

5 October 2007

Manager, MCE Secretariat
Department of Industry, Tourism and Resources,
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Dear Secretariat,

Thank you for the opportunity to respond to the Network Planning and Connection Arrangements – National Frameworks for Distribution Networks.

The Centre for Credit and Consumer Law, Griffith University has the overall objective of promoting the attainment of a fairer, safer and more efficient marketplace for consumers including low income and vulnerable consumers.

Overall we wish to express support for the recommendations contained within the joint report prepared by the Allen Consulting Group and NERA Economic consulting (August 2007).

Our comments in this submission are of a general nature. In this submission we focus on commentary in the report about the distribution network that have direct and identifiable impacts on consumers. We are not able to comment substantively on the individual recommendations. We would however like to highlight and support specific recommendations made in the Consumer Utilities Advocacy Centre submission and the TEC/ATA/ECC submission that strengthen a number of recommendations made in the NERA/Allen Report or identify omissions.

General comments

Incentives and network augmentation

The recommendations in this report go some way to addressing the challenging issue of creating adequate incentives and related obligations for distribution network service providers and proposing strategies for facilitating alternatives to network augmentation – namely distributed generation and demand side response options in the. These are important steps forward in the creating a more efficient distribution network.

National Electricity Law

We note that improvements to the National Electricity Market (NEM), as suggested, need to consistently reflect the intent of the National Electricity Law (NEL): *to promote efficient investment in, and efficient use of, electricity services for the long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity and the reliability, safety and security of the national electricity system*. However, without the inclusion of social and environmental objectives in the NEL the long term needs of consumers cannot be fully met. For instance, fifty-one small end-user advocates we interviewed across Queensland in 2006-2007 identified the importance of social and sustainability elements in the delivery of electricity.¹

Pricing

Our qualitative research highlights the fact that wherever consumers live in Queensland they expect and want quality and reliability of supply – at an affordable price.²

Electricity prices are of key concern for us. We are mindful of distribution flow-on costs to consumers who have no choice but to pay for an essential service. Therefore how these calculations occur in respect of the distribution network are critical. The recent increase in electricity prices in Queensland and in other States highlights this issue. Improved efficiencies in the distribution network should ideally result in reduced costs for consumers. Moreover the appropriate balance needs to be achieved between reliability of supply and cost for consumers.

Rules and transparency

The appropriate Rules are vital for ensuring that the distribution networks operates in the best interests of electricity consumers. In addition a *highly transparent environment in relation to distribution network planning function* recommended in this report is welcome and assists with alleviating the resource and information asymmetry small end-user electricity consumers face.

Harmonisation

Appropriate harmonisation is also welcome to the extent that it is an improvement on the existing regimes. For instance it is arguable that Queensland's non-prescriptive regime for distribution planning maximises efficiency. We support the approach outlined in this report which examines the experiences of the States to develop a best practice approach.

¹ Tenzin Bathgate (2006) *Electricity matters: Interviews with Queensland small end-users and their advocates*, Centre for Credit and Consumer Law Research Paper, Griffith University, Nathan, Queensland; Tenzin Bathgate (2007) *Rural and Regional Electricity matters: Interviews with Queensland small end-user advocates*, Centre for Credit and Consumer Law Research Paper, Griffith University, Nathan, Queensland

² Tenzin Bathgate (2006) *Electricity matters: Interviews with Queensland small end-users and their advocates*; Tenzin Bathgate (2007) *Rural and Regional Electricity matters: Interviews with Queensland small end-user advocates*.

Contracts

We welcome the introduction of a national connection application framework that *minimises any imbalance in the bargaining power that may otherwise exist between a user and DNSP negotiating a connection application* and the amendments outlined in Recommendation 15 and 16 to allow for more specific terms and conditions in the negotiated connection contract. This includes the cooling off period that will apply to any contract negotiated with vulnerable users. On this latter point we recommend clarification on a definition of the term ‘vulnerable users’ – otherwise the clause lacks necessary specificity to be usefully applied.

The NERA/Gilbert+Tobin report on the national framework for energy distribution and retail regulation (2005) also lacked a definition of what constitutes a vulnerable consumer. In our submission to that report we noted the large body of work that has been undertaken in Australia on what constitutes a vulnerable energy consumer and that a range of factors and attributes can contribute to the categorisation of a person as a vulnerable consumer.³

Standardised connection charges

Finally, we support the standardisation of connection charges for DNSPs. Our research in Queensland indicates that connection costs and how they are calculated are a vexed issue for residential users and farmers in rural and regional Queensland.⁴ We are concerned about the high cost this imposes on consumers. We support recommendation 28 that no connection asset charge be levied on small customer connections and recommendation 29 which includes reference to dispute resolution procedures. We also support the inclusion of other dispute resolution procedures mentioned elsewhere in the report.

On the subject of connection charges there is a broader debate that needs to be held about the degree of network expansion that is necessary to ensure that where possible all residential users are able to access electricity as part of the delivery of an essential service. Our recent consultations with rural and regional small end-user advocates in Queensland showed that the delivery of electricity was identified as an access and equity issue highlighting the relevance of social objectives in the NEM. They were also interested in exploring non-network solutions to their energy needs on behalf of their constituents.⁵

³ Centre for Credit and Consumer Law, Griffith University (2006) ‘Submission to the Ministerial Council of Energy. Public consultation on a national framework for energy distribution and retail regulation.’ pp.12-13.

⁴ Tenzin Bathgate (2007) *Rural and Regional Electricity matters: Interviews with Queensland small end-user advocates*, pp.29-30.

⁵ Tenzin Bathgate (2007) *Rural and Regional Electricity matters: Interviews with Queensland small end-user advocates*, pp.22- 26.

Specific comments highlighted in the CUAC and TEC/ATA/ECC submissions

We support the following points highlighted in these submissions.

- Penalty provisions for provision of insufficient, untimely or inaccurate information provided by distribution networks including material overstatement of costs (CUAC Rec 1, 2, 10 and 15)
- Promotion of the assessment of non-network solutions as a primary option to be embedded in the Rules (TEC etc Rec 4)
- DNSP planning report to include reporting against the previous year's plan (TEC etc Rec1)
- Specific time frame for AER to develop details for a standard format and required contents and for AER statement requirements to be mandated in the rules (TEC etc Rec 2 and Rec 5)
- That steps are in place to ensure that dispute resolution processes do not prejudice small customers (TEC etc Rec 8). For instance projects under \$10M should be subject to dispute resolution processes (CUAC)
- Recommended load classifications based on the type of customer (CUAC Rec 11)

Thank you for the opportunity to respond. If you have any questions about this submission please do not hesitate to contact me.

Yours sincerely,



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