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Risks to consumers as Federal Government overrides Courts and States

Energy networks support real reforms which lower energy bills but a Federal Government plan to abolish regulatory appeals would create cost and service risks for customers.

Energy Networks Australia CEO John Bradley said the Federal Government announcement that it would unilaterally abolish regulatory appeals rides roughshod over the Federal Court and the intergovernmental agreement underpinning the National Energy Market.

“Wholesale market and retail costs have been driving increases, while network costs have been falling,” Mr Bradley said.

“The decision sidelines COAG Energy Council decision-making, less than a week after the Finkel Blueprint tried to address dysfunctions in intergovernmental decision-making.

“This action would undermine basic foundations of the energy market - legislating away the powers of State Governments, the role of the Courts and the right to correct regulatory errors.

“The Finkel Review highlighted that political interventions by single governments have caused Australia’s energy crisis - they’re no solution for customers who want secure and affordable energy.”

Mr Bradley said energy networks and other stakeholders were blindsided by the Federal Government announcement which contradicted the COAG Energy Council decision in April 2017.

“Two months ago, the COAG Energy Council chaired by Minister Frydenberg agreed to finalise reforms to the appeals regime in July 2017, yet now the Commonwealth proposes to abolish the regime without consulting other Governments or impacted stakeholders,” Mr Bradley said.

“The new Western Australian Government has only just launched a consultation process with its energy stakeholders to inform a decision it thought was being made in July.

“Energy networks support reforms which genuinely lower energy costs to customers but hiding regulatory errors from independent review just risks poor service and catch up spending later.”

The COAG Energy Council Communique of 10 April, 2017 stated:

“Ministers discussed the agreement made in December to introduce significant reform elements of the Limited Merits Review regime, agreeing to finalise the changes at the next Energy Council meeting in July.”

On March 14, 2017, Minister Frydenberg responded to a South Australian Government energy plan by saying:

“We are seeking advice on whether the decision today by South Australia to go it alone is in breach of the national electricity market rules which has kept the system together for the last 20 years.”

Mr Bradley said a COAG Energy Council review of the Limited Merits Review framework last year saw 80% of stakeholders reject abolition of the appeals process (even excluding network businesses).

“The Appeals process only exists because high quality regulation produces better outcomes for customers, who end up paying more in a system where errors can on occasion go uncorrected,” Mr Bradley said.

Background:

Under Limited Merits Review, the independent Australian Competition Tribunal can identify issues in decisions by the Australian Energy Regulator (AER). The regime is there to benefit customers: By law, the independent Australian Competition Tribunal cannot overturn decisions unless it determines that there is a ‘materially preferable’ outcome for customers.

Last December, the COAG Energy Council decided to reform - not abolish - the regime. It agreed to develop a range of options including changes to the grounds for review; financial thresholds; proceeding format; timeframes and consumer participation.

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Energy Networks Australia represents Australia’s electricity transmission and distribution networks and gas distribution networks. Our members provide energy to virtually every household and business in Australia.