

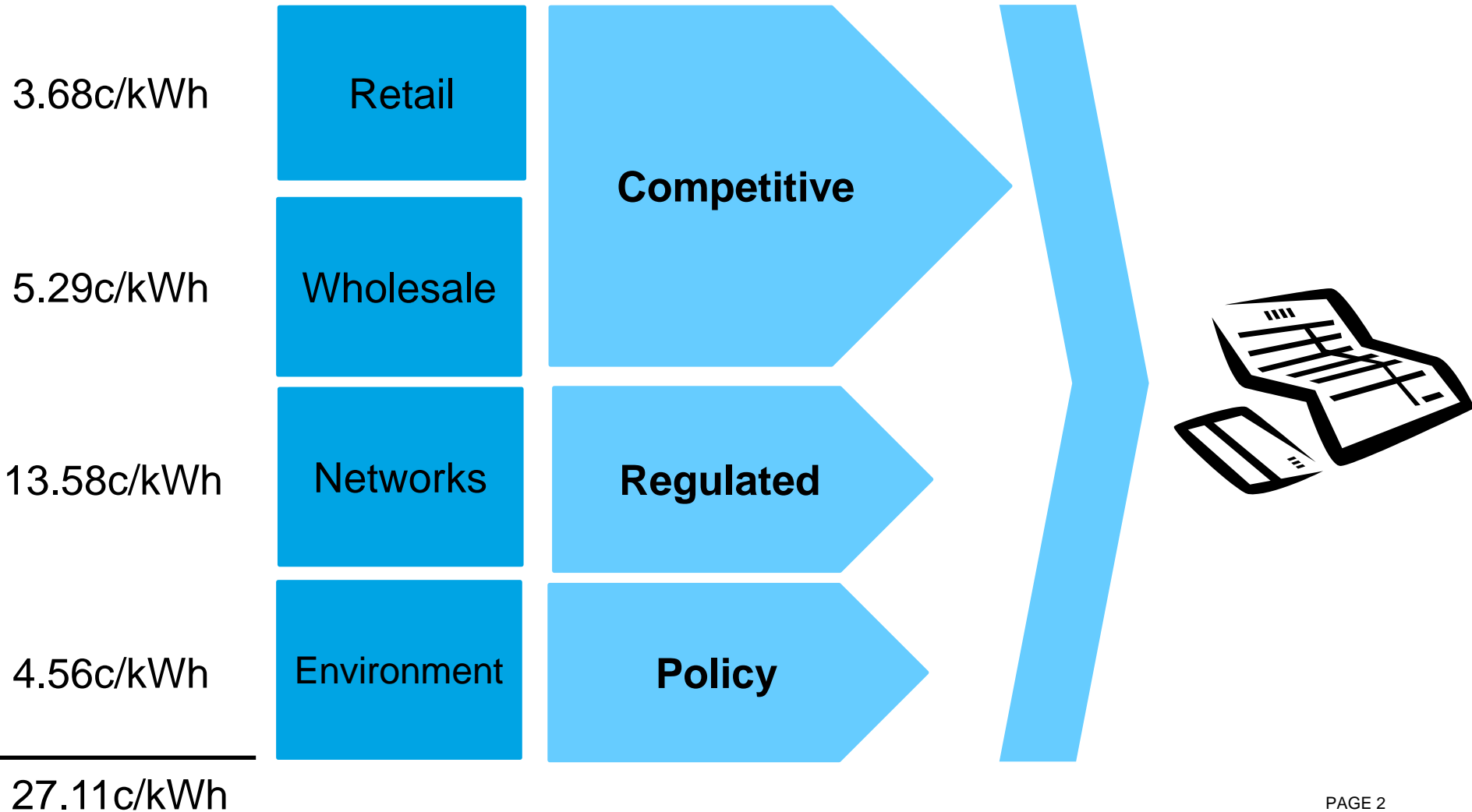
Empowering consumers in the regulatory framework

Asia Pacific Energy Regulatory Forum, 27 August 2014



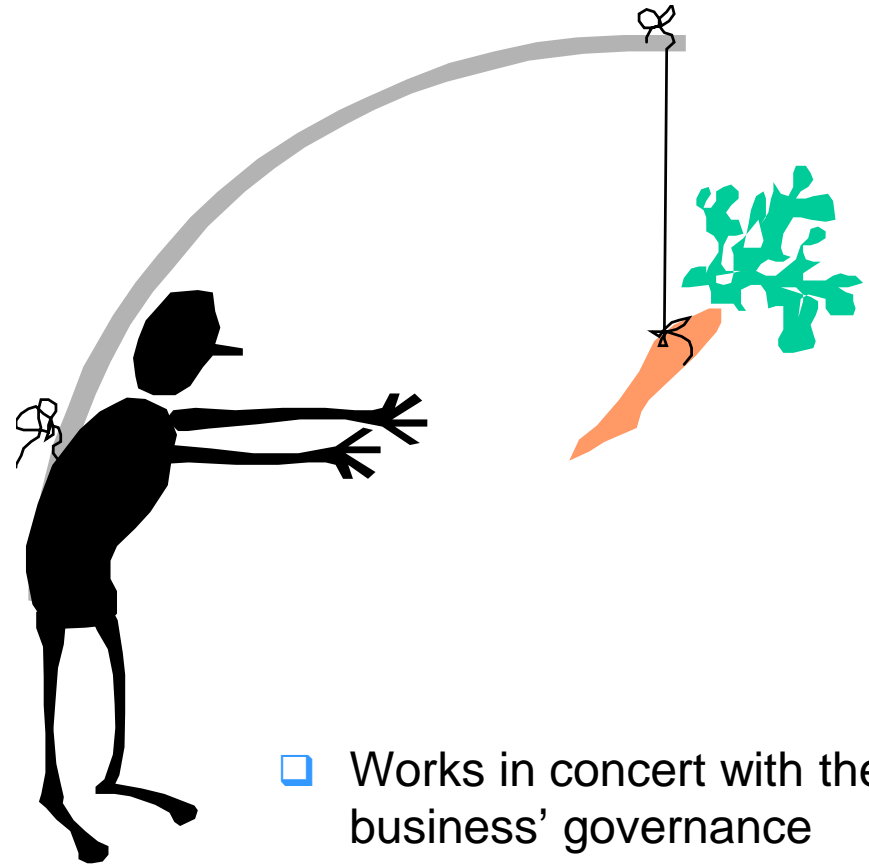
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Consumer bills are a function of what happens in the competitive, regulated and policy sectors



An incentive based regulatory framework where revenues are based on efficient/benchmark costs

- ❑ Business submits forecast of revenues for fixed period – 5 years.
- ❑ Forecast as approved by regulator sets cap for period.
- ❑ Business receives the revenue from customers each year.
- ❑ Any difference between the revenue received and actual costs is kept/borne by the business.
- ❑ At the next reset, the regulator sees the actual costs of the business which informs the next reset.



- ❑ Works in concert with the business' governance arrangements.

Network regulation rules and consumer engagement

Requirements for businesses

- ❑ Incentives to consult with its customers (regulator required to take it into account when approving opex and capex allowance)
- ❑ Must provide a plain English overview paper of its proposal
- ❑ Transparency around confidential information claims used in proposal

Requirements for the regulator

- ❑ Regulator required to publish an issues paper on a business' regulatory proposal
- ❑ Regulator required to hold a public forum to discuss its issues paper and the business' proposal
- ❑ Regulator calls for submissions with issues paper and following a draft determination
- ❑ Regulator required to take into account all submissions made as part of regulatory process

Consumer Challenge Panel

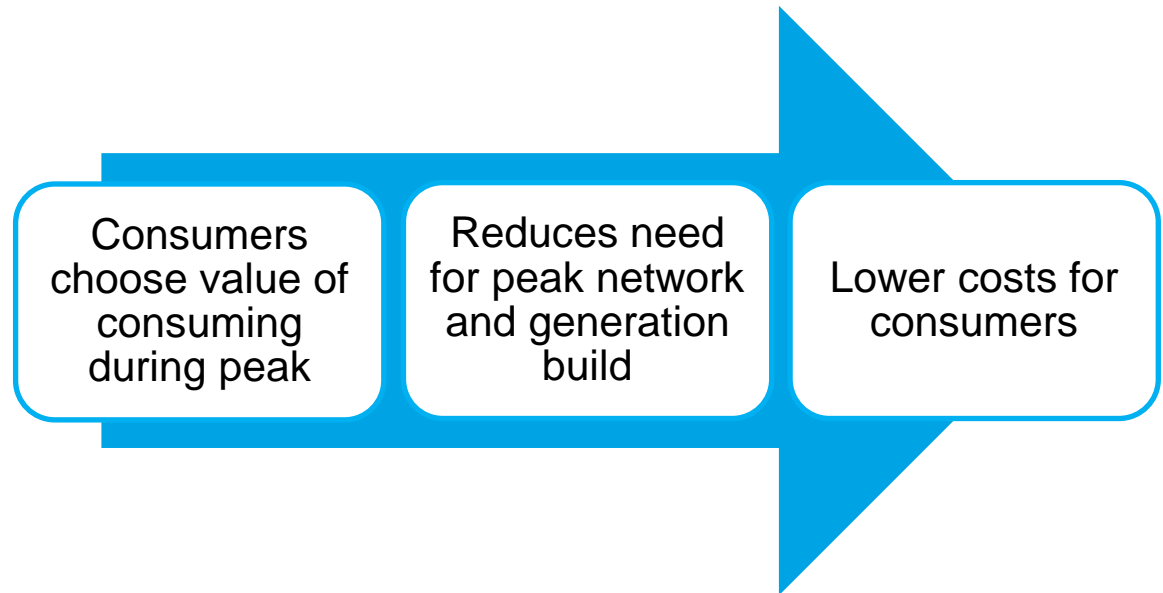
- ❑ Panel of experts appointed by the regulator
- ❑ Advise regulator on the issues that are important to consumers as regulator assesses the business' regulatory proposal
- ❑ May be requested to provide advice to other bodies, eg energy advocate, AEMC, or COAG Energy Council

Consumer engagement is necessary for efficient investment outcomes on both sides of the meter

Objective: value of energy services to consumer \geq the costs to the system of supplying them

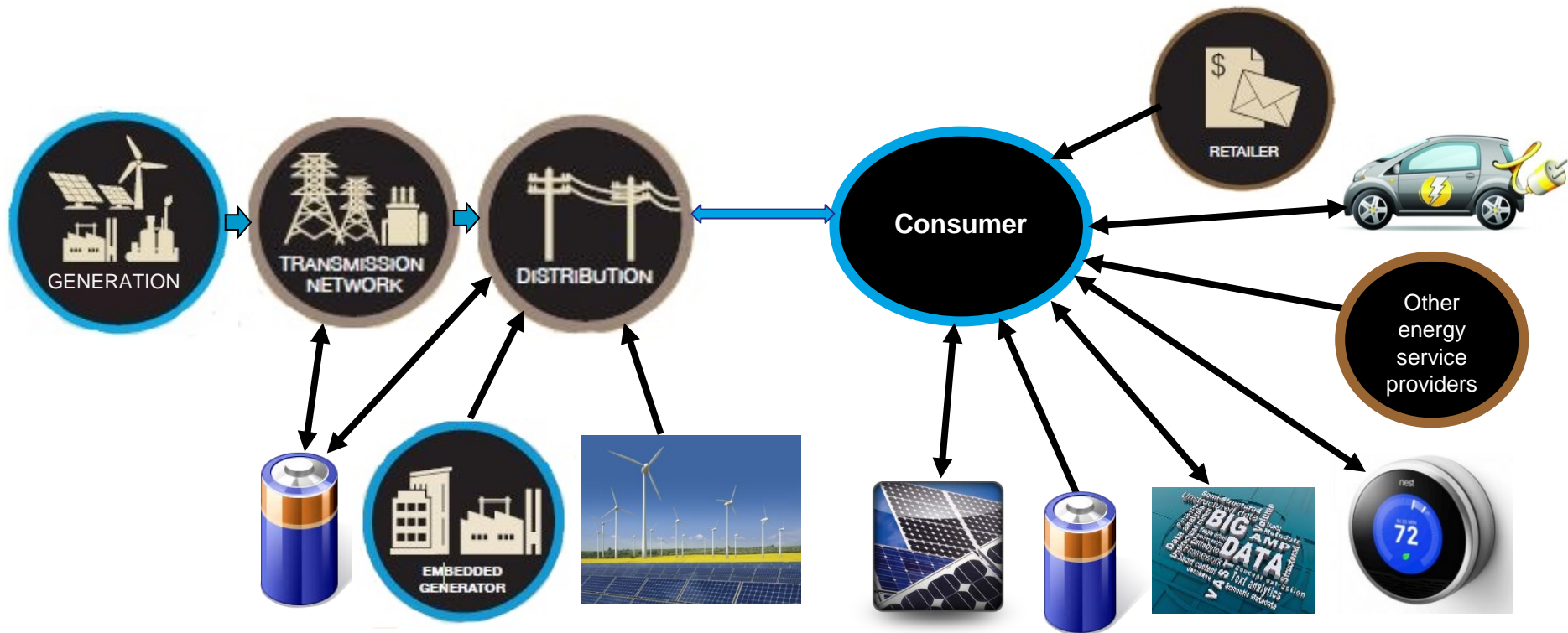
❑ Requires two conditions to be met:

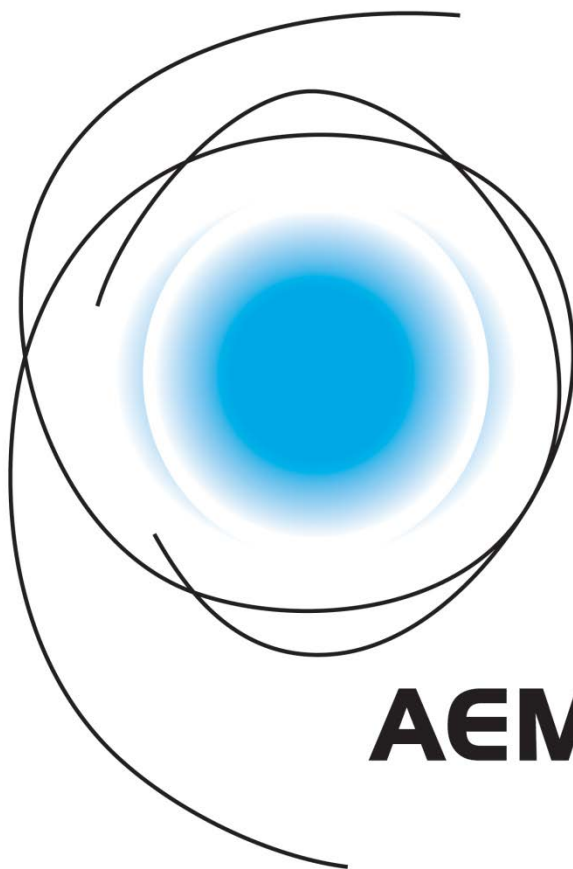
- i. Revenues set based on efficient costs
- ii. Network prices faced by individual consumers to be structured to reflect the costs of supplying them



- ❑ Impacts on investment decisions upstream and downstream
- ❑ Removes cross-subsidies between customer groups
 - High peak vs low peak users now paying for the costs they cause on the system

Consumers will benefit from market arrangements that facilitate greater choice





AEMC