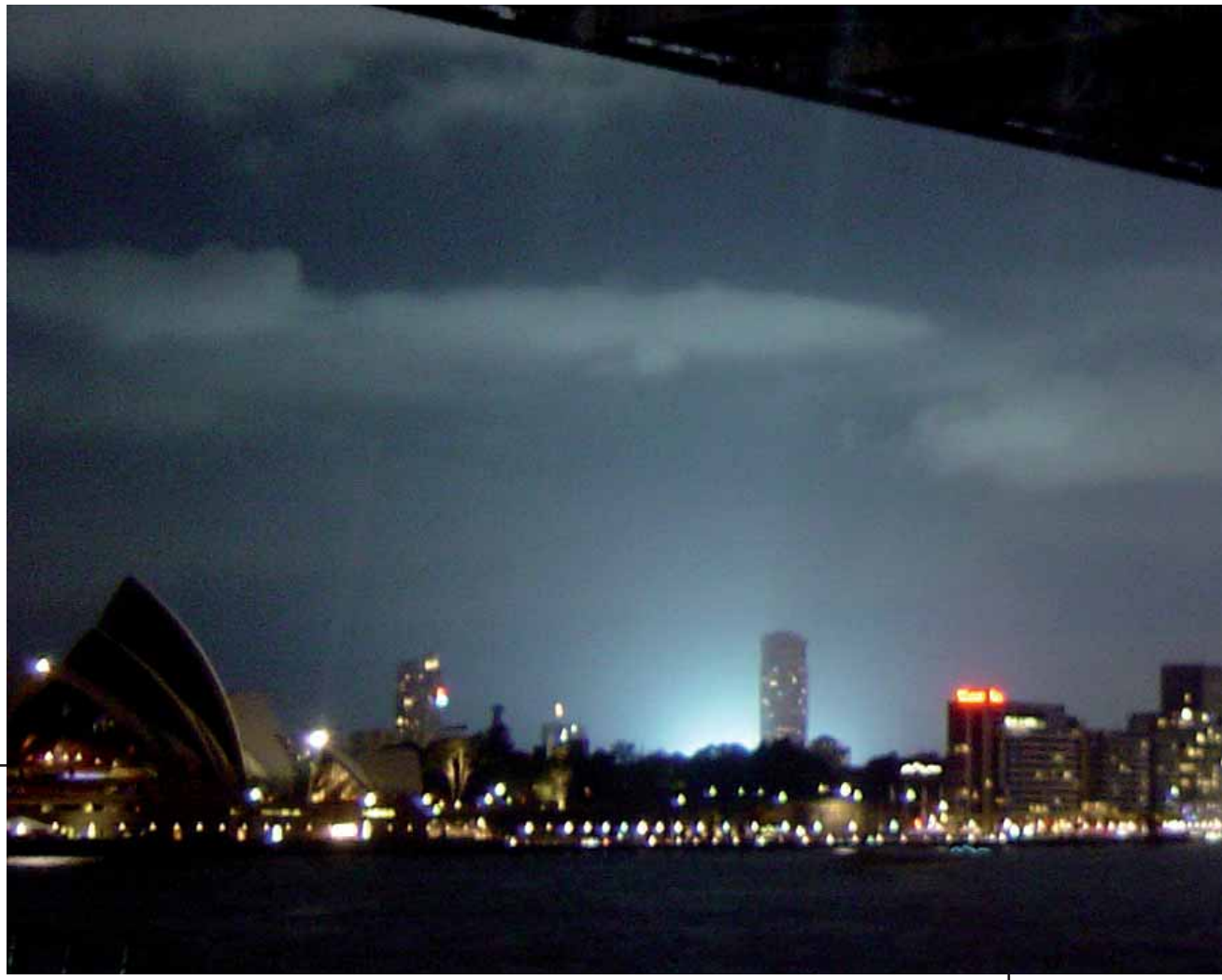


EXECUTIVE OVERVIEW

The Australian energy sector has been markedly transformed during the past 15 years. Until the 1990s vertically integrated monopolies dominated the electricity and natural gas industries. Infrastructure deficiencies combined with regulatory barriers to limit trade, leading to separate state markets in which consumers were obliged to purchase energy from a monopoly supplier.

EXECUTIVE OVERVIEW

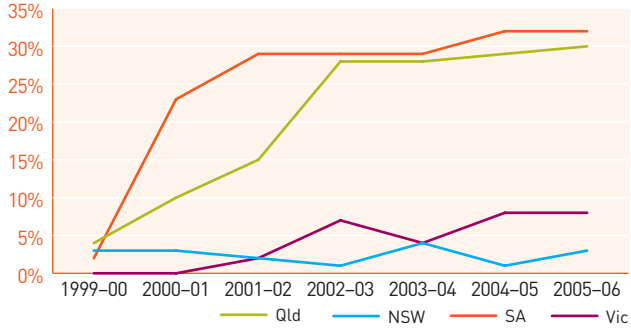
The energy sector in 2007 is barely recognisable from that which operated in the 1990s. Regulatory barriers to interstate trade have been removed. There are regimes for third party access to the services of energy infrastructure. The old public monopolies have been split up. Where a single government-owned business used to generate, transport and sell electricity, there are now competing generators and retailers. Specialist businesses run the transmission (long distance) and distribution (local area) networks that transport electricity to customers. Victoria, South Australia and Queensland have privatised some or all of their electricity supply. The gas industry has undergone similar restructuring and is mostly now in private hands.

These changes have allowed competitive energy markets with a more national focus to develop. Queensland, New South Wales, Victoria, South Australia, Tasmania and the Australian Capital Territory have established a National Electricity Market (NEM) in which power can flow across state borders to meet customer demand in other jurisdictions. The NEM operates as a competitive spot market in which prices adjust in real time to supply and demand conditions. Investment in new generation and transmission capacity, combined with the national market arrangements, has delivered improved productivity in the sector and stable reliability.

While the market has delivered lower energy costs for business customers since 1999, a combination of record demand and tight supply led to significantly higher prices in 2007. These movements have been mirrored in higher forward prices for electricity derivatives. The forward markets provide a means for participants to manage price risk, and have become an integral part of the energy market framework in recent years. Traded volumes in electricity derivatives on the Sydney Futures Exchange have risen sharply since 2005, with 345 per cent growth in the year to June 2007.

The electricity networks and gas pipelines that transport energy to consumers have been separated from the production and retail sectors into stand-alone businesses. Independent regulators manage the risk of monopoly pricing and poor service quality. Governments are progressively transferring this role to the Australian Energy Regulator (AER) with the aim of achieving a consistent national approach to regulation. The regulation of electricity transmission (long distance) networks was transferred from the

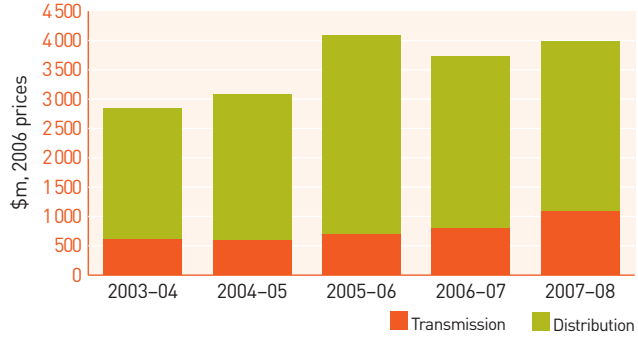
Figure 1
Cumulative growth in net generation capacity since 1999–2000



Note: Growth is measured from market start in 1998–99. A decrease may reflect a reduction of capacity due to decommissioning or a change in the ratings of generation units.

Source: NEMMCO, based on registered capacity data.

Figure 2
Real NEM-wide electricity network investment



Note: Actual data where available. Regulator-approved forecast data in other years.

Source: Regulatory determinations of AER, ESC, IPART, ESCOSA, QCA, OTTER and ICRC.

Australian Competition and Consumer Commission (ACCC) to the AER in July 2005, and responsibility for distribution (local networks) is scheduled to transfer from state and territory regulators to the AER from 2008. The transfer of the regulation of gas pipelines is also scheduled from 2008. Western Australia will retain separate state-based regulatory arrangements in gas and electricity.

Investment and reliability

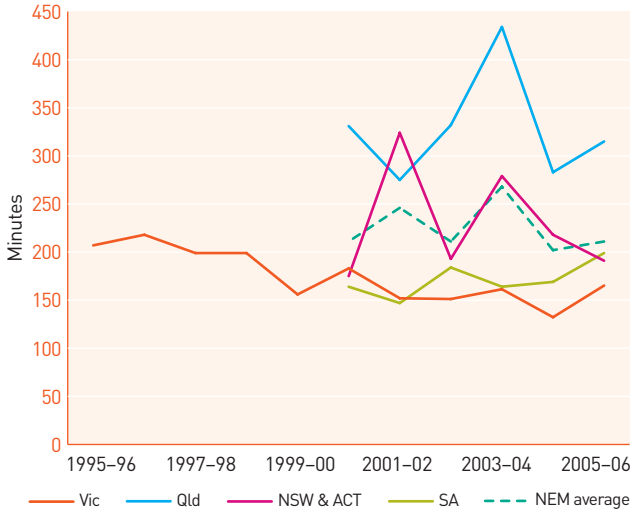
The liberalisation of energy markets has been accompanied by substantial new investment. Five thousand megawatts of electricity generation capacity was installed in the NEM between 1999 and 2006—enough to meet peak electricity demand for the whole of South Australia and Tasmania. Another 1600 megawatts are committed for construction by 2008. Many other projects have been proposed. Figure 1 tracks the cumulative growth in net generator capacity in each region since market start. The strongest growth has been in Queensland and South Australia, in which capacity has expanded by over 30 per cent since 1999.

There is a similar picture for the networks. Annual investment is running at around $700 million in high voltage electricity transmission infrastructure and $3 billion in the local distribution networks that move electricity to customers (figure 2). Across the networks, real investment is forecast to rise by around 40 per cent in the five years to 2007–08, driven largely by transmission network expansions and upgrades. Real transmission investment is forecast to rise by around 80 per cent over this period.

Strong investment is occurring in an environment in which the regulated revenues of network businesses are rising and network reliability is being maintained. The generation and transmission sectors have caused very few power outages since the NEM commenced. While distribution networks are engineered to allow for some outages—the cost of perfect reliability in a distribution network would be prohibitive—they appear to have delivered reasonably stable reliability over the past few years. Figure 3 indicates that the average duration of distribution outages per customer in the NEM has remained in a range of about 200–270 minutes per year since 2000–01, although there are regional differences. The data should be interpreted with caution due to significant differences in network characteristics as well as differences in information, measurement and auditing systems (see chapter 5).

There has also been significant investment in gas. Development expenditure in the petroleum industry increased four fold from 2002 to 2006. Coal seam methane has emerged as a significant new source of gas (figure 4) and is increasing competition in the gas production sector. It already meets over 60 per cent of Queensland's total gas demand and is growing rapidly.

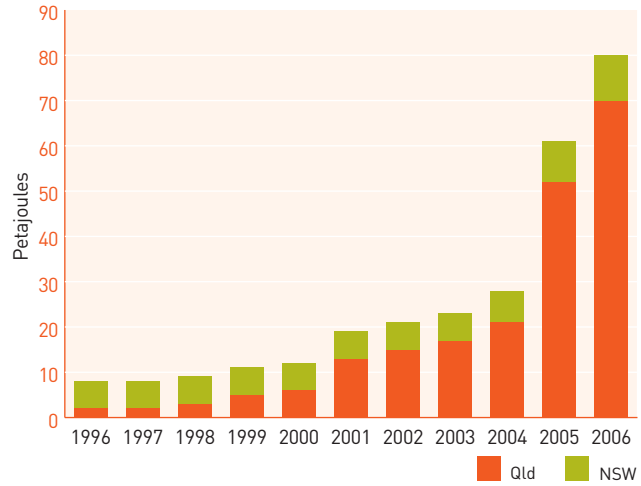
Figure 3
Average outage duration per customer in distribution networks (system average interruption duration index—SAIDI)



Notes: PB Associates developed the data for the AER from the reports of jurisdictional regulators and from reports prepared by distribution businesses for the regulators. Queensland data for 2005–06 is normalised to exclude the effect of a severe cyclone. Victorian data is for the calendar year ending in that period (for example, Victorian 2005–06 data is for calendar year 2005). NEM averages exclude New South Wales and Queensland (2000–01) and Tasmania (all years).

Source: PB Associates (unpublished)

Figure 4
Coal seam methane production



Source: EnergyQuest

New gas basins and fields are being developed, often in conjunction with the construction of new transmission pipelines to ship gas to markets. For example, the development of Victoria's Otway Basin was followed by the construction of the SEA Gas Pipeline in 2004, which ships the gas to South Australian markets. Australia's gas transmission pipeline network has almost trebled in length since the early 1990s. Table 1 indicates that around $2.5 billion has been invested in new gas transmission pipelines and major expansions since 2000.

Much of this investment is in long-haul pipelines that have introduced new supply sources and improved the security of gas supplies into markets in south-eastern Australia. Sydney, Melbourne, Adelaide and Canberra are now each served by at least two transmission pipelines, each of which ships gas from a different basin. For example, while Sydney traditionally sourced most of its gas from the Cooper Basin in South Australia, the construction of the Eastern Gas Pipeline in 2000 significantly increased access to Bass Strait gas from Victoria. The new pipelines have improved the environment for competition between gas basins, prompting governments and the Australian Competition Tribunal to wind back the economic regulation of some of Australia's most important gas pipelines. None of the major transmission pipelines constructed in the past decade is subject to economic regulation. This marks a significant contrast with the gas distribution and electricity network sectors, which mostly remain regulated.

Energy retailing

The energy retail sector is also being transformed, with millions of customers now free to choose their energy supplier. With the introduction of full retail contestability in Queensland on 1 July 2007, all customers nationally are eligible to choose their natural gas supplier and similar arrangements for electricity apply in New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (figure 5). While the maturity of retail competition may vary between jurisdictions there is evidence of consumers taking advantage of competitive offers. By December 2006 in Victoria, the number of small customer switches from one retailer to another exceeded 60 per cent of the

Table 1 Gas transmission pipelines completed since 2000

PIPELINE	STATE	LENGTH (KM)	PROJECT COST	PROJECT COMPLETION	OWNER
Gladstone–Bundaberg Pipeline	Qld	300	na	2000	Envestra (Cheung Kong Infrastructure 16.57%; Origin Energy 16.57%)
Eastern Gas Pipeline	Vic–NSW	795	$490m	2000	Alinta
Wagga–Tumut Pipeline	NSW	65	na	2001	NSW Government
Hoskinstown–Canberra Pipeline	NSW ACT	31	na	2001	ActewAGL (Alinta 50%; ACT Government 50%)
Wandoan to Roma–Brisbane main	Qld	111	na	2001	APA Group (35% Alinta)
Tasmanian Gas Pipeline	Vic–Tas	732	$476m	2002	Alinta
Roma to Brisbane Pipeline (looping)	Qld	434	$70.7m	2002	APA Group (35% Alinta)
VicHub	Vic	2	$100m	2003	Alinta
Telfer Gas Pipeline	WA	443	na	2004	APA Group (35% Alinta)
SEA Gas Pipeline	Vic–SA	660	$526m	2004	International Power; Origin Energy; China Light & Power
Kambalda to Esperance Gas Pipeline	WA	350	$45m	2004	WorleyParsons, ANZ Infrastructure
North Queensland Gas Pipeline	Qld	369	$150m	2005	Qld Government
Central Ranges Pipeline	NSW	300	$130m	2006	Central Ranges Pty Ltd
Dampier to Bunbury Pipeline (compression & looping)	WA	217	$433m	2006	DUET 60%; Alinta 20%; Alcoa 20%

na not available. Notes: 1. As at 1 May 2007, part of Alinta's equity in the APA Group was subject to legal appeal. 2. See also notes to table 3 on p.9.
Sources: ABARE, *Minerals and energy, major development projects*, 2006 and earlier issues; Productivity Commission, *Review of the gas access regime*, 2004.

underlying customer base.[1] South Australian customers were exercising choice at a similar rate. Switching outcomes in New South Wales were considerably lower (figure 6). A 2006 report by the Finnish-based Utility Customer Switching Research Project described Victoria and South Australia as among the 'hottest' (most active) retail markets in the world.[2]

In part, customer switching reflects a shift away from the traditional marketing of electricity and gas as separate products. Increasingly, retailers market the products jointly, and customers are taking advantage of price discounts by entering into contracts for dual supply. The introduction of competition has led to a rebalancing of household and business retail prices to reduce some of the traditional cross-subsidies between these groups. This has meant that, to date, retail prices have fallen in real terms for business customers rather than for households (figure 7). The benefit to households has been the flow-on effects of cheaper energy costs on prices generally. This has also improved Australia's international competitiveness.

Market developments

The energy sector continues to evolve, posing challenges both for the market and regulators. There are substantial changes in the legislative framework, with governments about to introduce a new National Gas Law and amendments to the National Electricity Law to consolidate regulatory reforms, including the shift to a national framework.

The Council of Australian Governments (COAG) agreed in 2007 to a number of high-level policy initiatives aimed at further strengthening market arrangements. In particular, it agreed to establish a National Energy Market Operator (NEMO) by June 2009. NEMO will become the operator of the wholesale electricity and gas markets and will be responsible for national transmission planning. COAG also agreed to a national implementation strategy for the progressive rollout of 'smart' electricity meters. This reform is aimed at providing better price signals

1 Since the introduction of retail choice in 2002. If a customer switches to a number of retailers in succession, each move counts as a separate switch. Over time, cumulative switching rates may therefore exceed 100 per cent.

2 First Data Utilities and Vaasa EMG, Utility customer switching research project, *World retail energy market rankings*, 2006.

Figure 5
Introduction of full retail contestability

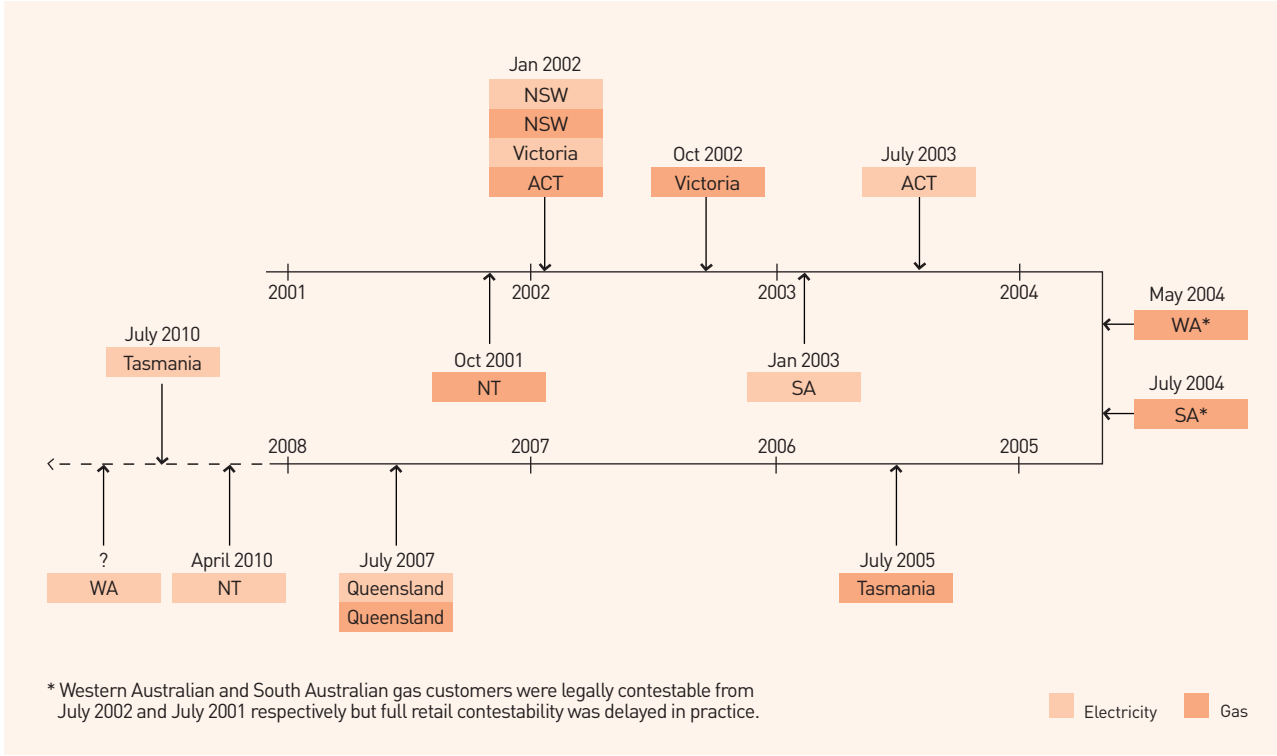
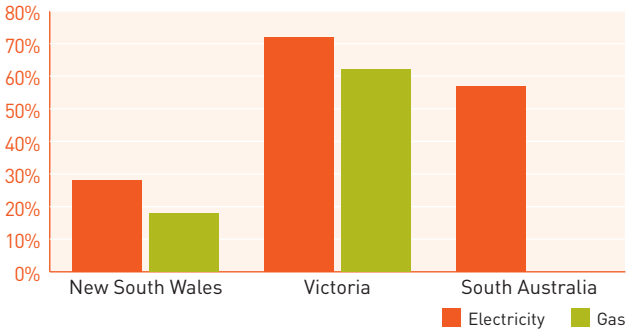


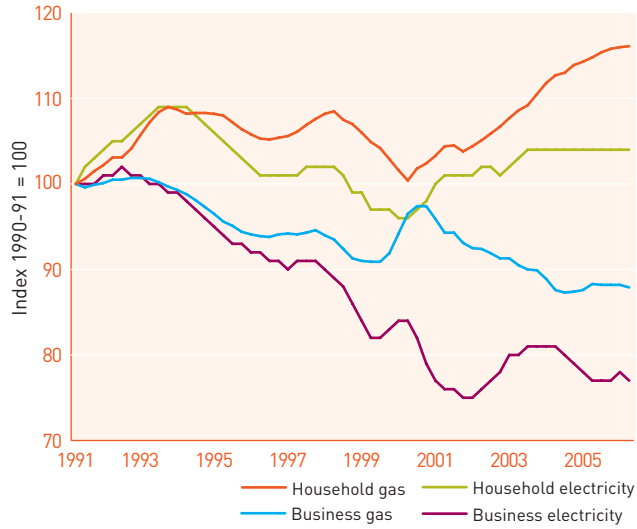
Figure 6
Small customer switches as percentage of small customer base at 31 December 2006 (cumulative)



Note: Comparable data for South Australia gas is not available.

Sources: NEMMCO (electricity churn); GasCo (New South Wales gas churn); VenCorp (Victoria gas churn); AER estimates based on ESAA, ESC, ESCOSA and IPART data (customer base).

Figure 7
Electricity and gas retail price index (real): Australian capital cities



Data source: ABS

to consumers to help them self-manage their demand for electricity during peak periods.

The provision of price signals depends partly on having an appropriate tariff structure. The Australian Energy Market Commission (AEMC) will assess the effectiveness of retail competition in each jurisdiction to determine the appropriate time to remove the current retail price caps. The AEMC will conduct sequential assessments starting with Victoria in 2007, followed by South Australia in 2008 and New South Wales in 2009.

One of the most fluid aspects of market activity over the past 12 months has been the extent of privatisation, acquisition and merger activity. Queensland recently privatised most of its energy retail and gas distribution sectors, selling the businesses to Origin Energy, AGL and the APA Group (formerly the Australian Pipeline Trust). In the private sector there has been a merger and demerger of AGL and Alinta assets, Babcock & Brown's acquisition of NRG's electricity generation assets in South Australia, and APA Group's acquisition of GasNet in Victoria. Several proposals were floated in early 2007, including a merger between AGL and Origin Energy (subsequently withdrawn), a generator swap between AGL and TRUenergy in South Australia (which took effect in July 2007), the sale of Origin Energy's gas infrastructure assets to APA Group in July 2007, and a conditional agreement to sell Alinta to Singapore Power and Babcock & Brown. A summary of recent merger activity is set out in table 2.

There are some common threads in the changing ownership landscape, including a tendency towards greater specialisation. Most entities have been shifting their primary focus either towards network infrastructure or the non-network (production, generation and retail) sectors. The trend appears to be driven by capital markets and may reflect an assessment of limited efficiency benefits from integration across the network and non-network sectors. At the same time, there is increasing integration within each sector.

This has seen a rationalisation of the energy networks sector, with Alinta, the APA Group (formerly Australian Pipeline Trust), Cheung Kong Infrastructure/Spark and Singapore Power/SP AusNet emerging as key private sector players (table 3). There have been moves towards further ownership consolidation within that group, some of which are ongoing (table 2). The proposed Babcock & Brown/Singapore Power acquisition of Alinta in 2007 would establish Babcock & Brown as a major new player in the network sector.

A substantially different set of entities operate private generation and retail businesses, with ownership consolidation occurring between the two sectors in Victoria and South Australia. Two major retailers—AGL and TRUenergy—have significant generation interests. In 2007, International Power announced its full acquisition of the retail partnership it had formed with EnergyAustralia, and from August 2007 will retail in its own right. Origin is currently the only major retailer with limited generation capability—but is planning the development of new capacity. There have been proposals for further consolidation, both between the major retailers, and between the retail and generation sectors (table 2).

Vertical integration across the generation and retail sectors is a way for generators and retailers to manage the risk of price volatility in the electricity spot market. While this is often a rational strategy for the relevant entities, it can raise some interesting and complex competition issues. For example, vertical integration can reduce an entity's activity in electricity financial markets by allowing it to internally balance risk. Some stakeholders have argued that this can pose a barrier to entry for new generators and retailers by reducing liquidity in the financial markets.

As this report goes to press in July 2007, an emerging issue has been a sustained increase in electricity prices in the NEM over a period of several months. There have also been historically high prices in the forward market for derivative contracts. The main cause of high prices in April and May was that the drought constrained hydro-generating capacity in the Snowy, Tasmania and Victoria. The drought also limited the availability of water for cooling in some coal-fired generators, especially in Queensland. In combination, these factors led to a tightening of supply and higher offer prices by generators.

Table 2 **Energy market merger activity: 1 January 2006 to 1 July 2007**

DATE	PROPOSAL	SECTORS AFFECTED	STATUS
March 2006	APA Group acquires the Murraylink interconnector from Hydro Quebec and SNC Lavalin	Electricity: transmission	Acquired
April 2006	Alinta and AGL merger and demerger—Separation of network (Alinta) and generation/retail (AGL) assets	Electricity: generation, distribution, retail Gas: distribution, retail	Completed—subject to undertakings
June 2006	Babcock & Brown acquires the Flinders power station in South Australia from NRG Energy.	Electricity: generation	Acquired
	Arrow Energy acquires gas production business CH4	Gas: production	Acquired
August 2006	APA Group acquires the GasNet transmission network in Victoria	Gas: transmission	Acquired
September 2006	Beach Petroleum acquires gas production business Delhi Petroleum	Gas: production	Acquired
October 2006	APA Group acquires Allgas distribution network from the Queensland Government	Gas: distribution	Acquired
	Santos to acquire Queensland Gas Company	Gas: production	Proposal withdrawn
November 2006	Alinta raises shareholding in Alinta Infrastructure Holdings from 20% to 100%	Electricity: generation Gas: transmission	Acquired
	Origin Energy acquires electricity retailer Sun Retail from the Queensland Government	Electricity: retail	Acquired
	AGL acquires gas retailer Sun Gas Retail from the Queensland Government	Gas: retail	Acquired
December 2006	APA Group acquires the DirectLink interconnector from Country Energy (50%), Hydro Quebec (33%) and Fonds de Solidarites des Travailleurs de Quebec (17%)	Electricity: transmission	Acquired
January 2007	AGL and Origin Energy merger	Electricity: generation, retail Gas: production, transmission, distribution, retail	Proposal withdrawn
	AGL to acquire 27.5% stake in Queensland Gas Company	Gas: production	Acquired
	SP AusNet to acquire Origin Energy's gas network assets, including a 33% stake in the SEA Gas Pipeline and a 17% share in Envestra	Gas: transmission, distribution	Proposal withdrawn
February 2007	AGL and TRUenergy swap electricity generation assets in South Australia (AGL acquires the Torrens Island power station in return for $300 million and the Hallett power station)	Electricity: generation, retail	Acquisition completed July 2007
April 2007	APA Group to acquire Origin Energy's gas network assets, including a 33% stake in the SEA Gas Pipeline and a 17% share in Envestra	Gas: transmission, distribution	Acquisition completed July 2007
May 2007	Babcock & Brown/Singapore Power acquisition of Alinta	Electricity: generation, transmission, distribution, retail Gas: transmission, distribution, retail	Conditional agreement ACCC review in progress
	International Power buys remaining 50% of the EnergyAustralia–International Power Retail Partnership, to acquire full ownership	Electricity: generation, retail Gas: retail	Acquisition due for completion August 2007 Approved by ACCC

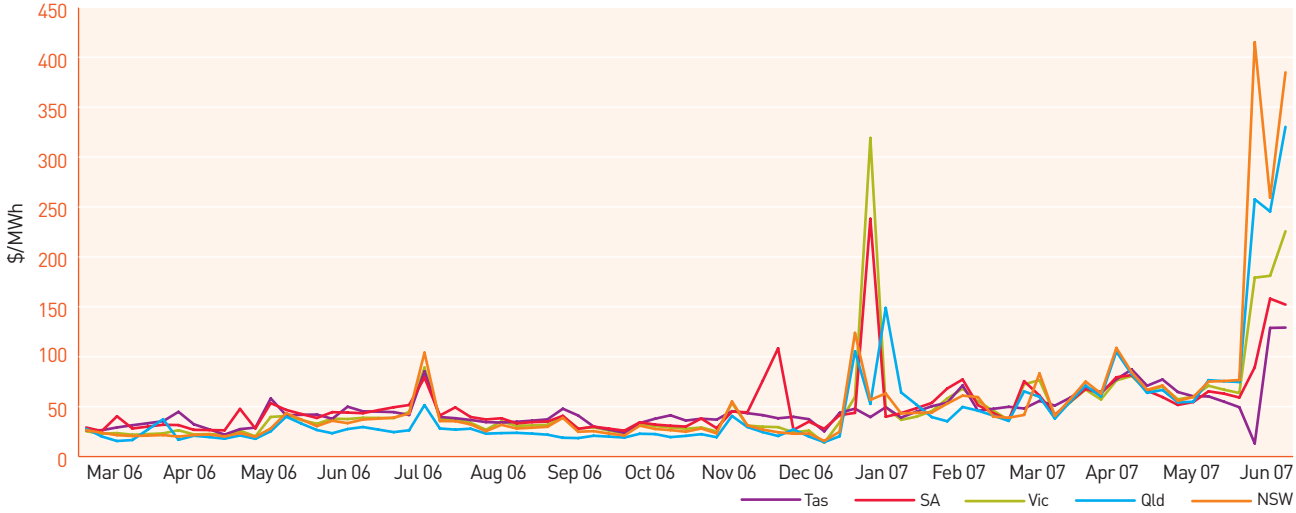
Table 3 Ownership of private network infrastructure at 1 June 2007

ELECTRICITY TRANSMISSION	
STATE-BASED NETWORKS	
Victoria	SP AusNet (51% Singapore Power)
South Australia (Electranet)	Qld Government 41.11%; YTL Power 33.50%; Hastings 19.94%
INTERCONNECTORS	
Murraylink (Vic–SA)	APA Group (Alinta 35%)
Directlink (Qld–NSW)	APA Group (Alinta 35%)
Basslink (Vic–Tas)	National Grid Transco (UK)
ELECTRICITY DISTRIBUTION	
Eastern Energy (Vic)	SP AusNet (51% Singapore Power)
Solaris (Vic)	Alinta
United Energy (Vic)	Alinta 34%; DUET 66%
CitiPower (Vic)	Cheung Kong Infrastructure/Hongkong Electric 51%; Spark Infrastructure 49%
Powercor (Vic)	Cheung Kong Infrastructure/Hongkong Electric 51%; Spark Infrastructure 49%
ETSA Utilities (SA)	Cheung Kong Infrastructure/Hongkong Electric 51%; Spark Infrastructure 49%
ACT Network (ACT)	Alinta 50%; ACT Government 50%
GAS TRANSMISSION	
Victorian transmission system	APA Group (Alinta 35%)
Moomba to Sydney Pipeline	APA Group (Alinta 35%)
Eastern Gas Pipeline	Alinta
Tasmanian Gas Pipeline	Alinta
SEA Gas Pipeline	Origin Energy 33%; International Power 33%; China Light & Power 33%
Moomba to Adelaide Pipeline	Hastings
Ballera to Wallumbilla Pipeline	Hastings
Roma to Brisbane Pipeline	APA Group (Alinta 35%)
Carpenteria Pipeline	APA Group (Alinta 35%)
Wallumbilla to Gladstone Pipeline	Alinta
Gladstone to Rockhampton Pipeline	Alinta
Dampier to Bunbury Pipeline	Alinta 20%; DUET 60%; Alcoa 20%
Goldfields Gas Pipeline	APA Group 88.2% (Alinta 35%); Alinta 11.8%
Amadeus Basin to Darwin Pipeline	APA Group 96% (Alinta 35%)
Palm Valley to Alice Springs Pipeline	Envestra (Cheung Kong Infrastructure 16.57%; Origin Energy 16.57%)
GAS DISTRIBUTION	
ActewAGL (ACT)	Alinta 50%; ACT Government 50%
AllGas (Qld)	APA Group (Alinta 35%)
Gas Corporation of Queensland (Qld)	Envestra (Cheung Kong Infrastructure 16.57%; Origin Energy 16.57%)
Alice Springs Distribution	Envestra (Cheung Kong Infrastructure 16.57%; Origin Energy 16.57%)
South Australian Distribution	Envestra (Cheung Kong Infrastructure 16.57%; Origin Energy 16.57%)
Stratus (Vic)	Envestra (Cheung Kong Infrastructure 16.57%; Origin Energy 16.57%)
Westar (Vic)	Singapore Power
Multinet Gas (Vic)	Alinta 20.1%; DUET 79.9%
NSW Gas Networks (NSW)	Alinta
Western Australian Distribution	Alinta 74%; DUET 26%
Tasmanian Gas Network	Babcock & Brown

1. A Babcock & Brown/Singapore Power consortium acquired Alinta under a conditional agreement in May 2007. As a consequence, the ownership of APA Group is likely to change.
2. APA Group acquired Origin Energy's 33 per cent stake in the SEA Gas Pipeline and 16.57 per cent share in Envestra in July 2007.

Figure 8

NEM prices 1 March 2006–30 June 2007 (weekly volume weighted averages)



Data source: NEMMCO

These conditions were exacerbated in June 2007 by a number of generator outages, network outages and generator limitations. For example, rain and flooding in the Hunter Valley made some generation capacity unavailable for a period. Tight supply was accompanied by record electricity demand as cold winter days increased heating requirements. In combination these factors led to an extremely tight supply-demand balance during the early evening peak hours, particularly in New South Wales.

These conditions led to some of the highest spot prices since the NEM commenced. In particular, spot prices exceeded $5000 a MWh on 42 occasions during June 2007 in New South Wales, Queensland and Snowy. The AER published a report on these events in July 2007, including the contributing impact of high demand, constrained supply and other factors.

Prices in the physical spot market flowed through to forward prices, which in 2007 reached historically high levels. High forward prices may reflect expectations that tight supply conditions will persist for some time into the future. They may also reflect concerns about the possible effects of carbon trading on energy prices.

There is evidence that high prices are placing pressure on the retail sector. One new entrant, Energy One, suspended its energy retailing business in June 2007 and cited the effects of high forward prices on profitability. Another retailer, Momentum Energy, sold part of its customer base in July 2007 due to rising wholesale costs.

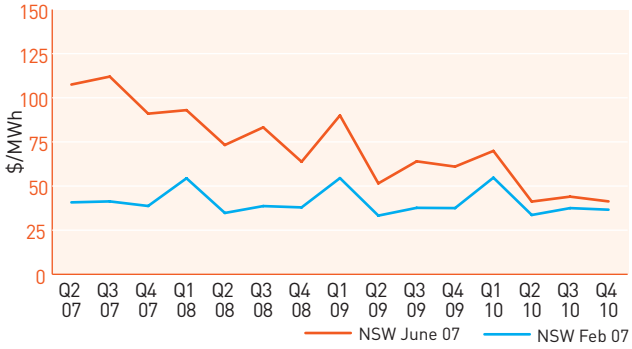
Figure 8 charts average weekly prices in the NEM since March 2006. The price spikes in Victoria and South Australia in January 2007 occurred when bushfires caused an outage of the Victoria–Snowy interconnector. There were also network issues in Queensland in late January. The impact of drought was prominent in April and May, with the compounding effect of demand and supply issues in New South Wales evident in June.

Figure 9 illustrates forward prices for electricity derivative contracts in June 2007 as compared to prices for equivalent contracts in February 2007. By way of illustration, the figure illustrates the New South Wales base futures curve (showing the price of contracts for each quarter out to 2010), but similar trends were evident for other regions and derivative products. The upward shift in forward prices is evident out to at least 2010.

In the short term, high prices are a normal response to tight supply in a competitive market, and provide signals for new investment in generation capacity. A scenario of persistent high prices above new entrant costs—without a sufficient investment response—would raise serious market power concerns. The AER closely monitors the market and reports weekly on wholesale and forward market activity. It also publishes more detailed analysis of extreme price events.

Figure 9

New South Wales base futures prices: February 2007 and June 2007



Data source: d-cyphaTrade

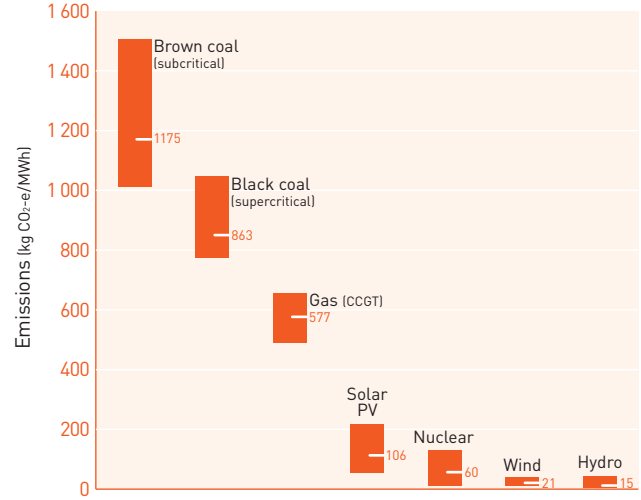
Perhaps the most significant challenge for the energy sector relates to carbon emissions. Growing concerns about the effect of emissions on greenhouse gas levels have resulted in the Australian and state and territory governments developing policies that include mandatory renewable energy targets and increased research funding (see appendix B). The Australian Government also announced in June 2007 that it would introduce an emissions trading scheme, based on a 'cap and trade' approach, by 2012.

The introduction of such measures affect the cost competitiveness of different energy technologies. In the short term, these policies are likely to accelerate the development of natural gas—which has lower carbon emissions than other fossil fuels—and cost-effective, renewable energy sources (figure 10). In the longer term, carbon emission pricing policies, regulation (for example, energy efficiency requirements) and research and development create the potential for a wider range of low carbon emission technologies. These might include clean coal, renewable energy sources that are not currently cost effective and nuclear power. There is also the potential for international emissions trading. Australia's national electricity and gas market frameworks, in conjunction with appropriate environmental policies, provide a flexible basis for the adoption of efficient low-carbon energy sources and technologies.

It is interesting to note that most of the power stations that the electricity industry is considering for future investment are gas-fired generators. With the increasing importance of natural gas in the energy mix there will be a need for better price transparency to enhance competition and to provide appropriate signals for new investment. Gas sales remain largely based on long-term confidential contracts, and price information is not readily available. Victoria alone operates a spot market in which up to 20 per cent of gas transported on the state's transmission network is traded. National initiatives are now under way to improve gas price transparency in all jurisdictions.

Figure 10

Life-cycle greenhouse gas emissions of electricity generation technologies



AER Note: The figure shows the estimated range of emissions for each technology and highlights the most likely emissions value. Includes emissions from the extraction of fuel sources; PV is photovoltaic; CCGT is combined cycle gas turbine.

Source: Commonwealth of Australia 2006, *Uranium mining, processing and nuclear energy—opportunities for Australia?*, Report to the Prime Minister by the Uranium Mining, Processing and Nuclear Energy Review Taskforce.

The AER will play a number of roles in the evolving energy market environment. As the national regulator for electricity networks and gas pipelines the AER will look to apply a consistent and transparent approach that is conducive to efficient prices and investment, and reliable service delivery. The AER will also regulate aspects of the retail market, as agreed by the jurisdictions. It will continue to monitor the wholesale electricity market and investigate breaches of the rules and will help the ACCC assess the implications of merger activity for competition.

The energy sector continues to evolve. The AER will monitor and report on ongoing developments in future editions.