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Energy Regulation : Australian Experience

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Australian Energy Regulator

- Australia is a federal Country with Six States and two territories –Victoria , NSW, Queensland , Western Australia , Southern Australia , Tasmania ,ACT and NT
- The **Australian Energy Regulator (AER)** is the regulator of the wholesale electricity and gas markets in Australia
- It is part of the [Australian Competition and Consumer Commission](#) and enforces the rules established by the [Australian Energy Market Commission](#)



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AER Functions

- Regulating the revenues of transmission network service providers by establishing revenue caps
- Regulating the revenues of distribution network service providers
- Monitoring the electricity wholesale market and Gas Pipelines
- Monitoring compliance with the law, national rules and national regulations
- Investigating breaches or possible breaches of provisions of the national law, rules and regulations



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AER Functions

- Instituting and conducting enforcement proceedings against relevant market participants
- Establishing ring-fencing guidelines for business operations with respect to regulated transmission services
- Exempting network service providers from registration



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AER /ACCC

The Australian Energy Regulator (AER) regulates energy markets and networks.

The AER is committed to promoting outcomes that are in the long term interests of consumers

Their scopes includes Wholesale Market, Networks and Pipelines ,Retail Markets and Consumers



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AER Role in Wholesale Market

- The AER monitors wholesale energy markets for compliance with the underpinning legislation and rules, and takes enforcement action for breaches.
- Market monitoring also allows us to inform policy makers, participants and the community about wholesale market activity, including prices



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AER Reports on Wholesale Market

- **Market Performance** :Weekly analysis of the gas and electricity wholesale markets and detailed reports into high-price events
- **Market Guidelines**: Covering specific wholesale market matters ([network guidelines](#) and [retail guidelines](#) appear elsewhere on the website)



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AER Reports on Wholesale Market

- **Compliance Reporting** :including Quarterly Compliance Reports on AER compliance/enforcement activities; compliance bulletins that set out our position on specific issues; and investigation reports on major market incidents
- **Enforcement Matters** : On matters where we issue infringement notices or commence proceedings.



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Networks & Pipelines

- The AER regulates gas pipelines in jurisdictions other than Western Australia and Tasmania, aiming to ensure service providers operate these assets reliably and cost effectively
- The AER regulates electricity networks in the National Electricity Market (covering eastern and southern Australia)



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AER Role In Gas Pipelines

- The National Gas Law and Rules set out the regulatory framework for gas pipelines
- Economic regulation provisions apply only to 'covered' pipelines
- Various tiers of regulation apply, based on competition and significance criteria
- ***Full regulation*** requires a pipeline provider to periodically submit an access arrangement to the AER for approval



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AER Role In Gas Pipelines

- An access arrangement sets out the terms and conditions under which third parties can use a pipeline
- Must specify at least one reference service likely to be sought by a significant part of the market, and a reference tariff for that service
- The AER assesses the revenues needed to cover efficient costs and provide a commercial return on capital, then derives reference tariffs for the pipeline.



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AER Role In Gas Pipelines

- Under ***light regulation***, the pipeline provider determines its own tariffs.
- The provider must then publish relevant access prices and other terms and conditions on its website
- In the event of a dispute, a party seeking access to the pipeline may ask the AER to arbitrate
- Some pipelines are '**uncovered**', meaning that they are not subject to economic regulation



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AER Role In Gas Pipelines

- Some pipelines are ‘**uncovered**’, meaning that they are not subject to economic regulation
- The regulatory framework anticipates the potential for market conditions to evolve, and includes a mechanism for reviewing whether a particular pipeline needs economic regulation, and the extent of that regulation



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Network Information

- As the regulator of monopoly network and pipeline businesses, the AER requires information about a networks' revenues, prices, expenditures, operations and service delivery
- The AER collects, analyses and reports on information provided by regulated businesses about their past, present and future performance



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AER Role In Retail Market

- State and territory governments were responsible for regulating retail energy markets
- AER started these functions under the National Energy Customer Framework ('Customer Framework')
- **The Customer Framework** is the final stage in the transition to national regulation of energy markets
- **The Customer Framework** includes the National Energy Retail Law, National Energy Retail Rules and National Energy Retail Regulations



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AER Role In Retail Market

- Monitoring and enforcing compliance with obligations in the Retail Law, Rules and Regulations
- Reporting on the performance of the market and energy businesses, including information on energy affordability and trends in disconnection of customers for non-payment of energy bills



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AER Role In Retail Market

- Assessing applications for national retailer authorizations from businesses that want to become energy retailers, and granting exemptions from the requirement to be authorized
- Approving policies energy retailers must implement to assist customers who are facing financial hardship and looking for help to manage their bills
- Administering a national retailer of last resort scheme, which protects customers and the market if a retail business fails



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Retail Energy Pricing

- The AER does not have a role in setting retail energy prices
- In some states and territories, the government remains responsible for control of the energy prices customers see on their bills
- Energy Pricing is market oriented and is based on demand and supply



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For Consumers

- Energy laws are designed to protect consumers in dealings with energy retailers and distributors
- Understanding consumer rights and responsibilities can help getting an energy offer that works best, as well as help to resolve any problems that may arise
- A section of the AER website provides information on choosing an energy retailer, understanding bill and steps those can take if problems arise