network

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Critical Issues in Regulation – From the Journals

Efficiency and Equity Impacts of Energy Subsidies, Robert Hahn and Robert Metcalfe, *American Economic Review*, 111, 5, May 2021, pp. 1658-1688.

This paper is about the suggestion from economic theory that energy subsidies can lead to excessive consumption of energy and environmental degradation. Beginning with the contention that the precise impact of energy subsidies is not well understood, the authors analyse a large energy subsidy scheme to throw light on the impact of energy subsidies.

The subsidy scheme that is analysed is the California Alternate Rates for Energy (CARE) program. CARE provides a price reduction for low-income consumers of natural gas and electricity. Using a natural field experiment, the authors estimate the price elasticity of demand for natural gas to be about −0.35 for CARE customers. An economic model of this subsidy yields three main results. First, the natural gas subsidy appears to reduce welfare. Second, the economic impact of various policies, such as cap-and-trade, depends on whether prices for various customers move closer to the marginal social cost of provision. Third, it is estimated that benefits to CARE customers would need to increase by six per cent to offset the costs of the program.

The authors also believe that their research has implications for policies that could improve economic welfare. One approach to improving economic welfare and reducing emissions may be to eliminate or reduce energy subsidies. While this recommendation is in line with suggestions of previous authors, the analysis in this paper seeks to define more precise conditions under which such subsidy removal could be welfare enhancing. The authors' main point here is that, if subsidies move prices away from marginal social costs, then they are likely to reduce economic efficiency.

Another suggested approach to improving welfare is to revisit the overall pricing structure for energy utilities. It may, for example, be possible to set prices equal to the marginal social cost, and use fixed charges to address the revenue requirements of utilities and transfers to lower-income groups. The authors see that a key design challenge is to develop a relatively simple pricing scheme that achieves both equity and efficiency objectives.

There are four numbered sections in the paper: Background and Design (three subsections); Results (four subsections); The Welfare Effect of the CARE Price Subsidy (three subsections); and Conclusion.

There are 85 items in the reference list with year of publication ranging from 1927 to 2021. Economists cited include Hunt Allcott, William Baumol, Severin Borenstein, David Bradford, James Bushnell, Amy Finkelstein, Arnold Harberger, Catherine Hausman, James Heckman, Ito Koichiro, Ian Little, James Mirrlees, Ian Parry, Frank Ramsey, Peter Reiss, Ariel Rubinstein, Agnar Sandmo and Frank Wolak.

A classic reference is: Frank Ramsey, 'A Contribution to the Theory of Taxation', *Economic Journal*, 37, 1927, pp. 47-61.

The article can be accessed by subscription to the *American Economic Review*.

Contents

Global Public Goods: A Survey, Wolfgang Buchholz and Todd Sandler, *Journal of Economic Literature*, 59, 2, 2021, pp. 488-545.

This survey paper is about an investigation of what Wolfgang Buchholz and Todd Sandler see as the increasing importance of global public goods (GPGs). The authors identify six key GPGs: reducing climate change; eradicating infectious diseases; instituting universal regulatory practices; preserving world peace; discovering scientific breakthroughs; and limiting financial crises. The authors describe their context of an 'interdependent world, driven by ever-growing, cross-border externalities and public good spillovers'. They see novel technologies, enhanced globalisation, and population increases as three of the main drivers of the emergence of GPGs.

The survey paper presents what the authors regard as a 'compact theoretical foundation for GPGs, grounded in the provision of public goods'. Because countries may either be contributors or non-contributors to a particular GPG, coalition formation (voluntary cooperation by a subgroup of countries) and behaviour play a role in the analysis. Further, strategic interactions between a contributor coalition and other countries are also important. Recurrent themes in this survey paper include: strategic considerations; alternative institutional arrangements; GPGs' defining properties; new actors' roles; and collective-action concerns.

Four properties of GPGs are identified – the extent of non-rivalry of the benefits, the degree of non-excludability from experiencing the benefits, aggregator technology (indicates how countries' contributions to the GPG determine the overall level of the good that is available for consumption or use), and spillover range (from regional to global). These four properties influence the GPGs' supply prognoses and the need for, and form of, provision intervention, which may affect the requisite institutional changes.

Three representative case studies illustrate how theoretical insights inform policy and empirical tests. Regional public goods are shown to involve a question of subsidiarity and to involve different actors as compared to GPGs.

There are eleven sections in the paper: Introduction; Background Concepts (three subsections); The Baseline Model; Generalisation of Baseline Model (seven subsections); GPG Coalitions; Institutional Considerations (two subsections); GPG Case 1: Climate Change (two subsections); GPG Case 2: Biodiversity; GPG Case 3: Global Health (two subsections); Regional Public Goods (two subsections); and Concluding Remarks.

There are 298 items in the reference list with year of publication ranging from 1954 to 2021. Economists cited include Gary Becker, Vincent Boucher, James Buchanan, Graciela Chichilnisky, Richard Cornes, Michael Finus, Charles Kindleberger, Margaret Kyle, James Murdoch, William Nordhaus, Mancur Olson, Elinor Ostrom, Karen Pittel, Eric Posner, Biance Rundshagen, Paul Samuelson, Robert Sugden, Jean Tirole, John Tschirhart, Hal Varian, Mark Zacher and Richard Zeckhauser.

Classic references include: Paul Samuelson, 'The Pure Theory of Public Expenditure', *Review of Economics and Statistics*, 1954, pp. 387-389; and Jack Hirshleifer, 'From Weakest-Link to Best-Shot: The Voluntary Provision of Public Goods', *Public Choice*, 1983, pp. 371-386.

The article can be accessed by subscription to the *Journal of Economic Literature*.

Access Pricing in Network Industries with Mixed Oligopoly, Shana Cui and David Sappington, *Journal of Regulatory Economics*, 59, 448, June 2021, pp. 193-225.

This paper describes an examination of the optimal design of access prices in two duopoly settings: one where both downstream suppliers are privately-owned profit-maximisers, and the other where one supplier is government-owned and seeks to maximise total welfare. The authors find that the presence of a government-owned supplier can alter optimal access prices considerably. In addition, changes in industry conditions can affect the optimal access prices for a government-owned supplier differently from those for a privately-owned supplier. For example, the access price for a private supplier typically is reduced as it becomes more efficient. In contrast, the access price for a government-owned business can increase as its efficiency increases. The authors also find that welfare can decline substantially if the access prices that are optimal when both suppliers are privately owned are implemented when one of the suppliers is government-owned. Welfare can also decline substantially if the regulator is required to set the same access price for the public and private suppliers.

The authors emphasise the importance of considering the objectives of industry suppliers when setting the prices they are charged for access to essential inputs. The optimal access price for a government-owned business generally is higher than the optimal access price for a private business, *ceteris paribus*. However, the optimal access price for a private business is the same whether its rival is government-owned or privately-owned.

To analyse the key determinants of optimal access prices most clearly, Shana Cui and David Sappington abstracted from any impediments a regulator might face in setting access prices according to ownership. While the same forces identified previously will persist in the presence of such impediments, the ideal variation in access prices will be muted by the prevailing limits on price discrimination. Further, the authors assumed the regulator can implement two-part access prices to secure non-negative profit for each industry supplier whenever aggregate industry profit is non-negative. If two-part tariffs are not feasible, a requirement to ensure non-negative profit for each supplier alters the findings in predictable ways. In particular, when the profitability constraint for a downstream supplier is binding, the supplier's access price will be reduced to ensure it can operate profitably.

Finally, the authors remark that future research might consider additional roles for access prices. For instance, access prices might be set to: encourage competition; expand the operation of the government-owned business; or enhance the welfare of particular groups of consumers. The design of access prices might also be studied where knowledge of industry conditions is more limited, or where the regulator cannot readily change access prices as industry conditions (for example, the intensity of competition) change.

There are six sections in the paper: Introduction; Related Literature; The Model; Analytic Findings; Numerical Solutions; and Conclusions. There is one Appendix.

There are 51 items in the reference list with year of publication ranging from 1979 to 2021. Economists cited include Mark Armstrong, William Baumol, David Besanko, Simon Cowan, Michael Katz, Jean-Jacques Laffont, Toshihiro Matsumura, Jean Tirole, Leonard Waverman, Tommaso Valletti, John Vickers, Ingo Vogelsang, Robert Willig and Yoshihiro Yoshida.

The article can be accessed by subscription to the *Journal of Regulatory Economics*.

The (In)efficiency of the Retail-Minus Rule, Dennis Weisman, *Utilities Policy*, 70, 2021, pp. 1-4.

This paper is about the Retail-Minus Rule (RMR) for setting the rate for a mandated wholesale service. It specifies that the rate be set by subtracting from the vertically-integrated provider's (VIP's) retail price the costs it avoids by selling the wholesale service rather than the retail service. While the RMR offers regulators an expedient method for setting wholesale prices, Dennis Weisman shows that it is efficient only under restrictive conditions. He posits that the proper test for a price squeeze would inquire whether the VIP's retail price is greater than, or equal to, the sum of the direct cost and the opportunity cost of supplying the retail service. In his model, the RMR passes this test only when the competing retail services are perfect substitutes.

In Dennis Weisman's view, setting prices for mandated wholesale services poses a significant challenge for economic regulators. The RMR is appealing because it can always produce a wholesale price when the retail market exists. However, the problem is that the RMR is efficient only under restrictive conditions. Unless the competing retail services are perfect substitutes, the wholesale price produced by the RMR exceeds the efficient level, and the proper test for a margin squeeze fails. Paradoxically, the RMR does not protect against a margin squeeze as much as it preordains one. The policy concern is that regulators seeking to promote welfare-enhancing competition may unwittingly adopt wholesale pricing rules that have precisely the opposite effect.

In terms of future research, the author suggests that the dynamic elements of this modelling framework warrant further examination. The very act of supplying access to a competitor may place downward pressure on retail prices, which means the opportunity cost component of the access price can be overstated. The suggested solution to this problem is to have access prices vary dynamically with retail prices. However, it is conceded that this too can prove problematic.

There are four sections in the paper: Introduction; Notation and Definitions; The RMR and the Proper Test for a Margin Squeeze (two subsections); and Conclusion.

There are 14 items in the reference list with year of publication ranging from 1989 to 2020. Economists cited include Mark Armstrong, William Baumol, Jerry Hausman, Alfred Kahn, Martin Perry, Michael Powell, Glen Robinson and Gregory Sidak.

The article can be accessed by subscription to *Utilities Policy*.

Demand Response: Smart Market Designs for Smart Consumers, Nicolas Astier and Thomas-Olivier Leautier, *The Energy Journal*, 42, 3, 2021, pp. 153-175.

This paper is about Peak-Time-Rebates (PTR) contracts in day-ahead electricity markets. PTR contracts reward customers for reducing their consumption when wholesale prices are high. The authors start by pointing out that these market designs create arbitrage opportunities which, under asymmetric information, incentivise strategic consumers to inflate their baseline. The authors then show circumstances where an incentive-compatible PTR design is equivalent to a variable Critical-Peak-Pricing design (vCPP), in which customers have to purchase their peak consumption at the spot price. They consider that, under asymmetric information, a relevant question is to design vCPP contracts optimally in order to achieve high enrolment rates under voluntary opt-in. In their model, this problem has different solutions depending on whether or not policy-makers choose to maintain existing cross-subsidies.

PTR contracts give consumers the right to resell the power they have purchased from their retailers into the market. Resale occurs only when the state-dependent wholesale price exceeds the fixed-contract price. Resale profit is then the price spread multiplied by the difference between the baseline consumption that would have occurred and the consumption that actually occurred. By construction, because the level of baseline consumption is consumers' private information, there exists an incentive and an opportunity to overstate baseline consumption.

The authors take asymmetric information into account when determining socially-optimal contracts. They first prove, in a general setting, that incentive compatible (IC) contracts require consumers to purchase their baseline forward at the expected spot price. However, consumers having access to a standard retail contract may not voluntarily enrol in a simple IC PTR. Equilibrium enrolment depends on the industry structure on the one hand, and on whether historical cross subsidies are maintained on the other hand. The authors suggest that complementarities may exist between both aspects. If subsidies are not maintained for non-switchers, retailers under perfect competition offer a Real Time Pricing contract (a specific form of IC PTR), and all consumers enrol. This is the most efficient outcome. If, instead, subsidies are maintained, a monopoly retailer may be in a better position to reach the second-best outcome, due to its ability to monitor the level of public spending. The authors suggest that other combinations of retail industry structures and political choices regarding historical cross-subsidies seem likely to yield inferior outcomes.

There are five sections in the paper: Introduction; Incentive Compatible Resale Projects (three subsections); IC PTR and Opt-in: A Political Crossroads (four subsections); Discussion (two subsections); and Conclusion. There is an Appendix.

There are 31 items in the reference list with year of publication ranging from 1949 to 2016. Economists cited include Marcel Boiteux, Severin Borenstein, William Hogan, Paul Joskow, Daniel Spulber, Jean Tirole, Frank Wolak and Catherine Wolfram.

The article can be accessed by subscription to *The Energy Journal*.

Industry Concentration and Information Technology, James Bessen, *Journal of Law and Economics*, 63, 3, August 2020, pp. 531-555.

This paper is about the causes of increasing industry concentration in the United States (US) since 1980. The author, James Bessen of Boston University, asks the following question: Does this increased concentration signal declining competition and the need for a new antitrust policy, or are there other factors causing greater industry concentration? The author explores the role of proprietary information technology (IT), which he hypothesises could increase the productivity of the top firms in an industry relative to others. Further, this greater productivity could, in turn, increase the market share of these top firms. The author's empirical investigation suggests that proprietary software is responsible for a substantial part of the observed increase in national levels of industry concentration. This effect appears to be related to efficiency advantages of the largest firms. These findings indicate that large and increasing investment in proprietary IT systems (approximately US$250 billion per year) is affecting industry structure. Further, James Bessen believes that it is a phenomenon that may have important public-policy implications. Moreover, these changes are occurring across all sectors of the US economy; they are not just about 'Big Tech'.

The empirical investigation in the paper suggests to the author that use of proprietary IT is strongly associated with industry concentration across a wide range of sectors, and that the link is sufficiently large to account for much of the recent increase in industry concentration. The instrumental-variable multiple-regression analysis carried out by the author provides some support for the notion that this relationship is also causal. The author's view on causality is further supported by evidence that the use of proprietary IT is associated with greater labour productivity, especially among the top four businesses in each industry. Proprietary IT is therefore seen as being associated with a widening productivity gap between the top firms and the rest.

In addition to the role of proprietary IT, it is suggested that a general decline in competition might also play a role in increasing concentration and increasing profits. However, the evidence regarding the role of declining competition is mixed – activity in mergers and acquisitions seems unrelated to industry concentration, and the regression analysis suggests that the residual time trend in operating margins is not positive once intangible investments are taken into account.

Overall, the analysis suggests that the recent general increase in industry concentration is not mainly the result of anticompetitive activity, and, in the author's view, it should not worry antitrust authorities in the US. While there may be other reasons to question antitrust policies, the general increase in industry concentration in the US does not appear to be a direct result of lax antitrust enforcement.

There are six sections in the paper: Introduction; Background: Why Information Technology?; Identification; Data (four subsections); Empirical Findings (six subsections); and Conclusion.

There are 50 items in the reference list with year of publication ranging from 1973 to 2019. Economists cited include David Autor, Simcha Barkai, Nicholas Bloom, Bronwyn Hall, Marc Melitz, Sam Peltzman, Richard Schmalensee and Carl Shapiro.

A classic reference is: Harold Demsetz, 'Industry Structure, Market Rivalry, and Public Policy', *Journal of Law and Economics*, 16, 1973, pp. 1-9.

The article can be accessed by subscription to the *Journal of Law and Economics*.

Back to the Good – or Were They the Bad – Old Days? A Review Essay of Jonathan B Baker's *The Antitrust Paradigm: Restoring a Competitive Economy*, Clifford Winston, *Journal of Economic Literature*, 59, 1, March 2021, pp. 265-284.

This essay is a review of Jonathan B Baker's book, *The Antitrust Paradigm: Restoring a Competitive Economy*. Jonathan B Baker (American University) argues that competition is inadequate in many US markets and that antitrust could and should be strengthened to restore competition and benefit consumers. Clifford Winston (Brookings Institution) describes the book as 'an unrelenting critique of what he believes is the University of Chicago's harmful influence on what was once an effective antitrust policy'. The reviewer compresses Jonathan Baker's book into four issues (see below) that economists can debate. He also offers an alternative view that is claimed to be more supportive of the current state of industry competition, the efficacy of market forces, and the case for limited antitrust intervention.

As compiled by Clifford Winston these are the four issues covered in Jonathan B Baker's book:

Issue 1: Competition in most markets is inadequate and consumers incur large welfare losses that are not reduced by market forces. Chapter 1 discusses market power in an era of antitrust.

Issue 2: The Antitrust authorities are undermined. Chapter 2 discusses the lack of political support among policy officials for antitrust, and chapter 3 discusses how ideology can adversely affect antitrust policy and enforcement.

Issue 3: The United States (US) could realise significant welfare gains if the antitrust laws and enforcement were reformed to address the lack of competition and the growing dominance of high-technology firms. Chapter 4 discusses the costs of errors in antitrust enforcement, chapter 5 critiques arguments against antitrust enforcement, and chapters 6 through 9 discuss the benefits of addressing market power and its abuse in the information economy.

Issue 4: The antitrust enterprise can be restored to become more effective and to benefit the public. Chapter 10 discusses how antitrust policy can contribute to restoring a competitive US economy.

Clifford Winston observes that Industrial Organisation research has not provided a persuasive theoretical and empirical basis for rejecting a limited antitrust enforcement policy. In his view, Jonathan B Baker's book 'makes a valiant case' in favour of greater antitrust enforcement which should encourage others who share his views to build on his arguments to strengthen that case. Nevertheless, it also should alert those who disagree with Jonathan B Baker that more research is needed to guide antitrust policy as new technologies create challenges for markets to maintain a strong competitive environment and to protect consumer welfare.

There are seven sections in the paper: Introduction; The Inadequacy of Competition in US Industries; An Alternative View of US Industry Competition (three subsections); Constraints on the Performance of the Antitrust Enterprise (two subsections); The Benefits from Reforming and Strengthening Antitrust Enforcement (three subsections); The Antitrust Enterprise Can be Restored and Effective (two subsections); and Antitrust and Industrial Organisation.

There are 66 items in the reference list with year of publication ranging from 1952 to 2020. Economists cited include William Baumol, Dennis Carlton, Robert Dansby, Harold Demsetz, Milton Friedman, Richard Gilbert, William Kovacic, Richard Nelson, Sam Peltzman, Richard Posner, Carl Shapiro, George Stigler, Gregory Werden and Robert Willig.

The article can be accessed by subscription to the *Journal of Economic Literature*.

Competitive Differential Pricing, Yongmin Chen, Jianpei Li and Marius Schwartz, *The RAND Journal of Economics*, 52, 1, Spring 2021, pp. 100-124.

This paper is about the welfare properties of uniform pricing *versus* differential pricing in oligopoly when markets differ in costs of providing the service. The authors observe that markets where costs of providing the service differ have previously gone largely unexplored. In a standard setting where producers face symmetric demands, the authors show that the effects of cost-based differential pricing depend on whether products are homogeneous or differentiated; and on whether producers have symmetric or asymmetric costs.

With symmetric costs and homogeneous (undifferentiated) products, differential pricing maximises consumer welfare, whereas uniform pricing does not. Profits are zero in both regimes. With differentiated products, differential pricing benefits consumers and producers under conditions met by many standard demand functions. The systematic force driving higher profit is cost savings from reallocating output between markets by adjusting prices – consumers benefit from this price dispersion provided average price does not increase too much. Stronger competition tends to shift more of the gains from differential pricing away from producers toward consumers.

In the authors' model, cost-based differential pricing in oligopoly can have what they describe as 'subtle welfare effects'. Where oligopolists have symmetric costs, profit can decrease with differential pricing. Potentially, consumer surplus can also decrease. However, such outcomes require demand conditions that seem to the authors to be 'rather stringent'. When oligopolists have asymmetric costs, differential pricing can reduce profit or, under an alternative cost configuration, reduce consumer surplus. This can be even for what the authors regard as standard demand functions, such as linear demand.

The authors conclude that elucidating these effects and the underlying economic forces contributes to an understanding of a significant issue in economics. They see this result as in parallel to the extensive studies on third-degree price discrimination.

There are five sections in the paper: Introduction; A Model with Symmetric Firms; Welfare Analysis (six subsections); Firms with Asymmetric Costs (two subsections); and Conclusion. There is one Appendix.

There are 21 items in the reference list with year of publication ranging from 1944 to 2021. Economists cited include Inaki Aguirre, Simon Cowan, Thomas Holmes, David Myatt, Peter Neary, Martin Shubik, John Vickers, Frederick Waugh and Eric Weyl.

A classic reference is: Frederick Waugh, 'Does the Consumer Benefit from Price Instability?', *Quarterly Journal of Economics*, 58, 1944, pp. 602-614.

The article can be accessed by subscription to *The RAND Journal of Economics*.

Regulatory Decisions in Australia and New Zealand

Australia

Australian Competition and Consumer Commission (ACCC)

Fifth Report on Airline Competition in Australia Released

On 29 September 2021 the ACCC released its Fifth Report on **Airline Competition in Australia**, reporting on the monitoring of Australia's domestic passenger air transport services.

Measuring Broadband Australia Fourteenth Quarterly Report Released

On 31 August 2021 the ACCC released its **Fourteenth Quarterly Report** on measuring broadband performance on fixed-line NBN connections.

ARTC Interstate Rail Network Regulatory Framework – Issues Paper

On 25 August 2021 the ACCC released its **Issues Paper** regarding the regulatory framework for the ARTC's Interstate Rail Network. The ACCC is seeking the views of stakeholders on whether and how the Interstate Rail Network should be regulated.

NBN Wholesale Market Indicators Report for June Quarter 2021 Published

On 20 August 2021 the ACCC published its NBN Wholesale Market Indicators Report for the June quarter of 2021.

Inquiry into Gas Supply – Eleventh Interim Report Published

On 17 August 2021 the ACCC **published** its eleventh interim report of its Inquiry into Gas Supply in Australia.

ARTC's Compliance under the Hunter Valley Access Undertaking – Final Determination

On 10 August 2021 the ACCC published its **Final Determination** for ARTC's Annual Compliance for 2018. ARTC was found to be in accordance with all the requirements under the Hunter Valley Access Undertaking.

Viterra's Port Lincoln and Thevenard Wheat Ports Not Exempt from Bulk Wheat Code

On 20 July 2021 the ACCC determined that Viterra's Port Lincoln and Thevenard Wheat Ports **were not exempt from** parts of the Port Terminal Access (Bulk Wheat) Code.

Measuring Broadband Australia, Report No. 13, June 2021, Released

On 30 June 2021 the ACCC published its **thirteenth quarterly report** on NBN speeds.

Federal Court Dismisses ACCC Case against NSW Ports / ACCC Appeals

On 29 June 2021 the Federal Court of Australia dismissed the ACCC's competition case against NSW Ports, the owner of Port Botany and Port Kembla. The Federal Court found that the Port Commitment Deeds (compensation provisions) entered into at the time of privatisation did not have anti-competitive purpose or effects in relation to any development of a container terminal at the Port of Newcastle. The **Federal Court's Judgment** was published on 20 July 2021 following the redacting of confidential material. The ACCC lodged an appeal against the Judgment on 27 July 2021.

Australian Competition Tribunal (ACT)

ACT Affirms the Treasurer's Decision not to Declare Port of Newcastle Shipping Channel Services

On 4 August 2021 the ACT affirmed the Decision of the Australian Treasurer that the shipping channel services **provided by the Port of Newcastle not be declared**. The New South Wales Mineral Council had sought review of the Treasurer's decision on 16 February 2021.

Australian Energy Market Commission (AEMC)

AEMC Strategic Plan and Priorities Launched

On 23 September 2021 **the AEMC launched its Strategic Plan and Priorities**. The Plan prioritises: recommendations made by Energy Ministers in relation to the Energy Security Board's Final advice on Post-2025 Market Design; Essential System Services; enabling and integrating Distributed Energy Resources; transmission planning and investment framework; addressing consumer vulnerability; and removing regulatory burden.

Rule Determination Published: Access, Pricing and Incentive Arrangements for Distributed Energy Resources

On 12 August 2021 the AEMC **published its Final Rule Determination** on Access, Pricing and Incentive Arrangements for Distributed Energy Resources. The AEMC comments that the 'reforms are designed to get more small-scale solar into the grid and to support the growth of batteries and electric vehicles'.

Australian Energy Market Operator (AEMO)

2021 Electricity Statement of Opportunities Report Released

On 31 August 2021 the AEMO released its 2021 Electricity Statement of **Opportunities Report** containing forecasts of electricity supply in the National Electricity Market for the next five years.

Inputs, Assumptions and Scenarios Report 2021 Published

On 30 July 2021 the AEMO published its **Inputs, Assumptions and Scenarios Report** for 2021.

Australian Energy Regulator (AER)

Final Working Paper for the Rate of Return Instrument 2022 Released

On 22 September 2021 the AER **released the final Working Paper** for the Rate of Return Instrument 2022, titled *Term of the Rate of Return & Rate of Return and Cash Flows for a Low Interest Rate Environment*.

High Wholesale Electricity Prices above $5000 per MWh in Queensland on 21 July 2021 – AER Report

On 17 September 2021 the AER released its Report on **high wholesale electricity prices** on 21 July 2021. The incident occurred in Queensland and was related to outages and reduced availability of generators combined with record high winter demand.

High Wholesale Electricity Prices above $5000 per MWh in New South Wales on 14 July 2021 – AER Report

On 8 September 2021 the AER released its **Report on high wholesale electricity prices on 14 July 2021**. The incident occurred in New South Wales and the 'main drivers were reduced supply and high demand'.

AEMO Inputs, Assumptions and Scenarios Report 2021 – AER Transparency Review Complete

On 30 August 2021 the AER announced that it had **completed its transparency review of AEMO's** Inputs, Assumptions and Scenarios Report 2021.

High Electricity Prices on 10 June 2021 – AER Report

On 9 August 2021 the AER **released its Report on Wholesale Prices above $5000/MWh** in Queensland and New South Wales on 10 June 2021. The incident was associated with high demand and reduced supply.

New Reg – Final Consultant's Evaluation Report Released

On 2 August 2021 the AER released **the Final Evaluation Report of the New Reg Trial prepared by** Cambridge Economic Policy Associates.

High Wholesale Electricity Prices on 3 June 2021 – AER Report

On 2 August 2021 the AER **released its Final Report** on high wholesale electricity prices in the National Electricity Market in Queensland on 3 June 2021. The drivers included planned and unplanned generator outages and planned line outages for the Queensland-NSW interconnector.

High Wholesale Electricity Prices on 25 May 2021 – AER Report

On 21 July 2021 the AER released its Report on **High Wholesale Electricity Prices on 25 May 2021** in Queensland. The main driver was a reduction in access to low-priced capacity.

High Wholesale Electricity Prices on 17 and 18 May 2021 – AER Report

On 8 July 2021 the AER **released its Report** on high wholesale electricity prices in New South Wales, Victoria and South Australia on 17 and 18 May 2021.

National Competition Council (NCC)

Application to Extend the Queensland Rail Access Regime – Final Recommendation Published

On 15 September 2021 the NCC published its final recommendation to **extend the Queensland Rail** Access Regime for a period of 15 years.

Application to Extend the Dalrymple Bay Coal Terminal Access Regime – Final Recommendation Published

On 15 September 2021 the NCC **published its final recommendation** to extend the Dalrymple Bay Coal Terminal Access Regime for a period of ten years.

Australian Capital Territory

Independent Competition and Regulatory Commission (ICRC)

ACT Retail Electricity (Transparency and Comparability) Code Guideline Finalised

On 3 September 2021 the ICRC published its Final ACT Retail Electricity (Transparency and Comparability) **Code Guideline**.

New South Wales

Independent Pricing and Regulatory Tribunal (IPART)

Maximum Prices that Water Administration Ministerial Corporation (WAMC) and Water New South Wales Can Charge: Final Reports

On 9 September 2021 the IPART **released its Final Reports** on the maximum prices that WAMC and Water New South Wales can charge their respective customers from 1 October 2021.

Northern Territory

Utilities Commission

Review of Port of Darwin Reporting Guidelines Complete

On 25 August 2021 the Utilities Commission **issued its new Reporting Guidelines for the Port of Darwin** following the completion of its Review.

Port of Darwin – Changes to Standard Charges for Prescribed Services

On 8 July 2021 the Utilities Commission **announced** that the Port of Darwin had, on 1 July 2021, increased its prescribed charges, other than the port induction charge which was unchanged, by 2 per cent.

Queensland

Queensland Competition Authority (QCA)

Inflation Forecasting Review – Draft Position Paper

On 23 July 2021 the QCA published **its Draft Position Paper** for the Inflation Forecasting Review 2021.

Dalrymple Bay Coal Terminal 2021 Access Undertaking

On 1 July 2021 the QCA announced that the **Dalrymple Bay Coal Terminal 2021 Access Undertaking** had come into effect.

South Australia

Essential Services Commission of South Australia (ESCOSA)

SA Water Regulatory Determination 2024 – Final Framework and Approach

On 16 September 2021 the ESCOSA **released** its Final Framework and Approach for its SA Water Regulatory Determination 2024.

Regulatory Arrangements for Small-Scale and Off-Grid Water, Sewerage and Energy Services – Final Inquiry Report

On 13 July 2021 the ESCOSA **published its Final Inquiry Report** on regulatory arrangements for small-scale and off-grid water, sewerage and energy services.

Tasmania

Office of the Tasmanian Economic Regulator (OTTER)

No reportable items during this period.

Victoria

Essential Services Commission (ESC)

Victorian Default Offer Price for first Half of 2022 – Draft Decision

On 7 September 2021 the ESC **published its Draft Decision on the Victorian Default Offer Price** for the first half of 2022.

Western Australia

Economic Regulation Authority (ERA)

Weighted Average Cost of Capital for Rail – 2021 Determination

On 28 July 2021 the ERA **published its 2021 Determination** of the weighted average cost of capital for Rail.

New Zealand

New Zealand Commerce Commission (NZCC)

Fonterra's Base Milk Price – Final Report Published

On 15 September 2021 the NZCC **published its Final Report** on Fonterra's bulk milk price in the 2020-21 dairy season.

Transpower's Further Power Line Upgrade Approved

On 10 September 2021 the NZCC **approved Transpower's** additional capital expenditure of NZ$14.59 million on a power-line upgrade in South Auckland.

Measuring Broadband Performance New Zealand – Winter Report Published

On 26 August 2021 the NZCC published **its Winter Report** on Measuring Broadband Performance New Zealand.

Value of Chorus's Fibre Network – Draft Decision

On 19 August 2021 the NZCC **published its Draft Decision** on the value of Chorus's Fibre Network for regulatory purposes ('Regulatory Asset Base').

Network is a quarterly publication of the Australian Competition and Consumer Commission for the Utility Regulators Forum. For editorial enquiries please contact Rob Albon (Robert.Albon@accc.gov.au) and for mailing list enquiries please contact Genevieve Pound (Genevieve.Pound@accc.gov.au).