

Manager – MCE Secretariat
Department of Industry, Tourism and Resources
GPO Box 9839
Canberra ACT 2601



11 November 2005

Dear Sir/Madam

RE: PROPOSED NATIONAL FRAMEWORK FOR ENERGY DISTRIBUTION AND RETAIL REGULATION (“THE FRAMEWORK”): SPECIFICATION OF FUNCTIONS

I write in response to the call for views on an appropriate high level specification of distribution and retail functions for the Framework, as issued by the Ministerial Council on Energy’s *Energy Market Reform Bulletin No. 50* dated 13 October 2005.

BCSE seeks clarification on the activities that will be transferred to the Framework and fall under the proposed national regulator’s functions in relation to demand side management and energy efficiency. The paper by NERA Economic Consulting and Gilbert + Tobin which was released for comment on this matter only appears to reference demand side management as an example of an obligation currently imposed on distribution businesses that is expected to migrate to the new “Jurisdictional Direction” arrangements, and is listed at point 29 in the proposed Schedule for Transfer.

Although the paper highlights (Background, p.1) that the Ministerial Council on Energy was established by COAG to “deliver the economic and environmental benefits for Australia”, there is little in this paper that provides for the realisation of environmental benefits. BCSE believes that national distribution and retail regulation must explicitly incorporate and recognise the need to consider alternatives to network augmentation, including consideration of the environmental and/or social benefits that may result from demand side management activities. As identified by NSW’s IPART (inter alia) in its October 2002 *Inquiry into the Role of Demand Management and Other Options in the Provision of Energy Services*, these perspectives are essential aspects of the regulatory approaches to metering and pricing (which are clearly included as part of the proposed Framework).

A degree of national consistency in regulation that includes effective consideration of demand management, energy efficiency, embedded generation and greenhouse emissions, will be important in achieving the greatest economic benefits of the Framework. Failing to include such options and alternatives to network augmentation (and the concomitant environmental and/or social benefits) in the Framework would reduce its ability to regulate for optimal outcomes.

Consistent with this, BCSE also believes that inclusion of the consideration of demand side management in the specific functions of the national regulator is necessary to meet the discussion paper’s Recommended Policy Criteria listed on p. 92, that “jurisdictional government policies in relation to the distribution and retail businesses should be clear and explicit”.

BCSE broadly supports the early directions taken for national consistency through consolidation of transfer of distribution and retail functions, and we request your confirmation of how demand side

management and energy efficiency will be considered and incorporated within the scope of the new national regulator's functions under the Framework. We are encouraged by the potential that national regulation holds and look forward to participating throughout the consultative process.

Yours sincerely

Peter Szental
President