

# **ACCC Market Review and Competition Benefits Forum**

**28 July 2003**

**Dr Ashok Manglick**

**TransGrid**



# Competition benefits



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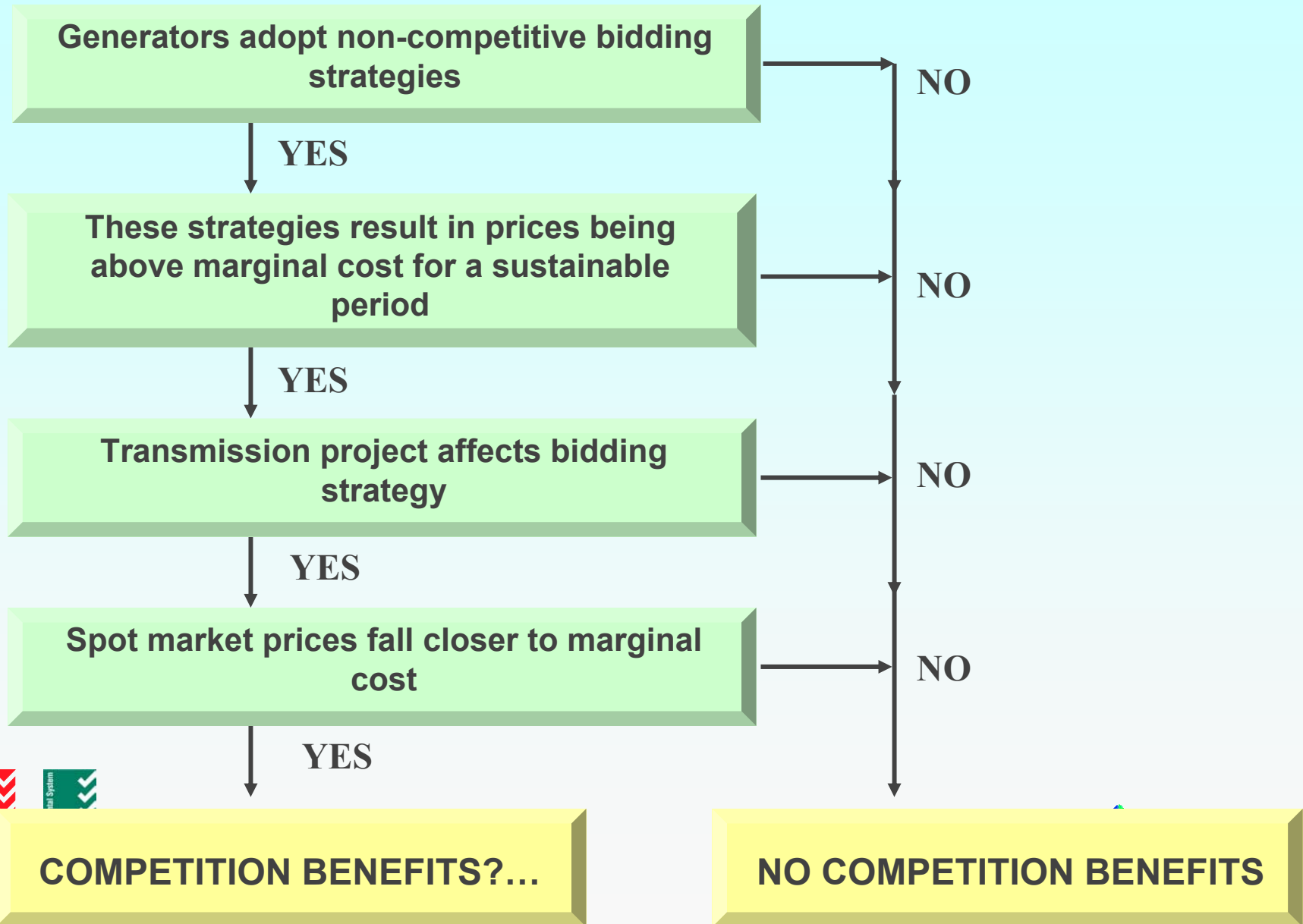


## Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003

### WHAT ARE COMPETITION BENEFITS ?

- Spot prices more closely reflect generation marginal costs (due to reduction in market power)
- Consumption increases due to lower prices

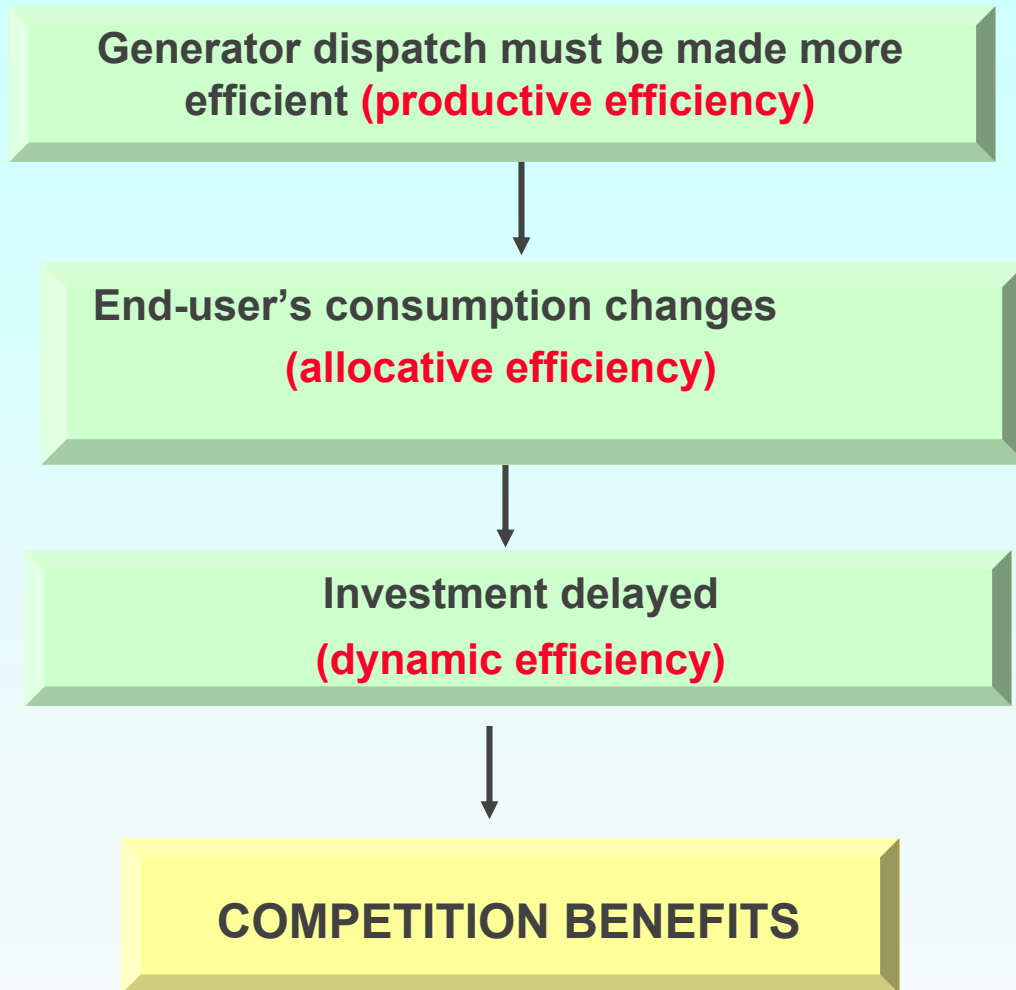
# When will competition benefits exist?



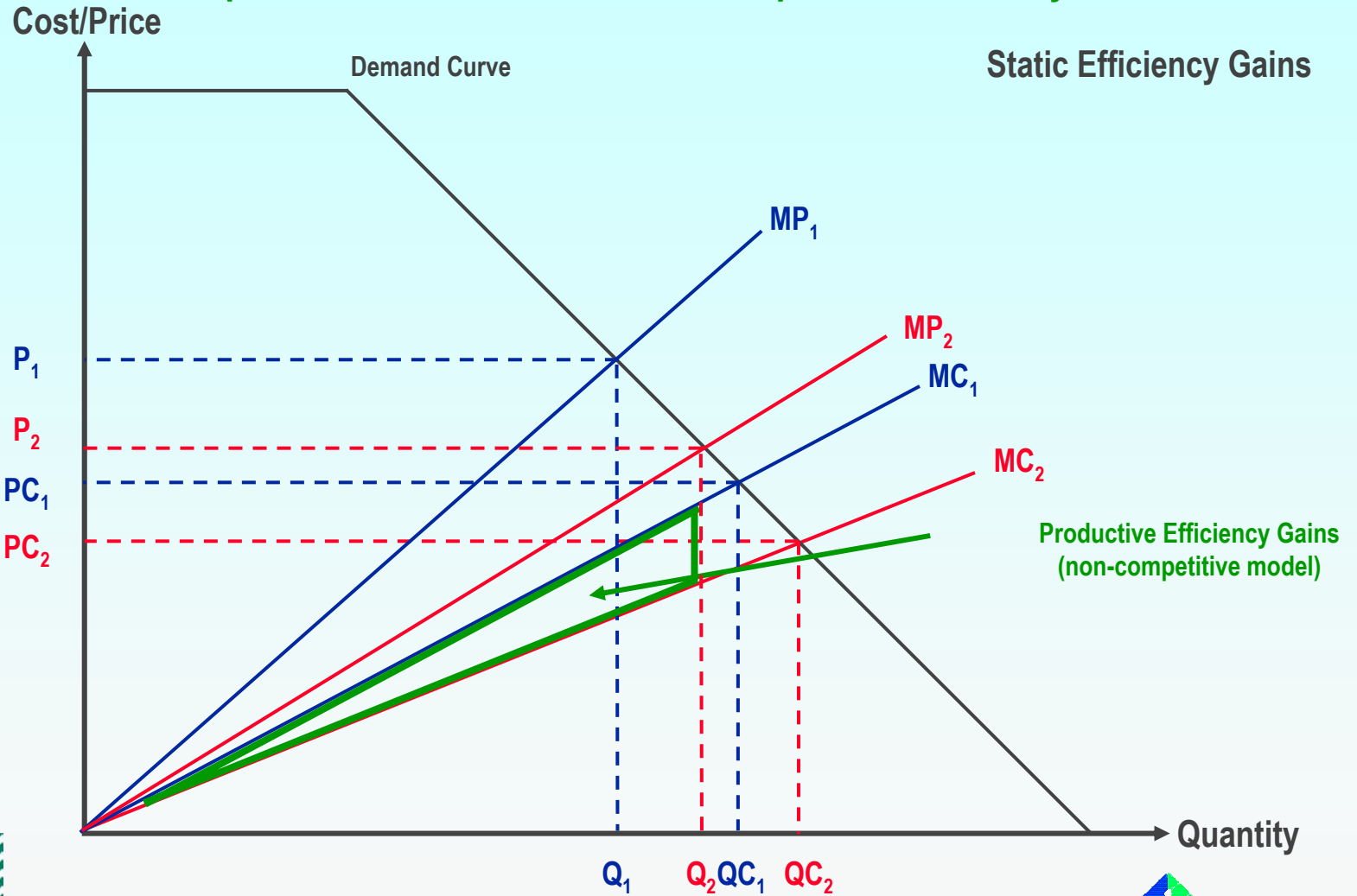
## Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003

### COMPONENTS OF COMPETITION BENEFITS

- **Productive efficiency gains**  
(More efficient dispatch outcomes)
- **Allocative efficiency gains**  
(Increased consumption due to lower prices)
- **Dynamic efficiency gains**  
(Delayed generation entry)



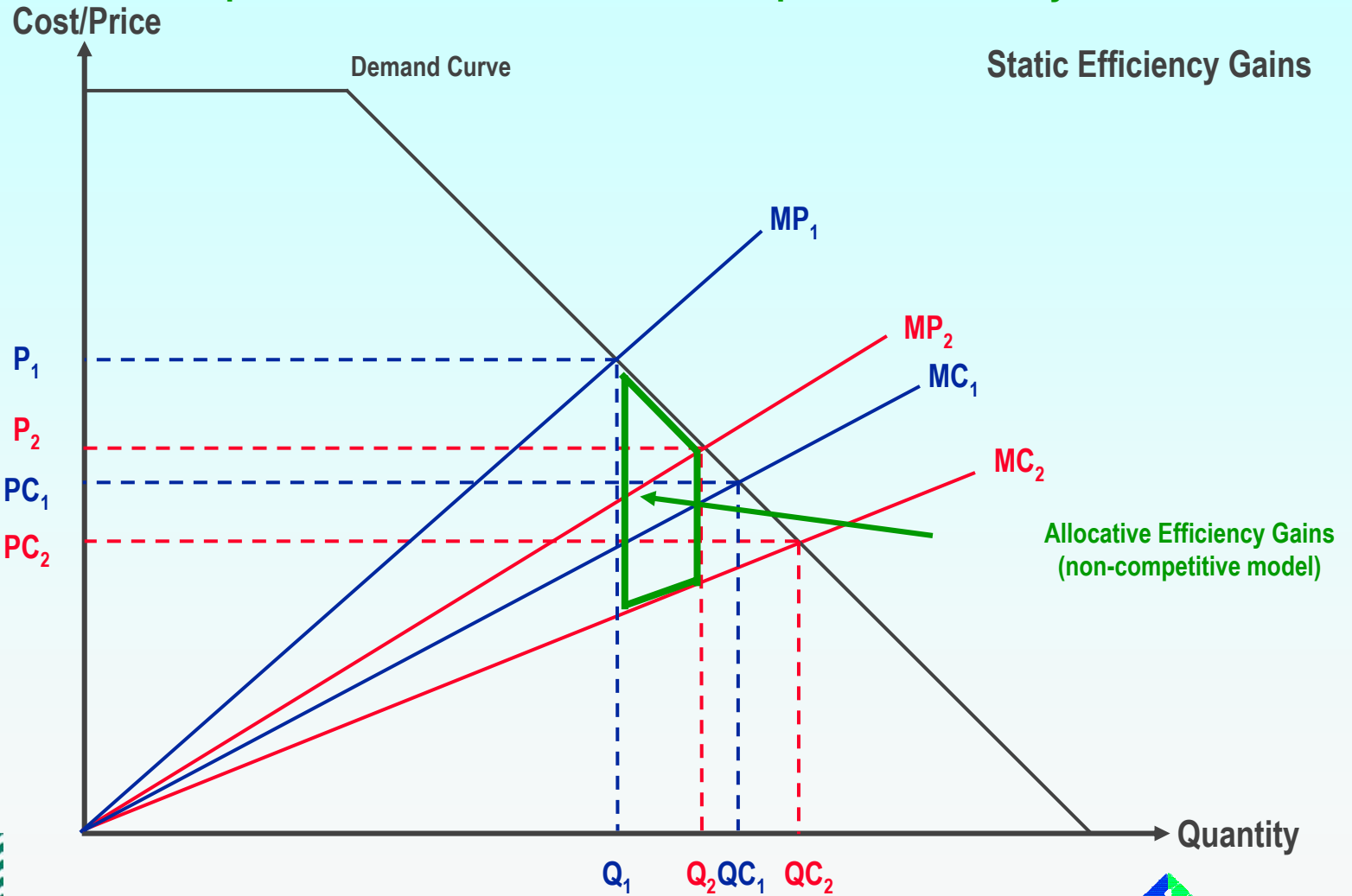
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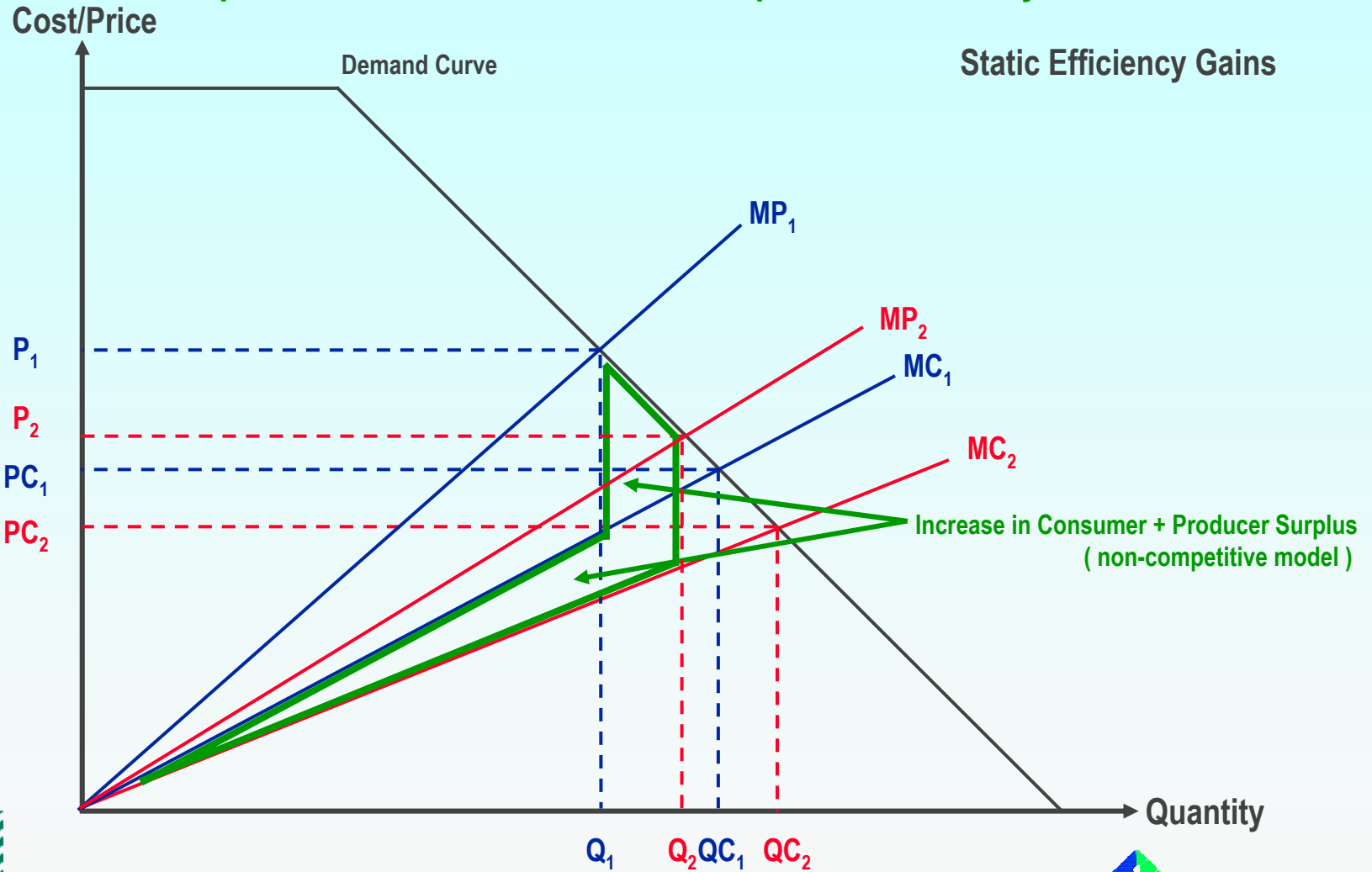


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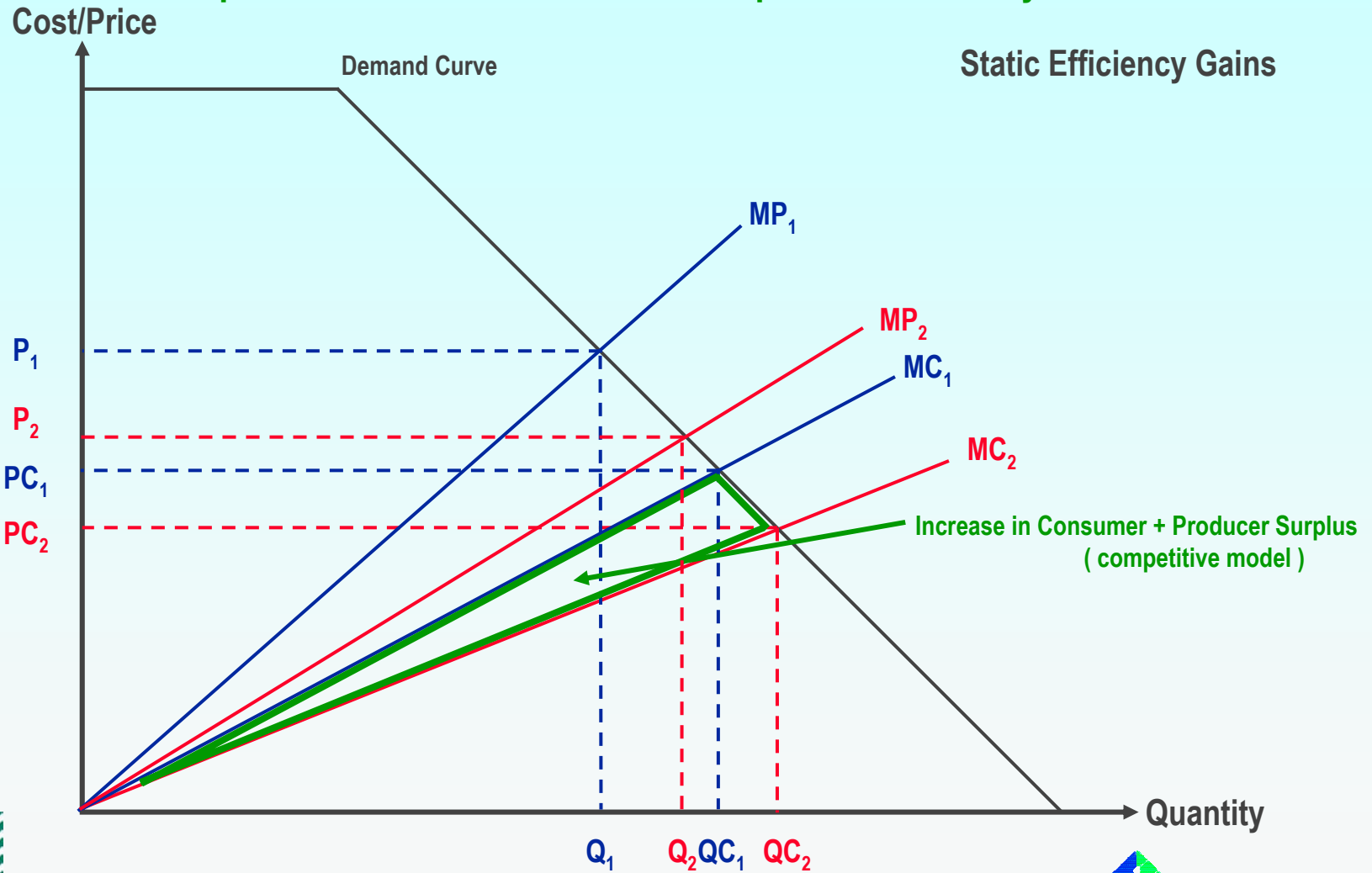
# Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003



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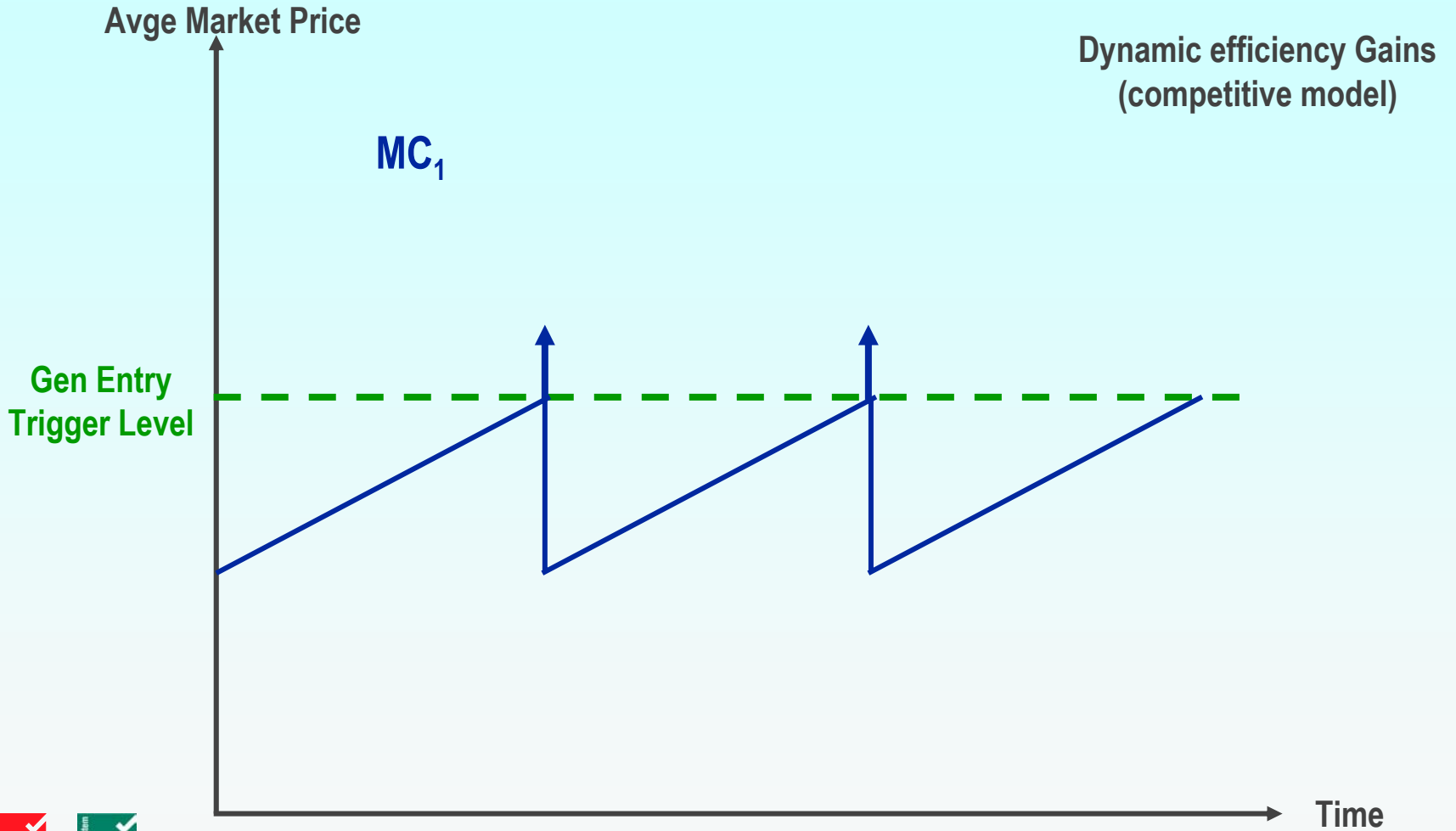
# Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003



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# Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003



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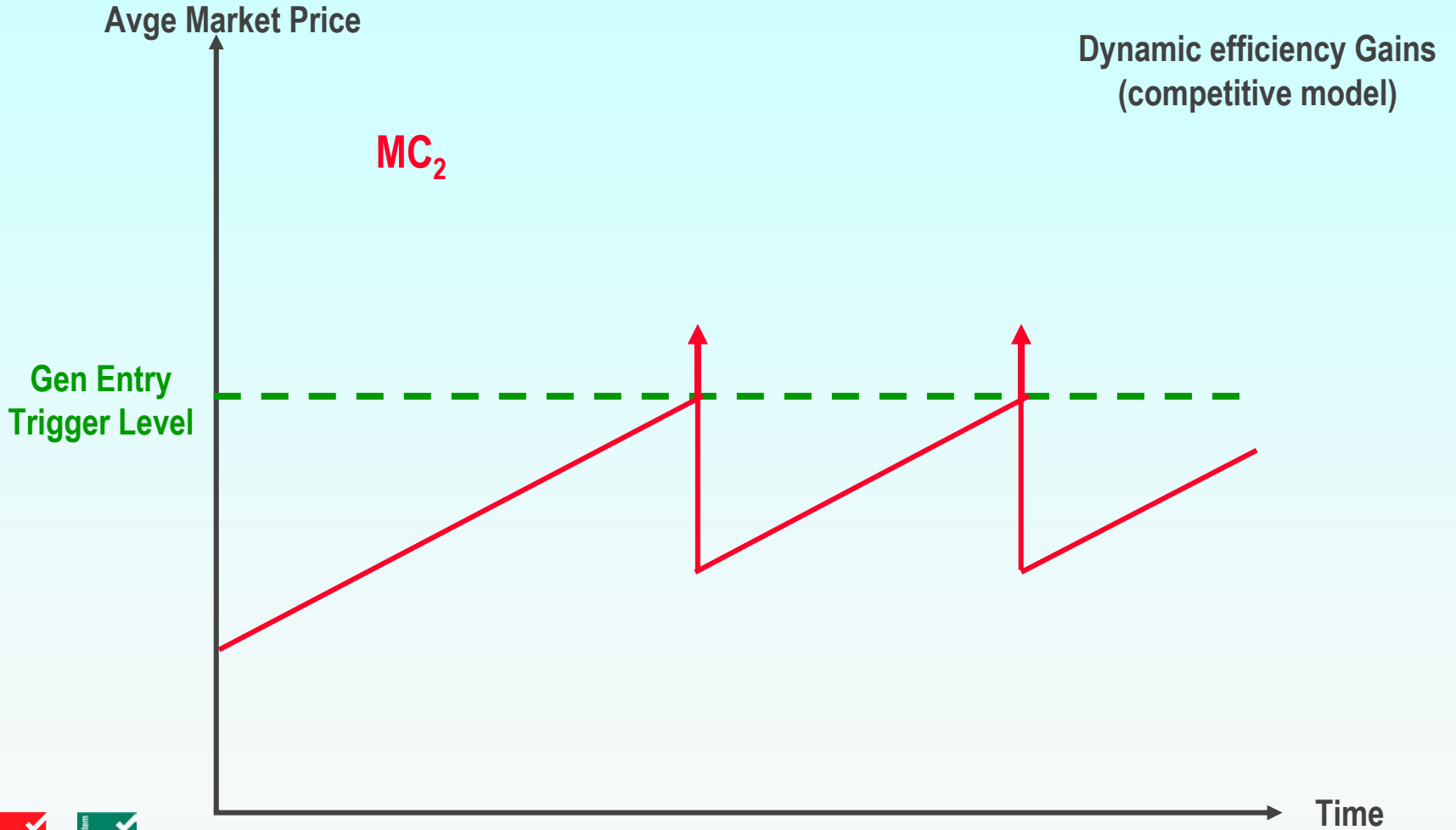


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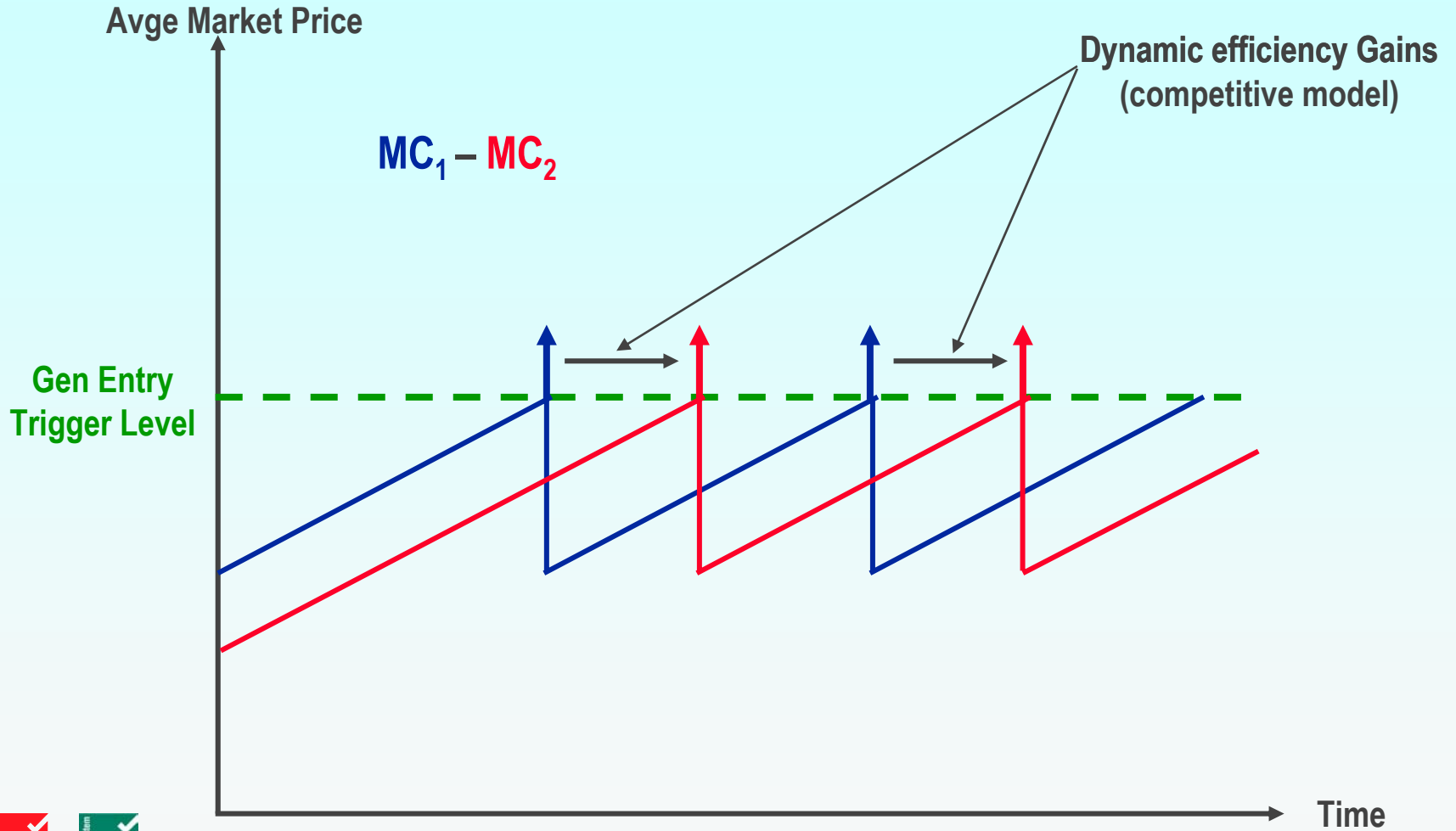
# Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003



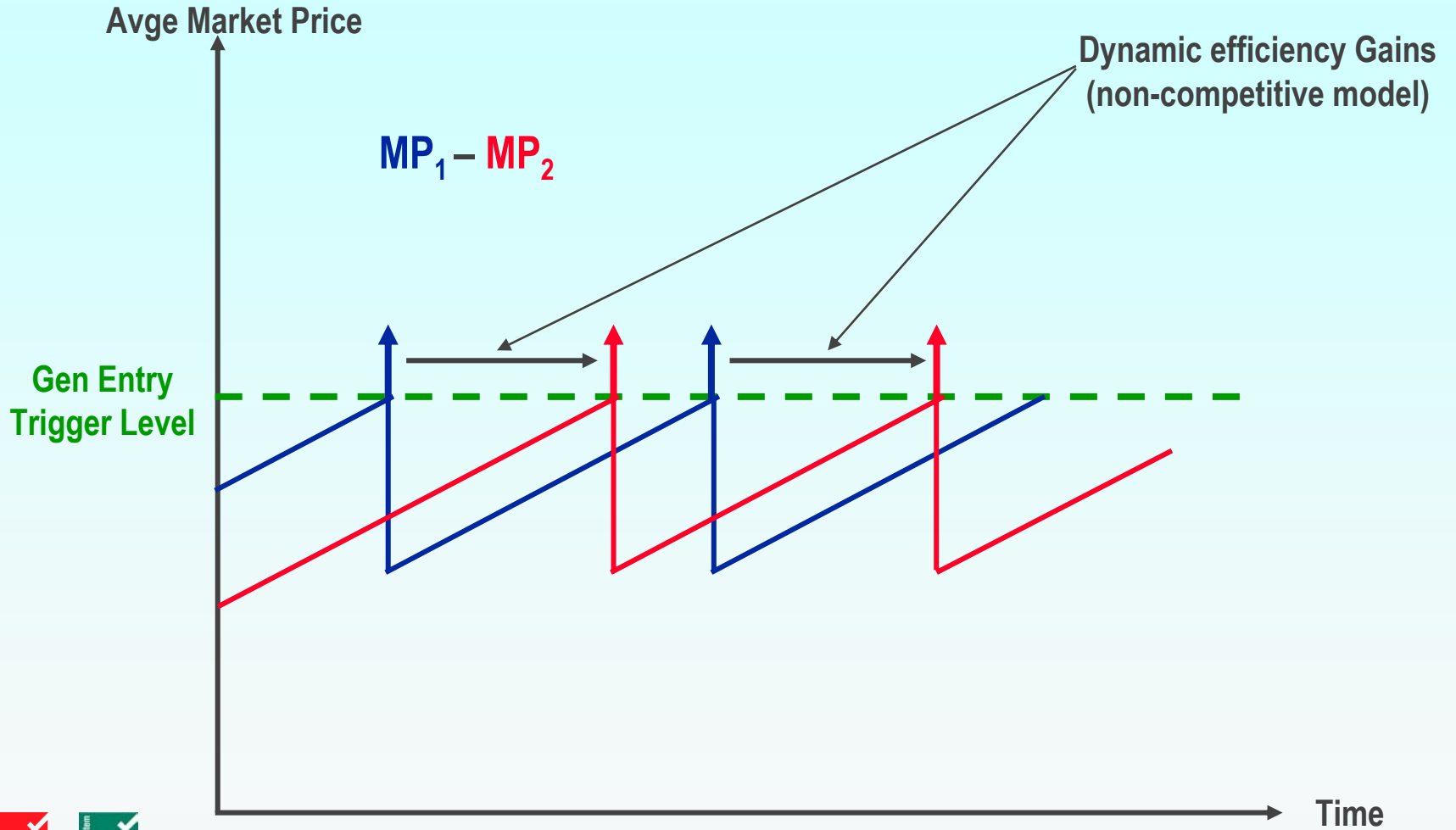
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## Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003



## Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003



## Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003

### COMPETITION BENEFITS AND THE REGULATORY TEST

- Model generator power  
(non-competitive bidding models) **allowed ?**
- Model willingness to pay (elasticity) **allowed**
- Measure con + prod surplus directly **default**

## Competition Benefits – TransGrid Perspective – 28<sup>th</sup> July 2003

### SHOULD COMPETITION BENEFITS BE MODELLED ?

- Yes, if likely to be a material real-world effect
- Measurement and modeling difficulties appreciated  
however
- Risk that an economic proposal would not be built  
(if competition benefits are not captured)



# Network augmentations for who ?

End game - cheaper reliable electricity for customers

- Ensuring equity in allocation of benefits
- Recognising current relative sharing of payment for transmission, particularly, interconnectors
- Protecting customers from market exploitation

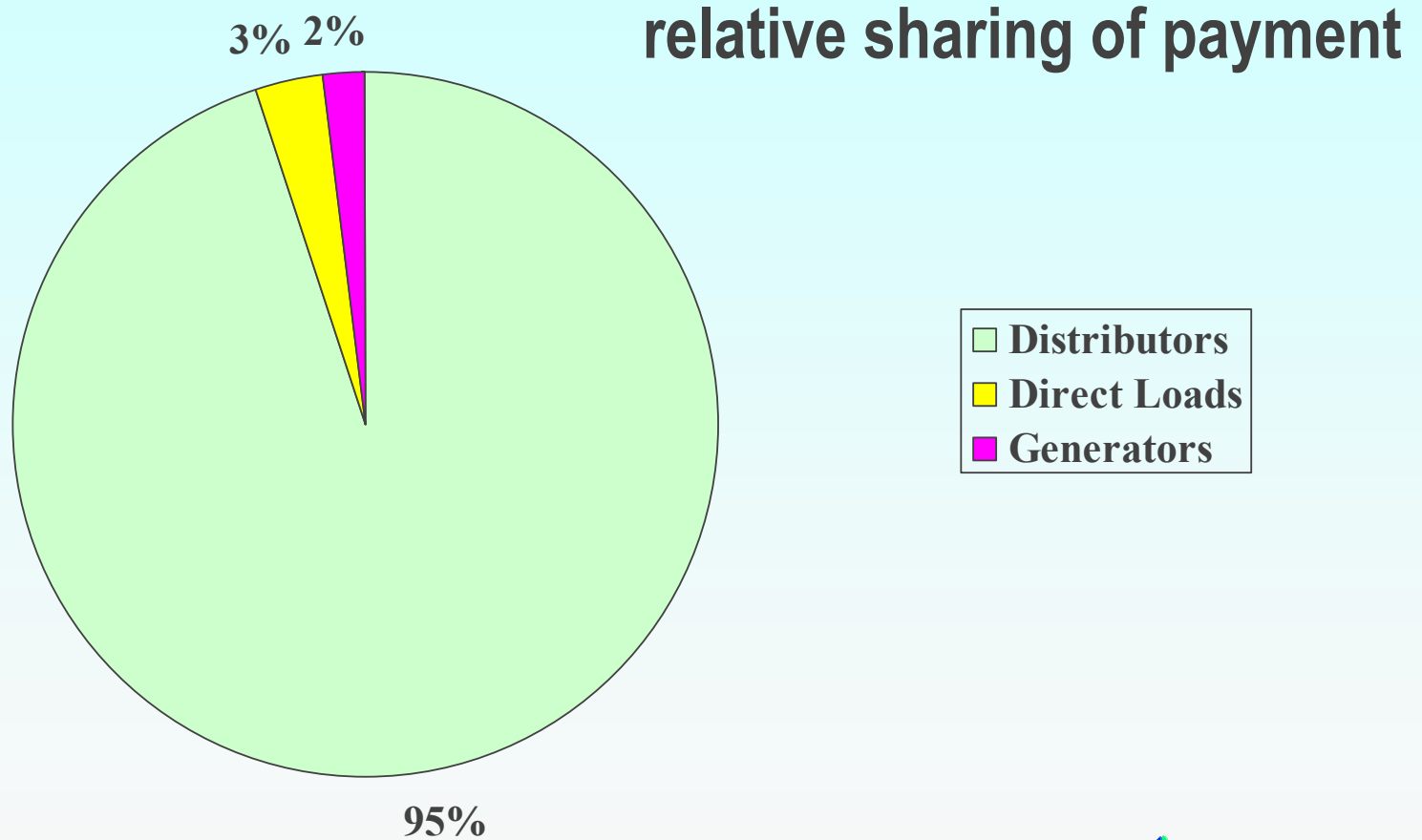
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### Ensuring equity in allocation of benefits

### NET vs GROSS BENEFITS ?

- Regulatory test does not recognise gross outcomes
- Gross customers benefits (question of policy)

# TransGrid Revenue Sources



# Who pays for transmission augmentations ?

= **Warring Tribes** (apologies to Dr Booth)

Protecting customers



# Questions ?



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