

The background of the entire page is a photograph of high-voltage power lines and pylons. The pylons are dark metal structures with multiple cross-arms supporting the power lines. The sky is a mix of orange and red, suggesting a sunset or sunrise. The image is partially obscured by a large, semi-transparent blue and white graphic element that curves across the top and left sides of the page. At the bottom, there is a solid orange banner with white text.

PRIORITIES FOR AUSTRALIAN ENERGY NETWORKS

5 STEPS TO BETTER OUTCOMES FOR ENERGY CUSTOMERS

THE AUSTRALIAN ENERGY SUPPLY INDUSTRY WHICH UNDERPINS OUR ECONOMY AND COMMUNITIES IS SEEING SEISMIC SHIFTS IN TECHNOLOGY, ENERGY USE, AND CONSUMER PREFERENCES.

The next Federal Government must take 5 steps to deliver safe, reliable and affordable energy for consumers;

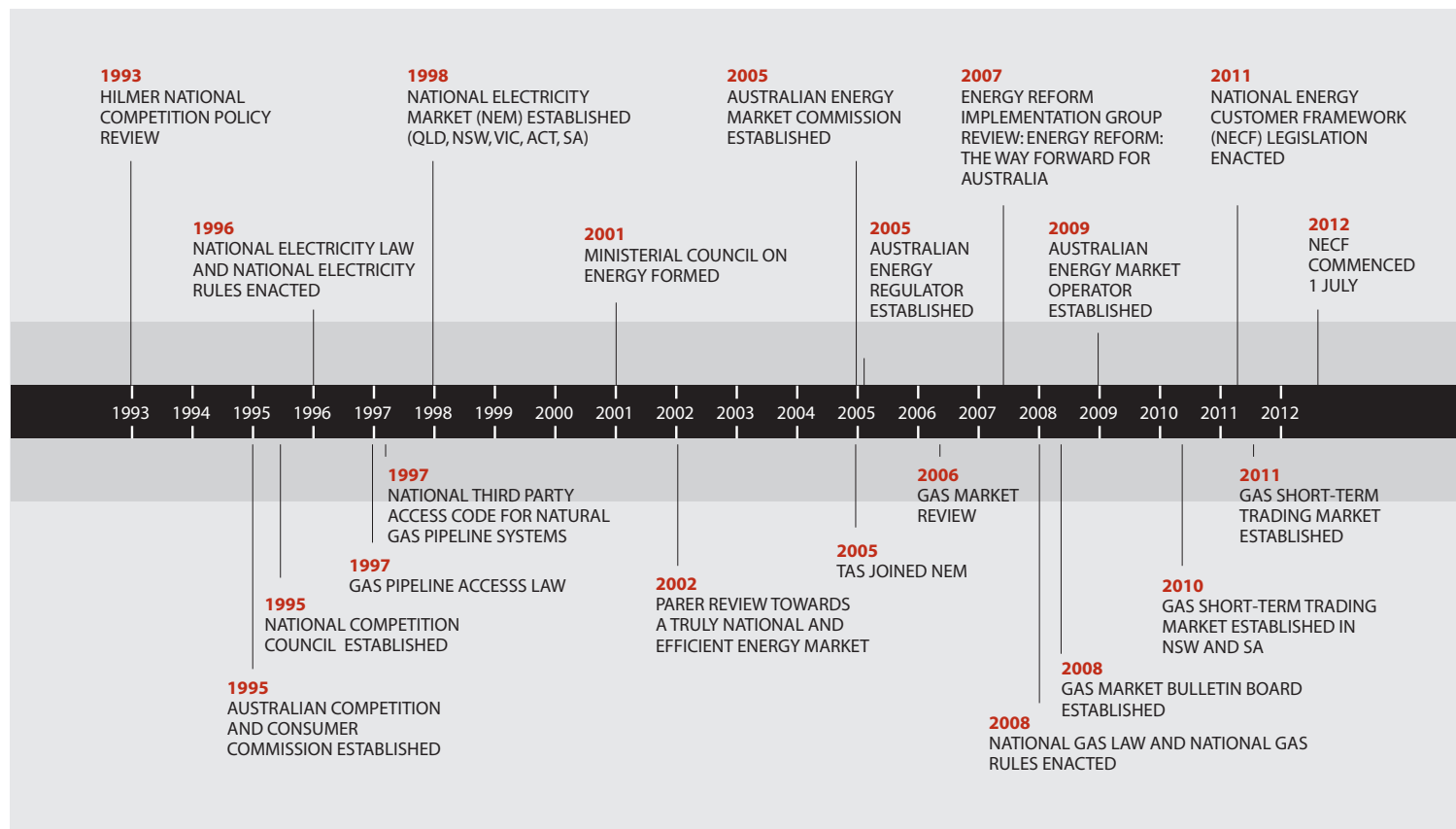
- 1** Deliver the current COAG regulatory reform program to improve incentives and engage consumers - without constant policy reviews which add uncertainty to the cost of refinancing \$75 billion in network industry investment.
- 2** Maintain the integrity of Australia's independent energy regulation and rule-making process, while seeking to achieve a truly national economic regulator for electricity and gas networks.
- 3** Put Gas on a level playing field by ensuring energy schemes designed to reduce emissions are fuel-neutral; and encourage domestic gas supply markets by removing unnecessary barriers to new supply.
- 4** Reshape retail markets to work *for* customers, by ensuring COAG delivers on Full Retail Competition; removes price controls; and reforms customer hardship policies so assistance goes where its needed most.
- 5** Facilitate efficient network investment by supporting a transition to flexible network pricing that rewards efficient use; and adopting a national framework for reliability that reflects its value to customers.

ENERGY MARKET REFORM – WHERE HAVE WE BEEN?

Energy market reforms which commenced in the 1990s have generally delivered significant benefits to customers, with competition and advanced regulation providing efficiency and service benefits.

Change has been a constant in the progress towards nationally competitive markets. In the last 15 years, major overhauls of the regulatory environment have occurred more frequently than the current reset period (ie. 5 years).

Energy reform remains unfinished business and policy makers must maintain investment certainty, while adopting measures which promote competition in wholesale and retail markets; improve incentives for demand-side participation; and engage customers directly through new services, information and infrastructure planning.



Energy White Paper 2012, page 109.

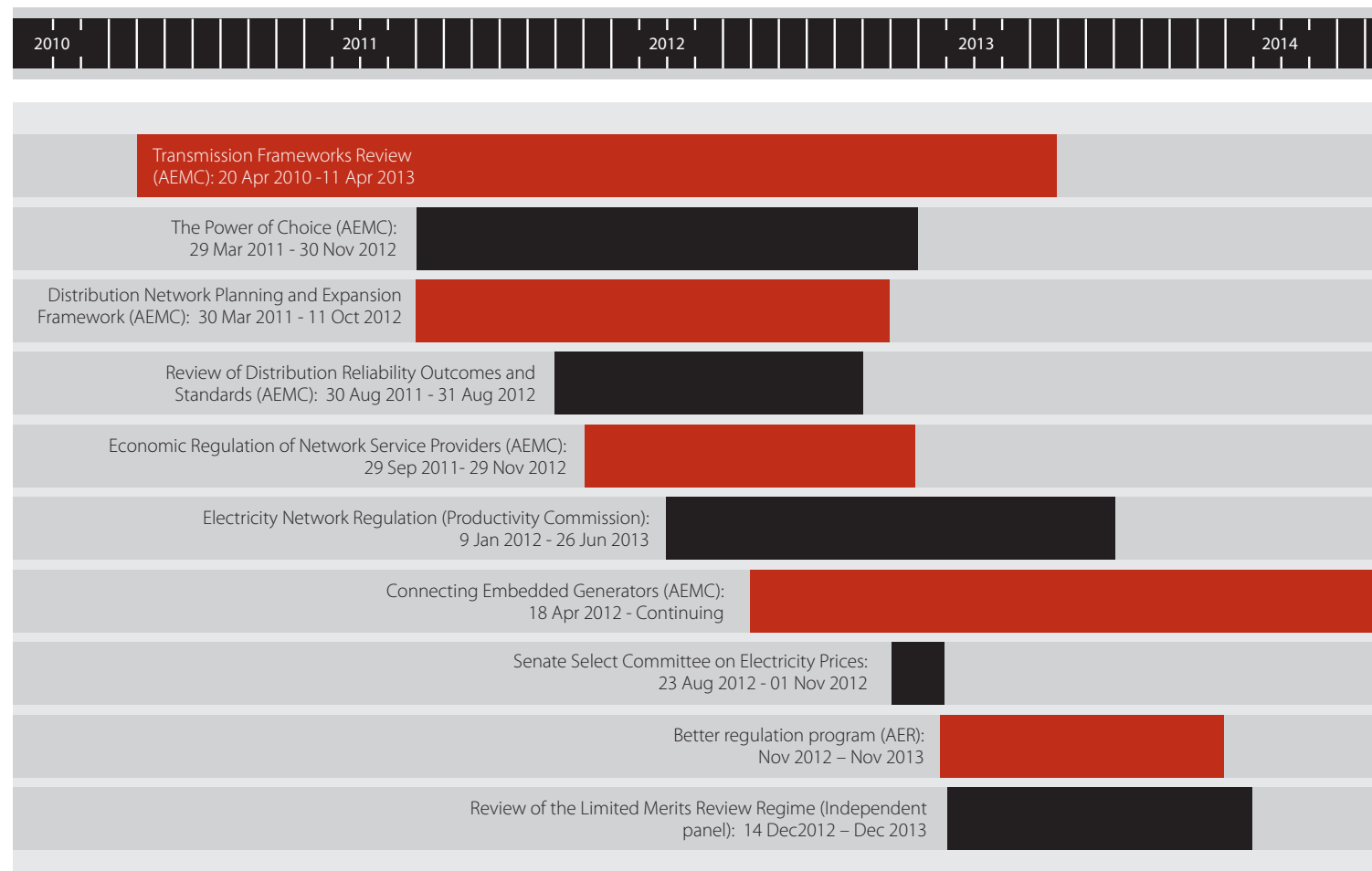
REGULATORY REFORM – MOVING FROM REVIEW TO IMPLEMENTATION

Australia's energy networks sector, representing \$75 billion in infrastructure investment, is currently undergoing the most intensive regulatory reform program in its history.

This follows three years of multiple, overlapping reviews from bodies including the Productivity Commission, a Select Committee of the Senate, Australian Energy Market Commission (AEMC), Australian Energy Regulator (AER), and Ministerial Council appointed independent panels. Consumers will derive no benefit from re-hashing another round of network regulation navel-gazing, even as the current reforms are being implemented.

ENA supports measures that deliver a more consistent, robust regulation of Australia's energy network sector and the introduction of competition where appropriate in potentially competitive markets. It's vital that the Council of Australian Governments delivers on Full Retail Competition; removes price controls; and reforms customer hardship policies so assistance goes where its needed most.

REGULATORY REVIEWS OVER 2010-2013



WHERE ARE WE GOING?

However, we caution against a cycle of continuous review which does not allow the benefits of carefully considered decisions to be realised and to flow through to the consumers our energy market is intended to serve.

The Productivity Commission recently warned about the dangers of energy sector reform becoming 'bogged down' in a series of reviews - and rating agencies have also warned against regulatory uncertainty. Rating agencies such as Moody's and Standards and Poors have commented on the scale of regulatory reform processes underway and its significance to the regulatory risk facing network businesses. An investor survey by RBC Capital Markets concluded that investors value predictability and certainty and want to see the regulatory reform approved by the Australian Energy Market Commission delivered as intended.

The reform program already underway should serve the long-term interests of consumers, the community, and Australian economy by providing better incentives, reducing volatility and using more accurate approaches to assessing the cost of capital. Delay of the reform decisions that have already been made delays the benefits that must flow through to the consumer - it is now time to get on with the job.

As the regulatory environment evolves energy network businesses are already delivering new services and products. In the future they will be deployed more often and to a broader range of consumers. This is a response to one of most significant technological progressions in the history of energy networks.

No longer will energy networks be a one-way supply system. According to AEMO rooftop PV energy output will be 2,473 GWh in 2012-13. Within 10 years this is forecast to triple to 7,558 GWh or 3.4% of annual energy. Over the 10-year outlook period, the average annual growth rate of rooftop PV energy is expected to be 13.2%.¹

While this is taking place the AEMC has predicted that the projected stock of air conditioning units across Australia is forecast to rise from approximately 6.5 million in 2000 to 12.9 million in 2020, an increase of 97%.³

This progression not only requires a technical response, but consideration of how tariffs are set to fairly reflect the cost of the different uses of the network. The penetration of air-conditioning units has an impact on all customers - with the Productivity Commission finding that a household running a 2 kilowatt (electrical input) reverse cycle air conditioner, and using it during peak times, receives an implicit subsidy equivalent of around \$350 per year from other consumers who don't do this.³

Demand side initiatives will also be an important part of the response to these changes. Frontier Economics estimated that economic cost savings of peak demand reduction in the National Electricity Market is likely to be between \$4.3 billion to \$11.8 billion over the next ten years, which equates to between 3% and 9% of total forecast expenditure in network and generation infrastructure⁴.

In that context, even a small reduction in peak demand could translate into substantial savings from deferred investments, which in turn reduces pressure on customer electricity bills.

It will be important for Federal and State Governments to support regulatory frameworks which: accommodate the changing uses of energy networks; recognise the potential to reduce cost pressures and tailor services to customer needs; and ensure fairness in cost recovery.

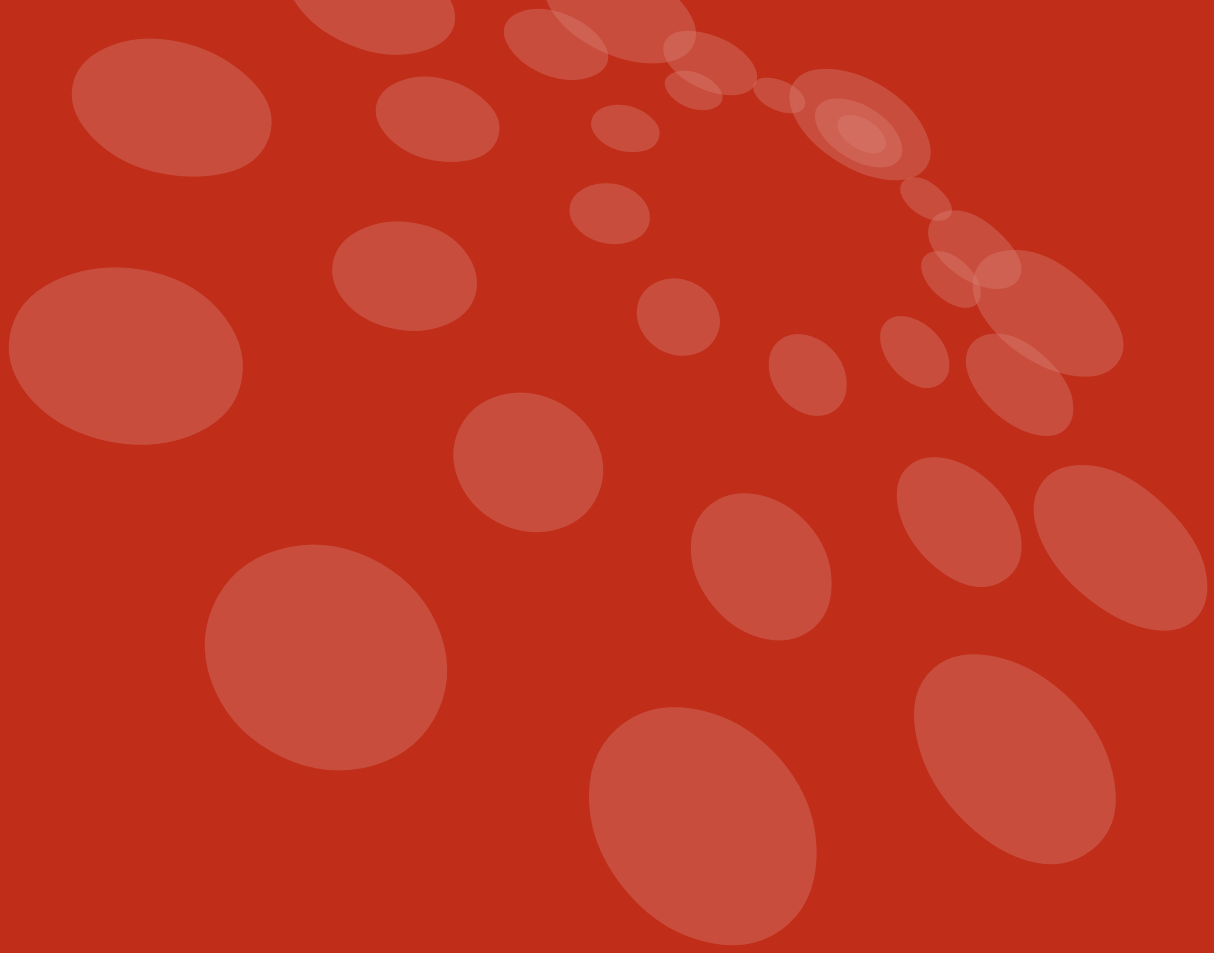
**Energy Networks Association
August 2013**

¹ AEMO 2012 National Electricity Forecasting Report for the National Electricity Market, page 3-1.

² AEMC, Power of choice review - giving consumers options in the way they use electricity, Final Report, 30 November 2012, page 12.

³ Productivity Commission 2013, Electricity Network Regulatory Frameworks, page 18.

⁴ AEMC, Power of choice review - giving consumers options in the way they use electricity, Final Report, 30 November 2012, page vi.



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