



Ethnic Communities' Council of NSW Inc.

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Mr Richard Khoe
Australian Energy Market Commission
201 Elizabeth St
SYDNEY NSW 2000

Dear Mr Khoe

Submission to National Electricity Amendment (Economic regulation of network service providers) Rule 2011

The Ethnic Communities Council of NSW (ECC) is a network of members representing culturally and linguistically diverse (CALD) communities in NSW and is a member of the Federation of Ethnic Communities Council of Australia (FECCA).

The problem

The majority of CALD community members in Australia live in Sydney. An initial recent survey of newly arrived migrants and refugees in Sydney has indicated that they are 'more likely to need to use payment options for those in financial difficulties' when paying their energy bills. However the majority of all respondents did not know about the availability of financial help for a consumer who has difficulty paying their energy bills.

The December 2010 *NSW Electricity Network and Prices Inquiry* Report noted that since 2008 electricity prices in NSW have been growing at a faster rate than average weekly earnings. This suggests that a greater proportion of household expenditure is now being spent on electricity bills. During the same time the electricity businesses, whether government owned or privately, gained large profits.

Electricity prices are made up of approximately 10 % retailer, 45% generation and transmission and 45% for distribution. The distribution price is determined by the Australian Electricity Regulator (AER) and it is the regulator's determination that impacts on the consumers.

The current regulatory framework is failing consumers and consumer advocates are unable to become involved in the determinations. The proposals submitted to the AER by the huge network and distributor business are both detailed and complex requiring expensive expertise to assess the information provided. There needs to be an onus on the distribution

businesses to assist consumers in understanding their proposals early in the process to demonstrate that business proposals are in the interests of consumers.

The national electricity objective as stated in the national electricity law is **to promote efficient investment in and efficient operation and use of electricity services for the long term interest of consumers of electricity with respect to:**

- * **Price, quality, safety, reliability and security of supply of electricity**
- * **Reliability, safety and security of the national electricity system**

In response to this objective the AER has submitted a proposal for a number of changes relating to the rules governing the assessment of distribution pricing applications. These changes are designed to ensure that electricity companies can charge no more than is necessary for the safe and reliable delivery of electricity. The AER's proposed changes seek to address a number of deficiencies in the framework for economic regulation of electricity network businesses.

Rule Change solutions

The AER changes address deficiencies in the framework for economic regulation of electricity network businesses including:

- * Placing the evidentiary burden on the businesses to prove that their proposed forecasts do reasonably reflect prudent and efficient costs.
- * ensuring network expenditure is carried out when and where it is necessary rather than based on how businesses can further profit from it.
- * Changes that reduce incentives to over invest by limiting what gets rolled into the regulatory asset base.
- * There is currently a significant amount of time, energy and ultimately consumer's money focused upon increasing the WACC to maximise the returns to business This requires more scrutiny by the policy makers to ensure that the AER has significant power to ensure that the returns to businesses capture the needs of consumers in lower prices.
- * The question of prescription or discretion is highlighted by the submission by the Energy Users association and the argument for more prescription is persuasive and the ECC supports their contention that the setting the determination of the return on debt in the rules will reduce the need for repeated consultation and hence help to reduce advocacy burdens on consumers. It will also diminish

opportunities for lobbying from well-resourced network service providers who can recover the costs of their lobbying through regulated charges.

All of the detailed changes proposed by the AER go some way to improving the process of determining the price of electricity for consumers and the ECC is in support of these rule changes.

Thank you for the opportunity to participate in the AER's consultation. If you have any queries please do not hesitate to contact Helen Scott at (02) 9319 0288 or 0425 833 892.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Franklin', with a small comma at the end.

Mark Franklin
Executive Officer
Ethnic Communities Council of NSW