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Reorienting regulation for Australian energy customers

Australia's energy consumers are witnessing the most significant industry disruption since electrification and the regulatory framework is yet to catch up, a network industry conference will hear today.

Key energy leaders including Energy Consumers Australia Chair, Louise Sylvan, Australian Energy Regulator Chair Paula Conboy and the CEO of the largest Australian gas distributor, Ben Wilson, will address the ENA conference in Brisbane, '*Reorienting Regulation*'.

The forum will focus on how energy regulation can stimulate, rather than frustrate, innovation in network services and new markets in distributed generation, storage and demand management; and customer's need for choice and control in their energy use.

ENA CEO, John Bradley, said the explosion of new service and technology opportunities in the energy market had clear implications for traditional regulation of services.

"Australia has 1.4 million household generators, one of the hottest potential markets for storage in the world and enormous opportunities to integrate cleaner energy sources to meet long term emission targets.

"We are witnessing the most significant change in the energy industry since electrification – and that isn't just disrupting energy markets, it is challenging traditional regulation and policy.

"Today's forum asks Australia's best energy minds to shape regulation that unlocks better price outcomes and better services for customers. We will hear from the voice of consumers, the national regulator, credit rating agencies, investors and network providers," Mr Bradley said.

Mr Bradley said some of the key issues that need to be addressed include:

- what energy services should be regulated now customers might rely on multiple suppliers;
- how regulation can avoid stifling incentives for innovative services while ensuring safe and reliable delivery of energy; and
- opportunities to minimise infrastructure investment costs in a rapidly changing market, with predictable regulation.

"There is widespread agreement that an integrated grid will be essential to unlock a clean energy transition enabled by new technology and customer choice.

"Regulation must be *predictable* enough to minimise the major investment costs borne by consumers but *flexible* enough to allow vibrant innovation by both the network and the new businesses that thrive on it.

"One of the key choices that regulators will face in the future will be how much of our infrastructure spending is funded in long term debt or by increasing our reliance on indexation of asset bases.

"Current regulation 'back-loads' cost recovery which effectively defers costs to consumers in the future.

"It is revenue neutral for the network company –but like a home loan, there can be savings to consumers if future regulation takes advantage of the option to pay down this debt more quickly, particularly if the future is more uncertain," Mr Bradley said.

ENA today released a discussion of regulatory reform options, '*Future Network Cost Recovery and Depreciation*'.

“The paper raises the critical question – can we better use some of the tools we have today, including lower financing costs, to ensure the right outcomes for consumers now and into the future?”

“There are significant implications of a rapidly shifting energy services market for the traditional cost recovery approaches that have underpinned the regulation of energy networks,” Mr Bradley said.

Mr Bradley said that this challenge for the global energy sector is being recognised both in Australia and by international regulators.

“In New Zealand, the Commerce Commission has started work with consumers and regulated businesses to collaboratively examine the impact of new technologies and services on its current regulatory approach.

“In Australia, the recent COAG Energy Council recently agreed to ‘stress-test’ the regulatory framework.”

Mr Bradley said the regulatory environment was critical to national energy productivity.

“CSIRO recently estimated Australia will see \$850 billion to \$1 trillion in energy spending by 2050, including depending on the mix of centrally delivered infrastructure and new distributed resources.

“When the stakes are so high, it is vital we have a regulatory framework that serves the interests of consumers,” Mr Bradley said.

ENDS.

Download [‘Future Network Cost Recovery and Depreciation’](#)

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ENA is the peak national body for Australia’s energy networks; and represents gas distribution and electricity network businesses on economic, technical, environment and safety regulation as well as national energy policy issues.