



AUSTRALIAN INDUSTRY
GROUP

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Australian Energy Market Commission
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H M Ridout
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Dear Sir

The strong and ongoing rise in delivered energy prices is a central concern for the Australian Industry Group and the 60,000+ businesses that we represent. We understand that there are many factors at work pushing electricity, and eventually gas, prices upwards. Carbon pricing will soon have a substantial impact. Other green schemes are already making a mark. Liquefied Natural Gas exports will bring gas prices closer to international levels. In turn, higher prices for thermal coal and natural gas will feed in to wholesale electricity markets.

However, by far the largest source of electricity price rises to date has been network charges, driven by enormous growth in capital investment.

It is essential that regulation of Australia's energy market responds efficiently to the need for capital investment in Australia's transmission and distribution networks. Population growth, an ageing capital stock and growing peak demand all imply substantial costs for new, replaced or reinforced networks. Higher standards for network reliability entail considerable expense. New developments in smart metering and smart grids, which should ultimately save money, also involve significant initial outlays.

However, given the size of the recent regulatory determinations by the Australian Energy Regulator (AER) it is appropriate that consideration be given to whether the current regulatory framework is delivering a necessary and efficient level of investment. The submissions of the AER and the Energy Users Rule Change Committee raise serious issues for consideration, and the prospect that significant savings could flow to energy consumers through more efficient and effective regulation while maintaining needed investment.

With Australian businesses under such pressure from troubled global economic conditions and the challenging strength of the dollar, there is no choice but to examine every opportunity for cost savings.

Ai Group believes these proposals deserve full consideration by the Australian Energy Market Commission. We will be closely monitoring the process over the next year for decision on these important rule changes. The consultation process coordinated by the AEMC has been extremely welcome. Events that give energy users a chance to hear directly from rule proponents, network companies and other stakeholders are vital to broaden engagement with a rulemaking process whose fundamental importance is insufficiently recognised in the wider business community. We look forward to further engagement as the AEMC develops its response to the proposed rule changes.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Heather Ridout". The signature is fluid and cursive, with a long horizontal stroke at the end.

Heather Ridout
Chief Executive