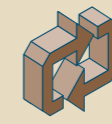


# 2013 STRATEGIC PRIORITIES

## CONSUMER PRIORITY



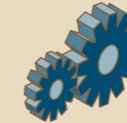
Aims to empower consumers to participate confidently in all parts of the energy supply chain where they desire to do so



Consumers can benefit from, and contribute to, the effective functioning of the electricity and gas sectors:

**In competitive generation and retail markets** By participating through retailer and consumption choices

**In monopoly networks** By participating in regulatory processes



### DEVELOPMENTS

- There is no longer passive consumption of homogeneous product – more choices are emerging for consumers as a result of technology and retail competition
- Consumer desire to manage energy expenditure
- Investment inefficiencies in the sector due to lack of information (including inefficient price signals)
- Limited ability for consumers to signal preferences in the regulated networks sector and in policy/regulatory processes



### WHY IT'S IMPORTANT

- Effective demand-side participation promotes supply through lowest-cost combination of demand and supply side options
- Reduction in peak demand minimises costs for consumers in the long term
- Consumer participation in the network sector provides richer input to determine appropriate investment levels



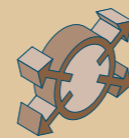
### WHAT WE'RE DOING

- Our reviews of competition have recommended price deregulation
- Consumer engagement blueprint findings and implementation of Power of Choice seek to empower consumers through information and tools
- AER is implementing our rule changes to provide new opportunities for consumers to participate in policy and regulatory processes
- Mapping NECF rules framework to guide stakeholders in navigating rules and derogations

## GAS PRIORITY



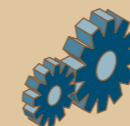
Making gas a strategic priority reflects the importance of flexible long-term strategic planning for the sector – to ensure efficient allocation of gas across the economy



An expanding liquefied natural gas export industry is creating a new supply/demand dynamic on the east coast, with a period of transition as the market adjusts



As the market evolves it will be important to work with participants to understand how their commercial needs may change and to empower consumers through information and tools



### DEVELOPMENTS

- LNG export industry represents a new market dynamic
- Uncertainty about whether sufficient gas reserves can be developed in time to meet LNG export schedules and the needs of domestic users
- Upward pressure on gas prices and greater focus on the efficiency of the gas supply chain



### WHY IT'S IMPORTANT

- A reliable and competitive gas market provides for efficient and timely investment and the supply of gas at least cost to consumers
- Strategic planning will help to target future gas market development work appropriately to meet the needs of participants and consumers



### WHAT WE'RE DOING

- **Gas market scoping study**  
Identifies need for a strategic plan for market development, allowing the industry, market institutions and governments to work towards achieving a well-functioning and more mature market

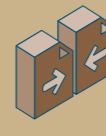
## MARKET PRIORITY



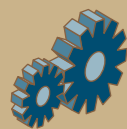
Market arrangements must attract the most efficient investments to minimise costs for consumers.



Discussion of how to improve the NEM must address the question of risk allocation. Policy and regulatory decisions must be guided by how risks are allocated.



Integrated policy outcomes are most likely when all affected parties are consulted and decisions are taken in a transparent manner.



### DEVELOPMENTS

- The form that future investment will take is arguably now more uncertain.
- Concerns that external policies are driving oversupply of generation capacity. Uncertainty about carbon policy and the RET is affecting investment decisions.
- Multiple reviews are increasing the regulatory burden on market participants



### WHY IT'S IMPORTANT

- A more certain investment environment can reduce the risks associated with new investment.
- Good market and regulatory arrangements change as knowledge develops. Changes should be transparent and relatively predictable, based on clear objectives.

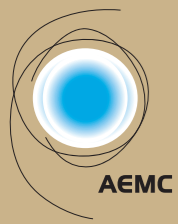


### WHAT WE'RE DOING

- **Transmission Frameworks Review**  
Given the go-ahead by SCER for a detailed testing and implementation phase.
- **Reliability reviews**  
Undertaking reviews to promote reliability levels based on greater efficiency, transparency, consultation and consumers' willingness to pay.

**NEM financial market resilience**  
Making recommendations that will reduce risks in the event that a large retailer fails.

**Regulatory processes**  
Considering options to improve timeliness of our rule change process without undermining the features our stakeholders value.



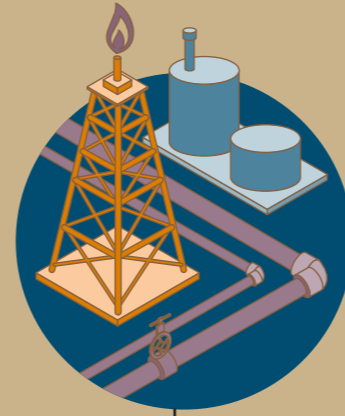
# STRATEGIC PRIORITIES WORK PROGRAM

MAJOR POLICY DEVELOPMENT

## CONSUMER



## GAS



## MARKET

