



6 August 2015

Dr Ron Ben-David
Chairperson
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne, Victoria 3000

By email: energy.submissions@esc.vic.gov.au

Modernising Victoria's Energy Licence Framework

Dear Dr Ben-David

The Energy Networks Association (ENA) welcomes the Essential Services Commission's (Commission) review of the efficiency and effectiveness of Victoria's licence framework relating to the supply of electricity and gas.

This submission does not intend to address the specific questions raised in the Issues Paper – *Modernising Victoria's Energy Licence Framework*. Individual businesses will discuss the detail of the particular proposals made by the Commission in their own submissions. Rather, the ENA draws the Commission's attention to the current debate occurring amongst the regulators and policy makers as to whether the existing policy settings are sufficiently flexible to adapt to technological changes that are affecting energy sector. The ENA is supportive of proactive step taken by the Commission to review and modernise the licencing framework to account for evolving market-led developments.

The ENA is the peak national body representing gas distribution and electricity transmission and distribution businesses throughout Australia. Twenty-five electricity and gas network companies are members of the ENA, providing governments, policy-makers and the community with a single point of reference for major energy network issues in Australia. With more than \$100 billion in assets nationally and 13 million customer connections across the National Energy Market, Australia's energy networks provide the final step in the safe and reliable delivery of gas and electricity to households, businesses and industries.

The ENA welcomes the clear recognition evident the Issues Paper that the energy industry is experiencing the process of significant transformation as a result of the emergence of competitive new technologies and changing customer preferences. In this regard, the ENA supports the Commission's goal of ensuring that the energy licence framework supports innovation and new business models and promotes competition in the market.

The ENA notes that electricity network businesses are being most significantly affected by the technological changes in the short term. In order to adapt in this changing environment, networks are seeking to actively participate in emerging contestable markets for new services such as metering, load control and demand side participation. As a consequence, a rigid view of a disaggregated supply chain with separate ownership and licencing arrangements would present a potential barrier to the adoption of new business models by network businesses, and the delivery of valued services to consumers and other market participants.

The recent amendments to the *Victoria's Electricity Industry Act 2000*, which repealed provisions prohibiting cross-ownership between licenced businesses of different types, represent another positive step toward removing unnecessary impediments.

The ENA draws the Commission's attention to the Council of Australian Governments (COAG) Energy Council's current process of strategic assessment of the adequacy of the network economic regulatory framework, which is one of the key priorities on the COAG Energy Council's work program. The Department of Industry and Science has recently provided its first report to the COAG Energy Council in relation to this review.¹ In this report unintended barriers (whether at the national or jurisdictional level) to network businesses participating in emerging contestable markets have been identified as a risk to the long term interests of consumers.

While the issues under the Commission's consideration are focused on Victoria's energy licence framework, the ENA considers that there are some common elements insofar as both reviews touch upon facilitating new technology and innovation.

Consequently, the ENA supports the direction the Commission has taken in this review of ensuring that the energy licence framework is flexible enough to accommodate the current and future industry developments.

If you have any questions, or the ENA can be of further assistance in developing the Commission's views on this matter, please contact me on 02 6272 1555.

Yours sincerely,



John Bradley
Chief Executive Officer

¹ Electricity network economic regulation; scenario analysis, Policy advice, June 2015
<https://scer.govspace.gov.au/files/2015/07/Policy-Advice-July-2015.pdf>