

## Proposed Regulatory Framework for the National Electricity Market

The NGF believes the following features should be included in any future regulatory framework for the National Electricity Market:

- a) Single point responsibility and accountability for each regulatory function to prevent overlaps between agencies and duplication of effort by interested parties;
- b) Responsibility for formally initiating changes to the market rules to lie solely with governments for policy matters and Code Participants for operational matters (excluding NEMMCO);
- c) Rule change processes must be transparent and change proposals must be assessed against set criteria that are designed to promote the long term efficiency of the market; and
- d) Appeals against regulatory decisions on the grounds of process and merit.

The regulatory instruments and processes described below incorporate these features.

<b>Instrument</b>	<b>Change Initiator(s)</b>	<b>Change Decision-maker</b>	<b>Test(s) of Change Proposals</b>	<b>Appeal Body and Grounds</b>
Market Policy	MCE	MCE	Open consultation according to statutory process	Not applicable
Authorised Market Arrangements	MCE and/or a minimum number of Industry Participants (other than NEMMCO)	ACCC	<ul style="list-style-type: none"> <li>• Open consultation according to statutory process in Part VI of TPA</li> <li>• Proposals must pass net public benefit test</li> </ul>	<ul style="list-style-type: none"> <li>• Australian Competition Tribunal</li> <li>• Merits and process</li> </ul>
Market Procedures	Minimum number of Industry Participants (other than NEMMCO)	AEMC	<ul style="list-style-type: none"> <li>• Open consultation according to process in National Electricity Law</li> <li>• Proposals must satisfy statutory criteria designed to determine their net market benefit</li> </ul>	<ul style="list-style-type: none"> <li>• Tribunal or Courts</li> <li>• Merits and process</li> </ul>

The Market Policy is to be set a high level, based on the existing Market and Code Objectives and the Council of Australian Governments' Principles for the NEM approved in 1994.

The Market Arrangements are consistent with the Market Policy. The Arrangements establish an umbrella-like framework for the NEM that is to be implemented through a range of possible rules. This framework is to be authorised by the ACCC as competition regulator under Part VI of the TPA to ensure that the NEM will deliver a general net benefit.

The Market Procedures establish the specific rules for operation of the NEM. These rules must fit under the Arrangements that have been determined to provide a general net benefit. Proposed changes to the rules must be demonstrated to provide net benefit to the NEM before they can be brought into force by the AEMC.

This regulatory framework ensures the competition regulator focuses on its general role while the industry specific body addresses particular technical questions. This neatly reflects and preserves the existing allocation of legislative power to the Commonwealth and the States. Also, it establishes market development roles for governments and industry participants over matters against which judgements of their performance are made, while ensuring that their development proposals are checked independently and transparently against robust economic criteria.

NEMMCO as market operator continues market development work but is required to secure support from a minimum number of industry participants before proposed changes to the procedures can be submitted to the AEMC. Sensible proposals will secure support from at least the minimum number of participants. This imposes transparency and accountability on NEMMCO.