

16 February 2006

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Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Re: Proposed Rule change to extend the Advocacy Panel

Dear John

The ERAA welcomes the opportunity to comment on the Rule change proposal to extend and modify the operation of the current Advocacy Panel (the Panel). The ERAA is an independent association representing retailers of electricity and gas throughout the National Electricity Market (NEM) and the National Gas Markets. ERAA members collectively provide electricity to over 98% of customers in the NEM and are the first point of contact for end use customers for both Gas and Electricity.

The AEMC should reject the proposed change

The ERAA is concerned that the proponent has not correctly identified how this extension would assist in the achievement of the Market Objective. The Panel has been operating now for three years and any proposal to extend it must analyse its effectiveness. This analysis is particularly important since its establishment was opposed by many parties, leading NECA and the ACCC to require a review of its operations after three years.

Our analysis of the work funded by the Panel and other applications of the funds available shows little increase in capacity of end users¹. In fact some of the funds have been used to fund additional advocacy staff, which was not intended in the initial proposal (nor is it part of the new MCE approach). In addition, some of the papers relate to activities explicitly removed from the scope of the Panel when the MCE replaced the National Electricity Code with the Rules.

The proposal to extend the Panel does not, therefore, assist in the achievement of the Market Objective and should be rejected. The ERAA considers that the AEMC should replace it with a Rule change removing reference to the Panel from the Rules.

¹ Our comments are not meant as a criticism of the Panel members but rather an indication that the underlying rationale for the Panel is probably flawed. The works funded indicated that end users are not interested in wholesale market design issues but rather more direct issues that impact the costs or reliability of energy.

Inconsistencies between the proposal and MCE policy

The MCE explicitly state that the AEMC should not appoint members in the covering letter. In addition, their communicate on future advocacy arrangements in the energy markets also states that the MCE will appoint the members of its proposed panel. The proposal is therefore inconsistent the MCE policy in this regard.

The Jurisdictions have agreed that activities of the AEMC are to be funded by the states and territories that are participants in the NEM. The proposed changes do not implement this agreement. Other, similar, bodies in the NEM (such as the Reliability Panel) are funded and supported by the AEMC. The ERAA therefore considers that any advocacy arrangements in the NEM should be similarly funded.

The MCE propose their alternative approach will operate from 1 January 2007. Therefore an open-ended extension, as proposed, is not appropriate and any extension of the Panel must be limited to that date.

Removal of the ERAA representative on the Panel

The ERAA is concerned that the proposal (and the MCE arrangements that will replace the Panel) remove a retailer representative. We consider that our involvement in the Panel has assisted its operations and reject the unsupported suggestion made in the proposal that our representatives were and are unable to be unbiased. The ERAA considers that no evidence has been produced to warrant removal of the participant representatives from the Panel.

Summary

The ERAA believes that the AEMC should reject the proposal from the MCE to extend and modify the Panel. The AEMC should substitute a Rule change that deletes the Panel from 1 July 2006.


If the AEMC believes it cannot remove the Panel, it should modify the proposal so that:

- future end user representatives are appointed by the MCE;
- market participant representation is unchanged;
- funding and support of the Panel is provided only by the AEMC; and
- the Panel ceases on 1 January 2007.

If you have any queries on the content of this submission, please contact me or Diane Campbell at the ERAA Secretariat on (02) 9369 4296.

Yours sincerely,



 Patrick Gibbons
Executive Director