

23 February 2009

Australian Energy Market Commission
AEMC Submissions
submissions@aemc.gov.au

Thank you for the opportunity to comment on the AEMC 2008, Review of Energy Market Frameworks in light of Climate Change Policies, 1st Interim Report. December 2008.

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON believes that the review provides a comprehensive overview of the energy market and the potential impacts of the Governments proposed climate change policies.

We have provided comment on *Issue A7: Retailing*.

For ease of reference we have adopted the same numbering as the AEMC 2008, Review of Energy Market Frameworks in light of Climate Change Policies, 1st Interim Report. December 2008.

Issue A7: Retailing

The details of this section of the review are based on the view that “*The current arrangements for jurisdictional price regulation are unlikely to promote and support the desired market outcome.*”¹

This approach is summarised in the review’s question:

“*A7.1 Do you agree that the current inflexibility in the retail price regulatory arrangements is a significant issue that should be progressed*”

¹ AEMC 2008, Review of Energy Market Frameworks in light of Climate Change Policies, 1st Interim Report. December 2008. P 51

further under this Review? If not, what are your reasons for this position?”²

When contributing views to pricing reviews in NSW EWON’s primary concern has been to ensure that customers are not affected by ‘price shock’ and that there are effective consumer protection frameworks in place. The process of retail price regulation in NSW has been guaranteed by the NSW Government until 2013. Such a process allows for pass through provisions and automatic review in the case of significant variation of wholesale prices for electricity.³ These reviews provide the necessary flexibility to ensure retailers are not adversely impacted by significant wholesale price increases.

The most recent Ministerial Council on Energy meeting has also addressed the issue of carbon pricing and regulated retail pricing.

“In considering the interaction of the CPRS and the operation of retail markets, the broader issue of retail price regulation for energy consumers is being addressed by the MCE. The MCE recognised the importance of addressing regulatory impediments to carbon cost pass-through associated with the efficient functioning of the CPRS. To ensure a national commitment to the pass-through of carbon prices to end-use consumers, the MCE will ask that Council of Australian Governments (COAG) amend the 2006 Australian Energy Market Agreement to specify that where retail prices are regulated, energy cost increases associated with the CPRS shall be passed through to end-use customers.”⁴

EWON’s experience is that current jurisdictional price regulation provides an essential consumer protection feature ensuring that customers are aware of impending price rises. A pass through provision as proposed by the MCE will ensure that further flexibility to the current arrangements will provide the essential protection for retailers that is sought by the AEMC, without moving to full retail pricing deregulation before effective competition has been demonstrated to exist in NSW.

EWON understands that the AEMC review into the effectiveness of competition in NSW is scheduled in 2011.

² AEMC 2008, Review of Energy Market Frameworks in light of Climate Change Policies, 1st Interim Report. December 2008. P 50

³ “The most significant difference is the inclusion of an annual review mechanism for the market-based electricity purchase cost allowance during the determination (in 2008 and 2009)”. Promoting retail competition and investment in the NSW electricity industry June 2007 P3

⁴ MCE Communiqué Canberra, 6 February 2009 Attachment A Page 4



Energy & Water
Ombudsman NSW

PO Box K 1343
Haymarket NSW 1240

Admin (02) 8218 5250
Fax (02) 8218 5233
Freecall 1800 246 545
Email omb@ewon.com.au
Web www.ewon.com.au

ABN 21079 718 915

If you would like to discuss this matter further, please contact me or Chris Dodds,
Senior Policy Officer on 82185250.

Yours sincerely

A handwritten signature in cursive script that reads "Clare Petre".

Clare Petre
Energy & Water Ombudsman NSW