

2 SEPTEMBER 2004



NE Rule Change Process  
C/ MCE Market Reform  
Department of Industry, Tourism and Resources  
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### **MCE consultation paper - Proposed National Electricity Rule Change Process – 9 August 2004**

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to comment on the MCE consultation paper on the proposed National Electricity Rule Change Process. The ERAA represents the core of Australia's energy retail organisations and is the peak body representing energy retailers in Australia.

We have confined our comments to the proposed changes to the Market Objectives that are contained in this consultation paper.

The ERAA is concerned that the market objectives that are to be included in the National Electricity Law are different from the current market objectives and that, assuming that this paper is the consultation on the objectives, there has been inadequate consultation on the changes. Rather, the changes to these objectives are being addressed as a component part of the consultation on the rule change process, which is itself short.

The consultation on law and rule changes to date has stressed that only those changes necessary to give effect to MCE decisions, and consequential changes, are to be included in the set of changes made. What has happened here is that a fundamental change to the market is being made as part of the rule change process. The objectives of the market are to be enshrined in the law (as are other protected provisions), and the ERAA considers this to be appropriate, but this set of objectives is quite different from the set being removed from the Code.

The MCE commented on the use of the market objectives to assess rule changes in its report to CoAG in December 2003 on the market reform process, but no indication was given that market objectives were to be fundamentally altered:

**“Net benefit test.** The AEMC will be required to apply a net benefit test based on the achievement of the market objectives, including the long term interests of consumers, in deciding whether to approve a rule change.” *Appendix 2 to Ministerial Council on Energy Report to COAG on Reform of Energy Markets – 11 December 2003*

The ERAA notes that the primary market objective is new, presumably drawn from the first objective of the IGA, and the “secondary” market objectives will contain an additional objective, again apparently a modification of clause 2.1(b)(iii) of the IGA.

The ERAA considers that the implications of changing the objectives of the National Rules should be given more prominence, more thoroughly analysed and be the subject of a separate and full consultation to see if other clauses should be included or reworded for appropriate balance.

The ERAA does not consider it is appropriate that this issue is addressed in the consultation on the rule change process nor that the time frame provided is adequate to consider the issue. We note that the explanatory information for the legislation then before the SA parliament to establish the AEMC commented that the bill would be amended to account for later decisions of the MCE as necessary.

We therefore ask that the Market Objective remain unchanged in the current round of amendments to the National Electricity Law and that appropriate amendments be made after a full and appropriate consultation process.

If you have any queries on the content of this submission, please contact me or Nicole Stillman at the ERAA Secretariat on 0417 101 452.

Yours sincerely,

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