



AusCID

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User Participation

Submission in response to Discussion Paper issued
by the Ministerial Council on Energy Standing
Committee of Officials

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AusCID is the principal industry association representing the interests of companies and organisations owning, operating, building, financing, designing and otherwise providing advisory services to private investment in Australian public infrastructure.

The Council formed in 1993 and currently has 88 members, drawn comprehensively from all economic infrastructure sectors including electricity generation, transmission and distribution, gas transmission and distribution, roads, rail, telecommunications, water, airports and ports. As a result of our membership base, AusCID is in a unique position to consider the views of infrastructure owners, equity investors and debt financiers and combine them with the views of infrastructure operators.

As a representative of investors in energy infrastructure assets, AusCID is concerned with many of the issues that need to be addressed in the current energy market reform process. The Council considers that the strategic direction set by a national energy policy will have wide consequences for the development of the energy market, as well as the broader economy.

AusCID welcomes and supports any well founded proposals that are directed at improving the efficiency and transparency of energy market operations. As such, AusCID supports the broad thrust of the proposals presented in this Discussion Paper that are aimed at further developing the demand side of energy markets in the hope that this will lead to improved overall market efficiency, and in particular from AusCID's perspective, better demand signals being offered to investors in generation, transmission and distribution services.

User Participation and Interval Meters

AusCID supports improved demand side participation in energy markets. However care must be taken to ensure these initiatives are not pursued simply for their own sake. Rigorous analysis of the costs and benefits of such measures and the way that consumers are going to respond must be undertaken prior to implementation. There is potential for the benefits of better consumer understanding of price signals to outweigh their costs, especially if consumers are required to invest significant time in understanding electricity price movements and money in modifying appliances. It may be appropriate in some cases to undertake limited roll-out trials.

There are definite benefits to be had in facilitating time of day and seasonally based tariffs however beyond that the cost of market participation may be quite high relative to the savings available to individual consumers, especially those in lower socio-economic strata. Interval metering will impose costs on retailers/distributors and the market more generally. Clearly the costs of interval meters and associated back office improvements (which will be substantial) must be allowed into the cost base for regulatory purposes. In addition, the issues raised by NEMMCO at the Melbourne consultation workshop about their ability to deal with increased metering activity and what that means to the administration of the market need to be examined fully.

Retail Pricing

AusCID supports the ongoing movement to full retail contestability and would encourage those jurisdictions not moving in that direction to reconsider their policy. AusCID accepts and has no objection to governments seeking to alleviate disadvantage based on the costs of provision of services to remote areas or socio-economic grounds. However we do not believe that the best way to achieve this is through continued government ownership of energy companies and the obstruction of the development of contestable markets. We are firmly of the view that the interests of consumers in those non-FRC jurisdictions, and the wider national energy market, are best served by the development of markets such as those found in Victoria with disadvantage being dealt with through the fiscal system.

That said AusCID supports the content of the Discussion Paper in relation to retail pricing but suggests that the following additions should be made:

- Overarching Pricing Principles should include an explicit requirement for full merit based appeals to all decisions made by regulators. In the name of brevity, please see AusCID's submission to the Streaming Code Changes Discussion Paper for a full discussion of this issue.
- The Framework for the Review of Price Regulation should make it clear that regulators should not review the regimes they administer. Most regulatory reviews undertaken in Australia in recent times have seen regulatory conduct as a major issue. As such, reviews conducted by the regulators themselves are likely to have reduced credibility and be open to a charge that regulators are simply trying to keep themselves in work. The Commonwealth has demonstrated a preference for the Productivity Commission to conduct these reviews (such as in the case of the gas code and the airports regime) and AusCID would

be happy for the Productivity Commission to be resourced up to perform this function although other independent bodies would serve the same end.

- The Framework for Review of Price Regulation needs to consider the impact that the timing of reviews may have on investment time frames. Australian regulatory practice seems to have largely settled on 5 yearly reviews and in the absence of strong arguments for other time frames, it seems sensible to continue this practice.
- The Framework for Review of Price Regulation should have a strong emphasis on economic efficiency in order to ensure consistency with other regulatory structures with energy markets (such as the proposed new objects for the Gas Code)

If Senior Officials wish to discuss these issues further, please contact Dr Warren Mundy on 0409 911 554 or by email regulation@auscid.org.au.