Methods and Data for the Evaluation of Infrastructure Reforms
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Australian governments at each of the national, state and territory levels have been reforming provision of infrastructure-based services (in some cases) for upwards of forty years, and most substantially since the 1990s. These reform activities (see Gray, 2009) have included the removal of operations from government departments; corporatisation of operational entities, allowance of competition (in various ways); vertical separation and other structural change; and privatisation of ownership. Regulatory bodies have been established as part of these legislative and institutional reforms, including bodies such as the Australian Competition and Consumer Commission (ACCC); the Queensland Competition Authority (QCA) and the Economic Services Commission of South Australia (ESCOSA). All Australian regulators and the New Zealand Commerce Commission are members of the Utility Regulators Forum. The main areas of economic infrastructure concerned are energy (electricity and gas); telecommunications; postal services; urban water and wastewater; irrigation; rail; airports and ports (including bulk-handling and port services).

The changes to infrastructure institutions and governance represent a massive transformation of a vital part of the economy, with important links into other sectors. In particular, exporters; import-competing industries; education; health and government services all rely on these infrastructure services for the supply of crucial inputs. Indeed, a major catalyst for the reforms in the 1990s was a concern about the extent of international competitiveness of the Australian economy; reflected in the then Prime Minister’s explanation of his 1992 One Nation statement (Keating, 1992):

When this Government came into office the problem of inefficient performance was endemic in areas shielded from competition — including domestic aviation, electricity supply, shipping, railways and telecommunications. The effect was higher costs, poor service and inefficient allocation of resources in the economy. As in all developed economies, these industries provide vital inputs to all our major export and import competing sectors. Australia was placed at a considerable disadvantage in competing against imports at home and in export markets.

The link between infrastructure services and the productivity of all aspects of the economy has increased with time. In more recent years, an important reason for telecommunications reforms has been to boost productivity, and to effect improvements in the provision of health and education services.

The central importance of efficient infrastructure services was further evidenced by the series of reviews undertaken by the Productivity Commission (PC) from the late 1990s to 2005. These and other inquiries aimed at finding ways of improving the regulation and governance of infrastructure services. However, while numerous reviews of this kind have been undertaken, it is difficult to find studies by either public-sector agencies or private-sector economists that specifically set out to evaluate the reforms, either in part or in total, against the counterfactual of ‘no reforms’.

Contents

| Lead Article | 1 |
| From the Journals | 6 |
| Regulatory Decisions in Australia and New Zealand | 12 |
| Notes on Interesting Decisions | 22 |
| Regulatory News | 24 |

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Staff in the regulatory area of the ACCC has been considering which methods and data could be used in conducting evaluative research on the key infrastructure areas. The research project is titled *Developing Indicators for the Economic Evaluation of Infrastructure Reforms and Regulation*. The project’s first report, *Evaluating Infrastructure Reforms and Regulation: A Review of Methods*, was released as ACCC/AER Working Paper No. 2, in August 2010 (ACCC/AER, 2010, hereafter *Review of Methods*). Further there has been a stocktake of available data across the key economic infrastructure areas of energy, telecommunications, post, water and wastewater, rail, airports and ports. A third study, planned to be released shortly, contains an account of how institutional and governance arrangements have evolved in each infrastructure area over its relevant reform era, and combines the available methods of evaluation with a discussion of the available data to assess the extent to which *ex post* evaluations of competition and regulatory reforms affecting economic infrastructure are possible.

Either the ACCC or the AER has a role as regulator of much of the economic infrastructure considered in this research. Given this, the evaluation role itself is best undertaken by others, and it is hoped to provide useful information for independent researchers – in government, universities or the private sector – interested in evaluating the effects of competition and regulatory reforms. In particular, the aim is to provide an overview of the reforms that have occurred, the data that are available, and the methods that might be applicable to evaluative research in key infrastructure areas. The research also identifies some limitations of existing data and methods and thus advocates a cautious approach to evaluations in some areas. It also makes suggestions for improving the potential for *ex post* evaluations in the future. This article introduces the *Developing Indicators* research project and reviews its key findings.

**Criteria for Evaluating Infrastructure Reforms and Regulation**

The evaluation of government involvement in infrastructure requires a normative basis of ‘economic welfare’ to provide a systematic benchmark for judging the success of reforms. The standard approach to applied welfare economics has been developed since the pioneering work of Vilfredo Pareto (thus, sometimes, ‘Paretian welfare economics’) and included important contributions from Nicholas Kaldor and John Hicks. The resulting welfare criterion – that an economic policy change improves economic welfare if the gainers from the change could fully compensate any losers while still remaining better off themselves – is variously known as the ‘potential Pareto criterion’, the ‘Kaldor-Hicks criterion’ and the ‘dollar-is-a-dollar criterion’.

Following Arnold Harberger’s (1971) appeal to the profession, this criterion has been widely accepted by economists working in areas like regulation, taxation, trade policy and the environment. It also underlies Social Cost-Benefit Analysis (SCBA).

The standard applied-welfare economics approach is embedded in legislation guiding Australian regulatory practice, with its emphasis on efficiency outcomes. The original author of the main reform agenda in the early 1990s, the Independent Committee of Inquiry (1993, pp. 3-4) chaired by Professor Fred Hilmer, stated that:

> Efficiency is a fundamental objective of competition policy because of the role it plays in enhancing community welfare. There are three components of economic efficiency … Economic efficiency plays a vital role in enhancing community welfare because it increases the productive base of the economy … The promotion of effective competition and the protection of the competitive process are generally consistent with maximising economic efficiency.

Three components of economic efficiency were set out by Hilmer – ‘technical or productive efficiency’; ‘allocative efficiency’ and ‘dynamic efficiency’ – and these are encapsulated in the Competition Principles Agreement. In turn, this ‘trilogy’ underlies the *Trade Practices Act* (now *Competition and Consumer Act 2010*), the ACCC’s guiding legislation, with its aim to ‘enhance the welfare of Australians’. Further, as frequently and consistently emphasised by the PC, the aim of economic policy in Australia is to improve the economic welfare of the community, encompassing improvements in ‘living standards and quality of life’ (Banks, 2010, p. 6).

**Research Design**

*Ex post* evaluations of infrastructure reform policies can focus on reform and regulatory impacts or on regulatory processes, or on a combination of both. The emphasis in the work being done at the ACCC tends to be on the overall impact of the infrastructure reforms on economic variables reflecting economic welfare. The reform process *per se* tends to be viewed as a means to an end. However, as bad outcomes can be a consequence of bad processes, there is often a need to distinguish between the worth of a particular policy approach and the processes employed in implementing it.

The level of focus for the evaluation can be at the system-wide, program or individual project level. Detailed consideration of the really big questions like an evaluation of the entire National Competition Policy (NCP) or even of the entire reforms of a particular sector (such as energy) or even a sub-sector (fixed-line access) is not attempted. The
questions that an evaluation seeks to explain must be clearly specified – preferably with a sound theoretical basis – and be capable of being answered at least in principle. Generally, a specific evaluation question is easier to answer than a more general one, and therefore, the research possibilities identified tend to be in relation to more ‘micro’ topics. The evaluation design provides the logical framework for making conclusions about outcomes and attributing results to the policy or program of interest. To draw valid conclusions from the evaluation, it is necessary to compare the observed outcomes (the ‘factual’) with the outcomes that may have eventuated had the policy or program not gone ahead (the ‘counterfactual’). The approach taken is often pragmatic, but must always be consistent with the other aspects of the evaluation process, including the research question, the evaluation design and the availability of data.

**Data Availability and Limitations**

The type of information required to conduct the evaluation is usually quantitative in nature, although qualitative information will also be required in fully understanding the results of statistical work. Data limitations may affect the extent to which a particular evaluation is possible, and high-quality data are a crucial requirement for a robust and defensible evaluation. For example, there is often an issue of not being able to access data over a sufficiently long period on a comparable before-and-after the reforms basis; definitions of services may change over time; and new services may eclipse existing ones in dynamic sectors like telecommunications. Institutional restructuring – such as vertical separation in energy – may lead to a fracturing of data collection and publication.

The first stage of the **Developing Indicators** project comprised a review of methods and a simultaneous stocktake of data availability and an assessment of various dimensions of their quality. While it is anticipated that the data work will not be published, it is hoped to include details of the data that are available and their quality in a forthcoming report on research possibilities. Each chapter will contain a review of the data that are available and an assessment of their quality.

**Evaluation Methods**

There are a range of methods that can be used to evaluate competition and regulatory reforms. The choice of method should be guided by the evaluation question. The different methods, as considered in detail in the **Review of Methods**, in summary form are as follows.

Social Cost Benefit Analysis (SCBA) encompasses all benefits and costs flowing from a policy action, including those that are not readily measured or quantified, such as environmental impacts, changes in health and safety and externalities. As SCBA takes the perspective of the costs and benefits of society as a whole, it differs from private-sector project appraisal; which is sometimes called ‘cost benefit analysis’ (CBA) in which the focus is on the private costs and benefits that accrue by measuring the cash flows associated with the project and bringing these back to a net present value using a private-sector rate of return. In contrast, SCBA requires a ‘social discount rate’ to bring costs and benefits back to a present value. It can be used on either a narrow (‘partial equilibrium’) or a broad (‘general equilibrium’) basis.

**Computable General-Equilibrium (CGE) modelling** takes account of the economy-wide effects of reforms and is particularly suited to evaluating policies that have large nationwide effects or generate substantial benefits that extend beyond the markets that are directly affected by the policy or regulation. A policy or reform is introduced as a ‘shock’ to the model. Through the interaction of demand and supply, CGE models compute market-clearing prices and thus determine outputs, the allocation of resources and the distribution of income that are consistent with the resulting new general equilibrium. Because of their complexity, CGE models tend to be purpose-built by a specialised multi-skilled team. The PC has consistently advocated an economy-wide approach and has in many cases used its CGE ‘Monash Model’ to analyse reform impacts. For examples, the PC’s research report on benefits of the National Reform Agenda (PC, 2006) applies this model, and the PC is currently modifying the Monash Model in preparation for its reporting on the economic impacts of Council of Australian Government (COAG) reforms (PC, 2010); including in energy, transport and water.

Econometric methods can be applied on a within-country basis or on a cross-country basis to analyse the impact of different aspects of the regulatory regime on economic outcomes in the regulated industries. Econometric methods are used to examine the effect of a policy intervention on the variable of interest, and by assuming that all other factors are held constant (the *ceteris paribus* assumption), the impact of the policy or program can be isolated and identified. Cross-country studies use econometric methods to analyse the impact of particular variables, such as aspects of the regulatory regime and/or economic and institutional factors, on economic outcomes in the regulated industries. However such studies are subject to a variety of data weaknesses – a particular variable may be defined differently in different countries and the methods used to measure that variable may also vary across countries.
Productivity studies are often based on a partial-equilibrium framework and are well suited to estimating the effects of regulation or policy in directly affected markets. Total Factor Productivity (TFP) growth occurs where the quantity of outputs produced grows at a greater rate than the quantity of inputs used. Either an index-number approach or an econometric approach can be used to measure TFP. While both approaches have strengths and weaknesses, the index approach is more typically used as it requires fewer observations and is more transparent and reproducible. TFP growth can, in principle, be measured at the economy-wide macroeconomic level, industry-wide level, the firm level, or down to the level of production units within a firm or organisation. However, if the indirect effects of competition and regulatory reforms are widespread and large, then it is advisable to supplement the results obtained from partial-evaluation methods with results obtained from additional general-equilibrium or qualitative methods.

Frontier Analysis is based on the notion that there is a best-practice level of technical efficiency (a production possibilities frontier) which can be reached (but not surpassed) or is not reached – production can be below best-practice or within the frontier. In this framework, an observed change in productivity (e.g., measured by a change in TFP) for any one economic unit, could be the result of either an increase in the best-practice technology available (which would shift the frontier) or a better and more efficient use of existing technology (which would move the economic unit closer to the frontier). As Frontier Analysis is theoretically able to distinguish between these two sources of productivity growth, it enables more detailed analysis of each firm against best practice but requires considerably more observations than index methods. It also potentially permits the origins of technical efficiency (e.g., different regulatory regimes) to be identified. The Review of Methods explains both of the two significant classes of quantitative techniques for Frontier Analysis – data envelopment analysis and stochastic frontier analysis – and an assessment of their relative merits.

Qualitative methods are a suitable approach for process evaluations and reviews of regulatory governance. Qualitative approaches may also be necessary if data are inadequate for the purposes of quantitative evaluation and/or if insufficient time has elapsed since reforms were implemented. It is in this latter, more supplementary, sense that qualitative data are considered in this research.

Regardless of the chosen evaluation design and method, trade-offs will inevitably be required between what is theoretically ideal and what is achievable in practice. Trade-offs arise, for example, as a result of the difficulty of specifying a defensible counterfactual, the limited resources (including time) available to conduct an evaluation and data limitations. The need to make trade-offs means that an evaluation’s findings can be controversial and subject to criticism. The Review of Methods discusses how trade-offs may be made while retaining the robustness and defensibility of the results of evaluations – for examples, by specifying a number of counterfactuals and subjecting the evaluation findings to sensitivity analysis. However, fundamentally, researchers are hostage to the information and circumstances they face, and these will often militate against decisive conclusions.

Research Possibilities

The research undertaken assesses the extent to which it is currently possible to evaluate the ex post impacts of competition and regulatory reforms across the infrastructure areas – energy (gas and electricity), telecommunications, post, water and wastewater, irrigation, rail, airports and ports. For each of these areas there is a review of the more relevant literature on quantitative analysis of the particular area both from other countries and from Australia. The focus of the summaries is on the different methods used to approach the evaluation questions and the qualifications that have to be placed on their findings. With this background information in place, attention then turns to an examination of the extent to which ex post evaluation of reforms and regulation are currently possible in particular infrastructure areas in Australia. In energy, amongst numerous research possibilities, differences in regulatory approach (over time and between jurisdictions) of electricity distribution could be examined for differential impacts on measures of economic efficiency. In telecommunications, the commencement of the cost-based access regime in mobile telecommunications in 2004 could be subject to a before-and-after study of the impact on key performance indicators. In irrigation, the establishment of trading for irrigation entitlements could be assessed using an ex post SCBA. With respect to container ports, the impact on productivity from the corporatisation of major ports could be examined using panel data. While research possibilities are identified across all main infrastructure areas, the feasibility of successful ex post evaluation can often be compromised by inadequate data or the absence of a clear point in time dividing before-and-after reform.

Concluding Comments

To greater or lesser extents, the objective of reforms to institutions and regulation since the 1980s has been to improve economic efficiency and community living standards. In addition, for some regulated infrastructure areas, there have also been specific economic objectives suggesting a number of more targeted research questions. In other areas, the
history of reforms and regulation reveals considerable debate and discussion about the appropriate regulatory framework and regulatory processes. Broadly speaking, the infrastructure reforms undertaken are well regarded, and there is little genuine sentiment in favour of reverting to the old ways of monopoly and bureaucracy. However, to date at least, the appreciation is based more on intuition and informal empiricism, and less on a body of formal evaluative research. The release of the final report of the Developing Indicators project is aimed at changing this position by encouraging a body of evaluative research.

References


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Critical Issues in Regulation – From the Journals


In this paper, based on an address to Australian business economists, the Chairman of the Productivity Commission, Gary Banks, considers the ‘obstacles to identifying and successfully implementing genuine reform, and the ways in which these have been overcome in the past’ (p. iii). As the title suggests, it looks at ‘lessons’ from the past and challenges that lie in the future in achieving reforms. The main headings in the essay are ‘the productivity imperative’, ‘what is successful reform?’, ‘why is it so hard?’, ‘achievements of the reform era’, ‘what were the success factors?’ and ‘the challenges ahead’. The survey covers all of the main economic reforms over the past thirty or so years including trade liberalisation, taxation reform, national competition policy and industrial relations. The meaning of the word ‘reform’ is discussed, and there is a timely reminder that it means ‘change for the better’; interpreted in terms of higher living standards and improved quality of life.

As expected from the Chairman of the Productivity Commission, productivity enhancement is a strong imperative. Calculations are shown to illustrate the impact of seemingly small decreases or increases in the rate of productivity growth occurring over long periods – compounding magnifies these small differences. The ups and downs of productivity growth are chronicled, and the productivity surge of the 1990s is clearly attributed to the structural reforms in the 1980s. Elsewhere, it is predicted that there will not be a productivity surge in this current decade (2011-2020) because of the lack of real economic reform in the previous decade (2001-2010).

The obstacles to true reform are many, and Machiavelli is quoted in support of this contention. While not stated exactly in this way, the forces against reforming change tend to be strong and concentrated while the beneficiaries tend to be weak and diffused. It is pointed out that a corollary of this is that bad policies are easier to introduce than good ones, and Banks therefore sees it as a ‘significant achievement’ that so much good has been done since the 1980s. He states categorically that the reforms have ‘substantially enhanced the average living standards of Australians’.

The factors in successful reforms are discussed at length in the middle pages of the essay, and subheadings for the discussion are ‘establishing the need for reform’, ‘finding and selling the solution’, ‘institutions and processes mattered’ and ‘leadership was paramount’. Banks’s long and broad experience is evident in this insightful and informed survey, that serves as a segue into the challenges ahead. The bottom line of the essay (literally) is that the ‘stronger the evidence base … [and] the better the consultative process … the greater are the chances’ of success.

One particular reform area identified as being successful in the past is the addressing of the problems caused by ‘inefficient government monopolies’. These were built on a ‘foundation of evidence’; a broad-ranging and lengthy consultation process; identification of a procedural way forward and strong political leadership. It is noted that these reforms began at the state level and then found ‘more consistent expression in the National Competition Policy’. Energy, telecommunications, transport and water are the main areas of these reforms and Banks attributes ‘higher productivity and lower costs’ to these changes.


This article examines the effectiveness of incentive regulation for U. electricity distribution utilities for the years 1993 to 1999. The authors conclude that, unless incentive regulation incorporates quality service standards, it is associated with significant quality reduction.

The authors find that a particular kind of quality reduction is associated with incentive regulation. Quality reduction manifests itself in an increased duration of service interruptions (outages which, on average, are 115 mins longer), but not in an increased frequency of interruptions. In an attempt to explain this result, industry sources suggest that the single most common cause of frequency of interruptions is equipment failure, which is something only partially within the control of a utility. As a result, the association between incentive regulation and outage frequency is difficult to discern empirically. In contrast, once such a failure has occurred and has been detected, the duration of the resulting outage is a function of repair crew readiness, equipment availability and other such factors which the firm has greater control over. As a consequence, incentive regulation has a greater effect on duration than frequency.

However, the paper finds that quality reduction is offset in cases where incentive regulation incorporates service-quality standards. This
countervailing influence is large enough to offset fully the increase due to incentive regulation itself. From a research perspective, these results may help explain why some prior studies with only a dummy variable for incentive regulation have not found significant quality effects. From a policy perspective, the results are important in that they not only underscore the adverse quality effect of incentive regulation, but also suggest how the adverse effect may be offset while preserving the incentive plan itself. The paper confirms that quality standards appear to be a powerful device to maintain service quality, and so deserve consideration in such plans.

Finally, after controlling for possible endogeneity effects, it is found that incentive regulation is indeed associated with lower expenditure per customer for both operations and maintenance expenses. For instance, for utilities with incentive regulation, operations expenses are $6.82 lower per customer, while maintenance expenses are $2.59 lower. Offsetting these effects, quality standards result in greater total expenditure — $6.16 more for operation expenses and $3.23 more for maintenance expense. The combined effect of incentive regulation and quality standards is statistically insignificant in both expenditure categories.


This paper is about the regulation of fixed-line telecommunications in view of what the authors see as ‘actual or imminent excess capacities’ related particularly to fixed-to-mobile substitution. The focus is mainly on the European Union, where member states have tended to use a forward-looking long-run average incremental cost (FL-LRAIC) approach to wholesale access pricing. Wolfgang Briglauer and Ingo Vogelsang believe that FL-LRAIC has ‘worked quite well in expanding markets’, but are now concerned about the potential for greater exercise of price squeezes by incumbents under conditions of excess capacity. They consider wholesale pricing for both the unbundling of the local loop and origination and termination access.

The authors apply a number of criteria for deciding on the best approach to fixed-line access pricing going forward. These are investment incentives; impact of pricing on intra- and inter-modal competition; promoting the interests of end-users through low prices and innovation; and practical implementability. The contenders for the best approach are short-run marginal cost (SRMC with a ‘+’ variation); FL-LRAIC, capacity-based access charging (CBC) and retail minus (RM). The field gets narrowed down to FL-LRAIC and RM, because SRMC is associated with a concern about ‘stranded costs’ and CBC with implementation being ‘not easy’. However, CBC ‘may be favoured in the advent of all-IP networks’.

When, after applying the four criteria, the authors are left with FL-LRAIC and RM, the choice between the two is resolved by suggesting that price be set at the minimum of FL-LRAIC and RM. They see that this change to wholesale pricing arrangements would require ‘some conceptual and implantation work on the part of regulators’, while concluding that it is the ‘most realistic’ way forward.

In addition to its central mission of establishing the appropriate access charge with excess capacity, the paper also contains discussion of a number of other pricing issues. In particular, it discusses the possibility of a ‘global price cap’ (noting, however, that these ‘have never caught on’) and the authors touch on the sabotage literature. As would be expected from such well-established authors, the paper contains many useful references on fixed-line access pricing issues for those wanting to sample the rich literature available.


The United States Federal Communications Commission (FCC) has developed a National Broadband Plan (NBP) with the aim of ensuring that ‘every American has affordable access to robust broadband service’. This article discusses some of the principles of regulatory economics that have been considered in the development of the NBP.

According to the NBP, the future broadband market structure is highly uncertain. The uncertainty arises because the scope of natural monopoly characteristics may be altered by technological change and demand shifts. Wireless services may be either substitutes or complements to wireline services as means of receiving data. If they are substitutes, then more competition for residential data services could develop. Conversely, if demand tends towards high-speed applications then, as wireline technologies are less constrained by bandwidth, the two technologies may be considered more as complements. Given the uncertainty regarding the market structure and likely scope of natural monopoly, the NBP recommends delaying regulatory decisions in favour of monitoring market trends. To overcome the concern that regulatory uncertainty could slow the deployment of broadband technology, the NBP seeks to boost the prospects for wireless competition.

The NBP makes the protection and fostering of competition an important theme. Given the potential for economies of scope in providing wireline and wireless broadband services or in providing...
residential and business services, there is some concern that a multi-product firm with a dominant position in some markets could take advantage of this position to prevent competition in complementary markets. To ensure that network effects are maximised, the NBP recommends protection of unaffiliated wireless carriers from high costs which could be imposed by vertically integrated wireless rivals that own the high-capacity fibre links to wireless towers. To foster innovation and competition in complementary products such as content and applications, the FCC is considering a proposal to require broadband internet access service providers to treat all lawful content, applications and services in a non-discriminatory manner. The NBP also recommended that the FCC move forward with roaming obligations for mobile providers that offer data services.

Another consideration is that the allocation of spectrum is a critical element in wireless connection. The scarcity of spectrum raises complex co-ordination problems, both because it is necessary to avoid interference across frequency bands and geographic boundaries and because spectrum that is currently allocated to specific users, such as satellite, broadcast television and federal users, could potentially be reallocated to higher-value users such as wireless internet providers. NBP recommends that the FCC be permitted to introduce an incentive-based scheme to free up spectrum for repackaging and reallocation. For example, it proposes holding an ‘incentive auction’.

The NBP also covers the question of distributional effects and cross subsidies between different users to ensure wide coverage of broadband services. It recommends that market-based mechanisms (e.g. reverse auctions) are used to minimise the cost of supplying rural services. A programme to subsidise the build of broadband infrastructure in high-cost areas, which are unlikely to be served by the private sector, is also being considered.


In the United Kingdom, the owner and operator of rail infrastructure is Network Rail (NR), which is regulated by the Office of Rail Regulation (ORR). NR is regulated using an RPI-X approach, in which X measures the gap between expected growth in total factor productivity (TFP) of the regulated business and that of the average firm in the economy. In this paper, the authors summarise the methodology and results of international benchmarking studies undertaken as part of the ORR’s review of NR’s finances. The benchmarking studies were used in ORR’s determination of the X factor. The dataset for the international benchmarking studies covers 13 national rail infrastructure companies in Western Europe, and 11 years. ‘Top-down’ and ‘bottom-up’ studies were performed. In the top-down study, econometric techniques were used to estimate the relation between cost drivers and maintenance and renewals costs. Using the estimated parameters, an efficiency frontier was determined. The authors find that in 2006 NR had an efficiency gap of 40-43 per cent compared with the frontier and a gap of 37 per cent compared with the upper quartile of the peer group.

The findings of this top-down study were corroborated by a bottom-up study which examined specific practices of European rail companies (for example, practices relating to asset inspection and asset management). ORR found that differences between European practices and those of NR help to account for the cost inefficiency of NR that was found in the top-down study.

The authors observe that NR’s efficiency gap is partly a consequence of the Hatfield accident in 2000 – a derailment which caused four deaths. A significant rise in costs in the aftermath of the accident contributed to a 50-70 per cent expenditure gap between Network Rail and its European peer group. While it is not the case that the entire expenditure gap reflects cost inefficiencies, the authors suggest that a significant fraction of it does.

The article concludes with remarks about the possibility of other regulators using a similar approach. The authors point to two factors that were critical to the success of their research. First, the study had access to a high-quality dataset which existed prior to the study. Second, the benchmarking workstream was initiated three years in advance of the ORR determination. The authors recommend that regulators should work on such studies over a number of years, developing the studies in periods between reviews, rather than attempting to start and complete an international benchmarking study within the timeframe of a specific review.


This paper conducts a case study of the Melbourne water and wastewater sector during the sample period 1970 to 2007 to examine the impact of the long-term water reform. The paper provides a historical review of water sector reform in the Melbourne metropolitan area. Historically the sector has been subject to the governance of the state jurisdiction. The Melbourne and Metropolitan Board of Works (MMBW), comprising representatives from local councils, was
created in 1891 to operate and expand the water supply and sewerage system. Its role was gradually extended to town planning, foreshore protection and inner-city highways. In 1977, however, an Inquiry found that the MMBW was operating inefficiently, possibly due to its corporate governance structure, with the consequence that its board composition and operating functions were changed. In 1991, the MMBW was corporatised to become Melbourne Water. Under the microeconomic reform in 1993, the wholesale business was vertically separated from the distribution/retailing business, creating three new companies (Yarra Valley Water, City West Water, and South East Water), which were responsible for water reticulation and retailing in different parts of the metropolitan area. Independent economic regulation has been undertaken by the Essential Services Commission (ESC) since 2000.

The paper specifically examines the economic performance of the Melbourne metropolitan water sector during two separate periods – the first period from 1970 to 1991 and the second period from 1991 to 2007. A number of aspects of performance are measured, including price, returns on assets, debt, and total factor productivity (TFP – measured as the Malmquist TFP index under the Data Envelopment Analysis). The authors reach the following two conclusions about MMBW’s performance. First, during the initial period, the performance of the MMBW was sub-optimal, but its performance improved in the final few years of its existence. Second, since 1991, the vertically integrated Melbourne Water has experienced lower water prices, greater profits, reduced debt, and higher productivity through downsizing and outsourcing. After the vertical separation, Melbourne Water continued to enjoy rising profitability due to productivity gains (up to 2002) and real water price increases.

The authors point out that water consumers possibly did not substantially benefit from the sectoral reform in terms of lower price (in real terms). Looking forward, the sector is confronted with the emerging challenge of declining water storage.


This article analyses the findings of a quarterly survey in which respondents are asked about their expectations concerning future returns on equity. In the June 2010 survey, the expected equity risk premium, also termed the ‘market risk premium’, was 3.00 per cent. In addition, the article investigates a range of factors which affect the equity risk premium, including the volatility of equity prices and the recent Global Financial Crisis.

Every quarter, Duke University conducts a survey of Chief Financial Officers (CFOs) in the United States. The questions relate to topical issues, and since 2000, the survey has included a question about expectations of the return on the US S&P 500 equity index over the next ten years. Since 2007, the number of survey responses has ranged from 390 to 545, which represents a response rate of between 5 and 8 per cent.

The article focuses on the CFOs’ answers to the question about the expected return. In the survey on 4 June, 2010 (the most recent survey reported in the article) the average expected return was 6.31 per cent. From this expected return, the equity risk premium can be calculated: the risk premium is the difference between the expected return on equities and the risk-free rate. As the 10-year treasury rate was 3.31 per cent in June 2010, the risk premium was 3.00 per cent. The average risk premium across all quarters since 2000 (when the question on the return was first added to the survey) is 3.48, slightly higher than the most recent risk premium. The premium peaked in the immediate aftermath of the Global Financial Crisis: it reached its highest level in February, 2009, at 4.74, but it was also relatively high in November 2008, at 4.12.

In addition, between 2003 and 2005, the authors conducted 12 interviews of CFOs. The topic of these interviews was the cost of capital and the risk premium. The views of CFOs expressed in these interviews were consistent. Three-quarters of those interviewed used a form of the Capital Asset Pricing Model to calculate the expected return on equity. Furthermore the CFOs construed the question in the survey about the 10-year expected return as a question about the outcome of a buy-and-hold strategy. Therefore, the authors conclude, the survey measures an expected return that represents a geometric average rather than an arithmetic average.

The authors do some empirical analysis of the determinants of changes in the risk premium. First, they find that a fall in equity prices tends to increase the expected premium. In particular, there is a weak negative correlation between one-year returns on equity prices and the risk premium. Second, there is a weak positive correlation between the real risk-free rate and the risk premium. Third, the implied volatility in equity prices and the risk premium have a strong positive correlation. Finally, a significant positive correlation obtains between the debt risk premium and the equity risk premium.

The author defends the neoclassical model of economics by providing a reply to two well-known criticisms of the model – the criticisms presented in A.C. Pigou’s work The Economics of Welfare (1920) and R.H. Coase’s article ‘The Problem of Social Choice’ (1960). According to the neoclassical model, if a specific set of assumptions are satisfied, then an efficient resource allocation will be generated by a decentralised market. While some critics of the model have questioned the plausibility of its assumptions (for example, the violation of its assumptions arising from scale economies), Pigou and Coase’s contributions present a different kind of challenge for the model.

Pigou criticises the neoclassical model by constructing examples in which private costs differ from social costs. For example, he argues that when drivers of motor vehicles make decisions about which road to take, they only take account of the private costs of congestion, and not the social costs. The consequence, he suggests, is that if drivers face a choice between a narrow road which is shorter and a wide road which is less congested, they will use the narrow road more than is socially optimal. Demsetz’s reply to Pigou builds upon Knight’s article ‘Some Fallacies in the Interpretation of Social Cost’ (1924), which pointed out that Pigou’s conclusion holds only if roads are publicly owned. If roads are privately owned, then the price of narrow roads would be higher than those on wide roads. This price differential would serve to eliminate inefficiencies arising from congestion.

In his 1960 article, Coase offers a different criticism of the neoclassical model to that of Pigou, arguing that transactions costs are the source of market failure. Demsetz observes that Coase’s argument has its origins in his article ‘The Federal Communications Commission’ (1959), and can be illustrated using his discussion in that article of the allocation of broadcast frequencies. According to the conventional wisdom of the time, the role of the FCC was to prevent users of the broadcast frequency spectrum from interfering with one another. Following Knight, Coase criticised this rationale for the FCC, arguing that inefficiencies arising from interference could be reduced by private ownership of rights to segments of the spectrum. Coase proposed an alternative rationale for the FCC. Its role, according to Coase, was to assist in the negotiations between private parties. Such assistance, he suggested, can resolve complexities arising from transaction costs. Demsetz shows that Coase’s proposal contains the germ of the argument in his more famous 1960 paper, which also argues that transaction costs are a source of inefficiency in a decentralised economy.

In his reply to Coase, Demsetz acknowledges that transaction costs may prevent some transactions from taking place, but he questions whether the consequence is, as Coase claims, inefficiency. He points to a parallel between transaction costs and shipping costs. If the costs of shipping goods from a buyer to a seller are sufficiently high, the transaction may not take place. But critics of decentralisation would not propose that shipping costs should be construed as a failure in markets. Similarly, the author suggests, the presence of transaction costs does not justify a conclusion that decentralisation produces inefficiency.


According to the law, the decision of a higher court is binding on a lower court. This is the principle of stare decisis. This doctrine is well-known in the context of the law courts. Although the paper does not address the question directly, the same issue arises in the design of regulatory institutions. When a regulator makes a decision, or develops a policy, should it follow its own past decisions? Or should it be free to decide each separate issue on its own merits? This paper by Anderlini, Felli and Riboni (AFR) asks the general question why the principle of stare decisis exists at all. Their paper fits into a long literature in the field of Law and Economics which addresses the question whether there is any tendency for common law precedents to evolve towards an overall economically efficient outcome. Some authors (notably Richard Posner) have argued that there is such a tendency in the common law, although there has never been a formal model demonstrating this result.

AFR’s argument hinges on the presence of sunk investments. They assume that the court maximises the welfare of the litigants in front of them and, if there is any precedent value from the case, the welfare of all future parties in the same position. AFR emphasise the problem of time inconsistency: the parties in front of the court have long since made any sunk investments, so those investments should be ignored when coming to a decision. For example, suppose an entrepreneur borrows a million dollars and invests it in a new production process. Suppose that demand turns out to be lower than expected and the entrepreneur is unable to repay the loan. Should the court force the entrepreneur to sell the asset for scrap or should it write-off part of the loan and allow...
the entrepreneur to continue in business? The \textit{ex post} welfare-maximising decision is to allow the entrepreneur to continue, since the money borrowed is all sunk. The problem is that, anticipating this outcome reduces the incentive on the entrepreneur to put time and effort into ensuring success of the venture \textit{ex ante}, reducing the willingness of the bank to lend the money in the first place.

AFR claim that, by increasing the precedent value of a decision, the welfare-maximising court will trade-off the future value of preserving incentives of entrepreneurs against the loss of value in the case before them. They claim that \textit{stare decisis} ensures the evolution of precedents towards the \textit{ex ante} efficient decision. However the time-inconsistency problem is not completely eliminated − eventually a point is reached whereby the precedent effect is so small that it is not worth taking it into account in the present decision.

As mentioned, this idea has important implications for regulatory decisions. The transactions-cost perspective on regulation emphasises the importance of sunk investment by both the service provider and its customers. Once these investments are sunk the regulator might be tempted to take the short-term optimal decision, but if decisions have precedent value the regulator must take into account the effect on future incentives. For example, a past sunk investment of the service provider may no longer be required (e.g. it may be ‘stranded’). The short-term efficient decision is to remove that asset from the asset base. But this might have an adverse impact on the incentive of the service provider to make similar investments in the future. Similarly, a customer of the monopolist might make an investment which increases its demand for the monopoly service but which makes that demand highly inelastic. Again, the short-term efficient decision of the regulator might be to allow the service provider to raise its charges to that customer, but that might have adverse effects on the incentive of the customer to make those investments in the first place.

At the same time, we might ask: if we know the efficient action to take, why doesn’t Parliament simply specify that action in the legislation in advance? Why leave it to the courts to make binding rules? The answer, of course, is that it is not possible to specify the action to take in advance in all possible future contingencies. The law must evolve to fit changing circumstances over time in exactly the same way that regulatory decisions must evolve and adapt to market conditions.

AFR’s paper is relatively technical but the questions it asks are fundamental. It focuses on the question of why \textit{stare decisis} exists in general, but the issue applies equally to the design of regulatory institutions. Regulators, like courts, should develop policies and then stick to those policies over time, only varying decisions when circumstances change.
Regulatory Decisions in Australia and New Zealand

Australia

Australian Competition and Consumer Commission (ACCC)

Final Decision on Australia Post’s Business Mail Prices
On 23 June 2011 the ACCC issued its final decision on a proposal from Australia Post to increase prices across a number of its monopoly business mail letter services. The ACCC has confirmed its 27 May 2011 preliminary view that it should not object to Australia Post's revised proposal to increase the 60 cent basic postage rate or the price of other Ordinary letters. Read more

MTAS Pricing Discussion Paper
On 15 June 2011 the ACCC issued a discussion paper to commence an inquiry into the domestic mobile terminating access service (MTAS) under the new telecommunications access regime. The MTAS is a technology-neutral wholesale input, used by providers of voice calls from fixed-line, mobile and IP networks, in order to complete voice calls to end users directly connected to digital mobile networks. The new telecommunications regime requires the ACCC to conduct a public inquiry to establish an access determination setting out the terms and conditions of access to the declared service. Submissions on the discussion paper are required by 27 July 2011. The ACCC proposes to issue a draft access determination for comment and a final access determination and statement of reasons by the end of the year. Read more

Public Inquiry into Final Access Determination (FAD) for Regulated Transmission Services
On 15 June 2011 the ACCC issued a discussion paper to begin a public inquiry into making a FAD for regulated transmission services. Transmission services underlie all other fixed and mobile communications services and are critical to delivering services to end-users across the country. As an outcome of a previous public inquiry process, the prices of regulated transmission services will be set by benchmarking current prices of competitive transmission services. Submissions are required by 29 July 2011. The ACCC expects to make a final access determination for the Domestic Transmission Capacity Service before the end of 2011. Read more

ACCC Issues First Water Monitoring Report
On 27 April 2011 the ACCC issued its first Water Monitoring Report, which provides information about the impact of reforms on the water industry in the Murray-Darling Basin over the past twenty years. Read more

Proposed Five-Year Regulatory Pricing Period in Final Access Determinations for Fixed-Line Services
On 21 April 2011 the ACCC commenced a public inquiry and issued a discussion paper on making final access determinations for the six declared fixed-line telecommunications services. The discussion paper follows the interim access determinations made by the ACCC on 2 March 2011. Submissions were required by 3 June 2011. Read more

ACCC Seeks Comment on CBH’s Proposed Wheat Port Access Arrangements
On 21 April 2011 the ACCC called for submissions on Co-operative Bulk Handling Limited’s (CBH) proposed wheat port access arrangements. CBH’s proposed undertaking relates to the provision of access to services for the export of bulk wheat at four grain terminals operated by CBH in Western Australia. CBH is required to have access arrangements in place by 1 October 2011 to retain accreditation to export bulk wheat under the Wheat Export Marketing Act 2008 (Cth). Submissions on the proposed access arrangements were required by 20 May 2011. Read more

ACCC Issues Interim Prices for Regulated Transmission Services
On 19 April 2011 the ACCC issued an interim access determination (IAD) for regulated transmission services under the new telecommunications access regime, which took effect on 1 January 2011. The IAD provides interim price and non-price terms for the declared domestic transmission capacity service. The ACCC expects that prices will change as the market develops and expects further input from stakeholders during the public inquiry associated with the final access determination. However, the ACCC considers that, in the interim, the IAD will provide the required level of regulatory certainty until a final access determination is made. The IAD has been backdated to commence on 1 January 2011 and expire on 31 December 2011, or when a final access determination for the declared domestic transmission capacity service is introduced, whichever is earlier. The ACCC may vary the IAD before making a final access determination. Read more
Cross-Subsidy Report for Australia Post for 2009-10

On 7 April 2011 the ACCC issued its sixth report assessing the potential for cross-subsidy between the services provided by Australia Post. The report analyses Australia Post's 2009-10 regulatory accounts to establish whether its competitive services were being cross-subsidised with revenue from its monopoly services. Read more

Proposed Price Increases for Air Services

On 7 April 2011 the ACCC released an issues paper seeking public comment on a pricing proposal by Airservices Australia. Airservices is the monopoly provider of air traffic control services, including both en route air navigation and terminal navigation (TN), and aviation rescue and fire-fighting (ARFF) services at airports in Australia. These services are declared under section 95X of the Competition and Consumer Act 2010, which means that Airservices must notify the ACCC when it wishes to increase prices. Submissions on the proposal were required by 10 May 2011. Read more

Australian Energy Regulator (AER)

Federal Court Upholds AER’s Electricity Distribution Determination for the Australian Capital Territory

See Notes on Interesting Decisions.

AER Issues Response to Professor Garnaut’s Climate Change Review Update

On 29 March 2011 the AER issued a response noting the concerns expressed in Professor Garnaut's Climate Change Review Update, that weaknesses in the regulatory framework may have contributed to overinvestment in networks and unnecessarily high prices for consumers. The AER has almost completed its first round of price decisions for electricity networks in the National Electricity Market, and it is now examining the rules it is required to apply when considering investment proposals from network businesses. Proposals for changes to the regulatory framework will be made to the Australian Energy Market Commission (AEMC), the body responsible for the National Electricity Rules. Read more

National Competition Council (NCC)

Application for Certification of the South Australian Rail Access Regime

On 27 May 2011 the NCC, having considered the submissions on its draft recommendation, provided its final recommendation to the Parliamentary Secretary to the Treasurer, Hon David Bradbury MP. The Commonwealth Minister will now decide whether or not to certify the regime as effective. The Competition and Consumer Act 2010 requires the designated Minister to make a decision within 60 days after receiving the NCC's final recommendation. Once the Minister has made his decision, the NCC will publish the decision and reasons on its website and notify interested parties. The NCC will also publish its final recommendation at that time. Read more

Application for Certification of the South Australian Ports Access Regime

On 9 May 2011 the NCC reported that the Commonwealth Minister, the Parliamentary Secretary to the Treasurer, the Hon David Bradbury MP, made his decision to certify the South Australian Ports Access Regime as an effective access regime for a period of ten years. The decision is consistent with the NCC’s final recommendation to the Minister on 10 March 2011. Read more

Application for Certification of the Dalrymple Bay Coal Terminal Access Regime (Final Recommendation and Decision)

On 10 May 2011 the NCC provided its final recommendation to the designated Minister, the Parliamentary Secretary to the Treasurer, the Hon David Bradbury MP, on the Queensland Government's application for certification of the Dalrymple Bay Coal Terminal access regime. This follows the 16 March 2011 release of its draft recommendation, which attracted no submissions. Read more

Third Party Access to Pilbara Railways

On 4 May 2011 the NCC announced that the Full Court of the Federal Court handed down its judgment upon appeals by Rio Tinto and others (Rio) and Fortescue Metals Group and others (FMG) from decisions by the Australian Competition Tribunal relating to two of the four applications for access to Pilbara iron ore railways. Read more
Following the Full Federal Court’s judgment, the status of the four Pilbara iron ore railways subject to declaration applications is now as follows:

- The Mt Newman Railway Service, owned and operated by BHP Billiton and related parties (BHP), is not declared.
- The Goldsworthy Railway Service, owned and operated by BHP, is declared for a 20 year period expiring on 19 November 2028.
- The Hamersley Railway Service, owned and operated by Rio Tinto Ltd and associated parties (Rio), is not declared.
- The Robe Railway Service, owned and operated by Rio, is not declared.

Access Regulation Overseas – USA

In the June 2011 edition of National Competition Council periodical Accessible, the NCC looks at how other countries regulate access to infrastructure. June’s is the first of this series, and it looks at the US essential-facilities doctrine which has helped the Australian response to the ‘essential facilities problem’. Read more

AEMC Consideration of the Garnaut Update Paper

On 16 June 2011 the AEMC released on its website, the advice it had prepared on the Professor Ross Garnaut update paper, Transforming the Electricity Sector. The advice was intended for the 10 June 2011 meeting of the COAG Standing Council on Energy and Resources, and following the briefing the ministers requested that the AEMC release the document on its website. Read more

Publication of Trends in Residential Electricity Prices Over the Next Three Years

On 10 June 2011 the AEMC announced that it had been asked by the Ministerial Council on Energy (MCE) to report on trends in residential electricity price movements over the next three years, following a request for this report from the Council of Australian Governments. On 10 June 2011, the AEMC published its ‘Future Possible Retail Electricity Price Movements: 1 July 2010 to 30 June 2013’ report. This report sets out future possible retail electricity prices and the drivers of these prices at a national level and in each state and territory in Australia from 2010-11 to 2012-13. Actual electricity prices and cost components in 2009-2010 have been used as a base year for comparison. This report was submitted to the MCE on 30 November 2010. Since then a number of price determinations and policy announcements have occurred and, as a result, some of the data in the report is now outdated. Read more

Inter-regional Transmission Charging – Publication of Section 108A Report

On 2 June 2011 the AEMC published a section 108A report in relation to an extended Rule change process. The AEMC has decided to develop a uniform national inter-regional transmission charging regime and methodology as part of its consideration of the Inter-regional Transmission Charging Rule change request. The final Rule determination will not be made within 12 months of the publication of notice in relation to this Rule change request. Read more

AEMC Creates Potential Generator Market Power Web Forum

On 31 May 2011 the Australian Energy Market Commission (AEMC) announced it has established a web forum for the Potential Generator Market Power in the National Electricity Market (NEM) Rule change. The purpose of the web forum is to provide an opportunity for stakeholders to contribute further to the rule change process by providing relevant comments, papers or consultancy reports for publication on the forum, including responses to other stakeholders' submissions. Read more

AEMC Reviews Arrangements for Compensation

On 26 May 2011 the AEMC announced it had initiated a review under section 45 of the National Electricity Law (NEL) into the arrangements for determining and paying compensation following the introduction of an administered price, market price cap or market floor price under clauses 3.14.6 and 3.15.10 of the National Electricity Rules. The AEMC published an issues paper seeking stakeholder comments on the scope of the review and the issues that will be addressed. The deadline for submissions on the issues paper is 7 July 2011. Read more
AEMC Determines Rule for STTM Data Validation and Price Setting Process

On 5 May 2011 the Australian Energy Market Commission (AEMC) announced publication of a Rule to help improve the efficiency and accuracy of price setting in the Short Term Trading Market (STTM) for natural gas. Its key purpose is to provide the Australian Energy Market Operator (AEMO) with more time to review and confirm the accuracy of the STTM facility information to reduce the risk of erroneous information affecting the setting of schedules and prices in the STTM. Read more

AEMC Publishes Directions Paper for Transmission Frameworks Review

On 14 April 2011 the AEMC announced publication of a directions paper for the Transmission Frameworks Review. This review aims to ensure transmission frameworks are robust and deliver efficient and timely outcomes. The paper considers the broad range of issues raised by stakeholders earlier in the review and provides a framework for how the AEMC will consider these issues. The paper identifies five key themes that will be progressed, including: the nature of access; network charging; congestion; transmission planning; and connections. The AEMC is seeking comment from stakeholders on the way it has framed the issues, and whether this represents an appropriate structure for resolving them. The deadline for submissions on the directions paper was 26 May 2011. Read more

AEMC Publishes Draft Rule Determination for the Application of Dual MLFs Rule Change

On 14 April 2011 the AEMC announced publication of a draft rule determination and draft rule for the application of dual marginal loss factors rule change. The AEMC's draft rule adopts the rule proposed by the Australian Energy Market Operator (AEMO), with some minor amendments. Read more

ACT Electricity Feed-in Scheme Summary Report – March 2011 Quarter

On 4 May 2011 the ICRC released its summary report on the Electricity Feed-in Scheme for feed-in from renewable energy generators to the electricity network, for the period 1 March 2009 to 31 March 2011 (updated for the March 2011 quarter). The Scheme is established under the Electricity Feed-in (Renewable Energy Premium) Act 2008 (ACT) and commenced on 1 March 2009. Read more

Water and Wastewater Charges from 1 July 2011 – Commission Decision

On 20 April 2011 the ICRC announced its decision on the adjustment of water and wastewater prices in accordance with its 2008 price direction. Read more

New South Wales

Independent Pricing and Regulatory Tribunal (IPART)

Discussion paper – Review of Price Structures for Metropolitan Water Utilities

On 28 June 2011, the IPART released a discussion paper as part of a review of the price structures for the four metropolitan water and sewerage services for which the IPART sets prices. The purpose of this review is to develop some general directions for reform of price structures which can be applied to each of the four utilities. Feedback on the discussion paper is welcome, and the IPART expects that Sydney Water will make a submission in September 2011. This will be followed by submissions for their price investigations from Hunter Water, Gosford City Council and Wyong Shire Council, which are expected to commence in July 2012; submissions from water agencies are due in September 2012. Read more


On 24 June 2011 the IPART released an issues paper as Sydney Water, which once purchased the majority of its bulk water from SCA can now source water from the Sydney Desalination Plant. On 6 May 2011 and under Section 51 of WICA, the Minister for Finance and Services, the Hon. Greg Pearce MLC, declared SDP a monopoly supplier in relation to the water supply services it provides under its network operator licence and retail supplier licence. He has asked the IPART to determine prices for SDP. The IPART intends publishing its determination and report by 28 October 2011. In this review, it will determine

Australian Capital Territory

Independent Competition and Regulatory Commission (ICRC)

Retail Prices for Non-contestable Electricity Customers 2011-2012: Release of Final Decision

On 20 June 2011, the ICRC released its final decision and price direction for the supply of electricity to franchise customers for the period 1 July 2011 to 30 June 2012. Read more
the maximum charges for the period ending 30 June 2017 (upcoming determination period). Read more

**IPART Concerned About Rising Electricity Network and Green Scheme Costs**

See Notes On Interesting Decisions.

**IPART Announces Its Determinations of Special Rate Variations by Local Councils**

On 10 June 2011 the IPART announced its determinations of local council applications that sought to increase total rate revenue by more than the rate peg amount or to increase certain minimum rates. Longstanding government policy in NSW limits the increase in local council rate revenues each year in line with Council costs, however, the IPART noted that the financial capacity of councils in NSW varies considerably, with many of the councils that applied for a special rate variation having a backlog in infrastructure maintenance and renewal. The IPART accepted that in many cases these backlogs could not be adequately addressed without a real increase in rate income or a substantial reduction in the other services currently provided. Read more

**Review of Access Pricing on the NSW Grain Line Network**

On 14 May 2011 the IPART commenced a review of access pricing on the NSW grain line network. In 2008 the Australian Government commissioned the NSW Grain Freight Review. This review examined the efficiency of grain supply chain in NSW, including the grain line network. It recommended that most of the lines remain open on the basis that if they were closed, the costs of increased grain traffic on the road network would outweigh the costs of keeping the lines open. In light of this, the NSW Grain Freight Review recommended that the lines be stabilised at a minimum ‘fit for purpose’ condition through a non-recoverable government grant, contingent on industry investment in other supply chain improvements. It also recommended that the NSW Government review future access charges for the grain line network to determine an appropriate level of user contribution to the cost of maintaining the lines. In its preliminary response to the review, the former NSW Government agreed to this recommendation. In December 2010, it asked the Independent Pricing and Regulatory Tribunal of NSW (IPART) to conduct a review of future access pricing for sustainability of the network. Read more

**Final Report – Developing the Approach to Estimating the Debt Margin**

On 19 April 2011 the IPART released a final report providing its approach to estimating the debt margin, one of the input parameters to the WACC. Read more

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**Northern Territory**

**Utilities Commission**

**Approval of Network Access Tariffs 2011-2012**

On 18 May 2011 the Utilities Commission announced that, in accordance with clause 78(3) of the Electricity Networks (Third Party Access) Code, it has approved the network access tariffs and charges for 2010-11, effective 1 July 2010. Read more

**2009-10 Power System Review**

On 31 March 2011, the Utilities Commission released the 2009-10 Annual Power System Review, reporting to the Minister on prospective trends in the capacity and reliability of the Territory power system. Read more

**2009-10 Standards of Service Performance Report**

On 31 March 2011, the Utilities Commission released its annual report of Power and Water Corporation’s Standards of Service performance pursuant to the Standards of Service Code. Read more

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**Queensland**

**Queensland Competition Authority (QCA)**

**Review of Electricity Pricing and Tariff Structures**

On 24 June 2011, the QCA released an issues paper inviting submissions from interested parties, following the 11 May 2011 receipt of a Notice from the Minister for Finance and Acting Treasurer directing the QCA, under section 10(e) of the Queensland Competition Authority Act 1997, to conduct a further Review of Electricity Pricing and Tariff Structures. This review was called in response to recommendations by the QCA in reports to Government as part of its 2009 review of electricity pricing and tariff structures. Submissions on the issues paper are required by 5 August 2011. Read more

**Notified Electricity Prices 2011-12**

On 31 May 2011 the QCA released its Final Decision on the 2011-12 Benchmark Retail Cost Index (BRCI) for electricity for 2011-12. The QCA estimates the BRCI will increase by 6.60 per cent between 2010-11 and 2011-12, compared to an estimated increase of 5.83 per cent at the time of its Draft Decision. Read more
Irrigation Prices for SunWater Schemes: 2011-2016

On 10 June 2011 the QCA announced it has received an Amended Ministerial Direction and released a Revised Timetable for the SunWater Irrigation Price Review with the Draft Report and Draft Prices now due on 31 October 2011. Read more

On 24 May 2011 the QCA published stakeholders’ submissions received by that time, as part of the ongoing consultation program with customers of SunWater of each relevant water supply scheme. Submissions

2011-12 Draft Report on SEQ Grid Service Charges

On 1 June 2011 the QCA announced that, pursuant to a Direction Notice issued by the Minister for Energy and Water Utilities on 9 February 2011, the QCA is required to investigate and recommend Grid Service Charges (GSCs) for the Grid Service Providers (GSPs) to apply in 2011-12, and to recommend a process for adjustments of the GSCs including Review Thresholds. The QCA released its Draft Report on SEQ Grid Service Charges for 2011/12 and submissions in respect of the Draft Report were due by 24 June 2011. A Final Report is due by 29 July 2011. Read more

Interim Price Monitoring of South East Queensland (SEQ) Water and Wastewater Distribution and Retail Activities

On 31 March 2011, as required by a Ministerial Direction, the QCA released its Final Report on SEQ Interim Price Monitoring for 2010-11. The Premier and the Treasurer referred to the QCA for price monitoring, the monopoly distribution and retail water and wastewater business activities of Queensland Urban Utilities, Allconnex Water and Unitywater covering the period from 1 July 2010 to 30 June 2013. For 2011-12 and 2012-13, the QCA must report by 31 December 2011 and 2012 respectively. Read more

Costing Manual

On 8 June 2011 the QCA announced that it had received from QR Network Pty Ltd a revised costing manual for approval. The costing manual has been updated to reflect significant changes to QR Network’s corporate structure due to privatisation. Feedback is required by 15 July 2011. Read more

2010 Master Plan Customer Vote

On 30 May 2011 the QCA announced it has pre-approved the scope of nine projects included in QR Network’s 2010 master plan for the central Queensland coal region. QR Network's 2010 access undertaking provides for the QCA to pre-approve the scope of QR Network's future capital expenditure in the region if the nature of the works is detailed in QR Network's master planning and if at least 60 per cent of affected customers do not oppose the scope of the works. The QCA approved QR Network's application on 19 May 2011 on the basis that QR Network had complied with the relevant requirements of its access undertaking. Read more

April 2011 Extension Draft Amending Access Undertaking (DAAU)

On 26 May 2011 the QCA announced that it had approved the DAAU received from Queensland Rail (QRail) on 21 April 2011. QRail is subject to the 2008 access undertaking the QCA approved for QR Network, as amended to include new tariffs and tariff-setting rules in June 2010, and QRail sought to extend the termination date of its 2008 undertaking from 30 June 2011 to 30 June 2012. Read more

2011 Electric Charge Variation

On 24 May 2011 the QCA announced that it had approved QR Network’s application to increase the Electric Charge (EC) component of the reference tariff for 2012-13. QR Network has a multi-part tariff that recoups the cost of its below-rail network, including the overhead electric infrastructure and the electricity supplied through that network to electric locomotives. The cost of electricity supplied to the operators of electric locomotives is passed through in the Electric Charge reference tariff. QR Network has sought to increase the EC reference tariff for coal train services in central Queensland by around 13 per cent, and advised the rise was largely due to increased environmental charges that have been passed on by its electricity retailer. Read more

Proposed Access Conditions: Wiggins Island Coal Export Terminal (WICET) Stage 1 Rail Infrastructure

On 18 May 2011 the QCA announced that it had received from QR Network an access conditions report, as requested in April 2011 in accordance with clause 6.5.4(a) of QR Network’s 2010 access undertaking. Also in accordance with the undertaking, QR Network provided this report to the users engaged in the negotiations. The request was made after the QCA was advised by QR Network that it proposed to commence negotiations with users regarding proposed access conditions for the construction of rail infrastructure to support stage 1 of the proposed WICET development. Submissions to the QCA are required by 10 June 2011. Read more

Proposed Standard Access Agreements

On 19 May 2011 the QCA received from QR Network the explanatory notes designed to support its 29 April 2011 submission for approval of its proposed
alternative form of standard access agreements. The explanatory notes set out the rationale for the allocation of functions and responsibilities between a train operator and the end-user under the proposed new model. The QCA is seeking stakeholder comments on QR Network's proposed standard access agreements and the consequential amendments to its 2010 access undertaking. Given the delay in the receipt of the explanatory documents, the QCA has extended the deadline for submissions from 17 June 2011 to 22 July 2011. Read more

2009-10 Revenue Cap Adjustments
On 21 April 2011, the QCA released its final decision to approve QR Network’s 29 November 2010 revenue cap adjustment proposal. In it, QR Network sought a net reduction of $150,000 in 2011-12 revenues to account for a $6.1 million over-recovery in non-electric revenues and a $5.9 million shortfall in electric revenues in 2009-10. Read more

QCA’s Regulatory Fee
On 10 June 2011 the QCA received a Dalrymple Bay Coal Terminal Management draft amending access undertaking (DAAU) to amend the 2010 undertaking to enable full pass-through of the QCA’s regulatory fee to access holders. The Queensland Competition Authority Regulation 2007 provides for the QCA to charge fees for the provision of regulatory services. In the past, the QCA’s fee charged to DBCT Management reflected a partial recovery of the QCA’s costs in regulating DBCT. However, in September 2010 the QCA decided to recover the full cost of providing regulatory services to most regulated entities including DBCT Management. The QCA has issued DBCT Management with a notice of investigation, under s.146 of the QCA Act, stating its intention to commence an investigation into the submitted DAAU. Submissions to the QCA are required by 8 July 2011. Read more

South Australia

Essential Services Commission of South Australia (ESCOSA)

2011 Gas Standing Contract Price Inquiry
On 30 June 2011 the ESCOSA released its Final Price Determination in respect of the standing contract prices which Origin Energy Retail Ltd (Origin Energy) will be allowed to charge its South Australian gas standing contract customers over the next three years (1 July 2011 to 30 June 2014) had on 5 November 2010. Origin Energy had submitted to the ESCOSA a proposal for the price path to apply to SA gas standing contract prices for the period 1 July 2011 to 30 June 2014. The ESCOSA has now completed its Inquiry under Part 7 of the Essential Services Commission Act 2002 and has published its Final Determination, setting gas standing contract prices for the three-year period to 30 June 2014. Read more

Re-opening of the 2011-2014 Electricity Standing Contract Price Determination
On 7 June 2011, the ESCOSA commenced a limited re-opening of its Final Price Determination on the Electricity Standing Contract Price, pursuant to the special circumstances provisions of the Electricity Act 1996, to adjust the predetermined floor and ceiling thresholds for standing contract price movements to accommodate the higher than expected increase in network charges. This follows ETSA Utilities appeal lodgement to the Australian Competition Tribunal against the Australian Energy Regulator’s May 2010 distribution price determination, which sets out the revenue that ETSA Utilities is allowed to recover for the provision of electricity distribution services over the regulatory period 1 July 2010 to 30 June 2015. The ESCOSA intends to finalise this Electricity Retail (Variation) Price Determination by 17 June 2011, and will adjust the standing contract price with effect from 1 August 2011. Read more

Submissions Received on the Review of REES Energy Efficiency Activities
On 2 May 2011 the ESCOSA announced receipt of 11 submissions on the Phase 2 Report and Consultant’s Report. The ESCOSA is currently undertaking a review of the approved list of Energy Efficiency Activities for the Residential Energy Efficiency Scheme (REES). The review is being conducted in 3 phases with any amendments to the list to take effect from 1 January 2012. Read more

Chief Executive Officer Appointment
On 28 April 2011 the ESCOSA announced the appointment of Dr Paul Kerin to the position of the Chief Executive Officer for a period of five years, commencing 4 July 2011. Read more

Tasmania

Office of the Tasmanian Energy Regulator (OTTER)

Tariff Approvals Under the 2010 Determination
On 10 June 2011 the OTTER approved Aurora Energy’s retail tariffs for the period 1 July 2011 to 30 June 2012. Aurora is permitted to adjust tariffs each year in accordance with the relevant Determination. The process for approval of Network Tariffs and Retail Tariffs is set out in the relevant Guidelines.
Electricity Consultations 2011

Three submissions were received by 3 June 2011 in response to the OTTER's Consultation Paper concerning its May 2011 proposed amendments to the Electricity Supply Industry Performance and Information Reporting Guideline. The guideline was intended to improve the quality and relevance of information by requesting separate reporting of performance data for intermittent generators. This follows a previous proposal by the OTTER in November 2010 to amend the reporting guideline. Responses to the comments made in the three submissions will be addressed in the Regulator's final decision and statement of reasons.

Increased Electricity Competition

In May 2011 the OTTER published information on its 'power to choose' website about retail contestability for business customers. Electricity competition is progressively being introduced to Tasmania as part of the State joining the National Electricity Market and many businesses can now choose their electricity retailer. From 1 July 2011, a business customer who uses between 50 MWh and 150 MWh of electricity per year at the business site (that's an electricity bill of around $10 000 or more) can choose its electricity retailer.

Structure of Licence Fees for the Electricity, Gas and Water and Sewerage Sectors

In March 2011 the OTTER set licence fees, for the period 1 July 2011 to 30 June 2014, in the electricity supply industry and its component of licence fees in the gas and water and sewerage sectors using the methodology contained in the Regulator's Structure of Licence Fees – Position Paper, March 2011. In developing the structure that will apply, the OTTER consulted with licensees and other interested parties through the issue of a Structure of Licence Fees for the Electricity, Gas and Water and Sewerage Sectors – Consultation Paper, and seek submissions on the proposals set out in that paper. The OTTER considered submissions prior to issuing its final position paper.

Victoria

Essential Services Commission (ESC)

GWMWater – 2011-2013 Tariff Structure and Pricing Proposal

On 10 June 2011 the ESC announced it had received from GWMWater a 2011-2013 tariff structure and pricing proposal to finalise its pricing arrangements for the last two years of the 2008-2013 water plan regulatory period. The ESC was preparing an issues paper and the closing date for submissions was 3 June 2011.

Customers of Water and Energy Providers in Financial Hardship: a Consumer Perspective

On 10 June 2011 the ESC published a report undertaken on its behalf, as part of its research into understanding customer experiences with hardship policies and assistance programs provided by water businesses and energy retailers. The research consists of fifty-three interviews completed in metropolitan Melbourne and regional Victoria between December 2010 and March 2011. The research is expected to raise the profile of hardship-related issues amongst stakeholders.

Melbourne Water’s Special Drainage Areas – Price Review for 2011-12

On 29 April 2010 the ESC received from Melbourne Water an application for 2010-11 prices for its special drainage areas under the annual review process as set out in clause 4.4 of the 2008 Melbourne Water Determination – Metropolitan drainage services and diversion services. It was expected that a decision would be made in early June 2010.

Information Requirements for Monitoring Port of Melbourne Corporation

On 21 May 2011 the ESC released a Consultation paper to assist in the development of an Information Notice. Under the Port Management Act 1995, certain port infrastructure services are identified as prescribed services, which the ESC has responsibilities for regulating. Since 1 July 2010, the form of economic regulation is a price monitoring framework that applies only to port infrastructure facilities and channels associated with container and motor vehicle cargoes. Under these new arrangements, the Port of Melbourne Corporation (PoMC) is the only port operator subject to economic regulation by the ESC. Submissions were required by Friday 17 June 2011.

Western Australia

Economic Regulation Authority (ERA)

Consultation – Proposed Revised Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline

On 26 May 2011 the ERA announced its decision to extend the public consultation process for interested parties to respond to the ERA's Draft Decision on the Dampier to Bunbury Natural Gas Pipeline Access Arrangement issued on 14 March 2011, DBP's amended revised access arrangement proposal (18 April 2011) and DBP's supporting submissions (20
May 2011). Submissions are now required by Wednesday 20 July 2011. [Link to main page]

**Publication – Mid-West and South-West Gas Distribution Systems – Revised Access Arrangement Information**

On 19 May 2011 the ERA released the revised access arrangement information for the Mid-West and South-West gas distribution systems access arrangement. The access arrangement sets out the terms and conditions, including tariffs, under which WA Gas Networks Pty Ltd is required to provide services to users seeking access to the Mid-West and South-West Gas Distribution Systems. [Link to main page]

**Consultation – Review of the Requirements for Railway Owners to Submit Floor and Ceiling Cost Proposals – Issues Paper**

On 11 May 2011 the ERA sought public comment on the requirements for Railway Owners to submit floor and ceiling cost proposals. An Issues Paper titled *Review of the Requirements for Railway Owners to Submit Floor and Ceiling Costs Proposals* is available on the ERA website and submissions were due by 10 June 2011. [Link to main page]

**2009-2010 National Performance Reports for Urban and Rural Water Service Providers – National Water Commission**

On 14 April 2011 the ERA announced that the National Water Commission has published the 2009-10 urban and rural reports on pricing and service quality of water service in Western Australia. Western Australia is a signatory to the National Water Initiative Agreement (NWIA), and under the NWIA, signatory governments have agreed to independently and publicly report annually on water service providers. The ERA, along with the Department of Water, represents Western Australia on the committee that oversees the production of the National Performance Reports. Due to the differences in the nature of urban and rural water industries, different performance reporting models apply to urban and rural water delivery agencies, and so, two reports are produced: urban water utilities (urban report) and rural water service providers (rural report). These are available on the [National Water Commission's website](#).

**Inquiry into State Underground Power Program Cost Benefit Study- Extension of Inquiry**

On 1 April 2011 the Treasurer approved an extension for the ERA to deliver the final report for its Inquiry into the State Underground Power Program Cost Benefit Study by 31 July 2011. The extension was required to allow sufficient time for the ERA to consult with stakeholders on the draft recommendations in the draft report on the inquiry, which is yet to be released. [Link to main page]
New Zealand

Commerce Commission (NZCC)

NZCC Seeks Submissions on UBA Competition Review

See Notes on Interesting Decisions.

NZCC to Issue Proceedings Against Telecom for Discriminating Against Other Telecommunications Companies

On 26 May 2011 the NZCC announced it is to issue proceedings alleging that Telecom is likely to have discriminated under the Telecom Separation Undertakings. The NZCC alleges that Telecom failed to provide other telecommunications service providers with unbundled bitstream access (UBA) in conjunction with the sub-loop extension service (SLES), when it provided an equivalent service to its own retail business. Read more

NZCC Releases Terms of Reference for High Speed Broadband Demand Side Study

On 17 May 2011 the NZCC released the final terms of reference for a study into what drives demand for high speed broadband services. The study is intended to identify any factors that may impede the uptake of those services in New Zealand. The NZCC intends to engage with interested parties and to hold a public conference early 2012, before producing a final report in April 2012. Read more

NZCC Cuts Mobile Termination Rates

On 5 May 2011 the NZCC released its decision on mobile termination rates – the cost of carrying a text or call on another network. There will be significant reductions in the wholesale termination rates for mobile calls and text messages. The changes are intended to address significant competition problems in the wholesale mobile market which have resulted in high retail prices, a low number of mobile calls and high rates of people switching networks, compared to other countries. The NZCC will be monitoring the situation closely, including publishing monthly reports. The NZCC has sought to balance the benefits for consumers in terms of lower prices, while allowing mobile providers time to adjust retail prices. Read more

Competition in Telecommunications Continues to Improve but Challenges Remain says NZCC

On 29 April 2011 the NZCC released its 2009-10 telecommunications monitoring report analysing the state of New Zealand telecommunications markets. The report shows that competition in all telecommunications markets has continued to increase, and that consumer choice and quality of service continues to improve, while prices have fallen. Read more

Record Commerce Act Penalty Against Telecom for Price Squeeze

On 19 April 2011 the NZCC announced that the High Court in Auckland has imposed a $12 million penalty against Telecom for breaching section 36 of the Commerce Act in the so-called ‘data tails’ case. The penalty is the highest imposed under the Commerce Act, which was amended in 2001 to increase the fines available for anti-competitive conduct. In October 2009 the High Court determined that from 2001 to 2004 Telecom unlawfully leveraged its market power to charge downstream competitors disproportionately high prices for wholesale access to its network, preventing them from offering retail end-to-end high-speed data services on a competitive basis. Telecom has appealed the October 2009 judgment finding that it breached section 36 of the Commerce Act. Read more

NZCC Releases Updated Approach for Resetting Starting Prices

On 11 April 2011 the NZCC released an update paper outlining its current views on how to set starting prices for electricity distribution businesses subject to default price-quality paths (DPP) under Part 4 of the Commerce Act. The paper continues consultation on the DPP for electricity distribution businesses for 2010-15. It is also relevant to gas pipeline businesses. The starting price is a fundamental component of a DPP. It sets a limit on a supplier’s prices or revenues, and will normally be set for an individual business at the beginning of the DPP. Read more
Notes onInteresting Decisions

Federal Court Upholds AER’s Electricity Distribution Determination for the Australian Capital Territory

On 21 June 2011 the AER announced that the Federal Court has delivered its judgement dismissing ActewAGL’s application to review the AER’s 2009 electricity distribution determination for the Australian Capital Territory. ActewAGL did not appeal the AER’s determination to the Australian Competition Tribunal, but did seek to have the determination reviewed by the Federal Court. In particular, ActewAGL’s claim was that the AER’s decision relating to the risk-free rate used to calculate the rate of return was incorrect. Had ActewAGL’s application been successful, electricity distribution charges on average in the ACT would have increased by about 3.9 per cent in 2011-12, with further increases until the end of the regulatory control period in 2014. This would translate to an increase of about 1.6 per cent next financial year for the average residential customer’s electricity bill. In its 8 June 2011 judgement the Federal Court stated that the AER’s decision was based on reasonable grounds and was justified with reference to its reasons. ‘The judgement is good news for ACT electricity users and it is also pleasing that the court has recognised the AER’s reasoned decision on this issue. Considering all relevant material and making a judgement supported by reason is at the heart of the task entrusted to regulators,’ AER chairman Mr Andrew Reeves said.

New Zealand Commerce Commission Seeks Submissions on UBA Competition Review

Under the Telecommunications Act 2001, the New Zealand Commerce Commission (NZCC) is required to review the competition conditions relating to the Unbundled Bitstream Access (UBA) determination made in December 2007. The UBA service allows telecommunications companies wholesale access to, and interconnection with, Telecom’s fixed public data network to supply broadband services to their retail customers without having to replicate Telecom’s copper local loop. The UBA determination sets the standard terms for which access is provided. In the competition review the NZCC is required to assess whether or not Telecom faces effective competition in providing the UBA service. If Telecom does face effective competition in the relevant market then the standard terms determination does not apply to that market. The NZCC issued a preliminary draft in October 2010, and following receipt of submissions, released a revised draft on 8 June 2011.

The NZCC defines the relevant market in which the UBA service is supplied as the wholesale market for broadband access in each of Telecom’s Exchange Service Areas (ESA). In each ESA, end-users either receive broadband services directly from exchange-based equipment (non-cabinetised lines) or from equipment located in a fibre-fed roadside cabinet (cabinetised lines). The NZCC’s revised view is that the relevant market includes both cabinetised and non-cabinetised lines as Telecom would be constrained both by direct wholesale competition (cabinetised lines) and by indirect competition at the retail end (non-cabinetised lines). The NZCC has retained its draft view that mobile broadband does not currently place sufficient competitive constraint on the UBA service as it is largely seen by consumers as a complement rather than substitute to fixed-line broadband and currently faces speed and capacity constraints.

The NZCC has revised its competition assessment criteria for whether there is effective competition for UBA services. The NZCC now considers that Telecom faces effective competition in an ESA where two or more competing providers are present and Telecom has a market share of less than 80 per cent. In deciding the market share threshold of 80 per cent the NZCC used geo-spatial mapping to determine if the areas where the effects of competition have been observed were adequately reflected. In revising the draft decision the NZCC has had regard to relevant recent decisions of the UK Office of Communications and the Australian Competition Tribunal. Based on the revised competition assessment criteria and market definition, the NZCC identified 27 ESAs where the standard terms of the UBA will not apply, as there are at least two competing providers with a combined market share of 20 per cent or more.

The NZCC’s review has also considered whether or not it is appropriate to include price data from both regulated and unregulated ESAs when calculating the regulated UBA price. On balance, the NZCC’s preliminary view is that price data from non-regulated ESAs should be excluded from the calculation. The NZCC’s main reasons are that including non-regulated prices could lead to reduced incentives for access seekers to invest in their own infrastructure, and therefore could lessen infrastructure-based competition in the future, and reduced incentives for Telecom to compete aggressively in unregulated ESAs. The NZCC notes however that, as a consequence, end-users in regulated areas may miss out on the benefits of lower prices in non-regulated (more competitive) areas. The NZCC intends to conduct six-monthly reviews to refresh the analysis.
that underpins the competition assessment. The NZCC may also undertake *ad hoc* reviews if there are material grounds to do so. Read more

**The IPART Regulated Retail Electricity Pricing Determination**

In March 2010 IPART released its determination on regulated electricity prices from 2010 to 2013. As part of its decision the IPART established a mechanism to update the energy cost allowance annually. On 14 June 2011 the IPART released its decision on changes in regulated electricity retail prices in NSW from 1 July 2011. This decision also included cost pass-through applications relating to changes that the Federal Government made to its Renewable Energy Target on 1 January 2011. The IPART determined that, including inflation, final average regulated electricity prices from 1 July will increase by:

- 17.9 per cent for EnergyAustralia’s customers
- 15.5 per cent for Integral Energy’s customers
- 18.1 per cent for Country Energy’s customers.

These price increases average to 17.3 per cent across New South Wales (NSW) and are broadly consistent with the draft report released in April 2011, where the IPART announced an average increase of 17.6 per cent. The IPART’s report includes detailed analysis of the impact of this decision on customers across NSW. The greater part of the 1 July price increases is due to increased network charges (adding 9 percentage points) and the Federal Government’s Renewable Energy Target (RET) scheme (adding 6 percentage points). The price increases do not include the costs of the NSW Solar Bonus Scheme, as the NSW Government has agreed to fund these costs in 2011-12. The IPART made a number of recommendations of changes to government policy to ensure that customers are not paying more than necessary, including:

- reviewing the National Electricity Rules to ensure network prices reflect the efficient cost of supply;
- the Federal Government should eliminate the solar credits multiplier from its Renewable Energy Target scheme;
- the NSW Government should require electricity retailers to redistribute the financial gains they make from the Solar Bonus Scheme to the NSW Government to offset the costs of the scheme;
- immediate action being taken to ensure that there is sufficient funding available for emergency assistance for customers in unexpected financial distress; and
- the NSW Government review its overall package of customer assistance measures to make sure that it is delivering the best possible assistance to customers.
Regulatory News

2011 ACCC Regulatory Conference

The Twelfth ACCC Regulatory Conference to be held at the Sofitel Hotel in Brisbane on 28 and 29 July is now sold out. A final program is on the website. It will be Graeme Samuel’s last conference as the chair of the ACCC. As is usual practice Graeme will provide an introduction to the conference and this year he will also give the conference dinner speech reflecting upon the eight years of his chairmanship.

New ACCC/AER Working Paper

In May this year the third paper in the working paper series was published on the ACCC website. The paper, *The Fifty Most Important Papers in the Economics of Regulation*, summarises what Dr Darryl Biggar considers to be the most important papers in the field in regulatory economics. The survey attempts to put each paper in its historical context, to explain the key contribution of the paper, and to show the impact of the paper on subsequent practical and theoretical developments.

Working paper three is available at the following link.