14 September 2012

Committee Secretary
Senate Select Committee on Electricity Prices
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam

Select Committee On Electricity Prices

The Energy Users Association of Australia (EUAA) is pleased to make a submission to the Senate Select Committee in its inquiry and report on electricity prices.

As we all know, electricity prices have risen considerably and networks are responsible for most of this increase. State government-owned networks have shown the highest increases. Our members have had to absorb significant price increases as a result of this.

The EUAA has been researching, analysing and advocating on these issues for many years. We have participated in almost every major regulatory review undertaken by the ACCC and AER and made submissions to most of these.

We have raised our concerns about rising electricity prices on many occasions. In those review processes we have observed:

- Excessive (ambit) expenditure and demand growth projections by network service providers (NSPs)
- The AER's reluctance to make tough decisions to deal with NSP's ambit claims
- The effective inability of users to obtain merits reviews of AER decisions

We have attached several research reports that we have commissioned to understand these issues better. These include:

Mountain, B.R. (2011*) Australia's rising electricity prices and declining productivity: the contribution of its electricity distributors*. A report commissioned by the EUAA.

Mountain, B.R. (2012) *A comparison of outcomes delivered by electricity transmission network service providers in the National Electricity Market*, A report commissioned by the EUAA (forthcoming).

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Mountain, B.R. (2012a) *Electricity prices in Australia: An international comparison*. A report commissioned by the EUAA.

We have also included other relevant reports and papers that we would like to bring to the Committee's attention:

LIttlechild, S.C. (2009b) "*The birds in the hand: stipulated settlements in Florida electricity regulation.*" Utilities Policy 17(3-4): 276-287.

Mountain, B.R. and S.C. Littlechild (2010) *"Comparing electricity distribution network revenues and costs in NSW, Great Britain and Victoria".* Energy Policy 38: 5770-5782.

LIttlechild, S.C. (2011) "*The process of negotiating settlements at FERC*. EPRG Working Paper 1116.
Limited Merits Review Panel (2012). Stage One Report:45.

Rule Change Committee (2011) *Proposed amendments to Chapter 6A of the National Electricity Rules (2011).*

Finkelstein, R. (2012) *Consumer participation in price setting*. Brisbane, ACCC Annual Conference.

Rule Change Committee (2012) *Briefing on negotiated settlements in the regulation of network service providers.*

We suggest that there is scope for significant improvement but some fundamental changes will be required. Our view is that the rule change reviews (and the AEMC's Draft Decision on these) fall short of what is required to deal with the fundamental causes of higher prices.

We would like to encourage the Committee to investigate the scope for improvements by:

- reviewing the continued use of the 5 year price/revenue control mechanism for government-owned NSPs
- encouraging divestment by State Governments of their NSPs
- fundamental change to empower consumers in the regulatory process

We would be pleased to discuss these issues with the Committee.

Yours faithfully

Brian Green
Chairman