

Submission to MCE Market Reform

Response to “Framework for, Memorandum of Understanding between the AEMC, AER and ACCC.”

TXU appreciates the opportunity to be a part of the MCE Market Reform Process.

In previous submissions on the governance structure of the reformed energy market, TXU has been a strong advocate for the separation of the different components of the governance / operational process. It was TXU’s position that “...the AEMC and the AER need to act independently from each other to allow all parties to focus on their key responsibilities [to] eliminate conflicts of interest and maximise independence, vital for investor confidence.”

TXU’s understanding of the proposed governance structure, based on information provided to date, is that the governance structure reflects this preferred outcome by:

- The MCE developing policy,
- The AEMC developing and administering market codes, rules and regulations, changing these rules where requested by the MCE, industry or others, and providing information and support to the MCE,
- The AER enforcing industry specific rules and regulations as required and
- The ACCC having overall authority of regulatory enforcement (Pt VII and Pt IIIA) with specific responsibilities in the area of mergers and acquisitions and anti competitive conduct (Pt IV).

TXU accepts that the paper under consideration was a “framework” for the MoU but is concerned that the paper seems to lack clarity and definition around the specific roles of the various entities (AEMC, AER and ACCC) and that this lack of clarity flows through to information flows and process responsibilities. TXU believes if there are not more detailed controls around this process the lines of independence between the organisations will blur and the independence of the proposed model will erode.

TXU is supportive of the change that is underway but agrees with the comments made in the paper prepared by the Energy Networks Association in response to this issue. Please see attached.

If you require any clarification on issues raised in this paper please feel free to contact Peter Fennessy, Regulatory Manager, Wholesale Gas on (03) 8628 1261.