

23RD APRIL, 2004



Mr Sebastian Roberts
General Manager
Regulatory Affairs – Electricity
Australian Competition & Consumer Commission
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MELBOURNE VIC 3001

e-mail: electricity.group@acc.gov.au

Dear Sir or Madam,

ACCC's Draft Decision on the review of the regulatory test for network augmentations

The Energy Retailers' Association of Australia ("ERAA") welcomes the opportunity to comment upon the "Draft Decision – Review of the Regulatory Test for Network Augmentations" ("the Draft Decision") recently released by the ACCC. The ERAA considers the Regulatory Test a key mechanism in determining the relative merits of network augmentation proposals. Further, we consider that there is a current lack of confidence within the industry surrounding the consistent application of the Regulatory Test which needs to be resolved in order to provide confidence, clarity of application, and to minimise the scope for disputes about network augmentation proposals.

The ERAA is supportive of the 3 options proposed in the Draft Decision, namely the minor changes to align the Regulatory Test with the National Electricity Code, definitional changes to add clarity and the inclusion of competition benefits into the Regulatory Test (although the ERAA has a view that competition benefits are, in theory, able to be incorporated into a Regulatory Test analysis already, though with no methodology for the analysis included). For this reason the ERAA considers the determination of a common methodology to be used by network operators when capturing competition benefits is the most important aspect requiring clarification and expansion as a means of preventing disputes.

We therefore suggest that the 3 proposed options for changing the Regulatory Test are progressed through a final decision stage as quickly as possible in order that the changes can be implemented and take effect from 1 July 2004.

The ERAA does not have a consensus position in relation to what methodology should be used to assess competition benefits (for example market simulations verses HHI etc). However we agree that a partial equilibrium analysis to assess net benefit to the market is most appropriate and that wealth transfers should be excluded.

We would be pleased to discuss the comments contained in this submission if required. In this regard, please do not hesitate to contact me on 0419 444 112.

Yours sincerely

[transmission by e-mail](#)

Deane Russell
Executive Director
Energy Retailers Association of Australia Inc.