

ENERGY REGULATION: who does what?



THERE WILL BE SUBSTANTIAL CHANGES FOR THE AER AND THE AUSTRALIAN REGULATORY LANDSCAPE IN THE FUTURE WHEN THE AER ASSUMES RESPONSIBILITY FOR REGULATING GAS AND ELECTRICITY DISTRIBUTION NETWORKS. THESE FUNCTIONS ARE CURRENTLY HANDLED BY STATE REGULATORS.

AER and ACCC

Although we now have the AER, energy regulation arrangements within the ACCC haven't changed much logistically. As a constituent part of the ACCC, staff of the AER in Canberra, Melbourne, Sydney and Adelaide are also staff of the ACCC and remain part of the ACCC's Regulatory Affairs Division.

Legally, however, the changes are substantial. The AER is a separate legal entity and has wide responsibilities including:

- > making and amending electricity access pricing and transmission revenue regulatory decisions
- > developing and publishing service standards to be applied to electricity transmission networks
- > making and amending guidelines for the ring-fencing of operations and information flows between activities, or within a business, of a regulated transmission entity
- > promulgating the regulatory test referred to in the National Electricity Rules
- > enforcing the National Electricity Law and the rules made under that law and investigating and bringing proceedings in connection with any breaches.

There will be substantial changes for the AER and the Australian regulatory landscape in the future when the AER assumes responsibility for regulating gas and electricity distribution networks. These functions are currently handled by state regulators.

In the near future the AER will also:

- > make and amend gas access pricing and revenue regulatory decisions
- > enforce the Gas Pipelines Access Law and the gas code
- > be responsible for gas regulation (other than price regulation).

Under the new legislation the ACCC remains responsible for approving mergers, access codes and undertakings, granting authorisations and for investigating and, when necessary, prosecuting possible contraventions of the Trade Practices Act.

AEMC

At the same time that the AER started, another new body, the Australian Energy Market Commission (AEMC) began to function. Previously, the National Electricity Code Administrator (NECA) was responsible for administration of the National Electricity Code, however, the rules

now replace the code and the AEMC carries out the rule-making role of NECA. More specifically, the AEMC was established to undertake rule-making and market development in the National Electricity Market and, over time, the gas market (governments have agreed to transfer responsibility for rule making in the gas sector to the AEMC in 2006).

The AEMC is responsible for:

- > administration and publishing of the National Electricity Rules
- > the rule-making process under the new National Electricity Law
- > making determinations on proposed rules
- > undertaking reviews on its own initiative or as directed by the Ministerial Council on Energy
- > providing policy advice to the Ministerial Council on Energy on the National Electricity Market.

The AEMC will have specific obligations to consult in developing or considering any code changes, and any person, including industry and end users, may comment on proposed code changes.

Like the AER, the AEMC's responsibilities will expand with the assumption of rule-making responsibilities for electricity distribution.

Working together

A particularly important aspect of the new regime will be the arrangements between all three bodies, which enable the AEMC, AER and ACCC to consult and cooperate on the code change and authorisation process to avoid any duplication.

A memorandum of understanding has been developed between the AER, the Australian Energy Market Commission (AEMC) and the ACCC to facilitate the operation of new energy governance and institutional arrangements.

In summary the:

- > AER regulates, economically, the wholesale electricity market and electricity transmission networks in the National Electricity Market (NEM); and is also responsible for enforcing the National Electricity Law and National Electricity Rules
- > ACCC remains responsible for approving mergers, access codes and undertakings, granting authorisations and for investigating and, when necessary, prosecuting possible contraventions of the Trade Practices Act
- > AEMC is responsible for energy market rule making and market development at the national level; this will initially include all National Electricity Market rule making, market development and market review functions.

THE AER WEBSITE WAS LAUNCHED ON 1 JULY 2005, THE DAY THE AER BEGAN OPERATIONS. ALSO LAUNCHED ON 1 JULY WAS THE WEBSITE FOR THE OTHER NEW STATUTORY BODY, THE AUSTRALIAN ENERGY MARKET COMMISSION (AEMC): WWW.AEMC.GOV.AU. THIS WEBSITE AND THE AER'S NOW PROVIDE THE INFORMATION THAT WAS PREVIOUSLY ON THE, NOW REDUNDANT, WEBSITE OF THE NATIONAL ELECTRICITY CODE ADMINISTRATOR (NECA).

www.aer.gov.au

A feature of the AER website is market snapshot, which was previously on the NECA website. This is the weekly market analysis that sets out the spot price for each trading interval in each region, giving near real-time information about spot prices, demand and other key indicators in the market. It includes a weekly market analysis, an overview of the market's performance from the previous day and short-term and longer-term price and demand statistics.

The AER website covers:

- > Regulation
 - > About transmission
 - > Electricity transmission networks
 - > Gas transmission pipelines
 - > About distribution
- > Monitoring, reporting and enforcement
 - > Market snapshot
 - > Compliance and regulatory reporting
 - > Investigations
 - > Rebidding guidelines
 - > Network service provider exemptions
 - > Approval of market software changes
- > Legislation and guidelines
 - > Links to legislation
 - > Guidelines
 - > Regulatory principles and related guidelines
 - > Monitoring and enforcement functions under the National Electricity Law
 - > Memoranda of understanding and agreements
- > General energy markets issues
 - > Consultancy reports
 - > Victorian cross-ownership rules for the energy sector—ACCC submission (April 2005)
 - > Regional boundaries review—ACCC submission (3 December 2004)
- > Dispute resolution
 - > Electricity rules disputes
 - > Gas code disputes

The website also includes speeches and media releases on energy topics, links to energy publications and a comprehensive glossary of energy-related terms.

The designers of the AER website followed the World Wide Web Consortium's Web accessibility initiative guidelines and the guide to minimum website standards to make it as accessible as possible. It was then thoroughly tested for usability. A useful feature of the site is its printer friendly option which allows essential information only to be printed from a webpage.

AER website: www.aer.gov.au