

Submission to MCE Market Reform on behalf of VENCORP

Streamlining the Energy Code Change Process – Consultation Paper

- It is unclear what “Energy Codes” this process is intended to apply to. The introduction states that “the generic model for rule changes in this paper will apply to the National Electricity Code, it provides a general framework for code changes in respect of gas”.

However, quite apart from the National Electricity Code and the National Gas Access Code, there is a range of other statutory or regulatory “codes” and “rules” that apply in the gas and electricity industries.

For example, VENCORP administers:

- the Market and System Operations Rules (MSO Rules), which govern operation of the Victorian gas spot market and the principal gas transmission system in Victoria; and
- the Retail Gas Market Rules (Retail Rules), which govern procedures to facilitate gas retail competition in Victoria.

The MSO Rules are a statutory instrument implemented and enforced under the Victorian Gas Industry Act, but with a rule change mechanism that requires approval of proposed changes by the VENCORP Board and the ACCC. The MSO Rules also form part of VENCORP’s Access Arrangement for the PTS. Thus, changes to the MSO Rules, which have been approved by the VENCORP Board, are submitted to the ACCC both for authorisation under the Trade Practices Act, and for approval as revisions to VENCORP’s access arrangement under the National Gas Access Code.

The Retail Rules for the Victorian PTS have been developed by VENCORP, in consultation with industry, as required under the Gas Industry Act and are approved by the Victorian Essential Services Commission (ESC). Changes to the Retail Rules also require approval of the ESC.

Further clarity is required as to how the MCE’s proposed streamlined Code Change Process is envisaged to impact on the procedures for approval and implementation of changes to the MSO Rules, Retail Rules and other similar Codes and rules in the energy industry.

Further clarification is also sought as to the intended roles of the AER and AEMC in this regard. If there is to be a transfer of responsibilities in these areas from the ACCC and the Victorian ESC to the new bodies, then a carefully thought through transition strategy may be required.

VENCORP offers its active participation in future consideration of these matters and would be pleased to discuss this further.

- Subject to the above clarification, VENCORP supports the general thrust of the proposed streamlining of the Code Change Process, and the AER-AEMC-ACCC MOU.

In particular, VENCORP applauds the intended streamlining of the consultation processes required to facilitate approval of Code changes, and the ability of the ACCC/AER/AEMC to share information and consultation processes.

In its role in administering both the MSO Rules and the Retail Rules, VENCORP is experienced in conducting extensive consultation on market design and rule change proposals, across a broad range of energy market stakeholders. In almost all cases, stakeholder issues with proposed changes to the rules have been successfully dealt with prior to submission to the regulator for authorisation/approval. Even for proposed changes that have been unanimously supported through the industry consultative bodies engaged during the VENCORP process, the ACCC and ESC are required to conduct their own consultation process and are unable to “piggy back” on the VENCORP consultation process. On occasions, industry stakeholders have questioned the efficiency in this “overlap” of regulatory consultation processes.

While VENCORP and the regulators have worked well together and have developed a cooperative approach that has succeeded in reducing unnecessary delays and duplication of effort, the MCE proposals would appear to provide scope for further improvement in this regard.

Application of the Industry levy to fund the AER and AEMC – Discussion Paper

- VENCORP is a statutory body operating in both the electricity and gas markets:
 - As a Transmission Network Service Provider in the NEM; and
 - As market/system operator, and facilitator of gas FRC, for the Victorian principal gas transmission system.

In all these roles it operates on a “not-for-profit”, cost recovery basis. It is, therefore, VENCORP’s view that it would be inappropriate to impose a levy on VENCORP for the purpose of funding the AER or AEMC. VENCORP would have no alternative but to recover the cost of this levy through its own cost recovery tariffs imposed on other gas/electricity market participants. This would add an unnecessary additional link in the cost recovery chain.