

29 September 2003

Mr Sebastian Roberts
A/g General Manager
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Australian Competition and Consumer Commission
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Dear Mr Roberts

Submission Response to the Review of the Regulatory Test

The Energy Retailers Association of Australia (“ERAA”) welcomes the opportunity to provide comment to the Australian Competition and Consumer Commission (“ACCC”) following its earlier discussion paper “Review of the Regulatory Test” and more recently the public forum held in Melbourne to discuss stakeholder views on the topic.

This letter limits ERAA comments to the one specific element of the Regulatory Test debate that emerged strongly through the Melbourne forum – that is the incorporation of competition benefits in the Regulatory Test.

In brief, it is the ERAA’s view that the Regulatory Test already allows for competition benefits to be considered when assessing transmission system augmentations and alternatives. In support of competition benefits being fully considered during the analysis of transmission augmentation projects¹, the ERAA encourages the ACCC to develop more prescriptive guidelines upon the methodology to be used in correctly analysing competition benefits such that a common methodology can be applied to all project proposals.

In relation to the debate that emerged at the ACCC’s recent forum regarding the identification of wealth transfers between generators and consumers within the competition benefits methodology, the ERAA view is that wealth transfer identification is not necessary. That is, the current definition of market benefits in the Regulatory Test should remain as:

“the total net benefits of the proposed augmentation to all those who produce, distribute and consumer electricity in the National Electricity Market.”

Although different transmission projects may see costs allocated across different sets of market participants (particularly if the Beneficiary Pays principles are applied to the market), the review of a transmission augmentation must look at its net benefit to the market, rather than limit that review to impacts upon specific classes of participant.

¹ A minority of retailers does not support the inclusion of a competition benefits test within the Regulatory Test.

The ERAA considers the issue of Transmission is of critical importance to the market and is highly interested in the ACCC's consideration of the Regulatory Test Review. The outcome will form part of a bigger picture of forthcoming transmission market reforms and should be considered by the ACCC in this context. The ERAA would welcome the opportunity to discuss its views upon the Regulatory Test with the ACCC as well as gain insight into the determination process going forward. In this regard Ms Rebecca Myers, Chair of the ERAA's Wholesale Markets Standing Working Group will be contacting you about the possibility of you meeting with the working group to discuss these issues.

If you have any questions in relation to the comments above, please do not hesitate to contact the ERAA Secretariat at:

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Yours sincerely

transmission by e-mail

Tony Wood
Chairperson