in the implementation phase.

Collectively, the energy sector has limited capacity to engage in reforms, and addressing non-priority matters reduces the sector's capacity to focus on priorities. Numerous interviewees highlighted the lack of strong prioritisation as both a brake on the energy transition and a major cause of excessive workloads within market bodies, departments and the sector as a whole.

The NEM rule change process is a reactive rather than strategic process. Interviewees indicated that it was originally assumed that rule changes would largely come from market participants seeking to refine aspects of market design, rather than governments driving a strategic reform agenda.

In recent years a greater share of reforms have been initiated by governments and market bodies and the AEMC has gone to significant lengths to set strategic priorities and bundle reform proposals together. However, workloads associated with rule changes are both created by, and impact, governments and the broader energy sector.

The AEMC and the ECMC should strengthen existing processes to consult with stakeholders and identify collective priorities for national and sub-national reform. Given that it can be challenging for governments to collectively make hard choices about which reforms to prioritise and which to defer, this could be complemented by an independent institution consulting widely with the energy sector and releasing a set of reform priorities.

Recommendation 2.6 ***Enhance market body collaboration***

Rapid changes in the energy sector have resulted in issues emerging that did not fall into the assigned responsibilities of any institution. Market bodies have identified some of these gaps and moved to address them. While this is appropriate, it has resulted in some areas where responsibilities overlap or remain unclear.

While governments can clarify these grey areas, some degree of overlap is inevitable. Stronger collaboration between market bodies is therefore essential.

Directions from ECMC and the boards and CEOs of the market bodies will be critical, but effective collaboration also depends on strong informal relationships between individuals. Significant efforts have been made to enhance collaboration between market bodies, which could be complemented by two specific initiatives:

1. The Energy Advisory Panel (EAP) is a regular forum where the chairs and CEOs of the market bodies meet to discuss cross-institutional issues. The EAP is currently chaired on a revolving basis by the market bodies. Instead, ECMC should appoint an independent chair whose function is not to direct the market bodies, but work with them to find more avenues for collaboration.
2. Market bodies should second staff to work on joint projects. This approach would not just benefit the task at hand by bringing multiple perspectives together, but also create links between individuals that foster a culture of collaboration and improve overall sector knowledge.

Recommendation 2.7 ***Foster collaboration between small groups of states and territories***

In addition to strengthening existing collaboration channels, interviewees identified a significant gap in sub-national collaboration, where like-minded states and territories could collaborate more systematically, with or without the involvement of the Federal Government.

Currently, when states and territories collaborate at a sub-national level, such as jointly funding a research project, these arrangements are usually established on a bespoke, project-by-project basis. This increases transaction costs and delays.

More efficient mechanisms for sub-national collaboration could be developed either through changes to ECMC processes or through standing collaboration arrangements among groups of jurisdictions.

Recommendation 2.8

Establish multi-organisational and deep-engagement projects

Governments should support projects that bring together multiple perspectives and skill sets, including task groups staffed with individuals drawn from several institutions.

Stakeholders highlighted positive examples of multi-organisational projects including the Nelson Review and the 2010 Prime Minister's Task Group for Energy Efficiency. These initiatives not only delivered strong coordination and better integration but also strengthen informal relationships that improve coordination across the system.

Projects can also be more collaborative and integrated through deep engagement with experts and stakeholders, who collectively have a wealth of knowledge on a wide range of topics and policy processes.



THEME 3. EXPAND DEMAND-SIDE POLICY CAPABILITY

Energy governance needs a whole-of-system approach that includes more focus on consumers, demand, electrification, flexibility, efficiency and CER.

The purpose of energy systems is to meet households' and businesses' need for **energy services**, such as hot showers and smelting steel. Demand for these services is met through investment in, and operation of, a mixture of:

- **supply-side** infrastructure – which includes large scale generation, storage and distribution and transmission networks
- **demand-side** infrastructure – which includes:
 - **CER** such as rooftop solar and distributed batteries
 - **end-use technologies** that influence energy demand, including household appliances, building shells, vehicles and industrial equipment.

Consumers' decisions about CER and end-use technologies can have major impacts not only on their energy bills, but also on wider energy systems. Millions of consumer decisions about technologies such as air conditioners, hot water systems and cars collectively influence the amount of investment required in supply-side energy infrastructure. In other words, co-optimising investment in supply- and demand-side measures can improve the reliability, affordability and sustainability of the energy system. ¹⁴

14 Murray-Leach, R. 2023 *Clean Energy, Clean Demand – Enabling a zero emissions energy system with energy management, renewables and electrification*, Energy Efficiency Council, Melbourne.

However, consumer decisions do not simply reflect individual preferences. They are strongly shaped by markets and policy settings, including:

- electricity market design and tariff settings
- network regulation
- minimum standards for buildings, appliances and vehicles
- incentives for research, development and early adoption of new technologies
- policies that foster supply-chain development for services like electrification.

Energy markets do not emerge spontaneously - they are constructed by governments and institutions.¹⁵ Decisions about market rules and policies can, often inadvertently, shape consumer choices.

Calls for greater focus on the demand side are generally not seeking to advantage the demand side but rather recognise and address design choices and market failures that unintentionally favour supply-side investments.¹⁶ If left unaddressed, these distortions can increase system costs and worsen outcomes for consumers.

Decisions by governments and institutions strongly impact the balance of investment in supply- and demand-side measures. However, the majority of interviewees emphasised that Australia's energy governance arrangements structurally result in insufficient focus on both consumers and the demand side. These two issues are inextricably linked, but for clarity this Theme focuses on the demand side, while *Theme 4 – Actively seek diverse views and interests* focuses on better understanding the views and interests of consumers.

A complex mix of institutions are involved in demand-side governance. For example, energy market settings are set through both NEM governance and state and territory institutions. Complementary energy market policies and incentives for emerging technologies are set through a mixture of Federal Government, multilateral and state and territory institutions. For example:

- vehicle emission standards are set by the Federal Government;
- appliance efficiency standards are managed nationally through the Equipment Energy Efficiency Program, which reports to the ECMC; and
- building standards are managed through the Australian Building Codes Board, which reports to both the ECMC and the Building Ministers Meeting.

Interviewees noted that the demand side is not well integrated into energy market design and operation. The Special Premiers' Conference in 1991, which played a

¹⁵ Ben-David, R 2023, *Rethinking markets, regulation and governance for the energy transition*, Monash Energy Institute, Melbourne

¹⁶ This White Paper hyphenates demand-side when it is an adjective, but not a noun.

critical role in the formation of the NEM, recognised the need to address both the supply and demand side, and its communique stated that new national governance arrangements were supposed to encourage the use of demand management.¹⁷

However, a decade later an independent review of the NEM for energy ministers concluded:

“There is relatively low demand side involvement in the NEM because: NEM systems are supply side focussed; the demand side cannot gain the full value of what it brings to the market; and residential consumers do not face price signals.”¹⁸

– The Parer Review, 2002

Since then, efforts have been made to improve demand-side participation in the NEM, such as the introduction of the Wholesale Demand Response Mechanism (WDRM) in 2015. However, the persistence of the same issues identified in the Parer Review two decades ago suggests the presence of structural factors and capability gaps within current governance arrangements, rather than a series of isolated policy failures.

The lack of focus on the demand side in Australian energy governance extends beyond electricity market design. Australia performs relatively poorly compared to many advanced economies on a range of energy efficiency policy and outcome indicators, such as industrial energy efficiency.¹⁹

As discussed earlier, governance arrangements can create emergent biases that shape how problems are analysed and prioritised. It is often difficult to attribute outcomes to any single institutional feature. However, several recurring issues can be identified:

- demand-side and supply-side policy are poorly integrated
- many energy institutions, including government energy departments and market bodies, are structured and staffed around supply-side priorities
- capability on demand-side issues remains relatively limited across parts of the governance system
- education, training and professional development pathways have historically reinforced supply-side perspectives, limiting the development of interdisciplinary and demand-side expertise.

17 Department of the Prime Minister and Cabinet, 1991 *Communiqué – Special Premiers’ Conference – Sydney 30/31 July 1991*, Commonwealth of Australia. Page 24

18 Parer, W. 2002 *Council of Australian Governments Energy Market Review – Towards a Truly National and Efficient Energy Market*, Commonwealth of Australia, Canberra, Page 174

19 American Council for an Energy Efficient Economy 2025 *International Energy Efficiency Scorecard 2025*, ACEEE, Washington DC.

Integration is particularly critical to demand-side policy. For example, standards to keep rental homes affordably cool in summer and warm in winter are partly driven by concerns about energy affordability, and partly health and comfort. An evaluation of the Victorian Healthy Homes program, which upgraded vulnerable Victorian's homes, found that the program delivers about \$10 in health benefits for every \$1 in energy savings.²⁰ Correctly setting thermal standards for rental homes will require the involvement of areas responsible for energy, buildings, health and equity policy.

Given that demand-side energy policy links to much broader policy topics and overall government goals on issues like health, equity and economic growth, the most critical place to build expertise is within government departments. However, market bodies and other institutions also need to expand their demand-side capability in order to deliver their core functions, including policy development and system planning.

As electrification and distributed energy resources expand, it becomes increasingly critical to ensure that decision makers have an integrated understanding of both supply- and demand-side issues.

Recommendation 3.1

Prioritise the demand side through ministerial directions

Australian energy ministers, and ideally premiers and the Prime Minister, should issue clear directions to departments and institutions that the demand- side must be central to energy policy. ECMC and individual governments regularly issue statements of expectations to market bodies and other institutions. These statements of expectations should be updated to require energy bodies to increase their focus and capability around consumer perspectives, demand, energy efficiency, electrification and CER.

Recommendation 3.2

Expand governments' demand-side capability

Each government in Australia has direct control over a range of demand-side levers and will need to drive, or at least endorse, reforms that occur at the national level. Accordingly, each government should invest in their departments' demand-side capability and internal coordination on demand-side matters.

²⁰ Sustainability Victoria 2022 *The Victorian Healthy Homes Program Research Findings*, Sustainability Victoria, Melbourne.

Recommendation 3.3

Build demand-side capability across the workforce

In addition to strengthening capability within governments, there is a need to build demand-side capability across the energy sector, including in market bodies, industry and research bodies. A collective capability is necessary because:

- it enables more efficient use of scarce expertise
- smaller jurisdictions face resource and staffing constraints
- capability built within individual organisations can be lost as priorities and personnel change, whereas a shared system builds enduring institutional knowledge.

Governments should work with industry and research institutions to develop a coordinated capability system around demand-side technology and policy. This should include professional development, cross-sector secondments, communities of practice and targeted training.

This system should address gaps in areas such as consumer behaviour, energy services, electrification and CER, and prioritise mid-career professionals who are already shaping policy and investment decisions.

Recommendation 3.4

Designate a national centre for demand-side expertise and collaboration

Governments should designate a body to be a national centre of expertise on demand-side policy issues. The key functions of this organisation would be to build and share expertise around demand-side issues, and act as a hub for formal and informal collaboration of the many experts in these issues in governments, market bodies and research institutions. Ideally this function would be housed in a body that is arm's-length from governments, such as a national energy institution or the research coordinating organisation proposed in Recommendation 5.2

Recommendation 3.5

Board and commissioner appointments

Governments should ensure that market bodies and other institutions have board members and commissioners with the skills required to understand consumer perspectives, demand, energy efficiency, electrification and CER.

Recommendation 3.6

Use information, targets, policies and funding to create focus

In Australia's complex energy governance system, information, targets and other policies play a critical role in coordinating the behaviour of multiple institutions.

Information is critical to decision-making, and reports like the nascent Demand-side Statement of Opportunities (DSOO) will not only provide information but also encourage more focus on demand-side issues.

Governments can also increase focus on demand-side issues by setting targets either individually or collectively, such as targets for end-use efficiency, electrification, peak demand management and network utilisation.

Finally, programs such as the Federal Government's Social Housing Energy Performance Initiative (SHEPI) demonstrate how targeted funding can encourage governments and institutions to increase their focus and investment on demand-side issues.



THEME 4. ACTIVELY SEEK DIVERSE VIEWS AND INTERESTS

Good governance systems need to actively seek and prioritise the interests and perspectives of consumers and marginalised stakeholders. This will entail more resourcing for consumer representation and research, but also better designed and targeted consultation.

Decision-makers need to be informed of, and appropriately weigh, the views and interests of a broad range of stakeholders, because:

- Market design and policy decisions have **distributional impacts** around benefits, costs and risk. For example, decisions on network tariff design affect the allocation of costs and risks between Network Service Providers (NSPs) and consumers, and between different types of consumer.
- Diverse perspectives and debate **strengthen policy outcomes**²¹.
- Good processes and fair design are essential for **legitimacy and social licence**.

The views and interests of energy consumers are particularly critical because the National Electricity Objective is framed around meeting the *long-term interests of consumers of electricity* and consumer buy-in is vital for social licence. This Theme is particularly focussed on energy consumers, but key arguments also apply to other groups including emerging industries and communities that are affected by infrastructure decisions.

²¹ Australian Department of Finance, 2025 *Commonwealth Investment Framework - Resource Management Guide 308*. Australian Government, Canberra. Accessed online 13 January 2026 from <https://www.finance.gov.au/government/commonwealth-investment-framework/commonwealth-investments-toolkit/governance>

Numerous interviewees raised concerns that the interests of consumers and other groups may be under-represented in energy policy debates. Stakeholders need considerable time, resources and expertise to engage in energy policy processes. As a consequence, seemingly neutral consultation processes will tend to be dominated by well-resourced stakeholders, such as large energy companies, that are equipped and incentivised to participate. Conversely, it is rare for households, small businesses and even larger consumers to engage in energy policy consultations.

Where the **views** of individual consumers and other stakeholders are essential, alternative approaches to consultations – like focus groups– can be more effective at understanding their perspectives. However, understanding consumer **interests** requires more than capturing their current views – it also requires an understanding of how energy technologies, behaviours and business models are likely to evolve, interact and impact consumers.

Understanding how consumer interests are evolving requires research, like the *Scenarios for Future Living* project.²² Without research, energy policy runs the risk of being based on assumptions about consumer behaviour that are outdated or not supported by evidence.

Consumer representatives – including welfare organisations, Energy Consumers Australia (ECA) and the Energy Users Association of Australia – play a critical role in policy processes. In addition to acting as repositories of expertise on consumer interests, they provide an important balance to energy industry representation.

Without consumer representatives engaging in policy processes, policy makers are placed in the challenging position of being both neutral process managers and *de facto* advocates for under-represented interests. In addition, the movement of personnel between the energy industry and regulators has genuine benefits, but may also mean that industry perspectives are more familiar to decision-makers than those of consumers.

In addition to consumer advocacy organisations, researchers, non-profit organisations and emerging service providers can also be a significant source of diverse views and information on the interests of consumers and other stakeholders.

In summary, institutions need to take active steps to ensure that policy decisions reflect a wide range of needs and perspectives. Governments have made significant efforts to improve consumer engagement and research, including the establishment of ECA in 2015. However, interviewees consistently emphasised that further work is needed to ensure that consumer views and interests are systematically integrated into energy governance.

22 For more information on these issues, see the *Scenarios for Future Living* project. Accessed online 10 March from <https://www.racefor2030.com.au/project/sfl/>

Recommendation 4.1

Increase funding for consumer representation and research

Consumer energy advocacy involves both responding to individual consultations and proactively engaging with decision-makers.²³ An effective advocacy organisation needs to build up and maintain capability and infrastructure, including:

- significant technical, economic, legal and governance expertise
- a continually updated understanding of the needs of consumers
- sound governance to ensure that they are representing stakeholder needs
- relationships with both regulators and other stakeholder groups.²⁴

Building this capability requires a degree of financial stability, which generally requires ongoing core funding as well as project-based funding. Consumer advocates have delivered substantial financial benefits to both the groups they represent and the wider economy, but these are highly diffuse public benefits and are unlinked to the funding for consumer advocacy.

Governments have recognised the need for effective advocacy and funded it at the national level through ECA and at the jurisdiction level through funds for organisations like the Justice and Equity Centre. However, the rapid change in the energy sector and breakneck pace of consultation means that budgets for advocacy and consumer-related research have not kept up with needs. Several interviewees noted the importance of increasing funding for consumer advocacy, and potentially the benefit of splitting it into multiple sources, including:

- National funding for ECA to act as a hub of consumer research and a quasi-government advocate for consumers.
- Core funding for other advocacy groups through a combination of national and state and territory sources. While the ECA provide a vital role, it is important to have diverse advocacy to fulfil different functions and better represent local conditions.
- Increased grants for consumer research and advocacy projects. Some interviewees suggested that funding for these activities may be better administered by a body separate from ECA.

23 Gordon Renouf, G. and Polly Porteous, P. 2011 *Making energy markets work for consumers – the role of consumer advocacy*, Queensland University of Technology, Brisbane.

24 Roberts, D. 2012 *A model for effective energy advocacy, - issues paper*, Roberts Brown, Canberra.

Recommendation 4.2

Establish deep deliberative processes for core issues

Stakeholders, including both consumers and industry, are expected to engage in a very large number of policy processes each year, with many of them covering overlapping issues. This results in:

- Shallow engagement that does not give representatives the time to develop a fulsome understanding of emerging issues and provide detailed response.
- Failure to resolve fundamental questions, such as how costs and risks are allocated between consumers and NSPs. These issues are often parked as 'out-of-scope' in consultations, resulting in them recurring and increasing the volume of consultation.

It would be better to focus stakeholder engagement on a small number of deep deliberative processes that address core issues. A good example of a deliberative process was the 2012-13 *Future Grid Forum* project convened by CSIRO, which engaged over 120 stakeholders over an 18-month period enabling them to provide information, learn from each other, move towards consensus and develop social licence for reform. A key aspect of the *Future Grid Forum* was that it was not tied to a policy decision, which enabled it to have a wide perspective and encourage open and collaborative participation.

This type of process would build the knowledge and capability of stakeholders and develop a widely-supported position on a core issue. This would, in turn, reduce the complexity and cost of a broad range of consultations for both the institutions conducting the consultations and stakeholders.

While governments should fund deliberative processes, they would likely be better run at arm's-length from decision-makers to reduce any expectation that their recommendations would be binding. Given the energy sector has only limited collective capacity to engage in deep questions, it is recommended that ECOMC consult with stakeholders to develop a shortlist of deep processes for each year.

Recommendation 4.3

Shift from 'response' to a 'co-create' consultation

Most energy policy processes and network tariff-setting processes follow a 'we propose, you respond' model. This model typically results in the proponent having a long time and significant resources to develop a proposal, while stakeholders, such as consumer representatives, have a short time to respond. This model fundamentally puts stakeholders, typically consumer representatives, on the back-foot in the process.

A better approach is to start the process with governments and stakeholders, particularly consumers, working together to set their priorities, preferred approaches and scope for the review. This would then result in well-resourced policy-makers and energy industry proponents building proposals from a shared starting point.

A particularly significant aspect of the current arrangements is that the AEMC doesn't propose rule-changes, instead it responds to proposals. There is a very high cost in skill, time and resources to develop a rule-change proposal and support it through the rule change process. This favours well-resourced stakeholders and results in consumers often responding to, rather than co-creating, reform proposals.

This makes it critical to continue and expand grants from bodies like ECA for consumer groups and other stakeholders to develop, submit and support rule change proposals.

Recommendation 4.4 ***Tailor active engagement***

Passive engagement processes, like open calls for submissions, will naturally result in imbalanced engagement. Targeted outreach and support is important to engage consumer groups, industry bodies, researchers and non-profits in policy processes.

Where it's important to also have direct engagement with consumers, small companies or impacted stakeholders, such as landowners, tailored engagement methodologies should be used. These methodologies should generally be developed with input from consumer representatives and deliberative, with participants given the time, information and support to develop considered views.

Recommendation 4.5 ***Appropriately weight stakeholder input***

Balancing the views of multiple stakeholders requires policy-makers to weigh their input. Stakeholders' input should be weighed based on the strength of their argument, their incentives and who they represent. Given that consumers and other stakeholders are structurally under-represented, it is vitally important that institutions don't assess feedback based on the number of submissions that argue for a perspective.

Recommendation 4.6 ***Review representation on boards and membership***

There has been significant effort to increase consumer representation in energy policy development, including the creation of consultation panels. However, representation remains uneven across governance arrangements, including the composition of some market body boards.

Governments should update the skill matrices for board and commissioner appointments to include people with expertise in consumer issues. Given the requirement that directors must act in the best interests of their institutions, rather than other interest groups, boards should be complemented with advisory panels to provide an avenue for stakeholders to advocate for their views and interests.

Recommendation 4.7

Improve ECMC and ministerial engagement

The transition from the Council of Australian Governments (COAG) to National Cabinet arrangements has resulted in reduced transparency and engagement in intergovernmental processes. COAG's energy ministerial councils included several features that supported transparency and participation that have not been carried over to the ECMC, including the publication of agendas and forums for ministers and stakeholders prior to ECMC meetings.²⁵ Reinstating these elements would be relatively straightforward, low-cost, and would materially improve transparency, accountability and stakeholder confidence in national energy governance.

Jurisdictional energy ministers should also regularly hold roundtables to ensure that they are receiving a balanced set of views from consumers, industry and other stakeholders. The nature and funding of advocacy means that industry can be more regularly in front of ministers, potentially generating an unbalanced perspective on issues. Several interviewees mentioned the regular ministerial roundtables held in Queensland as good practice in ensuring balanced representation.

²⁵ See Crossley, P. 2024 *Energy regulation in transition – Parliamentary Research Service Research Paper 2024-09*, Parliament of New South Wales, Sydney.



THEME 5. EXPAND INVESTMENT IN DIVERSE POLICY-RELEVANT RESEARCH

Research and analysis are critical for sound policy development, but exploratory analysis can be politically difficult. Governments and market bodies should directly undertake some research, but this needs to be complemented by greater funding and coordination of diverse arm's-length research.

The scale and pace of the energy transition means governments will increasingly make complex and high-stakes decisions about markets, infrastructure, and technology. High-quality policy-relevant research can reduce the risk of costly mistakes by testing ideas, identifying risks early and improving the quality of policy design.

Developing policy requires:

- Understanding technology changes and market trends, and their potential implications for consumers, market design and policy.
- Re-examining core assumptions that underpin market and policy design.²⁶
- Generating a range of policy options to address an observed or potential problem.
- Testing these ideas, refining them and developing concrete policy proposals through exploratory analysis and debate.
- Building support for proposals among stakeholders and the public.
- Conducting rigorous and transparent assessment of concrete policy proposals to determine if they should be implemented. This includes Regulatory Impact Statements, or in the case of the NEM, the AEMC conducting rule change assessments.

²⁶ Ben-David, R. 2024 *What if the consumer energy market were based on reality rather than assumptions?*, Monash Energy Institute, Melbourne.

Many of the elements of this process could be described as ‘exploratory analysis’, where a range of options are assessed without being endorsed. For example, best-practice risk management would involve modelling not just ‘central’ scenarios for the future of the energy system, but also scenarios that are possible but considered less likely or undesirable.

Individual governments undertake a significant amount of exploratory analysis. For example, the Victorian Government commissioned extensive gas and electricity market modelling to inform policies on gas networks and electrification. All governments need to do some level of independent analysis, and it is particularly critical if a government is facing an issue ahead of the rest of the country.

However, exploratory analysis can be politically sensitive, as stakeholders and the public can misinterpret analysis of divergent scenarios and policies as endorsements of those positions. Accordingly, governments often undertake early-stage analysis behind closed doors and share it with neither the public nor other governments. While understandable, this restricts the diversity of views that strengthen exploratory thinking and heightens the risks of policy fragmentation and duplication of effort.

Given the importance of coordination and resource constraints facing smaller governments, better sharing of analysis is critical. All governments should continue recent trends of increasing the amount of exploratory analysis they undertake and, importantly, sharing this analysis publicly or at the very least with other governments.

Multilateral institutions, including the market bodies, can and do conduct important work in the early stages of policy development. However, restricted remits, complex authorising environments and political sensitivities can hamper their ability to do truly unfettered and holistic idea generation and exploratory analysis. In the case of the market bodies, they also need to be cautious about floating novel ideas as their decision-making functions mean that their statements can move markets.

In summary, governments and market bodies play critical roles in research and policy development. However, navigating the energy transition will also require exploratory thinking from arm's-length institutions and the broader energy ecosystem.

Recommendation 5.1 ***Multilateral research and policy development***

While there is considerable expertise among Senior officials and task groups, interjurisdictional forums are structurally difficult places to conduct exploratory thinking. Staff report to their own ministers, rather than jointly to the ECMC, and while meetings can be highly collegiate, they are ultimately designed for negotiation rather than exploratory analysis and developing novel policy ideas. The ECMC and officials should therefore continue to commission external groups to undertake projects. This includes:

- ECMC senior officials and Task Groups already commission a range of research projects through the Energy and Climate Change Special Account.

This route should continue to be used for exploratory analysis, including for projects that might currently be priorities for only a small number of governments.

- Major intergovernmental projects and independent reviews, such as the NEM review, are effective ways to conduct exploratory analysis at some distance from governments. Ideally, these projects should be overseen by independent chairs, with staff seconded from multiple organisations to improve collaboration and cross-pollination of ideas. The ECMC should develop a proactive, staged plan for major reviews over a three-year period on major topics such as energy productivity and network regulation.

Recommendation 5.2 ***Increasing funding and coordination of arms-length research***

Research undertaken by arms-length institutions, including research bodies, think tanks, consumer advocates and industry bodies, can help inform policy development without tying decision-makers to politically sensitive analysis.

However, these institutions often lack sufficient and stable funding to support the breadth and depth of analysis required to navigate the energy transition. Funding for energy research and analysis has declined significantly over the last decade, and is fragmented across programs and organisations which reduces the coordination and targeting of research.²⁷

The Federal Government recently released the Final Report of the Strategic Examination of Research and Development, which identifies 'Energy and Environment' as one of six strategic RD&I pillars.²⁸ This reports' recommendations include a range of measures to encourage business investment in RD&I and the establishment of a National Innovation Council and National Strategy Advisory Council (NSAC) for Energy and Environment to help channel investment.

The proposed NSAC would deliver significant benefits in setting strategic priorities and coordinating investment in general energy RD&I. However, additional measures will be required to coordinate and fund policy-relevant RD&I, because it needs to be closely linked to policy makers and it is not always possible or appropriate to secure business funding for research with public policy implications.

There are several existing programs that are working to better integrate policy development and research, and in some cases providing funding for research. These include the 'Research@AEMC' program, ECA grants and the Energy Transition Research Plan developed by the Australian Council of Learned Academies (ACOLA).

27 EEC 2024 *Energy Research, Development and Innovation*, EEC position statement, EEC, Melbourne.

28 Australian Government 2025 *Ambitious Australia – Strategic Examination of R&D – Final Report*. Australian Government, Canberra.

These existing initiatives could be expanded, but there would be value in having policy-relevant research funding channelled through a single body that has a whole-of-system perspective, can accumulate knowledge and capability over time, and bring that expertise to bear on complex challenges.

This body could be based within an existing organisation or a purpose-built structure. This body would require in-house expertise, but its primary functions should be:

- working with governments and other institutions to maintain and update a list of priority policy-relevant research topics
- disbursing grants and commissioning policy-relevant research
- communicating research findings to decision-makers and the public
- providing advice to governments and the ECMC as appropriate.

This set of functions would enable this body to fill a critical gap in the governance system. Many interviewees highlighted that market bodies are focussed on urgent issues, resulting in longer-term issues receiving less attention. A body that funds research could support projects that have a future focus, enabling the wider energy ecosystem to perform the function of identifying emerging challenges and testing policy options across a range of plausible futures.

Critically, this body would need to operate at arms-length from governments, to enable the body to fund research on matters like novel policy proposals without them being associated with governments.

Policy-relevant research could be funded in a number of ways:

- **Federal funding.** Based on lessons from existing research organisations, such as Cooperative Research Centres, this body should have a high proportion of core public funding to support independent research priorities that may not easily attract co-contributions from other sources.
- **Joint funding from governments,** using the COAG funding formula. This would effectively expand the existing Energy and Climate Change Special Account and have it overseen by a specialist team operating at arm's-length from ECMC processes while maintaining engagement with them. This approach would be similar to **Austroads**, which is funded and overseen by governments to conduct strategic research for road agencies.
- **Funding through energy market fees.** AEMO and ECA are currently funded by energy market fees, and this approach could be expanded to supporting more policy-relevant research. Given the scale of the energy transition and potential cost differences between efficient and inefficient pathways, the benefits to consumers of well-informed policy development would significantly outweigh the modest costs of funding research.

Recommendation 5.3

Gather insights from across institutions

Staff within governments, market bodies and other key institutions hold expertise and insights that could significantly improve early-stage policy development, including identifying emerging problems, developing policy options and testing new ideas.

However, institutional and professional constraints can make it difficult for individuals to share exploratory ideas or informal analysis, even where the information is not confidential. Individuals may be concerned that their comments could be interpreted as their personal recommendations or their organisation's formal position.

This White Paper benefited significantly from insights shared by experts from across Australia under Chatham House rules, which allowed participants to contribute candidly while protecting institutional sensitivities.

Governments and institutions should consider using similar mechanisms – such as structured workshops, expert forums or advisory groups operating under Chatham House rules – to gather insights from across organisations and disciplines during early-stage policy development.

Creating safe environments for cross-institutional exchange can improve the quality of policy analysis, and help identify issues before positions become formalised.



THEME 6. PROVIDE CENTRALISED DATA, MODELLING AND INFORMATION

Centralised data, tools and information sharing will support the distributed research and decision making essential to the energy transition.

The energy transition requires thousands of decisions by governments, investors, researchers and market participants. High-quality decisions depend on access to reliable data at the right level of detail, transparent modelling tools and clear information flows across institutions.

While the previous section focuses on expanding research capacity, this Theme focuses on the shared national infrastructure – data, modelling tools and information flows – needed for that research and analysis to be effective.

Recommendation 6.1

Establish a data services division in AEMO to improve data collection and conversion

Multiple institutions collect energy-relevant data, including AEMO, the AER, ECA, CSIRO, the Clean Energy Regulator and the Australian Bureau and Statistics. However, there are major gaps in data collection, conversion and standardisation that limit the accessibility of data at a useable level of detail – particularly in relation to distribution networks, demand, energy efficiency, electrification and CER. Ideally, this data would be combined in a single platform, delivering a similar function to the United States Energy Information Administration.

Australian governments have made multiple attempts to improve data collection, analysis and sharing, but progress has been slow. In 2023, governments agreed to change the National Electricity Law (NEL) to give AEMO the power to gather data, share it and provide data services. The NEL was changed in 2025 to enable AEMO to cover these costs through market fees.

However, many interviewees indicated that access to data was still a significant issue. Without significant upfront investment in a data platform and dedicated staff at AEMO focussing on data sharing, requests still need to be handled on a bespoke basis by staff with multiple responsibilities.

Governments should fund and direct AEMO to establish a dedicated data services division and develop a data platform that integrates and shares data from multiple sources – including the AER, Clean Energy Regulator, ECA, CSIRO and Australian Bureau of Statistics.

Recommendation 6.2 ***Enhance modelling***

Whole-of-system analysis requires effective modelling. The Integrated System Plan (ISP) is an extremely valuable modelling framework, but is not well suited to exploratory analysis and risk assessments of divergent scenarios because:

- Historically, the ISP has not included significant detail on distribution systems, demand, energy efficiency, electrification and CER. Recent decisions to expand the ISP's focus on these topics should improve whole-of-system modelling.
- More fundamentally, the ISP is designed to identify a least-cost pathway within the constraints of governments' stated policies. Interviewees noted that there are both practical and political constraints to the ISP being used to model divergent scenarios to identify risks and alternative pathways.

AEMO should continue developing the ISP so that it more fully incorporates demand-side measures within its optimisation runs. However, the ISP should be understood primarily as a computationally intensive planning tool that operates within defined boundaries — not as an exploratory model.

The ISP therefore needs to be complemented by simpler, open-source modelling tools that can be used by governments, industry and researchers to examine divergent futures. ISP assumptions – which are developed through extensive consultation and are publicly available – can be used within these tools to enable different organisations to undertake comparable modelling exercises.

Several modelling tools have been developed, or are under development, that could fulfil this function, including CSIRO's Simple Electricity Model (SEM) and the University of New South Wales' (UNSW) openISP. Governments and institutions should actively support the continued development and use of these tools.

Recommendation 6.3

Provide succinct summaries for policymakers and the energy sector

Information can only be acted on if it is sorted, analysed, communicated and understood. Information overload is just as problematic as insufficient information, which makes the filtering, summarising, and sharing of information are critical.

There are already a number of formal and informal processes in place for filtering information, including events, websites and reports. However, these channels could be complemented by an annual '**Summary for Policymakers**' on key energy issues.

This summary could be produced by a panel of experts who synthesise new and existing research from governments, market bodies and independent organisations. To reflect the diversity of expert opinion, each finding could include an indication of confidence and level of agreement (for example: "Rooftop solar penetration is likely to reach 60% by 2030 – high confidence, medium agreement").

Such a product could be delivered by an independent organisation like the Energy Research Institutes Council for Australia, or an independent panel within a Federal Government or multijurisdictional body. If a new national research commissioning body is established to disburse and coordinate research funding (Recommendation 5.2, it could also be given responsibility for producing this summary.

Recommendation 6.4

Rationalise reports by market bodies and institutions

Market bodies, institutions and governments should better coordinate their efforts so that fewer, more integrated reports are produced. In some cases, this may involve consolidating related reports or producing joint publications where multiple organisations analyse closely related issues.

Better coordination of reports would reduce duplication of effort, improve clarity for decision-makers and make it easier for stakeholders to understand key developments in the energy system.



THEME 7. REFINE INSTITUTIONAL ROLES

Market bodies should be reformed to better perform their core functions, reduce effort on tasks they are not well suited to, and contribute more actively to multi-organisational task groups and individual governments' projects.

The energy market bodies have critical functions in energy policy, but they are only part of the governance system. Real-world investment in the supply and demand sides is influenced by a broad range of markets and policies outside the NEM, such as the Cheaper Home Battery Program, building standards and Renewable Energy Zones. The market bodies neither control all these policy levers nor set the broader strategic direction in which they are developed.

This means that governments must play a central role in driving and coordinating energy reform. Rather than trying to make the market bodies the primary drivers of reform, this White Paper focuses on clarifying the market bodies' core functions and ensuring that their governance is fit-for-purpose for those functions. However, the market bodies also contain extraordinary knowledge and capabilities that are needed to inform and support reform through means such as advice, collaboration and secondments.

The market bodies' core functions are set out in the NEL and ECMC directives – in other words, they implement an important subset of energy policy within boundaries that are defined by governments. The energy transition has changed how market bodies need to perform their functions in three important ways:

- **Changed capability and focus** – Refining, regulating and operating the NEM now requires different capability and focus. Historically, the NEM was largely shaped by choices around large-scale generation and networks, but it is now increasingly shaped by new sources of demand, electrification, energy efficiency and CER.

- **Changed nature of reforms** – Market bodies can develop and implement many types of reform. However, an increasing number of reforms require broad perspectives, additional authorisation and the integration of NEM and non-NEM measures. These reforms are generally best developed by task groups that include the market bodies, rather than the market bodies in isolation.
- **Changed functions** – The market bodies' functions have expanded, especially in the case of AEMO. In some cases, governments explicitly changed market bodies' functions. In others, market bodies saw emerging issues that no one had been assigned responsibility to address and proactively filled these gaps.

Proactive efforts to fill gaps are critical in a period of rapid change. However, this has sometimes resulted in grey areas where responsibility is unclear and overlaps between institutions. While governments can and should clarify these grey areas, overlap is inevitable and stronger collaboration between institutions is required to address this issue (for example, see Recommendation 2.4).

The following sections briefly examine the roles and governance challenges of each of the three market bodies before setting out recommendations.

AEMC

The AEMC's first (and most essential) function is to review and either decline, approve or amend rule change proposals for the National Electricity Rules, National Gas Rules and the National Energy Retail Rules. The AEMC is the only party that is not able to formally propose rule changes.

The AEMC is also tasked with conducting reviews and providing advice to governments on market development. However, there was strong agreement amongst interviewees that the AEMC's reform advice has generally operated within the policy parameters of the original NEM design and has therefore tended to focus on incremental change.

Systems theory suggests that governance reviews should look beyond organisations' stated goals and examine the outcomes that they produce.²⁹ If an organisation consistently acts in a certain way, that provides insight into how institutional arrangements, incentives and constraints can generate unintended consequences.

The AEMC is staffed by skilled individuals with deep expertise and diverse views. However, the context that the AEMC operates in affects its ability to robustly critique the NEM, develop divergent proposals for reform or conduct exploratory analysis.

29 For more information on this approach see Beer, S. 1979, *The Heart of Enterprise*, Wiley and Sons, Chichester.

This context includes:

- An authorising environment with oversight from multiple governments.
- Decisions that are subject to legal challenge. In combination with the previous point, this drives the AEMC to rely on orthodox frameworks and precedent in making its decisions, which can favour incremental change.
- As the decision-maker on the rules, the AEMC's statements can move markets, which makes it challenging to float novel ideas or conduct exploratory analysis.

The AEMC continues to be the appropriate channel for reviewing rule change proposals and it is very capable of undertaking reviews and driving reforms that sit within the core philosophy of the NEM's original design.

However, topics that are politically complex, cross-sectoral or require deep reform will often need initial thinking by arm's-length research, deliberative forums and analysis by task groups that include staff from the AEMC alongside governments and external experts. Reducing stand-alone reviews by the AEMC on these topics would give them more capacity to second the considerable expertise of its staff to governments and ECMC projects.

AER

The AER's functions are to manage compliance with the NEM rules and regulations. This includes the economic regulation of networks and enforcing generator and retailer compliance with the National Electricity Law, National Gas Law and National Energy Retail Law. The AER can and should provide advice to governments and the AEMC on redesigning regulation, but primary responsibility for redesigning the regulatory framework sits with governments and dedicated review processes.

Multiple interviewees raised significant concerns with how networks are regulated in Australia. In December 2025, the AEMC released terms of reference for a review on network regulation. Depending on the outcomes of this review, it may need to be complemented by a deliberative process with stakeholders and a task group comprising independent experts and staff from multiple organisations.

AEMO

AEMO's functions have grown significantly since it was established. The core function of AEMO is to operate: the NEM wholesale market – including real-time dispatch, settlements, and market participant information; gas markets; and system security through coordinating the system and emergency operation.

AEMO also has a transmission planning function, which has been expanded to provide whole-of-system modelling and planning through the ISP. Finally, AEMO has an increasing role in providing advice to support market evolution, which is now set out in the NEL. AEMO's technical expertise was well respected among interviewees, and it provides advice on a broad range of national and state and territory projects.

AEMO's governance is not well set up to deal with some of these functions, and there are both complements and tensions between these roles. For example, AEMO's core functions are strongly focussed on reliability, while its longer-term planning and technical advisory function needs to balance reliability, affordability and sustainability.

Governments have recognised the need to review AEMO's governance and commissioned a review led by Nigel Ray PSM.³⁰ This White Paper does not pre-empt the findings of this report but does highlight key issues that it will need to consider in its deliberations.

Recommendation 7.1

Review and update the directions to market bodies

Governments should review the directions given to the market bodies through the NEL and ECMC statements and directives to ensure that they are fit for purpose. Market body directions should include a greater focus on the demand side of the market.

Recommendation 7.2

Reduce internal workloads to enable greater support for national and jurisdictional processes

Each market body provides a national locus of expertise in different aspects of energy policy, including economics (AEMC), regulation (AER) and engineering and market operation (AEMO). In some ways, the development of these loci has been beneficial, but in others it has been problematic, as it has reduced the concentration of some types of technical expertise within government departments.

The challenge will be working out how to build on the existing ways that this capability is used to support not just multilateral policy development, but also unilateral policy development by the Federal Government, states and territories. Reducing some stand-alone projects by market bodies would give them more capacity to second their staff to multi-organisational working groups.

Recommendation 7.3

Ensure market bodies have diverse skills and perspectives

While the market bodies employ individuals with skill sets related to their core tasks (economics, regulation and engineering), they need to have diverse perspectives to conduct their tasks effectively. Each organisation needs to have boards and senior executive teams with diverse skills and perspectives. This could be complemented by expanding the use of independent advisory panels, comprising representatives

³⁰ <https://www.energy.gov.au/energy-and-climate-change-ministerial-council/working-groups/energy-transformation-working-group/review-aemo-governance>

from consumers and different aspects of the energy system, who advise boards and management on major issues.

Recommendation 7.4

Review AEMO's board structure and composition

AEMO's board was originally structured for market operations, not advice on the development of the energy sector. For market operations, it is important to have board members that have deep and current expertise in market dynamics, even if they still have active industry roles. For a body advising governments on the future directions of the energy sector, the board requires a broader set of skills and a greater focus on conflicts of interest.

Given AEMO's diverse functions, a significant consideration is the extent to which the board should be complemented by one or more advisory panels or sub-committees with external experts. For example, the ISP could be overseen by a panel of independent experts with suitable qualifications, allowing the AEMO board to focus on its core functions.

Recommendation 7.5

Review AEMO's membership

AEMO's membership, like its board, was originally designed to support market operations, rather than providing advice on the future development of the system. AEMO's membership is 60 per cent government and 40 per cent market participants.

The Green Paper published in June 2025 noted that this could create the perception that incumbent energy companies have priority access to AEMO and are able to influence its work.³¹ However, interviewees indicated that, in practice, industry members have limited influence over AEMO's activities. The ECMC appoints the independent board, and the board appoints the managing director.

Interviewees did state that AEMO having industry members increases its independence from governments. Some interviewees regarded this as a strength, as it heightens AEMO's ability to give frank and fearless advice and avoid politicisation. Others regarded it as a weakness, potentially reducing AEMO's responsiveness to directions from governments during periods when rapid action is required.

Changes to membership will not materially affect AEMO's income, which largely comes from market participant fees and government contributions.

31 EEC 2025 *NEM Governance Reform – Options for the future electricity system. Green Paper*, Energy Efficiency Council, Melbourne.

The current Review of AEMO Governance led by Nigel Ray PSM is considering whether changes to AEMO's membership are warranted. There is a case for removing industry membership, which should be considered alongside complementary measures that preserve an appropriate degree of independence for AEMO while supporting effective coordination with governments.

Recommendation 7.6

Undertake targeted analysis on major reforms

Interviewees identified two other significant reforms that could be made to institutional architecture – changes to AEMO's structure and a merger of the AEMC and AER.

Major institutional changes of this kind can have significant impacts, and decisions to pursue them should be based on a clearly articulated case and detailed analysis of likely costs and benefits. This White Paper has a broad focus and did not seek to resolve these questions. However, it provides observations to inform further work on these topics.

In all cases of major governance reform, reviews should distinguish whether challenges arise from institutional structures or from the broader governance context. This distinction is critical to designing effective reform.

The Review into AEMO Governance is considering whether to change AEMO's corporate legal structure. It is not clear what issues this would resolve that could not be addressed through more targeted reforms, such as strengthened oversight of AEMO's budget. Reform of AEMO's corporate legal structure may have merit, but would require a clear articulation of the problems it is intended to solve.

The Review into AEMO Governance is also considering whether to split AEMO's functions. There are potential arguments for splitting some of AEMO's functions – specifically market operation and development of the ISP – due to tensions between these roles and the breadth of responsibilities held by AEMO's board and executives.

However, AEMO staff contribute to multiple work streams, and separation would likely be complex and disruptive. Careful assessment of costs and benefits would be required to support this reform relative to the status quo or having an independent panel within AEMO oversee the ISP.

Finally, some interviewees argued that merging the AEMC and AER could improve the efficiency and coherence of decision-making. When the NEM institutions were originally designed, there was significant debate about whether rule-making and regulation should be undertaken by a single body or separately.

While a merger could deliver benefits, it would require significant effort. On balance, this White Paper does not identify merging the AEMC and AER as an urgent priority, but further research on this issue is warranted.

CLOSING REMARKS

This White Paper sets out a diagnosis of governance challenges, a reform philosophy and a series of recommendations to help Australia better navigate the energy transition.

Effective energy governance, like the energy system itself, requires a balance of centralised and decentralised elements. Governance can be strengthened by better understanding these elements and coordinating institutions and resources so they are focused on the tasks they are best suited to perform.

Many decisions need to be made through formal processes that are accountable, transparent and clearly authorised. However, the complexity of the world cannot be perfectly codified in institutional structures and processes. Governance systems also need to enable open dialogue, informal collaboration and bespoke approaches to specific issues, particularly during a period of profound change.

This White Paper draws on extensive analysis and engagement with experts from across government, industry, research institutions and non-profits. The project length allowed for deep conversations, reflection and iteration of conclusions. The recommendations are well-grounded and governments are urged to consider them.

However, the purpose of this White Paper is not only to propose reforms, but also encourage and contribute to a broader conversation about how energy governance should evolve. A central lesson from this White Paper is that diversity of perspectives and analysis strengthens reform.

Further analysis, collaboration and open discussion about energy governance will be critical to successfully navigate the energy transition.



REFERENCES AND APPENDICES

REFERENCES AND FURTHER READING

Australian Council of Learned Academies 2021 *Australian Energy Transition Research Plan - Report 1 – A strategic research agenda to enable Australia's sustainable, reliable, affordable, and fair energy transition*, Australian Council of Learned Academies, Melbourne.

Australian Council of Learned Academies 2022 *Australian Energy Transition Research Plan - Report 2 - Australia's Funding of Energy Research*, Quantum and Comparison, Australian Council of Learned Academies, Melbourne.

Australian Council of Learned Academies 2022 *Australian Energy Transition Research Plan - Report Five – transition dynamics*, Australian Council of Learned Academies, Melbourne.

Australian Council of Social Services (ACOSS), Australian Industry Group (AiG), Energy Efficiency Council (EEC) and the Property Council of Australia (PCA) 2024, *Demanding Better: A reform agenda for harnessing the power and flexibility of demand side energy resources*, ACOSS, AiG, EEC and PCA, Melbourne.

Australian Energy Market Commission (AEMC) 2024 *Rule Determination: National Electricity Amendment (Improving consideration of demand-side factors in the ISP) Rule 2024*, AEMC, Sydney.

Australian Government 2025 *Ambitious Australia – Strategic Examination of R&D: Final Report*, Commonwealth of Australia, Canberra.

Australian Government 2025 *Electricity and Energy Sector Plan*, Commonwealth of Australia, Canberra.

Australian Institute of Company Directors 2026 *Public Sector Governance*. Australian Institute of Company Directors, Sydney. Accessed online 13 January 2026 from <https://www.aicd.com.au/corporate-governance-sectors/public-sector.html>

Australian National Audit Office. 2003 *Better Practice Public Sector Governance*, Australian National Audit Office, Canberra.

Beer, S. 1979 *The Heart of Enterprise*, Wiley and Sons, Chichester.

Ben-David, R 2023 *Rethinking markets, regulation and governance for the energy transition*, Monash Energy Institute, Melbourne.

Ben-David, R 2025 *Reforming and Re-forming the consumer electricity market*, Monash Energy Institute, Melbourne.

Blueprint Institute and McKell Institute 2025 *How the Sausage is Made, Assessing Australian Policymaking Practices in the Energy Sector*, Blueprint Institute and McKell Institute, Sydney.

Cereklyei, Z. and Kallies, A. 2024 "A legal-economic framework of wholesale electricity markets: Assessing Australia's transition", *Energy Policy* 195 (2024) pp6-7.

Cambridge Economic Policy Associates 2020 *Governance and regulation of market/system operators for the Australian Energy Council and Energy Networks Australia*, CEPA, Sydney.

Clarke, D. and Graham, P. 2022 *Australian Electricity Transitions 1900 to 2050 - What will it take for Australia to transition to a net-zero electricity system by 2050?* CSIRO, Melbourne.

Consumer Energy Resources Taskforce 2025a *Data sharing arrangements to inform planning and enable future markets - Consultation Paper to progress M2 workstream of the National CER Roadmap*, Department of Climate Change, Energy, the Environment and Water, Canberra.

Consumer Energy Resources Taskforce 2025b *Redefining roles and responsibilities for power system and market operations in a high CER future - Consultation Paper to progress M3/P5 workstreams of the National CER Roadmap*, Department of Climate Change, Energy, the Environment and Water, Canberra.

Crossley, P. 2024 *Energy regulation in transition - Research Paper 2024-09*, NSW Parliamentary Research Service, Sydney.

Davies, D. 2024 *The Unaccountability Machine*, Profile Books, London

Department of the Prime Minister and Cabinet, 1991 *Communiqué - Special Premiers' Conference - Sydney 30/31 July 1991*, Commonwealth of Australia.

Edwards R. 2020 *Review of the Energy Security Board*, Commonwealth of Australia, Canberra.

Energy and Climate Change Ministerial Council 2024a *National Energy Consumer Resources Roadmap – Powering Decarbonised Homes and Communities*, Commonwealth of Australia, Canberra.

Energy and Climate Change Ministerial Council 2024b *Review of the Integrated System Plan: Final Report*, Commonwealth of Australia, Canberra.

Energy and Climate Change Ministerial Council 2024c *Response to the Review of the Integrated System Plan*, Commonwealth of Australia, Canberra.

Energy and Climate Change Ministerial Council 2025 *National Energy Consumer Resources Roadmap – Implementation Plan Update*, Commonwealth of Australia, Canberra.

- Energy Efficiency Council 2024 *Energy Research, Development and Innovation*, Energy Efficiency Council, Melbourne.
- Energy Reform Implementation Group 2007 *Energy Reform, The way forward for Australia – A report to the Council of Australian Governments by the Energy Reform Implementation Group* Department of Industry, Tourism & Resources, Canberra.
- Finkel A., Moses, K., Munro, C., Effeney, T. and O’Kane, M. AC 2017 *Independent Review into the Future Security of the National Electricity Market – Blueprint for the Future*, Commonwealth of Australia, Canberra.
- Finighan, R. and Burfurd, I. 2026 *The case for pricing pollution*, The Superpower Institute, Melbourne.
- Governance Institute of Australia 2023 *Governance Principles for boards of public sector entities in Australia*, Governance Institute of Australia, Sydney.
- International Energy Agency (IEA) 2010 *Energy Efficiency Governance Handbook*, 2nd Edition, IEA, Paris.
- IEA 2023 *Australia 2023 Energy Policy Review*, IEA, Paris
- Kallies, A. 2016 ‘A Barrier for Australia’s Climate Commitments? Law, The Electricity Market and Transitioning the Stationary Electricity Sector’ *UNSW Law Journal* 39(4), pp. 1547–82
- Kallies, A. 2021 ‘The Australian Energy Transition as a Federalism Challenge: (Un) cooperative Energy Federalism?’ *Transnational Environmental Law*, 10:2 (2021), pp. 211–235
- Kuiper, G. 2015 *Submission in response to Review of Governance Arrangements for Australian Energy Markets: Issues Paper*, Public Interest Advocacy Centre, Sydney.
- Nelson, T. et al 2025 *National Electricity Market wholesale settings review – Draft Report*, Commonwealth of Australia, Canberra.
- Moleman, M. et al 2025 “The role of status quo bias in shaping support for controversial transport policies: The counterfactual test”, *Transport Policy* 171, pp454-46
- Murray-Leach, R. 2023 *Clean Energy, Clean Demand – Enabling a zero emissions energy system with energy management, renewables and electrification*, Energy Efficiency Council, Melbourne.
- O’Connor, R., Bice, S., and Henderson, H. 2025 *Strengthening Australia’s reform ‘muscle’ via social licence to operate: evidence & practice*, ANZSOG Research Insights No.54. Australia and New Zealand School of Government, Melbourne.
- Organisation for Economic Co-operation and Development (OECD) 2017 *Recommendation of the Council on Open Government – OECD Legal Instruments Series O438*, OECD Publishing, Paris

OECD 2020 *Policy Framework on Sound Public Governance: baseline features of governments that work well*, OECD Publishing, Paris.

Osofsky, H. and Wiseman, H. 2013 'Dynamic Energy Federalism' 72(3) *Maryland Law Review*, pp. 773–843.

Oxera 2016 *Behavioural insights into Australian energy markets – prepared for the Australian Energy Market Commission*, Oxera, Oxford

Parer, W. 2002 *Council of Australian Governments Energy Market Review – Towards a Truly National and Efficient Energy Market*, Commonwealth of Australia, Canberra.

Prime Minister's Task Group on Energy Efficiency 2010, *Report of the Prime Minister's Task Group on Energy Efficiency*, Commonwealth of Australia, Canberra.

Rossi, J. 2016 'The Brave New Path of Energy Federalism' *Texas Law Review*, 95(2) pp. 400–66;

Reeve, A. Wood, T., Jones, D. and Jefferson B. 2025 *A practical path to net zero electricity*, The Grattan Institute, Melbourne.

Renouf, G. and Polly Porteous, P. 2011 *Making energy markets work for consumers – the role of consumer advocacy*, Queensland University of Technology, Brisbane.

Roberts, D. 2012 *A model for effective energy advocacy, – issues paper*, Roberts Brown, Canberra.

Saunders, C. 2012 Co-operative Arrangements in *Comparative Perspective: Melbourne Legal Studies Research Paper No. 646*, University of Melbourne, Melbourne.

Senate Environment and Communications References Committee, Parliament of Australia 2015 *Performance and management of electricity network companies – Interim Report*, Parliament House, Canberra

Senate Select Committee on Energy Planning and Regulation in Australia, Parliament of Australia 2024 *Final Report*, Parliament House, Canberra

Simshauser, P. and Tiernan, A. 2018 "Climate Change policy discontinuity and its effects on Australia's National Electricity Market" *Australian Journal of Public Administration*, 78(1) pp. 17–36.

Transparency International 2017 *People and corruption: Asia Pacific – Global Corruption Barometer*, Transparency International, Berlin.

Vertigan, M., Yarrow, G. and Morton, E. 2015 *Review of Governance Arrangements for Australian Energy Markets*, Commonwealth of Australia, Canberra.

Wood, T. 2019 *Australia's energy transition, a blueprint for success*, Grattan Institute, Melbourne.

APPENDIX A. PROJECT GOALS AND METHODOLOGY

PROJECT GOALS

In early 2025, the EEC, with support from RACE, began a review of Australian energy governance to assess whether it is fit-for-purpose. The review initially focussed on demand-side issues, but analysis and feedback indicated that the project would deliver much greater benefits if it had a broader scope. Accordingly, this White Paper examines a wide range of governance issues and makes broad recommendations to improve Australia's ability to successfully navigate the energy transition.

Interviews with senior decision-makers, experts and advocates revealed significant variation in their knowledge of Australian energy governance arrangements.

Accordingly, this White Paper aims to achieve three outcomes:

1. Improve government and non-government actors' understanding of **current** governance systems to enable them to better navigate these systems.
2. Recommend practical governance reform options that can be **immediately** implemented.
3. Foster and inform **longer-term** debate about governance reforms.

In order to make this White Paper more accessible for decision-makers, a large amount of information has been condensed or omitted.

METHODOLOGY

While the project team undertook literature review and analysis, much of the knowledge about how governance operates in practice in Australia is held by individuals, and isn't documented. Therefore, the project centred qualitative engagement through three primary streams:

- **Confidential interviews** with more than one hundred leaders across the energy sector, including ministerial advisors, senior officials, market body executives, researchers and experts from non-profits and industry. Semi-structured interviews typically lasted between one and two hours, with some interviewees interviewed multiple times over the review. The later stages of the project increasingly focussed on testing emerging analysis and recommendations.

- **Broader stakeholder consultation**, including a Green Paper released in July 2025, three public forums and roundtables with targeted groups of organisations and experts.
- **Independent review by an Expert Panel** of five individuals with extensive experience in energy policy and governance, who provided feedback on draft analysis and recommendations at several stages of the project.

Interviews, consultations and expert review were the principal sources of insight for this White Paper.

Views expressed by participants aligned on some topics and differed significantly on others. However, this White Paper does not present a summary of stakeholder opinions. Engagement was used as an input to analysis, and the author retained full editorial independence.

The vast majority of interviews were conducted before drafts of this White Paper were written, and neither interviewees nor Expert Panel members were asked to endorse the White Paper or its findings. Individual participants' views may therefore differ from the conclusions and recommendations presented.

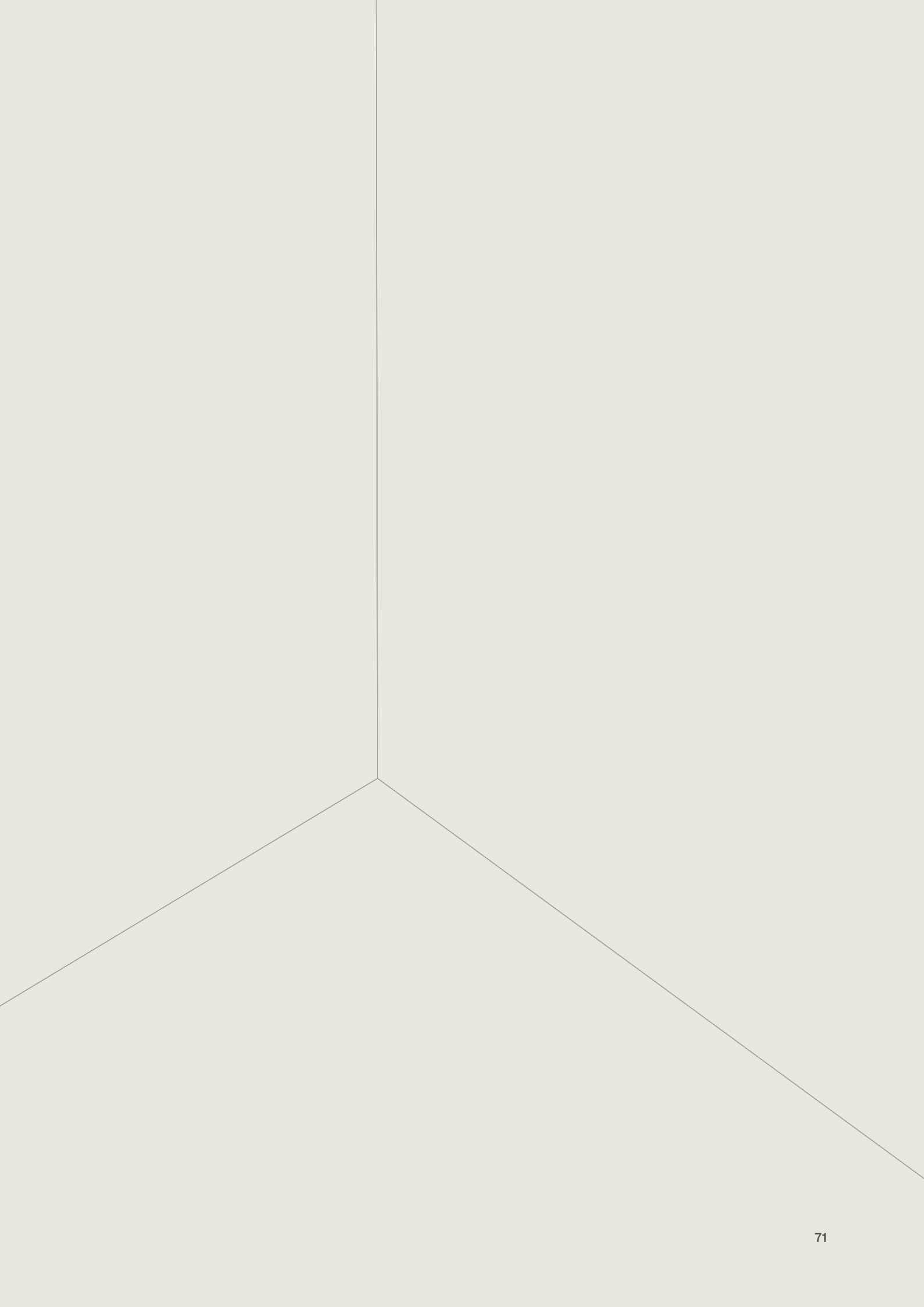
APPENDIX B. EXPERT PANEL MEMBERS

The project findings and draft recommendations were reviewed at multiple stages by an Expert Panel. Panel members were selected for their expertise across a range of relevant fields, including energy policy, law, research, engineering, generation, demand management and consumer issues.

The Expert Panel comprised:

- Professor Penelope Crossley, Professor of Law, University of Sydney
- Louisa Kinnear, Chief Executive Officer, Australian Energy Council
- Dr Bill Lilley, Chief Executive Officer, RACE for 2030 Cooperative Research Centre
- Craig Memery, Senior Advisor - Energy and Water Justice, Justice and Equity Centre
- Alison Reeve, Program Director, Energy and Climate, Grattan Institute

Panellists provided independent feedback and were not asked to reach a consensus or endorse the White Paper's findings. Individual panel members' views may differ from those expressed in the White Paper.



APPENDIX C. PRINCIPLES OF GOOD GOVERNANCE

Governance can be summarised as **who** makes decisions, **how** they are made and **whose interests** are considered. Governance is sometimes treated narrowly, focussing on issues like board structures, but encompasses a wide range of issues.³² The OECD states:

“Sound public governance consists of the formal and informal rules, procedures, practices and interactions within the State, and between the State, non-state institutions and citizens, that frame the exercise of public authority and decision-making in the public interest.”³³

This review examined multiple definitions of public governance, including by the Australian Institute of Company Directors, Australian National Audit Office, Governance Institute of Australia, OECD, United Nations Development Program and World Bank. While there are variations between definitions, there are significant commonalities.

The first commonality relates to **objectives** for good public governance, which include:

- **Effectiveness.** Good governance improves policy making and implementation, such as better market design and better decisions about when to make and avoid non-market interventions. Accordingly, good governance should result in an energy system that is more affordable, reliable and sustainable.
- **Legitimacy.** Good governance should support the rule of law and foster public trust that government decisions are competent, fair and made in the public interest. Legitimacy is critical to a functioning pluralistic democracy.

32 Barrett, P. 2003 *Better Practice Public Sector Governance*, Australian National Audit Office, Canberra. Page 5

33 OECD 2020 Policy Framework on Sound Public Governance: baseline features of governments that work well, OECD Publishing, Paris. Page 21

The OECD has identified four **values** that underpin sound public governance: integrity, accountability, transparency and inclusiveness.³⁴ These values are common across many definitions of governance, and could be summarised as:

Integrity	Decisions are focussed on public benefit and made in an ethical way that follows the rule of law.
Accountability	Individuals and institutions are held responsible for their decisions and there is suitable oversight.
Transparency	Information about how decisions are made and institutions operate is clear and accessible.
Inclusiveness	This can be read narrowly as stakeholder participation in the decision-making processes, but more broadly as considering the views and needs of diverse stakeholders.

These four values are not only essential to support legitimacy, they also improve effectiveness. For example, processes that support integrity and accountability should ensure that decisions focus on the public good, rather than the goals of individual companies, institutions or people. Likewise, processes that support transparency and inclusiveness will help ensure that critical information from outside government is considered in decision-making. However, there can also be trade-offs between elements like the speed and transparency of decision-making.

This review also identified a set of principles, structures and systems that enable good governance. These **enablers** include:

- Clear allocation of roles and responsibilities
- Appropriate capability and capacity
- Effective strategy and goal setting
- Coordination and integrated decision-making
- Informing decisions through evidence, diverse perspectives and robust debate
- Stewardship and fairness – a focus on both long-term public interest and the distributional impacts of decisions between groups and generations
- Risk management, futures thinking and accounting for uncertainty
- Responsiveness, adaptability and resilience
- Performance monitoring, evaluation and learning.

34 Ibid. Page 9

APPENDIX D. ACRONYMS

ABS – Australian Bureau of Statistics

ACOLA – Australian Council of Learned Academies

AEMA – Australian Energy Market Agreement

AEMC – Australian Energy Market Commission

AEMO – Australian Energy Market Operator

AER – Australian Energy Regulator

ANAO – Australian National Audit Office

CEFC – Clean Energy Finance Corporation

CER – Consumer energy resources

COAG – Council of Australian Governments

CSIRO – Commonwealth Scientific and Industrial Research Organisation

EAP – Energy Advisory Panel

ECA – Energy Consumers Australia

ECMC – Energy and Climate Change Ministerial Council

EEC – Energy Efficiency Council

GDP – Gross Domestic Product

ISP – Integrated System Plan

NABERS – National Australian Built Environment Rating System

NatHERS – Nationwide House Energy Rating Scheme

NEM – National Electricity Market

NSP – Network Service Provider

OECD – Organisation for Economic Co-operation and Development

RD&I – Research, development and innovation

RACE for 2030 (RACE) – Reliable, Affordable, Clean Energy for 2030 Cooperative Research Centre

SHEPI – Social Housing Energy Performance Initiative

WDRM – Wholesale Demand Response Mechanism

