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FLEXIBLE REGULATION COULD BENEFIT CUSTOMERS

Energy Networks Australia has released a discussion paper that explores regulatory changes that could lead to better outcomes for both customers and businesses.

Released today at the 'Power of collaboration' seminar in Brisbane, the 'Why TOTEX' paper considers a simplified approach to the way networks' proposed expenditure is assessed by the Australian Energy Regulator.

Energy Networks Australia Chief Executive Officer Andrew Dillon said the proposed 'TOTEX' model could give network businesses greater flexibility in responding to customer needs.

"Under the current system, operating expenditure and capital expenditure are assessed separately to derive the network business' total revenue for a regulatory period," Mr Dillon said. It's a complex approach that can create incentives to favour one form of expenditure over another.

"This report proposes allocating total expenditure in one bucket to give networks a clear incentive to choose the most efficient and appropriate energy solutions for customers.

"The TOTEX approach doesn't favour one form of spending over the other and is designed to encourage a flexible response by networks to the risks and opportunities created by the energy system transformation."

Mr Dillon said the need for more flexible regulation had been promoted in a range of reports, including the Energy Networks Australia-CSIRO Electricity Network Transformation Roadmap, the 2017 Finkel Review and most recently, the ACCC Retail Electricity Pricing Inquiry.

"Having a unified TOTEX allowance would reduce complexity and streamline incentive schemes that have characterised network regulation over the past decade," he said.

"This conversation is about updating the tools, not removing protections. Any future framework would still hold networks accountable, with the regulator overseeing proposed costs and any price increases. Networks would still have to ensure business decisions align with customers' needs."

Mr Dillon said the TOTEX model was being adopted internationally, where regulatory approaches were being modernised to improve customer outcomes at a time of rapid change.

"We recognise that there will be diverse views. Our goal is to consult and look at alternative regulatory frameworks to ensure governance of our energy system evolves to meet customers' needs. Doing nothing at a time of such great transformation is not an option," he said.

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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.