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## Customer choice to drive energy regulation

Energy regulation will need to be ‘customer led’ and ‘lighter touch’ to cope with rapid technology changes, according to a report released today by the Energy Networks Association (ENA).

The report by Cambridge Economic Policy Associates (CEPA) recommends regulatory options and pathways for Australian electricity networks so that customers can get the best value from changes in technology and services.

ENA Chief Executive Officer John Bradley said technological change was transforming the way customers use electricity networks and the economics of network operation.

“This independent review highlights the need for a regulatory framework that allows energy customers to be able to directly negotiate with electricity networks on services they value,” Mr Bradley said.

“Because network monopolies may face actual competition from off-grid solutions, the report calls for improved tests of regulated services to ensure regulation remains efficient over time.

“We look forward to evaluating these options with key stakeholders as part of our *Electricity Network Transformation Roadmap* program with the CSIRO.”

The report co-author, Dr Jonathan Mirrlees-Black said CEPA had proposed ten practical steps for regulatory reform.

“Alongside technical change and competition from off-grid services, regulation in the future can be built on ‘customer-driven settlements’, improved incentives and information disclosure approaches,” Dr Mirrlees-Black said.

“The report benefits from input and review by internationally-recognised regulatory and energy market experts, Professors David Newbery and Stephen Littlechild.”

CEPA’s recommended pathways for regulation include:

- setting total expenditure allowances, as occurs in the UK, rather than separate operating and capital expenditure allowances to remove preferences for network investment over alternatives;
- reducing the rules-based approach by focusing on outputs customers value and incentives that deliver them;
- regulation that places greater ‘weight’ on networks’ engagement with customers, for instance through fast-tracking proposals with strong support; and
- improving tests of regulated services to remove costly regulation where it is no longer required.

Mr Bradley said CEPA’s report was developed as part of the *Electricity Network Transformation Roadmap* program being undertaken by ENA in partnership with the CSIRO.

“The international evidence warns against ‘layering on’ more levels of complexity to deal with change – Australia will need simpler regulation that evolves to keep pace with what customers value,” Mr Bradley said.

The CEPA report – *Future Regulatory Options for Electricity Networks* – and summary document can be accessed at [www.ena.asn.au/publications](http://www.ena.asn.au/publications)

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*Australia’s national science agency CSIRO and the peak national body representing gas distribution and electricity transmission and distribution businesses in Australia, the Energy Networks Association (ENA) have partnered to develop an Electricity Network Transformation Roadmap (the Roadmap). The Roadmap is a two stage process running over approximately 18 months. For more information go to [www.ena.asn.au/roadmap](http://www.ena.asn.au/roadmap)*