



AUSTRALIAN
ENERGY
REGULATOR

A market monitor's perspective

Mark Wilson - 15 May 2006

Synopsis

- The functions of the AER
- Market design – the context
- Reliability
- Networks

The functions of the AER

- monitoring compliance and investigating and prosecuting breaches
 - with the NEL, NER and the regulations
- economic regulation of electricity transmission
 - economic regulation of gas transmission and electricity and gas distribution system from 2007

Market design – the context

- energy-only “gross” real-time market
 - wide range of efficient pricing outcomes
- de-centralised decision making
 - generator self commitment
 - investment
- safety nets
 - price risk
 - reliability

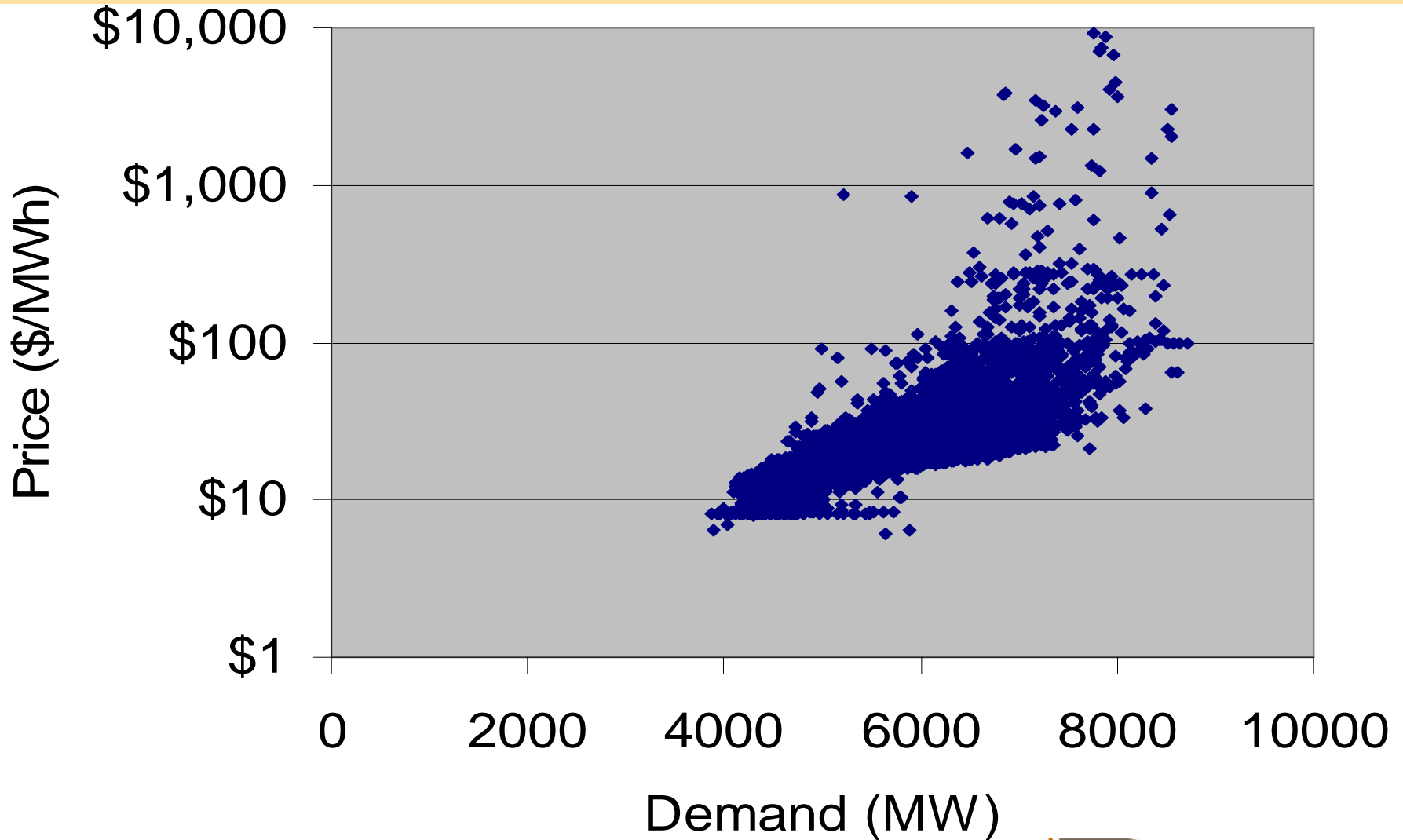
Reliability depends on...

- efficient investment driven by high fidelity pricing signals
 - high quality information
 - generators/loads
 - network service providers
 - predictability of market operations
 - demand forecasts
 - network capability
 - transparency of market outcomes

Reliability also depends on...

- technical performance across the supply chain
 - generation
 - transmission
 - distribution

2005-06 Victorian price outcomes



Networks

- regulatory test drives necessary network augmentations
- the test requires assessing all alternatives
 - demand side
 - supply side
 - network
- market impacts of transmission constraints