

27 May 2013

Mr John Pierce  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

**Response to Australian Energy Market Commission (AEMC) Discussion Paper,  
*Strategic Priorities for Energy Market Development, 2013***

Dear Mr Pierce 

The Energy Networks Association welcomes the opportunity to comment on AEMC's three new strategic priorities for energy market development.

We acknowledge that the two earlier strategic priorities, *a predictable regulatory and market environment for rewarding economically efficient investment* and *building the capability and capturing the value of flexible demand* remain relevant. In this regard, we look forward to working closely with the AEMC on the proposed changes to the national electricity rules that follow from the Standing Council on Energy and Resources (SCER) decisions in December 2012.

The Energy Networks Association (ENA) is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members have invested more than \$75 billion in energy infrastructure.

ENA supports the AEMC's new strategic focus on *strengthening consumer participation, promoting the development of efficient gas markets and market arrangements that encourage efficient investment and flexibility.*

*Strengthening consumer participation*

ENA supports initiatives that enable consumers to participate more effectively in energy markets, including a role for consumers in network determinations and price setting. ENA members believe that greater participation by customers at all stages of the regulatory process will enhance community confidence.

From a network planning perspective, customers' views are important to striking the right balance between short-term price and medium-term reliability. Accordingly, network businesses have evolved their own engagement strategies to inform their planning.

During the AER determination process, a vast body of complex information is available to customer groups. There are opportunities for all stakeholders to participate in the process. However, participating effectively in the process often requires specialist skills, in particular the capacity to analyse the technical and economic data underpinning network proposals. Customer groups have access to project funds through the National Consumer Advocacy Panel but, on the whole, this funding is limited and has rarely been used to participate in determinations.

ENA considers that improving the accessibility of these processes for consumers is important. We recognise that there are number of consumer participation measures in various stages of consideration, design and implementation.

ENA has supported the decision to establish a national consumer advocacy body to strengthen consumer representation and participation in energy policy and rule reviews, and network regulatory determinations. Strengthened arrangements in this area will promote the long term interests of consumers, and will play a role in enhancing the stability, predictability and legitimacy of regulatory frameworks governing the recovery of long-term network investments.

In the network determination context, changes made to the regulatory process following the AEMC's recent Economic Regulation of Network Service Providers rule also have the potential to increase consumer engagement in the revenue and price setting decision processes administered by the AER.

ENA endorses the objectives of these processes, which are important to strengthening the role of consumers in regulatory decision making and improving consumer engagement across the sector. As they progress, it will be important to ensure the coordinated development of new national consumer advocacy arrangements, the planned introduction of an AER Consumer Challenge Panel, and the finalisation of an AER consumer engagement guideline into a complementary and effective suite of measures.

In the conduct of retail markets, consumers benefit where there is effective competition that enables retail price caps to be removed, as has been found in Victoria and in South Australia. In ENA's view deregulation of retail markets in these circumstances encourages energy market innovation and new offerings for energy consumers. In this environment, consumers are better informed about their energy use and able to make choices which reward efficient consumption at peak periods..

#### *Promoting the development of efficient gas markets*

The ENA has had a long-held view that gas should be included among the strategic priorities of the AEMC. Since its first advice to the AEMC in 2011, gas has continued to grow in its importance to Australia's energy markets. There is no doubt that the eastern gas market is undergoing a period of major development and change, including growth in trading opportunities and expansion of export markets.

Natural gas has a critical role to play in Australia's future during the transition to a less carbon-intensive economy. The ENA continues to support regulatory and policy settings which promote the market-based development of additional upstream gas supplies within a evidence-based development approval and regulatory framework supporting sustainable investment.

In the medium term, distributed generation will play a greater role in energy markets and the ENA is working with stakeholders to remove technical and commercial barriers to the increased use of natural gas in distributed generation.

ENA looks forward to participating in the scoping study initiated by the AEMC to review the existing gas market arrangements and to identify issues for gas market development.

#### *Market arrangements that encourage efficient investment and flexibility*

ENA supports market arrangements that ensure adequate investment to maintain a reliable and secure energy supply, for the benefit of consumers. There is a significant opportunity through the review of national frameworks for transmission and distribution reliability being progressed by SCER, to ensure that there are appropriate incentives in place to invest in transmission and electricity generation, and that the approach taken to meet reliability standards by network businesses reflect consumers' willingness to pay.

*Achievements*

The ENA would like to acknowledge AEMC's successful implementation of the network regulation rule changes and the national framework for electricity distribution network planning and expansion.

While the ENA held different views to the AEMC on some issues, the *Economic Regulation of Network Service Providers* rule change process generally provided a balanced refinement of the existing incentive-based regulatory framework. ENA is now working intensively with the Australian Energy Regulator (AER) on the series of regulatory guidelines governing future AER approaches in a range of critical areas being developed in a consultative fashion over 2013, for progressively implementation in the next round of network regulatory determinations. ENA considers these processes represent a valuable opportunity for all stakeholders to reach a shared understanding of directions for regulatory practice and developments, within the framework set by the Law and Rules.

ENA looks forward to continuing to work with the AEMC on these areas of mutual strategic interest in 2013.

Yours sincerely,



John Bradley  
Chief Executive Officer