Incentive power and the design of regulatory regimes

Larry Kaufmann, Ph.D.

Introduction

Regulators have the unenviable task of attempting to achieve inherently conflicting objectives. One important regulatory goal is promoting efficient behaviour by regulated utilities. Regulators must also ensure that customers share in the benefits of realised efficiency gains, but transferring benefits to customers reduces companies’ incentives to undertake actions that lead to efficiency gains in the first place. Regulators therefore face a trade-off in trying to create incentives for utilities to behave efficiently, while ensuring that customers share in benefits from efficiency gains. Economists refer to this as the ‘rent and efficiency trade-off.’

Optimising this trade-off is central to regulation.

The power of the incentives created by a specific regulatory regime is affected by how regulators attempt to promote both efficiency gains and customer benefits. Recently there have been greater efforts to examine the power of specific regulatory regimes. For example, in the previous edition of Network, Darryl Biggar of the ACCC highlights the importance of incentive power and presents some principles and mathematical criteria that can be used to evaluate regulatory alternatives. The National Audit Office in Britain also prepared a report on ‘Pipes and Wires’ industries that presented a simple analytical model to quantify and evaluate the incentive power of specific price control regimes. These steps were extended in Ofgem’s most recent review of power distribution price controls.

Most recently, Pacific Economics Group LLC (PEG) developed an ‘incentive power model’ for Victoria’s Essential Services Commission (ESC). This model was designed to quantify the power of incentives and the benefits to customers and shareholders under various regulatory systems. This work was motivated by previous work undertaken for the Utility Regulators Forum on the desirability of productivity-based regulation, which uses information on industry total factor productivity (TFP) and input price trends to set the terms of CPI-X formulas, compared with the building block approach that has been used to date in Australia. The report by Farrier-Swier Consulting on this issue concluded that, as a conceptual matter, ‘TFP based approaches appear to create superior economic efficiency incentives’ and ‘are likely to be superior’ to building blocks. However, the authors also go on to say (we) consider that it is difficult to understand the effect of the design of different parameters of a TFP based price cap on profitability, pricing, and incentive outcomes without undertaking some form of simulation modeling. Therefore, we suggest that it may be beneficial to develop high level modeling tools to help better understand the potential incentive properties of different detailed designs (and to compare these with other regulatory approaches).

This article responds directly to these suggestions from Farrier-Swier. PEG’s incentive power model is a ‘high level tool’ that provides simulation modelling evidence on the impact of different regulatory regimes on profitability, pricing and incentive outcomes. This article will briefly discuss the results from PEG’s incentive power modelling. Much more detail on the model and its results are available in PEG’s paper itself, which is available on the ESC’s website.
**Incentive power basics**

PEG’s incentive power model uses an optimising algorithm to determine how companies respond to different regulatory plans. The model essentially ‘solves’ for a company’s optimal cost reduction efforts under a given set of regulatory rules, substitutes the resulting costs back into the regulatory plan, and calculates the subsequent changes in prices and profits. Accordingly, the incentive power model shows the maximum benefits to customers and shareholders that are inherent in a given regulatory plan if the regulated firm responds optimally to the incentives that the plan creates. Plans can be ranked in terms of the power of the incentives they create and the overall benefits they are expected to generate for different parties.

This incentive power model expands on previous efforts in important ways. First, it has stronger microeconomic foundations than previous models. For example, the incentive power report prepared for Ofgem defined the power of the incentive regime as the proportion of the present value of cost savings retained by the firm and proceeded to analyse alternative regulatory regimes by this criterion. While this approach is intuitive, it is not complete because it does not explain how ‘the present value of cost savings’ is generated. This point is critical because the analysis should focus on how alternative regulatory regimes impact firm behaviour. By looking only at the amount of cost savings utilities are allowed to retain without analysing the behaviour that produced those savings, the model developed for Ofgem can lead to misleading inferences on which regulatory regimes are most ‘powerful’ and create the greatest long-term benefits for stakeholders.

Second, PEG’s incentive power model can compare the impact of different regulatory approaches on firms’ optimising behaviour and the long-run benefits to customers and shareholders. For example, the model can consider how the term of the regulatory determination, earnings sharing mechanisms, different efficiency carry-over mechanisms and alternative methods for updating price controls impact the utility’s incentives and the benefits the regulatory regime ultimately generates. This allows the model to rank very concrete regulatory alternatives in terms of their expected impact on customers and shareholders.

Third, PEG’s model can consider the impact of certain ‘gaming’ incentives that are created by a regulatory regime. Building on the recent ‘sliding scale’ mechanism that was also developed in Ofgem’s most recent price review, PEG has modeled how forecast and allowed expenditures are determined in a building block approach to CPI-X regulation. The model can build on this work to evaluate how utilities’ cost forecasting behaviour in building block-regulatory regimes affect customer and company benefits, irrespective of the incentives the regime creates to operate efficiently after the terms of price controls have been set.

**Incentive power results**

PEG analysed 25 specific regulatory regimes. In all cases it was assumed that the regulatory period would be five years and there would be no earnings sharing between customers and shareholders during the term of the determination. Instead, the regulatory scenarios differ in terms of their inter-plan sharing features and the weight placed on external versus firm-specific costs in plan updates.

In general, the incentive power model finds that a utility’s cost containment effort and the allocation of benefits between shareholders and customers depend greatly on the design of the regulatory system. Effort is generally stimulated by ‘external’ mechanisms that delink prices from costs. Indeed, the model finds that it is optimal for regulated utilities to expend no effort to reduce costs under ‘pure’ cost of service regulation. Maximum efforts are expended under ‘pure’ external regulation where prices are only partially true-up to observed costs. PEG finds that a 90 per cent true-up of prices to past observed costs leads to an incentive power measure of 60 per cent. However, incentives are strengthened greatly if prices are only partially true-up to observed costs at the end of the plan. PEG finds that a 90 per cent true-up of prices to past observed costs leads to an incentive power measure of 60 per cent. Moreover, customers receive the lion’s share of the incremental benefits generated by a partial true-up of prices to observed costs. Incentive power and customer benefits continue to increase as less weight is placed on observed costs at the end of the expired plan.

In general, PEG finds that building block plans exhibit intermediate levels of incentive power. The basic building block approach used in Victoria has an incentive power measure of 38 per cent. Incentive power rises modestly to 42 per cent if an efficiency carry over mechanism (ECM) is added to this regime.

More substantial gains in incentive power result if there is only a partial true-up of prices at the end of the expired building block plan to observed costs.
Compared with the basic building block method, the incentive power model finds that such partial true-ups lead to incremental increases in incentive power of about 20 per cent or more. The incentive power model therefore indicates that tying prices to external data is more effective than EOMs in creating strong performance incentives.

PEG's results also show that the distribution of benefits under the building block model is heavily skewed towards companies. Indeed, the model shows that companies receive 100 per cent of the available benefits under Victoria's building block approach, and customer benefits are lower than they would be under ‘pure’ cost of service regulation.

This latter result is striking and, at first glance, non-intuitive, since building block regulation is designed to create stronger incentives and greater customer benefit than cost of service regulation. The reason that customer benefits are lower under Victoria's building block model than under cost of service regulation is that building block models set prices to recover the NPV of a company's projected costs over the upcoming price control period, while cost of service regulation is based on observed, historical costs. The incentive power model predicts that company cost projections will exceed actual company costs by a wide margin. If a sufficiently large share of this difference between projected and actual costs is allowed in prices under the building block model, customers can become worse off than under cost of service regulation where prices are based on, and cannot exceed, observed past costs.

Overall, PEG's results indicate that regulation based on industry TFP trends creates the strongest performance incentives and greatest benefits for customers. If subsequent regulatory reviews link prices to observed costs, the incentive power results show that partial true-ups create stronger incentives than full true-ups and greater benefits for customers. A partial true-up based only on past costs creates similar incentives but much greater customer benefits than an analogous building block approach.

Further steps

Obviously, quantifying the power of a specific regulatory regime and the trade-offs associated with different regulatory objectives is a very difficult exercise. PEG considers the incentive power model is a work in progress, and refinements are clearly possible. One possible adjustment is in the specification of the regulatory ‘game’ between companies and the regulator and the impact of different specifications on company cost projections and the share of costs allowed by regulators. The model can also potentially consider the degree of inefficiency that exists at the outset of a regulatory regime, and the implications this may have on efficiency gains and the distribution of those gains between customers and shareholders under different regulatory approaches. Perhaps most importantly, in addition to the efficiency-rent extraction trade-off, the model can consider trade-offs between efficiency and risk. This issue involves considerable additional modelling complexity regarding uncertain events and how these are handled in different regulatory regimes.

Further refinements notwithstanding, the incentive power results so far have significant implications for the future of incentive regulation in Australia. PEG's results suggest that productivity-based CPI-X approaches can create greater value for energy utility consumers and deserve further examination by regulators. For its part, PEG is open to comments from other parties on how the incentive power model can be modified to increase its value as a diagnostic and analytical tool that helps regulators and policymakers achieve their objectives more effectively.

Larry Kaufmann is a partner at Pacific Economics Group and an economic consultant to the ESC.

The ACCC's draft decision on Telstra's ULLS and LSS monthly charges undertakings was released in August 2005. The ACCC has also released a Telstra letter requesting further information on that draft decision, and the ACCC's response.

On 28 September 2005 the ACCC wrote to Telstra informing it that the ACCC had extended the six-month timeframe which the ACCC has to assess Telstra's four undertakings by a further three months.

As a result, the ACCC's period for assessment of the monthly rate undertakings under s. 152BU of the Act currently expires on 12 January 2006.

An information request is currently unfulfilled in the ACCC's assessment of the connection and disconnection undertakings. Therefore, the end date for the decision on those undertakings cannot as yet be determined.

However, the ACCC considers that at this stage it does not expect to require the full further three-month period for the assessment of either

the monthly charge undertakings or connection/disconnection undertakings.

Access disputes

A new access dispute was notified to the ACCC under Part XIC of the Trade Practices Act 1974 (the Act) in the September quarter.

ULLS access disputes

Optus Networks Pty Limited has notified the ACCC of an access dispute with Telstra Corporation Limited, under Part XIC of the Act.

The access dispute relates to the connection, monthly rental and other charges for the supply of the ULLS from Telstra to Optus.

The ACCC has begun the arbitration process for this access dispute.

The ACCC is also considering the Primus/Telstra access dispute, which concerns the charge to be levied on Primus for connection of the ULLS by Telstra.
Mobile Terminating Access Services access disputes

The ACCC is currently conducting arbitration processes in relation to the prices paid for the domestic mobile terminating access services (MTAS) provided by Optus and Vodafone as below.

- Optus: PowerTel, Hutchison 3G, Hutchison (Telecommunications) and AAPT.
- Vodafone: Primus Telecom, Hutchison 3G, Hutchison (Telecommunications), PowerTel and AAPT.

The ACCC has made interim determinations in eight of these access disputes. These are the Optus/PowerTel, Optus/Hutchison 3G, Optus/ Hutchison (Telecommunications); Vodafone/Primus; Vodafone/Hutchison 3G; Vodafone/Hutchison (Telecommunications); Vodafone/PowerTel; and Vodafone/AAPT disputes.

MTAS undertakings

The consideration of an undertaking does not preclude the ACCC from conducting an arbitration, if required, and issuing an interim determination while it completes the undertaking process.

Optus MTAS access undertaking

On 23 December 2004 Optus lodged an ordinary access undertaking with the ACCC relating to the mobile terminating access service (MTAS).

The ACCC released a discussion paper on Optus' MTAS undertaking on 25 February 2005.

On 1 September 2005 the ACCC wrote to Optus informing it that the ACCC had extended the six-month timeframe in which the ACCC has to assess Optus' MTAS access undertaking by a further three months. Assuming there are no further information requests made of Optus in relation to its access undertaking under s. 152BT of the Act (during which time the legislative time period/clock for assessing the undertaking ‘stops’), the ACCC believes this extension means the time period for assessing the undertaking will end in the first quarter of 2006.

The ACCC intends to release its draft report on the Optus undertaking in October 2005. A short consultation period will be held for interested parties to comment on the draft report. Following receipt of submissions on the draft report, the ACCC intends to release its final report on the Optus undertaking in late January 2006.

Federal Court upholds ACCC’s pricing principles for mobile terminating access service

Vodafone’s challenge to the ACCC’s pricing principle determination for the (MTAS) was rejected by the Federal Court in September 2005.

By upholding the determination in full, the court has ensured that the ACCC has the power to include prices when making a pricing principle determination for a declared telecommunications service.

As well as allowing the ACCC to get on with the job of regulating, the decision will also ensure that the benefits flowing through to consumers as a result of mobile termination rates falling in line with the ACCC’s pricing principle determination will not be delayed.

In June 2004 the ACCC determined pricing principles for the MTAS that included a new approach to regulating the price of the service. It aimed at ensuring a closer correlation between its price and cost.

To the extent the price of the MTAS is set above cost, the ACCC has consistently argued this will have negative impacts in downstream markets. This is particularly so in the market within which fixed-to-mobile services are provided, where high termination prices end up being passed on to consumers in the form of higher prices for fixed-to-mobile calls.

The pricing principle determination also included indicative price-related terms and conditions that set a conservative benchmark ‘target’ price of 12 cents per minute, to be reached over a staged adjustment period from 1 July 2004 to 30 June 2007.

The ACCC is required, under the Trade Practices Act, to have regard to the pricing principle determination when arbitrating an access dispute between telecommunications service providers on the MTAS.

Vodafone instituted proceedings in July 2004, challenging the power of the ACCC to include prices in its pricing principle determination. Vodafone also argued that the prices set out in the ACCC’s pricing principles determination should not apply to third generation (3G) mobile networks.

Justice Edmonds found that the Act does empower the ACCC, if it decides to exercise the discretion vested in it by that provision, to specify a price or prices as part of its … determination.

It was noted that such specification of prices are indicative only.

Although not forming the basis of the decision, Justice Edmonds further commented that ‘the prices specified in Annexure 2 to the [pricing principle] Determination are in accordance with and consistent with the pricing principles in Annexure 1 of the Determination’.

Justice Edmonds also upheld the ACCC’s decision that the price-related terms and conditions should apply equally to the supply of the service on second generation (2G) and 3G networks.

Broadband snapshot—June quarter 2005

On 19 September 2005 the ACCC released its latest ‘Broadband Snapshot’, which details the deployment of broadband services throughout Australia as at 30 June 2005.

The report is based on data provided by major carriers of broadband services. The report includes aggregated data on the availability of broadband services and gives estimated numbers of services in operation for cable, satellite, ADSL, other DSL and miscellaneous offerings. However, not all broadband providers are included in the ACCC’s survey. The main findings of the report are:

- at the end of June 2005 there were 2 183 300 broadband services connected across Australia
- broadband take-up has increased by 1 135 500, or 108.3 per cent, from the June 2004 figure of 1 047 800
- consistent with the results of the previous quarter, this represents an increase of over 1 million customers, or 108 per cent, over the preceding 12-month period
- total quarterly growth in broadband was 18.7 per cent for the June 2005 quarter. This is broadly in line with the March 2005 growth (18.8 per cent)
- the take up of ADSL services continues to be significant, with more than 1.5 million customers connected to ADSL services in the June 2005 quarter.

Parliamentary hearings

On 14 September 2005 Parliament approved the sale of Telstra and related legislation which includes provisions for the operational separation of Telstra. The ACCC participated at the Senate Legislation Committee hearings on 9 September 2005.
Operational separation has been introduced by the government to strengthen the existing requirement that Telstra provide access to key network services to its wholesale competitors on equivalent terms and conditions to those which it provides to its own retail business.

This requirement is consistent with the obligations that Telstra already faces under Part XIC of the Act. The main difference is that Telstra will have to make its existing internal operations more transparent to verify that the equivalence obligations are upheld. Operational separation may also have the effect of assisting Telstra in determining whether it is complying with its existing obligations.

Operational separation will be implemented through the Telecommunications Act 1997, which establishes the framework by which Telstra is to make an operational separation plan (OSP). The details and contents of the plan are to be specified in Ministerial Determinations. The minister's initial determination can include declared and non-declared services, but any subsequent determinations can only specify that declared services are included in the OSP, unless Telstra consents otherwise.

Other key aspects of the legislative changes include:

- Increased penalties for breach of the competition rule in Part XIB of the Act. The penalty will continue to be $10 million for each contravention and $1 million for each day for the first 21 days during which a breach continues. After 21 days, the penalty would be $3 million for each day the breach continues.

- Changes to the long-term interests of end-users (LTE) test in Part XIC of the Act. The objective of the test is to encourage the economically efficient use of, and the economically efficient investment in, the infrastructure by which listed services are likely to become capable of being supplied. Changes to the LTE test now oblige the ACCC to consider:
  - any other infrastructure by which listed services are, or are likely to become, capable of being supplied
  - the incentives and risks involved in making the investment.

Inquiry into mobile international roaming services

On 14 September 2005 the ACCC issued its final report on its inquiry into mobile international roaming.

International roaming enables mobile phone subscribers to use their mobile phone while travelling overseas. It enables travellers to make and receive voice calls, short message services (SMS), voicemail and other mobile services.

To enable travellers to use their mobile phones while travelling overseas, international roaming allows consumers to temporarily connect to (or ‘roam on to’) a mobile network when using their mobile phones in overseas countries. For this service to be provided, the mobile phone service provider used by a consumer in Australia must enter into a wholesale roaming agreement with a mobile network operator in the overseas country where the consumer is travelling.

The ACCC’s final report expresses concerns that prices for international roaming services appear to be very high—especially as compared to charges set for other mobile telephone services. The inquiry also found that the most significant factor in the setting of retail prices paid by Australian travellers for international roaming services is the wholesale charges set by overseas mobile network operators when consumers roam onto their networks.

While these charges are likely to be pushing up the price of international roaming services for Australian travellers, the ACCC does not have jurisdiction to directly regulate wholesale charges set by overseas mobile operators.

However, the final report does observe that competition in the retail market for international roaming services appears to be improving, with the increased availability of substitute services for consumers. These include pre-paid international calling cards, SIM cards and mobile phone rentals.

The ACCC also believes that market developments may drive greater price competition among mobile operators and improve price transparency and simplicity for end-users. These developments include advancements in technology that have allowed subscribers to select the network they roam on to, innovative pricing practices by carriers (such as ‘flat rates’ for world geographical zones), and new entrants in the wholesale roaming market.

The inquiry also found that the information provided by mobile operators to consumers about the prices for, and the use of, international roaming has improved in recent years.

Notwithstanding these developments, the ACCC intends to assist emerging competitive forces in these markets by helping Australian mobile phone subscribers to make more informed choices in relation to international roaming services.

Enforcement work

Investigations

During the September quarter the ACCC progressed four telecommunications specific investigations.

Transport and prices oversight

Airservices Australia price notification

On 21 December 2005 the ACCC decided to not object to the proposal from Airservices Australia (Airservices) to introduce a long-term path of prices for its aviation rescue and fire fighting (ARFF) services.

This price notification follows the ACCC’s consideration of a long-term pricing proposal for all of Airservices services in 2004. In its preliminary view on that proposal, the ACCC expressed concern about the effect of applying the proposed basis for imposing ARFF charges, i.e. the maximum take-off weight (MTOW) of aircraft with a threshold of 2.5 tonnes.

In June 2005 the ACCC did not oppose an interim pricing proposal for ARFF services that addressed some of the concerns the ACCC had raised. In allowing those changes, however, the ACCC expressed the view that the interim proposal did not appear to address the ACCC’s concerns about the efficiency of the pricing structure in the long term and called on Airservices to undertake a comprehensive review of the pricing structure for ARFF services.

Airservices’ proposal retained the MTOW basis of charging; however, it introduced a ‘base level service charge’ (for the minimum level of ARFF service provided) and additional ‘incremental category cost charges’ (for higher levels of ARFF service) for all flights above 5.7 tonnes carrying fare-paying passengers.

The pricing structure in this price notification is a significant departure from the previous charging structure and it appears to better promote economic efficiency. The proposal establishes a path of prices for ARFF services ending 30 June 2009, which is aligned with the path of prices approved by the ACCC in 2004 for Airservices’ enroute and terminal navigation services.

A copy of the ACCC’s decision is available from the ACCC website.

Australia Post— disclosure of information

In light of submissions received from interested parties in late 2005 the ACCC is developing an approach to the disclosure of information received under the regulatory accounting framework (the RAF). The ACCC’s approach to disclosure will be based on general principles and would also be applied to any future record keeping rules issued to Australia Post.

The RAF was issued in March 2005 following legislative amendments which give the ACCC the
power to issue record keeping rules to Australia Post. Under the RAFT Australia Post will provide annual financial reports to the ACCC for 16 defined ‘service groups’.

A key objective of the record keeping rule provisions is to ensure transparency in Australia Post’s accounts and identify any cross-subsidy. The provisions, and the RAFT, are also relevant to the ACCC’s other roles in relation to Australia Post— assessing price notifications and inquiring into disputes about the terms and conditions of bulk mail services.

The record keeping rule provisions allow the ACCC to prepare and publish reports analysing the information provided to it under the record keeping rules. The reports may include information that Australia Post claims is commercial-in-confidence if the ACCC is satisfied:

- that the claim is not justified, or
- that it is in the public interest to publish the information.

The ACCC’s preliminary view is that it should release regular (annual) reports on its analysis of the data provided under the RAFT and that these reports should disclose as much of the RAFT data as possible without releasing information that causes undue detriment to Australia Post.

The ACCC considers that there may be benefits for each of its regulatory functions that would accrue from the regular release of RAFT data. However, it also recognises that the release of some data may have some potential to cause detriment to Australia Post. In considering whether it is in the public interest to disclose confidential information, the ACCC will have particular regard to the policy objectives of its roles in the regulation of postal services and will balance the public interest against the potential detriment that may accrue to Australia Post.

**Stevedoring monitoring report 2004-05**

The ACCC has published its seventh annual Container stevedoring monitoring report. The report covers the 2004–05 financial year and showed a slowing down in the growth of stevedores’ productivity levels. Nominal unit revenue and unit costs for total stevedoring services increased again in 2004–05.

Broad trends in the stevedoring industry observed by the ACCC during 2004–05 include increasing volumes, increased overall unit revenue (particularly from ancillary or other services), higher unit costs and high rates of return on assets. There were small unit revenue increases across the industry for loading and unloading respectively.

In the year to June 2005 industry-wide average revenue rose from $171.49 per twenty-foot equivalent unit (TEU) to $175.24 per TEU while unit costs increased from $131.75/TEU in 2003-04 to $135.89/TEU.

Revenues from activities other than the core stevedoring activities of loading and unloading containers again contributed to higher unit revenues in 2004-05. The increase in unit revenues was due in part to an increase in revenue from ‘other’ services. Costs of labour and equipment per TEU increased in 2004-05 compared with 2003-04.

Industry-wide unit margins fell slightly from $39.74/TEU to $39.35/TEU during 2004-05. However, profitability in the industry continued to be high. On the basis of accounting data provided to the ACCC, the average rate of return on assets (before interest and tax) for the three stevedores was 25.8 per cent in 2004-05 compared with 27.8 per cent in 2003-04. This compares with an average return of about 9 per cent for the top 200 companies in the ASX.

The report questions whether continued high rates of return in the face of rising costs and slower productivity growth are consistent with efficient market outcomes. Accordingly, the report raises questions about potential barriers to entry in the industry.

The ACCC report notes that while a number of parties had expressed interest in establishing a third stevedoring operation, entry into the industry remains difficult.

The report concludes that there remain some concerns about the extent of competition in the industry and an assessment was required of certain aspects of institutional arrangements underpinning the industry to ensure they do not inhibit efficient entry or protect stevedores from competition.

The report is available from the ACCC website or through the ACCC Infocentre on 1300 302 502.

### Australian Energy Regulator

The Australian Energy Regulator (AER) commenced operations on 1 July 2005 and assumed responsibility for the economic regulation of electricity transmission network operators on 1 July 2005 (previously undertaken by the ACCC). It also took on responsibilities for monitoring the National Electricity Market (previously performed by NECA) and the enforcement of the National Electricity Law and National Electricity Rules.

The ACCC’s economic regulatory responsibilities in respect of gas are expected to be transferred to the AER in 2006–07. In the interim, the AER will provide the ACCC with advice on the economic regulation of gas.

The AER consists of three members, including a full-time chair and two part-time members. It has three branches: access, transition and markets, as well as an executive.

### Transition branch

**Compendium of electricity transmission regulatory guidelines**

On 22 August 2005 the AER issued a compendium of regulatory guidelines for electricity transmission.

The compendium is a user-friendly compilation of the AER’s guidelines. While largely based on approaches developed by the ACCC, it draws all of the material together as a complete set of reference documents.

The AER will adopt these guidelines as a starting point for its own approach to electricity transmission regulation. These guidelines will evolve over time in consultation with industry participants and energy users, and the compendium will be updated accordingly. The AER will monitor the effectiveness of these guidelines and will review aspects in response to issues raised by industry and other interested parties and as circumstances, theory and best practice regulation develop over time.

As well as reflecting the AER’s role as national regulator, the guidelines also incorporate the revised structure of electricity regulation arrangements under the National Electricity Law. The compendium covers:

- the statement of regulatory principles for the regulation of electricity transmission services (SRP)
- the regulatory test
- service standard guidelines
- guidelines for the negotiation of discounted transmission charges
- transmission ring fencing guidelines
- information requirement guidelines
- the post-tax revenue model and a handbook explaining the model.

A copy of the compendium and supporting documentation can be found on the AER’s website at www.aer.gov.au.

**AER Position paper—regulatory accounting methodologies**

There are two accounting approaches to finding the point in time when capex is included in a transmission network service provider’s (TNSP’s) regulatory asset base. These accounting approaches are outlined below:

- the ‘as-incurred’ approach where the record of capital expenditure in any one year is based on expenditure in that year...
• the 'as-commissioned' approach where the record of capital of expenditure depends on whether the asset related to that expenditure has been commissioned.

TNSPs in the national electricity market (NEM) have adopted different regulatory accounting methods. The choice of accounting approach affects the compilation of regulatory accounts. More importantly, it also affects the calculation of allowed revenues during the regulatory control period; and the method for establishing the closing regulatory asset base at the end of the regulatory period. As a result of this, the choice of accounting methodology is a significant input underpinning the operation of the AER’s regulatory regime.

The AER’s Statement of Regulatory Principles (SRP) does not provide any guidance on this issue and the AER has previously provided flexibility in terms of an accounting approach that may be applied by the TNSPs. Given the revised regulatory arrangements under the SRP, the AER has released a position paper inviting comments from interested parties on the two accounting approaches in terms of:

• the compatibility of each accounting approach to the ex ante incentive arrangements
• administrative complexity
• consistency of comparing expenditure across TNSPs.

The AER’s preliminary position based on an examination of the issues identified in the paper is to favour an ‘as-incurred’ accounting approach that should be applied by all TNSPs in the NEM.

Public comments on this paper closed on Monday 17 October 2005. The AER will consider these submissions and expects to release a decision in early 2006.

AER submission to the AEMC review of electricity transmission revenue and pricing rules—issues paper on revenue requirements

The AER has made a submission to the Australian Energy Markets Commission (AEMC) on the issues paper for the review of chapter 6 of the National Electricity Rules regarding revenue requirements. Key points in the AER submission include:

• the current balance between the level of prescription and regulatory discretion in the rules is considered to be largely appropriate
• the current timeframes and review processes are considered appropriate and have been followed in revenue determinations to date. Therefore, key aspects of the processes and the overall timeframe could be specified in the rules
• the rules should be amended to improve aspects of the existing regulatory framework, including:
  • the 'lock-in' approach to asset valuation
  • the ex ante expenditure framework
  • re-opener provisions
  • a service standards incentive framework.
• the review is an opportunity to:
  • significantly simplify chapter 6 by removing any repetitive or overlapping objectives and principles
  • address an anomaly in the rules regarding the publication of TNSP information.

Process

The AEMC has proposed a two-stage review, split between revenue setting principles and pricing principles. The revenue setting principles are due to be finalised on 1 July 2006 and the AEMC has proposed pricing principles be finalised on 1 January 2007.

The AEMC plans to release a draft rule change on revenue setting requirements on 9 February 2006.

Access Branch

Directlink

On 8 November 2005 the AER released its draft decision on the Directlink Joint Venture’s application to convert Directlink from a market network service to a prescribed service. The draft decision approves Directlink’s conversion and provides the Directlink Joint Venture with a regulated maximum allowable revenue for 2005–15.

The draft decision included additional modelling on interregional benefits. This modelling was reviewed by IES and its report was released along with the draft decision and is available on the AER’s website. Comments from interested parties on the draft decision and IES’s report were due on Friday 9 December 2005.

Powerlink—review of revenue cap

Powerlink is a Queensland Government corporation that owns, develops, operates and maintains the high voltage electricity transmission network in Queensland. The ACCC made a revenue cap decision for Powerlink on 1 November 2001. The revenue cap covers a period of five and a half years (i.e. 1 January 2002 to 30 June 2007) and establishes the revenues that Powerlink is permitted to recover from its transmission customers over this period.

The AER has now been given responsibility for economic regulation of transmission companies in the National Electricity Market. As such, the AER will be responsible for setting Powerlink’s next revenue cap. The revenue cap will cover the five-year period from 1 July 2007 to 30 June 2012. The AER has commenced discussions with Powerlink in the lead up to its revenue cap application due on 1 April 2006. The AER plans to consult with stakeholders early in the process and seek submissions from them at key stages of the approval process.

ACCC activities relating to energy

Electricity

Access code variation

The ACCC released its final decision on six changes to the National Electricity Market (NEM) access code on 31 August 2005.

On 22 June 2005 the ACCC received a request from NECA to vary the approved NEM access code (the code) subject to Part IIIA of the Trade Practices Act. The variations sought were the inclusion of the changes to the code that had been authorised by the ACCC and gazetted since 1 March 2005, except to the extent that those changes related to chapter 3 of the code.

The final decision approved the application to vary the NEM access code to include all of the code changes that had been authorised since 1 March 2005.

Gas

Moomba to Sydney pipeline system—appeal of Tribunal decision to the Federal Court

The full bench of the Federal Court of Australia heard the appeal by the ACCC of the Australian Competition Tribunal’s decision on the Moomba to Sydney Pipeline access arrangement from 17 to 19 August 2005.

The ACCC’s application for judicial review relates to the Tribunal’s application of the law, consideration of evidence and reasonableness of its propositions relating to the methodology applied to establish the initial capital base of the pipeline under the national gas code. The Federal Court also considered the appropriate jurisdiction for this matter. The Federal Court has not yet handed down its decision.

ACCC does not approve extension of time for the lodgment of revised access arrangement for the Roma to Brisbane pipeline

On 7 September 2005 the ACCC decided not to...
grant an extension of time request by APT Petroleum Pipeline Limited (APTPPL) for it to lodge revisions to the access arrangement for the Roma to Brisbane pipeline.

APTPPL requested an extension until six months after the Federal Court releases its decision on the ACCC’s appeal of the Australian Competition Tribunal’s determination regarding the Moomba to Sydney pipeline access arrangement.

After considering submissions from interested parties the ACCC concluded that the extension was not warranted and that it is reasonable for APTPPL to develop the revised access arrangement and to incorporate any new information when it occurs.

ACC approves third extension of time for the lodgment of revised access arrangement for the Moomba to Adelaide pipeline system

On 16 November 2005 the ACCC granted a third extension of time to Epic Energy South Australia Pty Ltd (EESA) until 27 March 2006 for it to lodge revisions to the access arrangement for the Moomba to Adelaide Pipeline System (MAPS).

EESA applied to the National Competition Council (NCC) on 15 March 2005 for revocation of the MAPS as a covered pipeline. It submitted to the ACCC that an extension of time could help limit the resources spent on the revisions as it would not need to prepare and lodge the revisions if its revocation application was successful. EESA undertook to commence the work required to prepare the revisions if the NCC makes a final recommendation to the minister not to revoke coverage.

The third extension of time is to accommodate changes to the NCC’s timetable for making its recommendations.

The NCC released a draft recommendation on 16 November 2006 that coverage of the MAPS be revoked.

Central Ranges pipeline—draft decision

On 27 October 2005, the ACCC issued its draft decision on the access arrangement proposed by Central Ranges Pipeline Pty Ltd for its planned transmission pipeline in the Central Ranges of NSW. The pipeline will initially extend from Dubbo to Tamworth.

The ACCC is currently the regulator of the Central Ranges transmission pipeline under the national gas code. This function will pass to the Australian Energy Regulator (AER) on or before 1 January 2007. In making this draft decision, the ACCC has been assisted by advice from the AER.

The ACCC had earlier approved a competitive tender process for the pipeline which established key provisions, including the reference tariffs that may be charged until 2019.

In general, the proposed transmission access arrangement incorporates the outcomes of the tender and contains the other elements required by the gas code. The ACCC has recommended a number of amendments to the proposed access arrangement.

No submissions were received from interested parties on the draft decision by the due date of 18 November 2005. The ACCC released its final decision on this matter on 7 December 2005. A copy of the decision is available on the AER website www.aer.gov.au.

Ring fencing compliance reports

The ACCC is currently assessing reports submitted by 12 service providers describing their compliance with the minimum ring fencing obligations set out in s. 4 of the gas code during the year to 30 June 2005.
Mindful of the complexity of the 2006–10 price review, the ESC will continue to research the potential for greater use of index-based approaches to regulating monopoly services such as electricity distribution. It aims to make refinements that can improve both the process and the incentives arising from regulatory reviews.

The ESC is particularly interested in regulatory approaches that either reduce or eliminate the role of forecasts in regulatory reviews, as well as the role played by company-specific reported costs in determining efficiency outcomes, both of which give rise to regulatory burdens and distorted incentives.


**Total factor productivity**

The ESC is undertaking research into the use of the productivity trends achieved using total factor productivity (TFP) indexes to determine the X factor under a CPI-X approach to price cap incentive regulation. The ESC’s work program consists of three related projects.

In December 2004 the ESC released a research paper prepared by Pacific Economics Group (PEG) which estimated the productivity trends achieved by the Victorian electricity distributors over the eight-year period 1995–2003. The paper reviewed the applicability of this estimate to the future through the X factor under a CPI-X approach to price cap incentive regulation. The resulting report, TFP Research for Victoria’s Power Distribution Industry, is available on the ESC’s website.

The second stage of the TFP project is concerned with defining and quantifying the power of specific regulatory regimes. The ESC engaged PEG to extend recent work in this area. PEG subsequently established an analytical tool called the ‘incentive power model’ which quantifies the power of incentives and the benefits to customers and shareholders under various regulatory methodologies, including building blocks approaches. The report, Incentive Power and Regulatory Options in Victoria, is also available on the ESC’s website. Larry Kaufmann discusses this paper more fully in the feature article in this edition of Network (see page 1).

In the third stage, the project will update the TFP Research for Victoria’s Power Distribution Industry report to include 2004 data. An issues paper will also be released that will consider the merits and implementation issues arising from the application of productivity-based approaches in the Victorian regulatory environment.

More information on the ESC’s TFP project can be found at www.esc.vic.gov.au/electricity994.html.

**Review of electricity and gas customer protection framework in full retail competition**

The Victorian Government’s legislative requirement that retailers compensate small customers who are disconnected from supply in breach of their contractual terms and conditions came into effect on 8 December 2004. Since implementation, approximately 40 customers have received compensation, totalling approximately $22,000. The ESC is required to provide advice to the Energy and Water Ombudsman (EWOV) or retailers on specific cases and make a formal decision if the matter cannot be resolved through EWOV. Although there are relatively few involved (less than 0.2 per cent of disconnections), the cases are often complex and time consuming to resolve. The ESC has issued an Interim Operating Procedure—Wrongful Disconnection Compensation, after extensive consultation with retailers, consumer groups and other stakeholders including the EWOV. The procedure was scheduled for review in December 2005.

The Victorian Government established a committee of inquiry into financial hardship of energy consumers. The committee has completed its final report. The ESC intention to mandate retailers to develop and implement hardship policies in accordance with broad objectives and principles has been deferred until the outcomes of the inquiry are published.

The ESC and ESCOSA will shortly coordinate their respective reviews of their energy retail codes to determine whether all obligations should remain for larger energy consuming business customers, to maximise harmonisation of regulation across the jurisdictions.

**Retail compliance, monitoring and reporting**

The ESC has audited all local retailers on the obligations in the retail codes and disconnections and capacity to pay. Reports have been received in June and a preliminary report will be published in November 2005.

The South Australian, NSW, ACT and Victorian jurisdictional regulators are coordinating efforts on the 2006 audits. A workplan will be issued shortly, which demonstrates a commitment to avoid duplication of resources and to ensure that licensed retailers are not unnecessarily audited in individual jurisdictions.

The ESC published the 2004 Comparative Performance Report for retailers in late July 2005. Given the decision to change the reporting cycle to a financial year basis, the draft 2004–05 report has been published for relevant stakeholder comment. The final report will be published in early December.

Revised performance indicators monitoring the conduct of retailers in their dealings with customers who do not appear to have the capacity to pay their accounts took effect from 1 January 2005. The new reporting regime on service disconnections has greatly improved the detection of specific retailers requiring further investigation. Other jurisdictions are considering their national implementation through the Utility Regulators’ Forum.

**Price disclosure and comparison**

The ESC’s final decision and guideline on the Victorian Government’s statutory obligation on retailers to publish market offers on the internet was published in late July, with the obligation to take effect from 1 September 2005. This obligation requires retailers to publish indicative offers generally available to the majority of customers. All retailers were in substantial compliance with the regulatory obligations by December 2005 and the ESC is taking steps to ensure full compliance by February 2006.

The ESC published a final decision in December 2005 implementing an additional obligation for retailers to publish summary offer information in writing. This obligation takes effect from 1 March 2006. Further work on informing consumers, particularly low-income and vulnerable consumers, of the mechanisms now available to them to access and compare competitive offers in the Victorian marketplace will be undertaken by the ESC in 2005–06.

**National consistency and market monitoring**

The ESC continues to consult with other jurisdictions to develop consistency in its customer protection regulatory instruments and convenes the steering committee on energy retail consistency (SCERC) under the auspices of the Utility Regulators Forum. In accordance with the URF directions, the committee continues to develop ‘best practice’ models for marketing conduct and retail service standards, and other regulatory instruments, with the objective to achieve harmonisation across the jurisdictions in retail energy. This work will be coordinated with the MCE developments.
Market conduct
The ESC has coordinated regulatory activities with Consumer Affairs Victoria (CAV) in monitoring and enforcing market conduct regulation. This activity has involved three retail businesses in the past six months, including interstate retailers. The ESC continues to take a vigilant monitoring role in market conduct and determines the approach to compliance and enforcement with CAV in accordance with the Memorandum of Understanding.

Energy retailer of last resort
The ESC has previously released a number of consultation and decision papers regarding the development of retailer of last resort (RoLR) schemes for the Victorian electricity and gas markets. The ESC released an issues paper on 14 October 2004 that drew together the outcome of those separate electricity and gas consultation processes and confirmed the decisions already made, with a view to developing a single energy RoLR scheme to apply in the electricity and gas markets. In particular, the paper focused on the development of a pricing proposal for the energy RoLR scheme.

A draft decision paper was issued in July 2005 with submissions closing on 12 August 2005. The ESC is currently reviewing the five submissions received in response to the draft decision and intends releasing its final decision by 30 November 2005.

Natural gas extensions
The Victorian Government has committed $70 million under the Regional Infrastructure Development Fund to assist with the provision of reticulated natural gas to towns in rural and regional Victoria through its natural gas extension program. The majority of program funds are being allocated to developers through a centralised competitive tender process, which is being administered by Regional Development Victoria (RDV). The ESC provided assistance to RDV in providing advice and information on the proposed regulatory treatment of projects conducted through the program.

A number of the tender outcomes have sought regulatory approval under the National Gas Code. The ESC has considered and issued final decisions with respect to applications from:

- Envestra in relation to the provision of natural gas to the East Gippsland town of Bairnsdale and Paynesville, in May and July 2004 respectively
- TXU (SPI) Networks for the reticulation of some towns in the Macedon Ranges (including Woodend, Macedon, Riddell’s Creek, Romsey, Lancefield, Gisborne and New Gisborne), Creswick, Camperdown, Barwon Heads, Port Fairy and Maiden Gully in May 2005
- Multinet for the reticulation of natural gas to the Yarra Ranges in August 2005.

Gas meter contestability
The retail gas market rules require that the ESC review the exclusive responsibility for the provision of certain gas metering services assigned to the gas distribution businesses and VENCorp. These services are:

- the provision of meters to customers
- the provision of basic meter and interval meter reading
- the provision of basic meter
- interval meter data management
- meter data profiling services.

The ESC analysed the cost—benefit of any changes from the current arrangements and released a draft decision in August 2005 concluding that the current arrangements be retained. Submissions received in response to the draft decision supported the ESC’s analysis and conclusions. A final decision was released in September 2005.

Gas distribution performance report 2004
This report presents the performance of Victoria’s three gas distribution businesses— Envestra, Multinet and TXU—for the 2004 calendar year. The ESC released the performance report for gas distributors in July 2005.

The ESC publishes annual performance reports on the reliability and quality of services of the monopoly distribution businesses, to promote competition by comparison. These comparative reports provide distributors with incentives to improve their performance relative to that of other distributors, while at the same time providing comprehensive information to customers about the services they are receiving.

Overall, the reported information shows the gas distribution system to be highly reliable, with customers rarely losing access to supply in 2004. This is consistent with the experience of the previous three years. When interruptions do occur they generally affect only a small number of customers.

A high level of customer service— as measured by distributors’ response time to customer calls and the number of customer complaints— was maintained in 2004. Distributors were required to make relatively few payments for not achieving minimum standards of service under the guaranteed service levels (GSL) scheme. The GSL results recorded in the 2004 calendar year were, on average, less compared to the results recorded between July and December in 2003.

End-to-end transactions
The ESC’s end-to-end (E2E) transactions project is directed at ensuring that systems and processes adopted by energy businesses to facilitate full retail competition (FRC) are able to deliver efficient outcomes for customers, have the capacity to accommodate increased customer switching activity and support the future implementation of innovative technologies (e.g., interval meters).

This issues paper commences formal consultation on the ESC’s E2E transactions project and focuses on a specific customer transfer process in the electricity market. The project was initiated in response to: the findings of the ESC’s review of the effectiveness of retail competition; ongoing complaints received by the ESC directly from customers and indirectly from the Energy and Water Ombudsman of Victoria in relation to customer transfers; and issues brought to the attention of the ESC by industry participants.

Issues considered within this document are based on preliminary work undertaken by the ESC, including the facilitation of industry workshops. The paper provides preliminary views of potential options for resolving specific issues that have been identified thus far, and develops a framework for comment, which combines outcome and diagnostic indicators (quantitative and qualitative), to monitor the ongoing performance of the customer transfer process.

Submissions were requested by 11 November 2005. Following consideration of submissions, the ESC expects to release a draft decision in February 2006.

South Australia

Essential Services Commission of South Australia (ESCOSA)

Corporate

Chairperson appointed
Dr Patrick Walsh has been appointed as commissioner and as chairperson of ESCOSA for

When comparing the GSLs from 2003 to 2004, it is important to note the 2003 figures represent six months only (July–December 2003), whereas the 2004 figures represent the whole 2004 calendar year (January 2004–December 2004).
monitoring the development of the SA gas retail market.

Review of the Essential Services Commission Act 2002

Section 53 of the Essential Services Commission Act 2002 (the ESC Act) requires the treasurer to undertake a review of the ESC Act to determine the effectiveness of the work of ESCOSA and the attainment of the objects of the ESC Act. This review must be undertaken as soon as possible after three years have elapsed since the date of assent to the ESC Act (5 September 2002).

The treasurer has appointed a steering committee to conduct this review in accordance with the legislative requirements and specified terms of reference, and to prepare a draft report for his consideration. Submissions were sought from interested parties, including ESCOSA.

The terms of reference, as well as submissions received by the review steering committee, can be accessed on the Department of Treasury and Finance website at www.treasury.sa.gov.au.

The treasurer's final report on the outcome of the review must be tabled in each house of parliament within 12 sitting days after its completion.

Energy

Monitoring the development of energy retail competition in South Australia—September 2005 statistical report

ESCSSA released the seventh in a regular series of reports on the development of full retail contestability (FRC) in the South Australian electricity market, and the third report that reviews the development of the SA gas retail market.

In summary, the report shows that:
- The electricity and gas retail markets are performing well in terms of customer transfers to market contracts and by the end of August 2005 there had been 322,000 completed electricity transfers and 117,000 completed gas transfers since the commencement of FRC in the respective markets.
- Six retailers are currently selling electricity to small customers in SA, with four of these operating in the gas retail market. These retailers are generally offering contracts to residential and small business customers across the state, although there is a lack of gas market contract offers being made in rural and regional areas.
- The level of potential savings in moving to an electricity market contract remain significant, and are much higher than the potential savings available from gas market contracts.
- A significant range exists across retailers in the level of charges imposed on customers for early termination of contracts.

Draft revised Energy industry guideline no. 2

ESCSSA has released for public consultation a draft revised guideline (Energy industry guideline no. 2), and a discussion paper relating to ESCOSA's information reporting requirements for retailers selling electricity and/or selling and supplying gas to small customers in South Australia.

The current version of the guideline commenced operation in July 2004. Revisions to some definitions are now being proposed based on preliminary work applying the guideline. It is also proposed new indicators be adopted, including additional disconnection indicators, an embedded generation pro forma and the separate provision of customer numbers, sales and sales revenue data for off peak controlled load.

Electricity

Electricity compliance audits

During 2004–05 ESCOSA appointed an independent auditor to conduct regulatory compliance audits in the following areas:
- targeted FRC-related obligations under selected industry codes
- operational performance reporting obligations under Energy Industry Guideline no. 2.

These audits were conducted in accordance with ESCOSA's compliance audit framework implemented in September 2004, and involved audits of the electricity retailers AGL SA, Origin Energy and TXU (now TRUenergy).

ESCSSA reviewed the auditor reports and released Report on the 2004/05 Regulatory Compliance Audits for the Electricity Retail Sector. The report consists of an overview of the regulatory regime administered by ESCOSA and the audit program implementation. It also provides a summary of all audit findings and conclusions arising from the above audits, as well as confirmation of future regulatory compliance audits.

ETSA utilities information requirements—Electricity industry guideline no. 1

ESCSSA completed a review of the non-financial performance monitoring information requirements in Electricity industry guideline no. 1—Electricity regulatory information requirements—distribution. The review was undertaken in consultation with ETSA Utilities.

The major changes to the non-financial performance monitoring information requirements in guideline no. 1 include incorporation of reporting requirements resulting from the 2005–10 Electricity Distribution Price Determination and amendments to the Distribution Code. The new reporting requirements will allow ESCOSA to oversee and monitor:
- the new Service Standard Framework
- the demand management program to be implemented by ETSA Utilities
- levels of embedded generation in South Australia
- reliability performance information collected from ETSA Utilities' Outage Management System
- ETSA Utilities' financial performance monitoring information requirements for Electricity industry guideline no. 1.

2004–05 Power line environment committee (PLEC) annual report

The 2004–05 PLEC annual report has been published and distributed to the Minister for Energy, members of parliament and all councils throughout South Australia.

The report provides details on funds disbursed throughout 2004–05 by PLEC and projects constructed throughout the year. Expenditure on total funding and regional funding disbursed over recent years is also featured along with a report of funding and progress on main roads projects during 2004–05.
Licensing

Issue of electricity and gas retail licences
Since 1 June 2005 ESCOSA has issued electricity and gas retail licences as follows:

- On 15 June 2005 ESCOSA issued electricity and gas retail licences to Energy Australia Pty Ltd (ABN 24 070 374 293) and iPower Pty Ltd (ACN 111 267 228) for and on behalf of the EA-I-PR Retail Partnership. The partners intend to retail electricity and gas to all classes of customers in South Australia.

- On 1 July 2005 ESCOSA issued an electricity retail licence to Ergon Energy Pty Ltd (ACN 078 875 902) pursuant to Part 3 of the Electricity Act 1996. Ergon Energy Pty Ltd is a company registered in Queensland and is a wholly owned subsidiary of Ergon Energy Corporation Limited, which is in turn wholly owned by the State of Queensland.

- On 21 September 2005 ESCOSA issued electricity and gas retail licences to South Australia Electricity Pty Ltd (ACN 114 356 671). South Australia Electricity Pty Ltd is a wholly owned subsidiary of Victoria Electricity Pty Ltd which holds electricity and gas retail licences in Victoria.


ESCOSA establishes principles for licensing of wind generators in South Australia
On 17 June 2005 ESCOSA released for public comment a draft Statement of Principles outlining a proposed approach in relation to the issuing of electricity generation licences, pursuant to part 3 of the Electricity Act, for wind farms in South Australia. The approach outlined in the draft Statement of Principles included a set of licence conditions concerning technical standards to be met by wind generators, forecasting of the output of wind generators, and integration of wind generators more fully into the National Electricity Market through optimised dispatch and allocation of the costs of ancillary services.

On 30 September 2005 ESCOSA released its Final Statement of Principles for the licensing of wind generators in South Australia. The Statement of Principles sets out additional minimum obligations which ESCOSA will require of wind generators in order that South Australia can reap the benefits of increased wind generation capacity while at the same time ensuring that electricity reliability issues are appropriately addressed. In finalising its Statement of Principles, ESCOSA has taken account of further advice received from the ESIPC, and has also sought to protect the long-term interests of South Australian consumers by striking an appropriate balance between the requirements of industry proponents and South Australian consumers’ needs. The measures established under the Statement of Principles are designed to operate until such time as a whole of national market solution to the challenges posed by wind generators is reached. At that time, ESCOSA will take steps to review and, where necessary, amend or remove its licensing requirements.

ESCOSA has allowed increases in the standing contract price which are less than half those which Origin Energy put forward in its price path submission. Average increases of approximately 5 per cent for residential standing contract customers and 2.5 per cent for small business gas customers will apply from 1 July 2005.

The average residential gas standing contract customer will pay approximately $24 per year more from 1 July 2005, thereafter prices will increase by CPI + 2.5 per cent for the next two years.

TRANSPORT

Draft decision: South Australian rail access regime—review of regulator components
ESCOSA has reached its final decision in its review of the components of the South Australian rail access regime, covering the Intra-state railways under its responsibility.

The key elements of the review were: floor and ceiling pricing principles; information brochure; regulatory reporting; and compliance. ESCOSA has decided to retain pricing principles, primarily because of their value as pricing indicators early in the access negotiation process. Changes in relation to regulatory reporting were significant, with the focus shifting to developing and maintaining an information capacity in line with the existing accounts and record keeping obligations in the Act.

The final decision marks the end of a consultation process in which ESCOSA considered views put forward by industry participants in submissions to ESCOSA’s issues paper released in May and its draft decision released in August.

ESCOSA has also released a revised information kit which explains the principal features of the access regime and communicates the pricing principles, information brochure requirements and reporting requirements established by ESCOSA. The revised information kit replaces the May 2004 edition and was effective immediately.

Ports price monitoring report
In September 2005 ESCOSA published the first in an annual series of ports price monitoring reports under the price monitoring regime applying to essential maritime services. The purpose of these reports is to provide South Australian port customers and the community with an indication of comparative port costs in South Australia and at nominated Australian ports over time.
WATER

Inquiry into water and wastewater pricing processes

Under s. 3(1) of the Essential Services Commission Act 2002, the treasurer has referred an inquiry into the South Australian Government’s 2006–07 water and wastewater pricing processes to ESCOSA. ESCOSA will inquire into the processes undertaken in preparing advice to cabinet, on which cabinet decided the level and structure of SA Water’s water and wastewater prices in metropolitan and regional South Australia for 2006–07, with respect to the adequacy of the application of 1994 CoAG pricing principles. ESCOSA provided a draft report to the treasurer and to the minister for Administrative Services on 31 October 2005, with a final report due by 30 November 2005.

Western Australia

Economic Regulation Authority (ERA)

References and research

Inquiry on urban water and wastewater pricing

In June 2004 the ERA was directed by the Western Australian treasurer to conduct an inquiry to inform the Western Australian Government’s decisions on the level and structure of urban water and wastewater prices and on the form of price regulation that the government should apply to the Water Corporation, AQWEST (Bunbury Water Board) and Busselton Water from July 2006.

A draft report was published on 18 March 2005. Following the release of the draft report, the ERA undertook extensive public consultation, including public forums in Perth, Bunbury and Busselton.

The final report was delivered to the treasurer on 4 November 2005.

Contact: Peter Rixson (08) 9213 1965

Inquiry on the cost of supplying bulk potable water to Kalgoorlie- Boulder

On 13 January 2005 the Western Australian treasurer requested that the ERA undertake an inquiry into the cost of supplying bulk potable water to Kalgoorlie- Boulder and surrounding regions.

The final report on this inquiry was delivered to the treasurer on 14 October 2005.

Contact: Dr Ursula Kretzer (08) 9213 1970

Industry access

Gas

Dampier to Bunbury natural gas pipeline (DBNGP)— Revisions to the access arrangement

DBNGP (WA) Transmission Pty Ltd (DBP) lodged revisions to the current approved access arrangements for the DBNGP on 21 January 2005.

The ERA issued its draft decision on the proposed revisions to the access arrangements on 11 May 2005. The draft decision by the ERA required DBP to make amendments to its proposed services and tariffs and to the terms for access to the DBNGP. The draft decision stated that 22 amendments would have to be made to the revisions in order for the ERA to approve them.

The final decision on the proposed revisions to the DBNGP access arrangement was released by the ERA on 2 November 2005. On 15 December 2005 the ERA released its further final decision and final approval.

The ERA’s further final decision noted that the ERA had not approved the proposed revisions to the access arrangement submitted by DBP and, consequently, had drafted and approved its own access arrangement.

Gas Review Board appeal

As previously reported, Western Power Corporation lodged an application for review of the decision by the Western Australian Independent Gas Pipelines Access Regulator to approve the regulator’s own access arrangement for the DBNGP.

The application has been adjourned sine die and the matter will be re-listed for a further directions hearing after the final decision on the proposed revisions to the DBNGP access arrangement has been issued.

See Network 19 for more background information.

Contact: Peter Rixson (08) 9213 1968

Electricity

Western Power’s South West interconnected network access arrangements

On 24 August 2005 Western Power Corporation submitted a proposed access arrangement and access arrangement information for its South West Interconnected Network in the South West Interconnected System.

On receipt of the proposed access arrangement, the ERA commenced an assessment process under the Electricity Networks Access Code 2004.

The ERA published Western Power’s proposals and invited public submissions. The public submission period closed on 10 November 2005. The ERA is
currently assessing submissions and preparing
draft decision, which must be published by
6 February 2006, unless the deadline is extended.

Further information on the assessment of the
proposed access arrangement is available at www.

See Network 19 for more background information.
Contact: Alistair Butcher (08) 9213 1916

Technical rules for Western Power’s South
West interconnected network

On 24 August 2005 Western Power Corporation
submitted proposed technical rules for its South
West interconnected network in the South West
interconnected system. Technical rules consist of
network benchmarks and standards, procedures
and planning criteria.

A technical rules committee, which consists of
the network owner, representatives of other
interconnected networks and network users,
recently provided a preliminary report to the
ERA. The ERA is required to take into account the
committee’s report before publishing draft technical
rules and seeking public submissions.

The ERA expects to publish draft technical rules in
March 2006, which is 15 business days after the
publication of a draft decision on Western Power’s
proposed access arrangement.
Contact: Alistair Butcher (08) 9213 1916

Customer contestability

Communication rules

Western Power resubmitted proposed
‘communication rules’ under the Electricity Industry
Customer Transfer Code 2004 on 30 September
2005. Communication rules govern the format
and protocols through which the communication
of information and data relating to the transfer
of a contestable customer is to occur between the
network operator and a retailer.

The ERA sought public comments on the proposed
rules and engaged in discussions with affected
electricity retailers. Following the receipt of public
submissions and examination of the Western Power
proposals, on 16 December 2005 the ERA approved
communication rules to apply to contestable
customer transfers.

Western Power has 60 business days from approval
of the communications rules to agree a subsidiary
‘build pack’ with affected retailers.
Contact: Alistair Butcher (08) 9213 1916

Metering

Communication rules and model service level
agreement

On 4 January 2006 Western Power submitted
proposed ‘communication rules’ and a proposed
’model service level agreement’ under the Electricity

The ERA published the documents proposed by
Western Power and is currently reviewing the
proposals.

The ERA is obliged to determine whether to approve
or not approve the proposed communication rules
and model service level agreement within 30
business days, by 16 February 2006.
Contact: Alistair Butcher (08) 9213 1916

Rail

Review of railways access code

The Railways (Access) Act 1998 requires the
ERA to carry out a review of the Railways
(Access) Code 2000 after the third anniversary
of its commencement, i.e. September 2004. The
purpose of this review is to assess the suitability
of the provisions of the code to give effect to the
Competition Principles Agreement in respect of
railways.

On 1 July 2005 the ERA issued its draft report on
the review of the code and invited public submissions.
The draft report outlined five recommendations
for changes to the code. The recommendations
related to the code coverage; the introduction of a
requirement to publicly release additional pricing
information; the introduction of an obligation to
include capacity information in the information
package; the regulator’s ability to give his opinion
on the price sought for access; and the pricing of
network expansions.

The final report on the code review was completed
and submitted to the treasurer on 23 September
2005.
See Network 19 for more background information.
Contact: Mike Jansen (08) 9213 1952

Review of cost allocation methodologies

As reported in Network 19, the ERA has established
a working group comprising railway owners and
rail network users to review methodologies for
allocating common costs to rail routes. The current
methodology used has created anomalies on
some rail lines, particularly those with relatively
short routes that carry heavy traffic. A report will
be provided to the ERA’s governing body early
this year recommending changes to the current
methodology to provide better outcomes for railway
owners and users of rail networks.
Contact: Mike Jansen (08) 9213 1952

Review of part 5 instruments

The Railways (Access) Code 2000 requires the
ERA to approve the ‘part 5 instruments’ which are
binding documents on the railway owner. The part 5
instruments comprise the:
• train path policy
• train management guidelines
• costing principles
• over-payment rules.

These documents were originally approved by the
Independent Rail Access Regulator for both railway
owners, WestNet Rail Pty Ltd (WRN) and the Public
Transport Authority (PTA), about three years ago.

The review of the part 5 instruments is being
undertaken on WNR’s proposed documents. The
ERA commenced the review in December 2005
with the release of WNR’s proposed documents
for public consultation. The ERA is expected to
release its final determination on each of the part
5 instruments in May 2006 following an extensive
public consultation process.

The review of PTAs part 5 instruments will be
undertaken at a later date.
Contact: Mike Jansen (08) 9213 1952

Licensing, monitoring and customer
protection

Electricity licensing

From 1 January 2005 the ERA assumed the role
of licensing electricity supply services in Western
Australia under the Electricity Industry Act 2004. A
person or organisation intending to supply or sell
electricity in Western Australia must be licensed
by the ERA unless an exemption under the Act has
been provided. An electricity supply includes the
means to generate electricity, transport electricity
through a transmission or distribution system and
sell electricity to customers.

All relevant licence application documents are
available at www.era.wa.gov.au. Applications
from existing industry participants closed on
31 December 2005.
To date the following two licences have been issued:
• Emu Downs Wind Farm Joint Venture—
Generation Licence
• EDL NCG (WA) Pty Ltd— Integrated Regional
Licence.
Water licensing

In June 2004 the ERA received an application from the Water Corporation to extend the boundary of its metropolitan operating area to align this with the Western Australian Planning Commission’s Metropolitan Region Scheme boundary. This represented a significant increase in the size of the operating area. After extensive public consultation, the ERA approved the extension of the operating area in June 2005, but on a non-exclusive basis.

This is a departure from the previous sole-provider basis for water services provision in the metropolitan operating area. The ERA stated in its reasons for decision that subsequent applications for operating area extensions would be considered on the same basis. The Water Corporation has applied for additional extensions to various regional operating area boundaries and the ERA has approved these extensions on the same non-exclusive basis.

Contact: Jennifer Hughes (08) 9213 1900

Monitoring

It is a statutory requirement that all licensees (gas, water and electricity) submit a review of their asset management system and a review of the operations of their licensed activities to verify that the service provided meets the required standard. These audits and reviews are typically required every 24 months and must be conducted by an independent expert in the relevant field.

A standardised audit scope document with associated guidelines describing the process to be followed is being developed. This standardised scope will ensure consistency in the focus and presentation of future audit reports and will apply to all licensees, whether they are large or small organisations.

The standardised audit scope document will be applied to operational audits and asset management system reviews for all water, gas and electricity licensees. Consultation will be undertaken with key stakeholders in the near future upon completion of the draft document. The final version is expected to be available early in 2006.

Electricity monitoring

Performance monitoring guidelines and key performance indicators for electricity supply licensees (generation, distribution, transmission, retail and integrated regional licences) are being developed. The ERA will seek public comment on these guidelines and they will be made available at www.era.wa.gov.au.

Water monitoring

The Busselton Water Board, Rottnest Island Authority, Gascoyne Water Co-operative Ltd, Ord Irrigation Co-operative Ltd and Pilbara Iron Pty Ltd have complied with their water services licence requirements to:

- conduct an operational audit which demonstrates the effectiveness of measures taken to maintain the quality and performance standards referred to in their licence
- conduct an asset management system review which demonstrates the effectiveness of the measures taken by these organisations for the proper maintenance of assets used in the provision of water services and for the undertaking, maintenance and operation of water services works as per their asset management plan.

Twenty local government authorities with water services operating licences in regional Western Australia have selected auditors for their operational audits and asset management system reviews which are due 31 January 2006.

Contact: Adam Phillips (08) 9213 1900

The Energy Ombudsman scheme

The Energy Ombudsman scheme was implemented in Western Australia on 22 September 2005.

The establishment of the scheme was approved by the minister for Energy and the ERA has approved the implementation of the scheme under the Energy Coordination Act 1994 and the Electricity Industry Act 2004. This approval has involved the creation of a new scheme to include electricity supply or non-supply with the previous Gas Industry Ombudsman scheme.

The purpose of the Energy Ombudsman is to provide a dispute resolution scheme which promotes fairness, equity and industry accountability through its role of investigating and facilitating the resolution of electricity and gas industry complaints. The Board of the Energy Industry Ombudsman (Western Australia) Limited has appointed the Western Australian State Ombudsman to the role of Energy Ombudsman.

The functions of the Energy Ombudsman are to receive, investigate and facilitate the resolution of complaints and disputes that arise between small use customers of electricity/gas services in Western Australia and their licensed service providers. In performing this function, the Energy Ombudsman is guided by the principles of independence, natural justice, access, equity, effectiveness and community awareness.

The Energy Ombudsman and the ERA have agreed to share statistical non-identifying information to assist with:

- identifying systemic industry issues or emerging issues
- monitoring the relevance of legislative codes that govern
- where appropriate, the suggested amendment and subsequent publishing of any required amendments.

To formalise this agreement between the ERA and the Energy Ombudsman, the parties have entered into a memorandum of understanding.

Customer charters

The ERA has reviewed and approved customer service charters including minor amendments for the following licensees:

- Shire of Kalgoorlie- Boulder
- Shire of Coolgardie
- Shire of Dowerin
- Shire of Jerramungup
- Shire of Moora
- Shire of Ravensthorpe
- Shire of Victoria Plains
- Gascoyne Water Co-operative Ltd
- South West Irrigation Management Co-operative
- BRW Power Generation (Esperance) Pty Ltd

Contact: Mark Dominikovich (08) 9213 1900

All decisions, determinations, reports, discussion papers and public submissions are available at the ERA website www.era.wa.gov.au.

ACT

Independent Competition and Regulatory Commission (ICRC)

Energy issues

Review of metrology procedures

The ICRC has completed drafting its final report on its review of metrology procedures in the territory. The review arose from the joint Jurisdictional Review of Metrology Procedures, whose final report was released in December 2004. The review considered the recommendations of the Joint Jurisdictional Review and whether—and to what extent—they should be adopted in the territory.

In addition the ICRC is considering several other
Efficiency carry-over mechanism and service standards incentives

The ICRC has completed its final report on efficiency carry-over mechanisms to apply to gas, electricity and water networks. In the ICRC's draft report it argued that in the ACT context mechanistic efficiency carry-over arrangements may not produce substantial future efficiency gains, or that the benefits of gains would be overcome by the costs of achieving them. Submissions to, and discussion with, the ICRC on the issues involved in determining an effective carry-over mechanism have now been concluded. The ICRC has finalised its views on whether or not an efficiency carry-over mechanism should be agreed or whether the weight of argument is in favour of maintaining its views included in the draft report. No substantial arguments were advanced on this issue to change the ICRC's view that the current service reporting and incentive arrangements adequately address the issue of ongoing service standards improvements. The final report was released on 9 January 2006.

Transitional franchise tariff for electricity retail supply

When the ACT Government decided to open the retail electricity market in the ACT to competition in 2003, it agreed to certain transitional arrangements. One of those arrangements was the implementation of a transitional franchise tariff for retail electricity supply for consumers using less than 100 MWh pa. The ICRC determined a tariff for this group of consumers (primarily householders) to operate from 1 July 2003 to 30 June 2006. The Treasurer has issued a reference to the ICRC to consider whether there is sufficient competition in the market for retail electricity supply to justify removal of the transitional tariff and, if not, determine a tariff to apply after 1 July 2006 for a period to be determined. The length of the period would also be subject to recommendation by the ICRC.

The ICRC has drafted and published an issues paper on the matters raised in the minister's reference. The ICRC must complete the review and have appropriate decisions in place for application from 1 July 2006. Submissions on the issue paper close on 2 December 2005 and a draft decision is due for release on 27 January 2006.

Prepayment metering code

Following approaches from industry for guidance on the ICRC's approach to the regulation of prepayment meters in the Territory, the ICRC is preparing to develop a code to regulate prepayment meters in the ACT. The Utilities Act provides for the ICRC to agree codes, proposals for which are brought forward by licensed utility service providers. The ICRC may require a code proposal to be submitted to it, or failing that, to develop a code itself. The ICRC has requested that a code be developed, having regard to the code recently released in South Australia and arrangements for the use of prepayment meters in Tasmania. The ICRC expects that the code development process, including extensive consultation with industry and community organisations, will be completed in early 2006.

Greenfields electricity infrastructure regulation

The ICRC has been considering what framework would be appropriate for the regulation of greenfields infrastructure. The ICRC released its draft report, which suggests a monitoring and reporting approach in place of a more highly structured and intrusive model. Submissions were received on the draft report, and the final report was released on 20 December 2005.

Water issues

The ACT Government has removed water restrictions in the territory but has redefined the stages of water restrictions for use in the territory. The 'unrestricted' stage now in force continues to ban practices such as washing footpaths and driveways by hose, but allows the use of sprinklers for watering gardens on any day, albeit within the hours of 6 pm to 9 am. Despite the recent good rainfall and the current state of water storage in the territory the water utility has, with the government's agreement or direction, developed strategies and built infrastructure to provide greater security over future water supply. The ICRC has received application from the water utility, ACTEW Corporation, to pass through or vary the current price determination to recover costs associated with those infrastructure works. The ICRC expects to consider that application beginning in January and completed for implementation from 1 July 2006.

New South Wales

Independent Pricing and Regulatory Tribunal (IPART)

Electricity distribution

Energy Australia public lighting price proposals

In March 2005 IPART wrote to EnergyAustralia asking it to submit alternative public lighting price proposals, on the grounds that EnergyAustralia's initial proposals (which involved an average increase of 26 per cent real, with further price increases planned for subsequent years) did not meet the requirements of Clause 2.3 of Rule 2004/01 as set out in the 2004 Electricity Distribution Network Determination. Clause 2.3 includes a requirement that distributors consider the customer impacts of their price proposals.

In June 2005 EnergyAustralia submitted alternative public lighting price proposals, involving a real increase of 10 per cent in 2005, with average five per cent real increases in subsequent years. IPART consulted on the revised proposals, commissioned independent consultants (Wilson Cook), and conducted further analysis and financial modelling of its own to assess EnergyAustralia's proposal and the implications of that proposal for prices.
In August 2005 IPART decided that EnergyAustralia’s revised proposal of June 2005 was compliant with Rule 2004/01.

Reliability licence conditions and cost pass-through
In August 2005 the Minister for Energy and Utilities imposed on licences held by DNSPs additional conditions relating to reliability performance. DNSPs have indicated that meeting these conditions will require additional expenditure on the part of the DNSPs, leading to a cost-pass-through review.

Gas
2004 review of access arrangements
In December 2004 IPART released its draft decision on AGL’s proposed revisions to its access arrangements. Public submissions on the draft decision were due 28 February. IPART released a final report in April 2005 with the revised access arrangement commencing on 1 July 2005.

In August 2005 IPART released its draft decision on Country Energy Gas’ (CEGs) revised access arrangements and released its final decision in November 2005. Final approval was released in December 2005.

In October IPART released its draft decision on the proposed access arrangement by Central Ranges pipeline— a new pipeline that will service Tamworth and other towns in the Central Ranges.

Transport
IPART has a five-year standing reference to recommend fare changes for private transport operators. IPART finalised its recommendations to the Director General of the Ministry of Transport on 9 June 2005 for taxis and the Director General issued his determination on 10 July 2005 in line with IPART’s recommendations.

IPART has also commenced its annual review of NSW bus and ferry fares and expects to make determinations on metropolitan buses, Newcastle Services and Sydney Ferries’ fares by end-2005. It will also make recommendations to the Director General on private non-metropolitan bus fares and private ferry fares by end-2005.

Water pricing
Metropolitan water pricing
On 2 September 2005 IPART determined water and wastewater prices that may be charged by Sydney Water Corporation, the Sydney Catchment Authority and Hunter Water Corporation. The increased prices apply from 1 October 2005 to 30 June 2009 for Sydney Water Corporation and the Sydney Catchment Authority and 1 November 2005 to 1 November 2009 for Hunter Water Corporation. Prior to the release of its final determinations IPART released a draft report and determinations in July 2005 for public comment.

As part of its review processes IPART engaged a consortium of WS Atkins and Cardno MBK to review the asset management, operating costs and capital expenditure of the water businesses. Copies of the consultants’ reports have been placed on the IPART website. IPART also engaged MMA to undertake a review of the reasonableness of each agency’s water demand forecasts. This report is also available on IPART’s website.

IPART is currently undertaking an investigation into the charging arrangements for backlog sewerage properties in the Moonee Moonee and Chero Point areas of the Gosford local government areas just north of Sydney. This review was prompted by a government decision to reduce the amount of subsidy it was prepared to make available to some backlog areas. The review will focus on how to spread costs appropriately between government, residents and the wider Gosford community to reflect private, environmental, and public health benefits.

IPART has also commenced a review of water, sewerage and stormwater charges for the Gosford and Wyong local government areas for the period from 30 June 2006 to 30 June 2009. The Gosford and Wyong areas are suffering from a protracted drought and the councils need to develop augmentation options to secure water supplies into the future. At the time of IPART’s metropolitan water review, this development work had not progressed sufficiently to enable these longer term considerations to be factored into prices. IPART, therefore, only made a one-year determination at that time. This review is expected to be completed by June 2006.

Bulk water pricing
IPART has completed a review of the charges to apply from 1 July 2006 for the extraction of bulk water by farmers, industrial users and town water suppliers from water sources managed by the Department of Natural Resources, DNR (under the Water Administration Ministerial Corporation) and State Water Corporation.

IPART issued a one-year determination. The maximum prices for bulk water were CPI+ 10 per cent.

IPART has commenced a review to set a longer term price path for State Water and the Department of Natural Resources. Both agencies have submitted their proposals and public submissions are due in November. IPART expects to release its determination in June 2006.

Water licensing
IPART has completed its review of the operating licence for State Water Corporation. The State Water licence took effect from 24 June 2005.

IPART has completed a review to recommend terms and conditions for inclusion in State Water’s initial (three-year) operating licence, which will take effect from 1 July 2005. State Water currently has an interim licence.

IPART is currently reviewing the operating licence for the Sydney Catchment Authority. The proposed licence and report will be sent to the minister for the Environment in November. The new licence is to take effect from January 2006.

IPART released an issues paper for this review in early September. A public workshop was held in Sydney on 10 December 2004. IPART is to report to the Minister by 31 May 2005.

Greenhouse gas abatement scheme
The greenhouse gas abatement scheme began on 1 January 2003. The scheme imposes greenhouse gas emission targets on electricity retailers as benchmark participants. The primary way benchmark participants meet the targets is through the surrender of abatement certificates (NGACs).

The relevant legislation outlines the emissions targets for the period to 2012. The former Premier of NSW announced that the scheme targets would be extended to 2020, however this has yet to be formally confirmed by Premier Iemma.

More information about the scheme is available in Network 16.

IPART effectively has two roles in the scheme. As compliance regulator it ensures that benchmark participants meet emissions reduction or offset targets set in legislation. As scheme administrator it is responsible for accrediting abatement certificate providers. Certificates can be provided by electricity generators producing low or reduced emissions electricity, organisations undertaking demand side abatement, and through carbon sequestration in forestry. The scheme administrator also maintains the abatement certificate registry.

Full details of the scheme, including application forms, guides to applying, fact sheets and other documents are available from the scheme website.
At www.greenhousegas.nsw.gov.au, IPART has published a number of case studies of successful applications. These explain how each applicant was accredited, the costs of auditing their application and the ongoing conditions of accreditation to which they are subject.

As of 30 September 2005 there were 32 benchmark participants (23 of these were compulsory participants, as prescribed in the legislation). Recent amendments to the Electricity Supply Act and Regulation will extend the range of acceptable corporate arrangements for elective Benchmark Participants.

By 30 September 2005 IPART had accredited 150 projects that are eligible to create certificates. On that date a total of 16 341 848 abatement certificates had been registered in the scheme. Details of accredited abatement certificate providers and the certificates they have registered are available at www.ggas-registry.nsw.gov.au.

At this stage of the scheme’s development there are more certificates being created than are needed for surrender by benchmark participants. However, abatement certificates are bankable enabling those registered early in the scheme to be used for compliance in future years. The number of certificates required for benchmark participants to meet the benchmark levels in future years will be significantly higher. This should provide an incentive for the development of more abatement projects in both the short and medium term.

The scheme administrator is reviewing its communication strategy to improve the flow of information about the number and types of projects accredited by the scheme, and forecasts for future supply and demand of certificates. The objective is to encourage greater participation in the scheme and to improve market efficiency.

Other reviews
IPART also undertakes reviews outside the utility regulation functions at the request of the NSW Government or others. Recently completed and current reviews include:

• A review into the infrastructure services strategy for the Perisher Range resorts, including developing pricing principles and recommending prices and charges. An issues paper and call for submissions was released on 13 September 2004, with submissions due on 25 October 2004. A round table was held on 16 March 2005. The report was finalised and returned to treasury in July 2005.
• A review of rentals for Crown land communication tower sites. An issues paper was released on 27 September 2004 with submissions being due on 5 November 2004. In February 2005 IPART released background material to facilitate discussion at a round table which was held on 9 March 2005. IPART released a draft report in July and has presented its final report to the relevant ministers on 27 October.
• IPART has been reviewing some financial aspects of the ambulance service of NSW in response to terms of reference issued by the premier. IPART published an issues paper on its website on 1 March 2005 and a closed workshop was held on 4 August 2005 as part of a public submissions process. IPART finalised its report and recommendations were submitted to the premier and minister for Health in October 2005. A second report on the role of cost indices in future fee setting will be submitted by the end of the year.
• On 2 September 2005 IPART released a draft report for the investigation into water and wastewater services provision in the greater Sydney metropolitan area. The draft report presented and discussed IPART’s findings and preliminary conclusions. IPART made its final recommendations to government in October 2005. A copy of the final recommendations is now available on the IPART website.

Tasmania
Office of the Tasmanian Energy Regulator (OTTER)
Aurora Energy Pty Ltd (Aurora) Pay As You Go (APAYG) review
Aurora’s Pay as You Go (APAYG) service is a pre-payment option offered to residential customers as an alternative to standard tariffs. APAYG has been a product of choice for customers with the standard tariffs providing the regulated safety net supply price.

In view of the growth of APAYG (17.5 per cent of residential customers now using APAYG), the Regulator considered it timely to consider whether the oversight or regulation of APAYG should be formalised. Further, Aurora has amended its credit policy to allow customers to repay an outstanding debt through APAYG usage. This means that for some customers APAYG may be their only practical way of continuing to receive supply from Aurora, the alternative being disconnection for failure to pay an outstanding account. For these customers, APAYG is not a matter of choice but a practical necessity.

The Regulator consulted with the public, the Energy Customer Consultative Committee, key stakeholders (including representatives of the welfare sector) and other interested parties. The final report, which is available on the Regulator’s website, recommends the development and publication of a prepayment meter code which would be incorporated into the Tasmanian Electricity Code (TEC). This report and draft code will form the basis of a submission to the Code Change Panel (CCP) with the expectation that a prepayment meter code be published by mid-2006.

Jurisdictional transmission planning criteria
The licence held by Transend Networks Pty Ltd (Transend), Tasmania’s transmission network service provider, requires that Transend plan, procure and progress augmentations that are necessary to meet service obligations, including network security and planning criteria. The Regulator has requested the Tasmanian Reliability and Network Planning Panel (RNPP) to develop transmission network planning and security criteria for the Tasmanian jurisdiction. Once accepted by the jurisdiction, the criteria may be used by the Australian Energy Regulator (AER) to test whether proposed transmission projects satisfy the ‘reliability limb’ of the AER regulatory test.

The RNPP has released a consultation paper proposing minimum network requirements to be used as criteria for the planning of the transmission network. These requirements comprise two elements—specification of the maximum load that may be interrupted by a single credible contingency and a limitation on the quantum of energy that may be put at risk of interruption by a credible contingency event. Both normal conditions and conditions when an element has been withdrawn from service are covered. The consultation paper is available on the Regulator’s website www.energyregulator.tas.gov.au.

Review of frequency operating and capacity reserve standards
The RNPP is undertaking its annual review of the frequency operating and capacity reserve standards for the Tasmanian power system. Although Tasmania has entered the National Electricity Market (NEM), a derogation under the National Electricity Rules provides for the Tasmanian determination of power system and reliability standards to apply until the date Basslink enters commercial operation and for the Tasmanian determination on power system frequency operating standards to apply until the second anniversary of Tasmania’s entry into the NEM.
The RNPP has undertaken consultation on both standards, proposing that no change to the existing standards is warranted. Respondents shared this view in respect of the capacity reserve standards. However, submissions on the frequency operating standards have required the RNPP to further consider a number of issues.

The RNPP’s determination on capacity reserve standards will be published in late November 2005 and its determination on frequency operating standards will be published within six weeks.

Electricity supply industry pricing reviews

The Regulator has commenced a mid-term review of the distribution capital expenditure of Aurora Energy Pty Ltd (Aurora). Actual expenditure for the period from 1 July 2002 to 30 June 2005 is being reviewed to determine its prudence and efficiency. Aurora’s asset management plan and capital investment decision-making processes are also being appraised. The review will make recommendations on the level of capital expenditure adjustments that can be passed on to customers in the current regulatory period and determine Aurora’s regulatory asset base for the next regulatory period (commencing 1 January 2008).

The Regulator has also commenced planning for the 2006 retail tariff price reset and the 2007 distribution services revenue determination.

The TEC requires that the Regulator give two years’ prior notice to the distributor of the new economic regulation arrangements to apply from the commencement of the next regulatory control period. Accordingly, the Regulator has released a paper outlining the proposed timetable and principles to be adopted for the 2007 investigation and the regulation of distribution prices.

The terms of reference for the retail price investigation are expected to be released in the first quarter of 2006.

Electricity Code Change Panel (CCP)

The distribution powerline vegetation management code is incorporated in the TEC as chapter 8A. It came into effect on 31 July 2002.

The general approach in developing this code was to document existing good electricity industry practice in terms of technical standards and performance. This was supplemented by confirming the obligation to consult landowners and occupiers, and providing guidance on consultation.

Given the diversity of interests to be balanced, and the fact that this was the first attempt to codify standards applying to this area of activity in Tasmania, the Regulator was of the view that the code should be advisory in the first instance.

The Regulator has now reviewed the operation of the code and has found that its scope and the standards and procedures are generally appropriate. Consultation disclosed a widespread view that the code should be mandatory rather than advisory. Accordingly, the Regulator will be proposing that the CCP amend the code to make its standards and procedures mandatory.

Electricity retail contestability

Retail competition for electricity customers (contestability) in Tasmania commences on 1 July 2006 for retail customers with an annual consumption of more than 20 gigawatt hours per year, as measured in the 12 months prior to 1 July 2005.

Aurora holds consumption records of customers and is responsible for assessing the relevant consumption level for the purpose of determining the customers’ contestability status. Following the assessment, Aurora is required to notify a customer that it is to become contestable. This advice (notice) is to be provided to relevant customers no later than nine months before that customer becomes contestable.

The Regulator has approved the form of the notice Aurora will send to customers. The Regulator has also produced an information sheet to accompany Aurora’s notice.

Electricity licence application guideline

The Regulator has issued the revised Information for Licence Applicants Electricity Industry Guideline No. 1 (Version 4) to reflect the progress of the roll-outs of Powerco’s customer transfer and reconciliation code sets.

On application from Powerco, the director of gas transmission pipelines licence under the Gas Pipelines Act 2000 (Gas Pipelines Act).

GPOC received a competitive neutrality complaint—orthotic prosthetic services Tasmania

GPOC found that the complaint was justified and recommended to the minister for Health and
Human Services that he directs the manager of OPST to review the pricing of OPST's services for private clients.

**Investigation into the pricing policies of Metro Tasmania Pty Ltd**

The minister for Finance has requested that GPOC investigate the pricing policies of Metro Tasmania Pty Ltd (Metro) and recommend maximum prices for the next three years. The investigation is to be completed by 30 April 2006.

The terms of reference also require GPOC to:

- investigate and report on the efficient cost of delivering the services required of Metro
- develop principles for the determination of appropriate fares
- investigate and report on the incentive properties of setting maximum prices by reference to maximum revenues, maximum prices or another basis
- investigate and report on the dimensions of 'customer service' in the context of the agreement on the provision of services between Metro and the government.

Metro is expected to tender its submission in November 2005. GPOC will invite comment on the Metro submission and matters relevant to the terms of reference before releasing a draft report for further consideration.

Contact: Andrew Reeves (03) 6233 5665

---

**Queensland**

**(Queensland Competition Authority— QCA)**

**Electricity**

The QCA's final determination on the regulation of electricity distribution (2005) sets out the regulatory arrangements that apply to Queensland's electricity distribution network service providers (DNSPs), Energy and Ergon Energy, for the five year period which commenced on 1 July 2005.

The final determination raised a number of issues relating to the distribution and transmission pricing approaches adopted by the DNSPs. The final determination required the DNSPs to submit medium-term pricing proposals addressing these issues by the end of October 2005. The QCA received both DNSPs' proposals by the required date. These are currently being considered.

In the final determination, the QCA also required the DNSPs to produce price paths for contestable customers, whose prices were currently below cost reflectivity. The price paths were to move their prices to cost reflectivity by the end of the new regulatory period (2009–10). The final determination required that these price paths be provided to the QCA so that customers could be advised of their yearly price increases by 31 October 2005. While it was hoped that the issue of appropriate price increases could have been resolved by now, that has not been possible. The QCA and the distributors are continuing to investigate this issue and hope to finalise this matter shortly.

The final determination noted that the service quality reporting guidelines need to be revised to address some weaknesses in the reporting arrangements and to facilitate national reporting consistency. The QCA released these revised guidelines in August 2005. The DNSPs will start reporting under the revised guidelines in their September quarter 2005 reports. Consistent with the revised guidelines, the DNSPs' completed national reporting templates for 2004–05 will be posted on the QCA's website.

The DNSPs' March quarter 2005 service quality reports, along with an accompanying overview from the QCA, were posted on the QCA's website in August 2005. The QCA received the DNSPs' 2004–05 annual service quality reports by the end of October 2005, as required. In early 2006 the QCA will release its annual report on the financial and service quality performance of the DNSPs for 2004–05, based on information provided in the regulatory accounting statements and service quality reports.

The DNSPs submitted their audited regulatory accounts for each regulatory business segment and ring fencing compliance reports to the QCA annually by 31 October, as required. The QCA is currently in the process of assessing these.

Contact: Gary Henry (07) 3222 0504

**Gas**

In 2001 the QCA approved access arrangements for the Allgas and Envestra gas networks in Queensland. These access arrangements are due to expire on 30 June 2006. Allgas and Envestra submitted revised access arrangements to the QCA on 30 September 2005, as required by the current access arrangements. These are currently being assessed. Once approved, the new access arrangements will apply from 1 July 2006.

In September 2005 the QCA appointed consultants to provide advice on the service providers’ capital and operating expenditure requirements, demand forecasts and the appropriate rate of return on assets. The consultants are expected to deliver their assessments to the QCA by the end of November 2005. The QCA expects to release its draft decision on the service providers' revised access arrangements by the end of this year.

The proposed timeline for approval of revised access arrangements for both service providers is available on the QCA's website at www.qca.org.au.

Service providers are also required to report to the QCA by 30 September each year on the actual gas deliveries for each customer class and in aggregate for the previous financial year. The current access arrangements contain a demand trigger which allows for a review of the access arrangements to be undertaken if actual gas deliveries for each customer class and in aggregate vary from forecast gas deliveries by certain amounts. In October 2005 the QCA released its assessment of gas delivery against demand triggers for 2004–05. The QCA determined that the review trigger had been activated for the Allgas large customer class. However, Allgas did not seek to have its access arrangement reviewed. The QCA also decided not to instigate a review of Allgas' access arrangement, as Allgas, not customers, is bearing the cost of this outcome.

The QCA has approved Allgas' 2004–05 cost allocation methods and procedures at its September 2005 meeting. The QCA expects to approve Envestra's 2004–05 cost allocation methods and procedures shortly. Unless otherwise approved by the QCA, service providers are required to allocate costs in accordance with the approved procedures for preparing their regulatory accounting statements.

Contact: Gary Henry (07) 3222 0504

**Local government**

On 10 March 2005 the QCA commenced a review of progress in implementing competition reforms by Queensland's 125 councils in respect of 731 nominated business activities and 110 QGAP water activities. This review covers competition reforms implemented as at 30 June 2005.

An integral component of this review is the formulation of recommendations about the redistribution of unexpended funds from the local government financial incentive payments scheme to those councils that exceeded their NCP implementation requirements.

A report will be submitted to the ministers by 28 February 2006.

Contacts: Rick Stankiewicz (07) 3222 0510
Sean Andrews (07) 3222 0516
Competitive neutrality

In August 2005 the QCA commenced an investigation pursuant to Part 3, chapter 11 of the Local Government Act 1993 in relation to a complaint brought against the roads business activity of Kilkivan Shire Council. In essence, the complainant alleged that certain business activities of the council did not comply with competitive neutrality principles with respect to the supply of road-making materials.

The QCA plans to prepare a draft report on its investigation by November 2005, and a final report by December 2005.

Contacts: Rick Stankiewicz (07) 3222 0510
Les Godfrey (07) 3222 0522

Water

Gladstone area water board—investigation of pricing practices

In April 2004 the premier and the treasurer directed the QCA to undertake an investigation of the pricing practices of the Gladstone area water board (GAWB). The QCA was also directed to investigate the appropriate framework for monitoring pricing practices (including prices and contractual arrangements) relating to the declared activities.

The QCA released an issues paper in April 2004 and a draft report for further consultation in December 2004. Key issues addressed in the draft report included the form of regulation for the next regulatory period (price cap v revenue cap), the pricing framework, the impact of the revised safe yield of Awoonga Dam and changes in demand by new and existing customers following the 2002-03 drought.

After consideration of issues raised in submissions received in response to the draft report, the QCA's final report of recommendations regarding GAWB’s pricing practices was provided to ministers in March 2005. The ministers subsequently decided on 21 July 2005 to accept with qualification four of the QCA's recommendations, and to accept without qualification the remaining recommendations. The ministers' decision was gazetted on 29 July 2005 and included a statement of reasons for the qualifications applied to the QCA's recommendations.

The ministers also accepted the QCA's recommendation that GAWB annually publicly report on service quality against contractual standards and submit the report to the QCA.

The issues paper, draft report and final report of recommendations are available from the QCA or can be downloaded from the QCA website at www.qca.org.au. Submissions from stakeholders can also be viewed on the QCA website.

Contact: Rick Stankiewicz (07) 3222 0510
George Pasmore (07) 3222 0545

Rail

QR draft access undertaking

The services of QR’s intra-state rail network are declared for third party access under the QCA Act. The declaration excludes the standard gauge interstate track as well as infrastructure associated with train operations (e.g. freight centres and maintenance facilities). The majority of QR’s declared infrastructure is managed by a separate business unit within QR (QR Network Access) although other elements are managed by its above rail operator (QR National).

The QCA approved an access undertaking for QR in December 2001. This undertaking was due to expire on 30 June 2005, but was extended until 31 December 2005 or the approval date of a replacement undertaking, whichever occurs first.

In April 2004 QR submitted a replacement draft access undertaking in response to an initial undertaking notice from the QCA.

Following the release of a draft decision in July 2005 and a further round of public consultation, on 12 December 2005, the QCA issued a decision to reject the draft access undertaking. The draft decision provided:
• coal carrying train services in central Queensland with:
  • a return of equity of 10.6 per cent
  • an average annual revenue of $321 million
  • an average decline in reference tariffs of around 26 per cent, mainly due to significant volume increases
  • a new negotiation framework where access seekers can reserve capacity at an early stage of negotiations
  • streamlined processes for developing and amending reference tariffs and standard access agreements
  • enhanced public and regulatory reporting provisions.

At the same time, the QCA gave QR a secondary undertaking notice requiring it to resubmit an amended draft access undertaking within 60 days. If QR does not comply with the secondary undertaking notice, then the QCA can prepare, and approve, its own draft access undertaking for QR.

Access arbitration

In October 2005 the QCA finalised arbitrations in relation to three disputes brought to the QCA in October 2004 by Pacific National under the dispute resolution provisions contained in the QR’s undertaking and s.112 of the QCA Act. The QCA accepted Toll North’s request that it become a party to the arbitration to resolve these disputes.

The disputes were about whether identified railway track at three locations on the North Coast line between Brisbane and Cairns are part of the declared service and therefore subject to the access arrangements provided for in Part V of the QCA Act and QR’s approved access undertaking. If not, the railway track in question would be outside the scope of the declared service and therefore access would be subject to commercial negotiation.

At each location, the QCA determined that the disputed rail track does not fall within the definition of ‘rail transport infrastructure’.

Accordingly, the disputed track is not part of the service declared for access under the QCA Act and, therefore, the relevant provisions of the QCA Act and QR’s access undertaking do not apply.

Consistent with s. 117 of the QCA Act, the members of the QCA, as constituted for the arbitrations, provided parties with an access determination for each dispute. Specific information relating to each dispute has also been placed on a public register.

Contact: Paul Bilyk (07) 3222 0506

Ports

Draft Access Undertaking

The Dalrymple Bay Coal Terminal (DBCT) is owned by the Queensland Government but has been leased to the Prime Infrastructure Group (now Babcock and Brown Infrastructure—BBI). As part of the leasing process, DBCT was declared for the purposes of third party access under the QCA Act.

The QCA released its final decision on 20 April 2005 regarding the DBCT draft access undertaking (DAU). In finalising its decision, the QCA considered a range of issues where the terminal lessee and terminal users often had diametrically opposed views, including issues of capital expansion, price, cost of capital and asset values.
The QCA's final decision provides for:

- weighted average cost of capital—9.02 per cent
- return on equity—11.84 per cent; 600 basis points above the risk free rate
- price—$1.72/tonne until further expansion occurs.

In the absence of an upfront capital expenditure program, the QCA also set out a framework for approving capacity expansions at the terminal over the life of the undertaking and for prices to be adjusted as expansions are commissioned.

The above matters remove any potential regulatory roadblocks to the expansion of DBCT.

The QCA's final decision identifies all of the changes that need to be made to the DAU so that a complying undertaking may be lodged and approved. However, as BBI had not resubmitted an undertaking by mid-October 2005, the QCA issued an interim award on the scope of the undertaking. The QCA has since received advice from BBI and with an initial undertaking notice that requires BBI to resubmit a complying undertaking by 19 January 2006.

**Price review arbitration**

An approved access undertaking will only apply to access agreements entered into after the undertaking is approved. It will not apply to existing user agreements.

These existing user agreements provide for a price renegotiation. Following the breakdown of the price negotiations between BBI and users in early 2004, disputes under each of the current user agreements were subsequently referred to the QCA for arbitration. On 10 June 2004 an arbitration protocol was executed by all parties governing the conduct of the arbitration. On 13 August 2004 the QCA issued an interim award on the scope of the dispute.

The QCA has since received advice from BBI and users that they are hopeful that their negotiations may resolve the price review disputes and other matters. The QCA has therefore advised the disputing parties that it will not seek to recommence any of the arbitration proceedings at this point in time.

Contact: Paul Bilyk (07) 3222 0506

**Northern Territory**

(Utilities Commission)

**Network access tariffs**

Following a review of the methodology valuing electricity network assets for regulatory purposes, the Utilities Commission's final decision set the regulatory asset value of Power and Water's electricity network assets as at 1 July 2002 at $350 million. This value is to be rolled forward on a basis consistent with generally accepted regulatory practice.

The final decision had the effect of reducing average network access tariffs charged at the wholesale level by around 12 per cent. This reduction took effect from 1 July 2005.

**Generation prices oversight**

In June 2005, following approval by the NT Government of a process of regulatory oversight of Power and Water's generation business, the Utilities Commission provided its first report on the generation component of electricity prices paid by contestable customers. The Utilities Commission found that, during 2003–04 and 2004–05, Power and Water's wholesale electricity generation prices were generally consistent with the Utilities Commission's estimates of the reasonable costs of generation in those years.

**Review of electricity market arrangements**

Since the withdrawal of NT Power from the NT electricity market, which left Power and Water as the sole supplier, a number of individual contestable customers have approached the Utilities Commission with concerns arising in negotiating electricity supply contracts. In light of this and other public policy issues that need to be addressed, in June 2005 the Utilities Commission provided advice to the government which concluded that a review of market and regulatory arrangements in the NT electricity supply industry was both timely and necessary.

The government has acknowledged the Utilities Commission's views, and consideration of relevant issues is understood to be underway.

**Draft standards of service code**

In August 2005 the Utilities Commission released a draft standards of service code. The draft code seeks to establish minimum standards of service benchmarks applying to regulated electricity networks and at the retail level for non-contestable customers (by 30 June 2006), and the reporting of actual standards of service against the benchmarks commencing with the 2005–06 financial year.

The draft code does not include any incentive or penalty mechanisms, with the scope for such mechanisms to be considered at the time of the next network's regulatory reset.

The Utilities Commission is now reviewing the draft code, including in light of legal advice and submissions received. After reviewing the draft code, including in light of legal advice and submissions received, the commission promulgated the final code in December 2005. The code takes effect from 1 January 2006.

**Review of cost allocation practices and procedures**

In October 2005 the Utilities Commission engaged consultants to assist it in a review of Power and Water's allocation of costs—both operating and capital—between products and customer groupings. The review will assess the extent to which Power and Water's relevant policies and practices, as well as the methods used to implement those policies and practices, are consistent with the objectives of economic efficiency, equity and competitive neutrality.

The first stage of the review is expected to be completed by end-January 2006.

**National regulatory reporting**

Data for the 2003–04 and 2004–05 years provided by Power and Water are now available on the Utilities Commission's website.

Contact: Anne-Marie Hart, (08) 8999 6822
International

Commerce Commission New Zealand

Regulatory control of gas distribution

The New Zealand Government expanded the commission’s role in August 2003 by imposing regulatory control on the gas distribution businesses of two companies, Powerco and Vector. The government indicated at the same time that it would impose wider regulation of the gas pipelines industry.

On 24 August the Commerce Commission issued a provisional authorisation in respect of the prices and quality of the gas pipeline services of Powerco and Vector, effective from 25 August. The provisional authorisation requires Powerco to ensure that its average price for controlled services as at 1 October 2005 be at least 9 per cent lower than the average price charged at 30 June 2005. For Vector the average price at 1 October 2005 must be at least 9.5 per cent lower than the average price charged at 30 June 2005. The release of the provisional authorisation followed a decision by the High Court to reject applications from both Powerco and Vector for urgent interim orders directing the form of control to be implemented by the Commerce Commission.

Intention to declare regulatory control of electricity distribution business

On 24 August the Court of Appeal dismissed an appeal by Unison Networks Limited that sought to prevent the Commerce Commission deciding whether to publish an intention to declare control of the company’s electricity lines activities. In dismissing the appeal, Justice Young noted that regulatory processes could be distorted if the courts insist that a challenge to one step in a statutory procedure must be fully resolved before any subsequent procedural steps can be completed.

On 9 September the Commerce Commission published its intention to make a declaration of control in respect of the electricity distribution services supplied by Unison Networks Limited. This is the first time the Commerce Commission has published an intention to declare control of an electricity distribution business since it was given powers to do so in August 2001.

The Commerce Commission must have regard to the views of interested parties before it can make a declaration of control. It invited submissions on the issue and held a consultation conference in November.

Telecommunications

A package of changes to the Telecommunications Act 2001 has been approved by Cabinet. If passed into legislation, these changes would facilitate the Commerce Commission taking a more pro-active, industry-wide approach to setting terms and conditions for key services.

The thirteen designated and specified services originally incorporated within Schedule 1 of the Telecommunications Act are due to expire on 19 December 2006. The Commerce Commission may investigate whether or not to recommend to the minister of Communications that the period of designation or specification of any or all of these services be extended for up to two years. If the Commerce Commission decides to initiate such investigations, these must commence at least one year prior to the expiry of the services.

In September the Commerce Commission released a preliminary view that it was satisfied that there were reasonable grounds to investigate all but three of the designated and specified services that expire in December 2006.

The Commerce Commission is of the preliminary view that there are reasonable grounds to investigate whether to extend the period of regulation of the following designated services under Schedule 1 of the Act:

- interconnection with Telecom’s fixed PSTN
- interconnection with fixed PSTN other than Telecom’s
- retail services offered by means of Telecom’s fixed telecommunications network
- residential local access and calling service offered by means of Telecom’s fixed telecommunications network
- bundle of retail services offered by means of Telecom’s fixed telecommunications network
- retail services offered by means of Telecom’s fixed telecommunications network as part of a bundle of retail services
- local telephone number portability service
- cellular telephone number portability service.

The Commerce Commission is of the preliminary view that there are also reasonable grounds to investigate whether to extend regulation of the following services:

- national roaming
- co-location on cellular mobile transmission sites.

Finally, it is the Commerce Commission’s preliminary view that there are no reasonable grounds to investigate whether to extend regulation of the following three services:

- co-location of equipment for fixed telecommunications services at sites used by Broadcast Communications Limited
- national toll-free telephone number portability service
- Telecom’s fixed PSTN to mobile carrier pre-selection service.

The Commerce Commission has received no applications or expressions of concern in relation to any of these three services. The Commerce Commission is considering submissions on its preliminary view.
Contributing to Network

If you are interested in publishing an article in Network please contact Katrina Huntington on (03) 9290 1915 or email: katrina.huntington@accc.gov.au

To subscribe to Network, cancel your subscription or update your contact details, complete the form below and mail or fax it to the following address:

Katrina Huntington
Network Coordinator, ACCC
GPO Box 520
MELBOURNE VIC 3001
Fax: (03) 9663 3699

Alternatively, email your details to katrina.huntington@accc.gov.au

☐ Please add my name to the mailing list for Network.
☐ Please delete my name from the mailing list for Network.
☐ Please update my contact details

Name: 
Address: 
Tel/Fax: 
Email: 

Utility regulator forum members

Australian Competition & Consumer Commission (ACCC) www.accc.gov.au

Australian Energy Regulator (AER) www.aer.gov.au

National Competition Council (NCC) www.ncc.gov.au


Independent Pricing and Regulatory Tribunal (IPART) www.ipart.nsw.gov.au

Essential Services Commission (ESC) www.esc.vic.gov.au

Government Prices Oversight Commission (GPOC) www.gpoc.tas.gov.au

Office of the Tasmanian Energy Regulator (OTTER) www.energyregulator.tas.gov.au

Queensland Competition Authority (QCA) www.qca.org.au

Economic Regulation Authority (ERA) www.era.wa.gov.au

Essential Services Commission of South Australia (ESCOSA) www.escosa.sa.gov.au

Independent Competition and Regulatory Commission (ICRC) www.icrc.act.gov.au

Utilities Commission, Northern Territory www.utilicom.nt.gov.au

Commerce Commission, New Zealand www.comcom.govt.nz