



Australian
Competition &
Consumer
Commission



AUSTRALIAN
ENERGY
REGULATOR

ACCC/AER Regulatory Conference 2013

Customer involvement and pricing

Thursday 25 and Friday 26 July 2013

Sofitel Hotel, 249 Turbot Street, Brisbane, Queensland

Day 1:

Thursday 25 July 2013

8.30 Arrival/Tea Coffee

8.45–9.05 Welcome by ACCC Chairman, Rod Sims

9.05–10.35
Session 1

Customer Involvement: The Next Frontier for Regulatory Reform or a Smokescreen Hiding Other Failings?

In Australia there is a heightened interest in involving customers in the regulatory processes. What problems identified in regulatory economics and practice can customer involvement solve?

Are there downsides to different forms of customer involvement?

Is there a risk of putting too much focus on current customers compared to future customers, and therefore succumbing to short-termism?

Chair: Professor Michael Crew, Director CRR and CRR Distinguished Professor of Regulatory Economics, Rutgers University

Speakers: Dr Mark Jamison, Director, Public Utility Research Centre (PURC), University of Florida

Professor Catherine Waddams, ESRC Centre for Competition Policy, University of East Anglia

Professor Matthias Finger, Director, MIR, Ecole Polytechnique Federale de Lausanne, Switzerland

10.35–11.05 Morning Tea

11.05–12.30
Session 2

How Do You Design Customer Involvement?

What forms of customer involvement have been used across regulatory institutions in different jurisdictions? What comparisons can be made between US and European experience? How can differences be explained? Are there lessons about success and failure of different types of structures?

What are likely to be Australian institutional requirements? What customers should regulators focus upon? As most ACCC/AER regulatory activity is in the wholesale or intermediate market, how can customer preferences in the retail market be taken into account? What are the implications for the design of customer involvement in Australia?

Chair: Michelle Groves, AER

Speakers: Dr Chris Decker, Research Director, Regulatory Policy Institute and Visiting Fellow in Law and Economics, CSLS, Oxford University

Greg Houston, Director, NERA

12.30–1.30 Lunch

1.30–3.00
Session 3

Regulatory Pricing Conundrums and Challenges

Regulatory practice continues to throw up interesting challenges for economists and policymakers. For example, what can explain the continuing popularity of Inclining Block Tariffs for some electricity distribution charges and in the urban water sector? Is it possible to apply a weighted-average price cap at the wholesale (electricity distribution network) level when electricity retail customers do not directly pay the distribution network charges? Does it make sense to impose time-of-use or congestion charges at the wholesale level in telecommunications or electricity when it is likely that retail charges will have no time-of-use or congestion component? Is charging different amounts for different types of Internet traffic incompatible with principles of net neutrality? Is there a tension between greater involvement by customers in negotiating prices with the service provider, and the view that it is the task of the regulator to set the 'right price'?

Chair: Dr Jonathan Cave, Research Leader, Rand Europe and Senior Lecturer, Warwick University

Speakers: Professor Michael Crew

Professor Frank Wolak, Professor of Economics, and Director, Program on Energy and Sustainable Development, Stanford University

3.00–3.30 Afternoon Tea

3.30–4.45 Session 4

Legal: A Case Study in Consumer Engagement

Debate has raged in the last year over the best way to facilitate consumer engagement, particularly end-user engagement, in utility regulatory processes. Questions arose as to whether consumers should be represented by a range of organisations or one peak voice. At the December 2012 Council of Australian Governments meeting, an energy reform agenda was agreed to which endorsed the strengthening of consumer input into network pricing and appeals processes in the energy sector. This includes the establishment of a Consumer Challenge Panel within the AER to work on behalf of consumers to examine complex revenue proposals and provide advice to the AER on whether the proposed network expenditure is justified in terms of outcomes for consumers. Further, the Standing Council on Energy & Resources has been directed to actively consider models for the development of a national energy consumer advocacy body—including the form, scope and funding for such a body.

Sonny Popowsky will provide insight into how consumer engagement is facilitated in United States regulatory processes. Rachel Trindade will consider how consumer advocacy should operate in Australian regulatory processes.

Chair: Delia Rickard, Deputy Chair, ACCC

Speaker: Sonny Popowsky, former Pennsylvania Consumer Advocate and President of the National Association of State Utility Consumer Advocates

Discussant: Rachel Trindade, Consultant, The State of Competition

6.30–10.30 Conference Dinner

Professor Matthias Finger: 'Regulatory Challenges in Europe and the Florence School of Regulation'

Day 2:

Friday 26 July 2013

8.30–10.00 Breakout Session 1

Communications: Managing Congestion in Communications

Rapidly growing demand for on-line content and digital communications has resulted in congestion on mobile and, increasingly, on fixed-line networks. Is there a role for consumers in determining how congestion is managed? How much transparency should be provided to end-users about network operators' traffic management policies? How effective are price signals in managing congestion? What is the regulator's role and does its role differ when the network operator is wholesale-only or vertically-integrated? Is there a need for *ex ante* regulation to ensure net neutrality?

Chair: Joe Dimasi, ACCC Commissioner

Speaker: Dr Jonathan Cave

Discussant: Professor Stephen King, Professor of Economics, Monash University

Electricity: Pricing Reforms and Customer Preferences

Economists have long argued that customers should pay different tariffs for electricity at different times, reflecting the time-varying marginal cost of generation and scarce capacity on the network. Such tariffs could in principle allow more efficient network utilisation and the deferral of network expansion. But in practice there seems to be resistance by customers and policy-makers to a move to time-of-use tariffs. What is the economic explanation for this resistance? Is it possible to design tariffs which are both acceptable to customers and facilitate a move to efficient pricing and smarter use of networks. What has been the experience in various trials and experiments around the world?

Chair: Andrew Reeves, AER Chairman

Speakers: Associate Professor James Bushnell, Department of Economics, University of California, Davis

Professor Frank Wolak

10.00–10.05 Session Change

Day 2:

Friday 26 July 2013

10.05–11.30

Breakout Session 2

Water: Government Investment in the Rural Water Sector—managing competing priorities

We have seen substantial government involvement in the Australian rural water infrastructure sector for over a century. Most recently, the government has announced an additional \$1.775 billion in funding for irrigation infrastructure upgrades and water efficiency measures to gain additional water for the environment under the Murray-Darling Basin Plan. Also, state governments continue to make significant contributions to 'wholesale'/'bulk' water providers, such that water charges to water users do not reflect the full costs of wholesale water services. This session explores the challenges governments face when investing in the sector.

Chair: Sebastian Roberts, ACCC

Speaker: Dr Glyn Wittwer, Centre of Policy Studies, Monash University

Discussant: Matthew Toulmin, Partner/Principal Consultant, RMCG

Finance: Investor Expectations and the Regulatory Framework

What are investors looking for when wanting to invest in infrastructure assets? Are regulated businesses seen as an asset class different from other types of businesses? What do investors expect of these assets? Is there any homogeneity in investor views? What do investors' expectations suggest for the regulatory settings that governments should put in place given the purpose of regulation is to promote the long-term interest of end-users? Also should regulators be taking a global perspective considering that capital markets and investments are now global?

Chair: Cristina Cifuentes, ACCC Commissioner

Speaker: Dr Peng Chen, CEO-Asia (ex-Japan) Dimensional

Discussant: Dr Ross Barry, First Principles

11.30–12.00 Morning Tea

12.00–1.00

Closing Plenary Session

A debate: 'Are we twenty years behind America or are the rest of us on a totally different path with regard to consumer involvement'

Chair: Rod Shogren, Member of the Australian Competition Tribunal

Panel: Associate Professor James Bushnell, Dr Chris Decker, Dr Mark Jamison, Professor Stephen King, Rachel Trindade, Professor Catherine Waddams.

1.00–2.00 Lunch

Registration

Transport

Transfers to and from the Brisbane Airport are available as part of the conference registration fee.

To book your transfers, contact Chris Lumsden at Your Next Event; Email chris.lumsden@nextevent.com.au; or 1300 813 613; Mobile: 0409 813 613.