

Our Ref: 54408-D14/160164

GPO Box 520  
Melbourne VIC 3001  
Telephone: (03) 9290 1444  
Facsimile: (03) 9290 1457  
[www.aer.gov.au](http://www.aer.gov.au)

24 November 2014

Professor Ian Harper  
Chair of the Review Panel  
Competition Policy Review  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Professor Harper

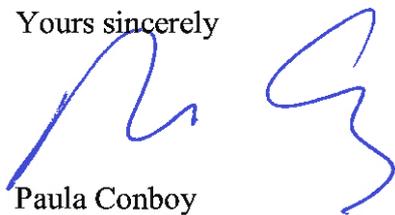
**AER submission on Competition Policy Review Draft Report**

The Australian Energy Regulator (AER) welcomes the opportunity to provide this submission on the Competition Policy Review draft report.

Our submission highlights a range of implications to the recommendation to create a national access and pricing regulator – a proposal that would have the effect of splitting the current functions of the AER between this access regulator and the Australian Competition and Consumer Commission (ACCC). Our submission also comments on energy market reform recommendations and the proposal to amend the process for Australian Competition Tribunal review of regulatory decisions.

Should you have any questions, please feel free to contact the AER's Chief Executive Officer, Michelle Groves, on (03) 9290 1423 or me on (03) 9290 1419.

Yours sincerely



Paula Conboy  
Chair



**AER Submission**

**Competition Policy Review Draft Report**

November 2014

# 1 Introduction

The AER is Australia's national energy regulator and an independent decision-making authority. Our responsibilities are set out in national energy legislation and rules, and largely relate to energy networks, competitive wholesale energy markets and energy retail markets in eastern and southern Australia.

Our submission focuses on the draft report recommendations directly related to these responsibilities.

The main focus of our submission is on the recommendation to create a national access and pricing regulator – a recommendation that would have the effect of splitting the functions of the AER between a national access and pricing regulator and the ACCC. We consider that the proposal to divide the AER's functions between two regulators fails to recognise the integrated and changing nature of energy markets. The recommendation to transfer the AER's retail roles to the ACCC also mischaracterises our current roles under the National Energy Retail Law and Rules. Further, there are significant practical implementation issues associated with this proposal that would need to be addressed.

The submission also comments on the energy market reform recommendations proposed in the report. We are fully supportive of the reforms outlined to finalise the energy reform agenda, including proposed retail market and reliability standards reforms.

Finally, we comment on the proposal to broaden the information that the Australian Competition Tribunal should be able to consider in its reviews. In energy, this issue has recently been considered at length and amendments to the merits review arrangements finalised. We consider that it would be premature to amend these new arrangements, particularly as they have not yet been tested.

# 2 Market governance

Draft Recommendation 46 outlines key governance recommendations covering a range of sectors, including energy. It states that:

*The following regulatory functions should be transferred from the ACCC and the NCC and be undertaken within a single national access and pricing regulator:*

- *the powers given to the NCC and the ACCC under the National Access Regime;*
- *the powers given to the NCC under the National Gas Law;*
- *the functions undertaken by the Australian Energy Regulator under the National Electricity Law and the National Gas Law;*
- *the telecommunications access and pricing functions of the ACCC;*
- *price regulation and related advisory roles under the Water Act 2007 (Cth).*

*Consumer protection and competition functions should remain with the ACCC.*

The proposal would involve splitting the AER's responsibilities between a new access and pricing regulator and the ACCC.

Energy sector governance arrangements have been raised in a number of reviews over the past two decades.

As you would be aware, the Hilmer review envisaged a multi-sector regulator. Consistent with these findings, the ACCC became responsible for regulating electricity transmission networks and gas pipelines and for authorising the National Electricity Market (NEM) Code of Conduct, with the States retaining distribution and retail responsibilities.

In 2002, a review chaired by the late Warwick Parer highlighted 'widespread unease' with these regulatory arrangements.<sup>1</sup> In part, the review highlighted that:

- there were too many regulators, which created barriers to entry and increased compliance costs, and
- key electricity governing bodies had overlapping responsibilities.

Parer recommended the creation of a national energy regulator to address these problems. While Parer argued that the most appropriate approach was for a separate energy sector-specific agency, he noted that the location of the regulator was not the key issue. The key issue was that there be a single electricity and gas regulator with a 'charter that extends to distribution and retail functions.' Subsequently, the AER was formed as a specialist energy regulator with its resources provided through the ACCC.

## 2.1 AER functions

Over the past decade, the AER has progressively assumed greater regulatory responsibility. When the AER commenced operation in 2005, it was responsible for electricity transmission and wholesale market oversight. From 2007, it assumed responsibility for electricity distribution regulation. In gas, the AER assumed responsibility for gas market oversight and network regulation progressively from 2008. More recently, retail regulation roles have come across to the AER. From 2012, the AER has progressively assumed responsibility for retail market regulation in the ACT, Tasmania, South Australia and New South Wales. This retail regulatory role is expected to include Queensland and Victoria from 2015.

As a result, the AER now has broad responsibilities covering energy networks, wholesale energy markets and retail energy markets.

### *Energy networks*

The AER has two broad roles in relation to energy networks, both related to its role as economic regulator.

First, the AER regulates the amount of revenue that network businesses can recover from their customers in the form of network charges. Network businesses must periodically (typically every five years) submit regulatory proposals (electricity) and proposed access arrangements (gas) to us for approval. We assess the proposals and justify our pricing decisions against the relevant legislative criteria.

Second, the AER has a networks oversight role which complements its revenue regulation role. This role includes:

---

<sup>1</sup> Parer, W.; Breslin, P., Sims, R.; and D. Agostini (2002) *Towards a truly national and efficient energy market*, Council Of Australian Governments Energy Market Review Final Report, December 2002, p.74.

- tariff assessment—We review network tariffs for electricity distribution businesses, and for gas transmission and distribution businesses, annually to ensure they are consistent with the revenue controls that have been set in our pricing decisions and meet other pricing principles related to efficiency and other considerations
- cost pass throughs—A network business can apply to pass through to customers costs arising from events outside its control and not anticipated when its price determination was made. We assess these pass through requests
- guideline development—Our approach to economic regulation is outlined in a range of regulatory guidelines, covering issues such as our approach to setting the rate of return, how we assess expenditure proposals, and how we create incentives to encourage efficient network business decision making. We develop and amend these guidelines as required
- regulatory investment test for electricity—We monitor and enforce compliance of the network businesses applying the regulatory investment test for transmission (RIT-T) and distribution (RIT-D)
- access (connection) disputes—We resolve customers' disputes with distribution businesses on the cost and the terms and conditions of connection offers
- compliance with regulatory obligations—We have a role of assessing network businesses' compliance with requirements under the Electricity and Gas Rules. If we find a breach of the business's regulatory obligations, we may take enforcement action
- incentives for improved performance—We develop incentive schemes for network businesses to improve their performance, administer the schemes and ensure compliance
- regulatory decision reviews—Network businesses can seek a merits review of our decisions by the Australian Competition Tribunal. If the Tribunal reviews a network pricing decision, we are a party to the review
- performance reporting—We publish information on network businesses' revenues, prices, expenditures, operations and service delivery. We also report on network reliability and customer service, and businesses' performance against targets. From 2014, we will also publish benchmarking reports for network businesses, and
- rule changes and policy development—Where we highlight concerns with the operation of the rules, we may lodge applications to amend the rules to the rule making body, the Australian Energy Market Commission. Notably, in 2011, we lodged an application to amend the network regulation rules. From time to time, we also lodge submissions on rule changes proposed by other parties. We also actively participate in energy reform initiatives and make submissions to the COAG Energy Council as well as specific Commonwealth or State government processes.

It is clear that the role of economic regulation encompass both price setting related functions and compliance and enforcement functions with respect to regulated energy networks. The arrangements are an integral part of the design and facilitate effective competition in both the wholesale and retail energy markets. This is significant under any proposal to separate out functions along these lines.

## *Wholesale*

The AER has a range of responsibilities in relation to the NEM and gas spot markets.<sup>2</sup> We:

- monitor and enforce the obligations in the legislation and rules. In the electricity wholesale market, there are obligations on a variety of entities including; generators, network service providers, market customers (retailers), metering service providers and the Australian Energy Market Operator (AEMO).<sup>3</sup> In gas, there are obligations on players such as shippers, bulletin board operators, distributors, market participants (retailers), pipeline operators and facility operators
- report on the performance of the markets, such as through weekly electricity and gas market reports and reports into high priced events, and
- report on compliance issues in these markets, such as through Quarterly Compliance Reports.

## *Retail*

The AER is responsible under the National Energy Retail Law for regulating retail energy markets in New South Wales, South Australia, the ACT and Tasmania (electricity only). It is expected these responsibilities will expand to Queensland and Victoria in 2015. We:

- oversee retail market entry and exit by assessing applications from businesses looking to become energy retailers, granting exemptions from the requirement to hold a retailer authorisation and administering a national retailer of last resort scheme to protect consumers and the market if a retailer fails
- monitor and enforce compliance (by retailers and distributors) with obligations in the Retail Law, Rules and Regulations
- report on the performance of the market and energy businesses (including information on energy affordability)
- approve customer hardship policies that energy retailers must implement for customers facing financial hardship and looking for help to manage their bills
- maintain an energy price comparator website ([www.energymadeeasy.gov.au](http://www.energymadeeasy.gov.au)).

In summary, the AER has regulatory, compliance and enforcement and performance monitoring functions across the entire energy supply chain and has put in place a skill set and expertise designed to accommodate this.

## **2.2 AER concerns with the draft report recommendation**

The recommendation in the draft report would involve the AER's network regulation functions being transferred to a new access and pricing regulator, with consumer protection and competition functions being undertaken by the ACCC. While not clear from the draft report, further discussion with the Harper Review secretariat suggest that the proposal would involve the AER's network and wholesale

---

<sup>2</sup> Spot market hubs in Adelaide, Sydney, Brisbane, Victoria and Wallumbilla

<sup>3</sup> Indeed around 40% of the obligations in the wholesale market are on AEMO.

functions being transferred to an access and pricing regulator with the AER's retail functions being undertaken by the ACCC.<sup>4</sup>

It is possible to consider a different governance structure that would facilitate good regulatory decision making. Such a model would deliver the benefits that result from applying regulatory tools and methods commonly across a range of regulated industries, while also recognising the features of these industries and their regulatory frameworks that are different.

We consider that that the proposed governance arrangements have not appropriately reflected these features of the energy sector and its legislative frameworks. As a result, there are significant concerns with this proposal. First, the proposal to create separate regulators does not reflect the integrated and changing nature of energy markets. Second, the proposal that the ACCC assume the AER's retail functions mischaracterises the Retail Law and the AER's obligations under it.

*The proposal does not recognise the integrated and changing nature of energy markets*

A key concern with the proposal to split the AER's functions between an access and pricing regulator and the ACCC is that it does not reflect the integrated nature of energy markets.

While the AER has wholesale market, networks and retail market roles, it is not possible to consider one element of the supply chain in isolation. Outcomes in the network sector critically influence decisions in upstream and downstream markets. As an example, network constraints critically affect the efficiency of generation dispatch and outcomes in wholesale markets. In turn, these wholesale market outcomes affect the competitive position of retail market participants.

Further, there can be 'competition' between these elements of the supply chain. For example, a supply reliability issue may be addressed through a network augmentation, by building local generation or implementing a demand side option. A regulatory approach that prevents looking at this issue holistically may not isolate the best option and may introduce inefficiencies.

Industry market structure is also increasingly integrated. Notably, there has been a major industry trend towards vertical integration of generation and retail over the past decade. Vertical integration provides a means for retailers and generators to internally manage the risk of price volatility in the electricity spot market, reducing their need to participate in hedge (contract) markets. Three major businesses – AGL, Energy Australia and Origin – have significant market share in both retail and generation markets. These businesses also have interests in gas production and/or gas storage. Vertical integration is common among other market participants too. Former stand-alone generators International Power, Infratil, Alinta, Snowy Hydro and Hydro Tasmania all now have a retail presence. In addition, there are distribution-retail businesses in Queensland, Tasmania and the ACT.

Another implication to dealing with elements of the sector in isolation is that energy markets are dynamic and the roles of generators, networks, retailers and customers are rapidly evolving. With the significant uptake of household solar – over a million households nationally have installed solar photovoltaic (PV) panels – and recent developments in energy storage, customers are becoming much more than passive players at the end of the energy supply chain. These developments mean that customers will potentially be consumers one day and generators the next. Customers could increasingly provide services to distribution businesses (to manage network issues) and to retailers (to manage wholesale market issues). These changes are profound and have impacts across the whole sector. It is unclear whether a framework that tries to split regulatory roles will be able to approach regulation with a holistic view on these developments.

---

<sup>4</sup> The comments in this section have been based on a split where the AER's network and wholesale functions would be transferred to the access and pricing regulator and the AER's retail functions would be undertaken by the ACCC. Any attempt to divide the work between the access and pricing regulator and the ACCC would face similar issues.

The role that some services play within this integrated market is also changing. As an example, metering has traditionally been a regulated service provided by network businesses, but is now increasingly being opened up to competition. A framework that tries to divide regulatory roles may not be sufficiently flexible to adapt to these changes that are taking place in energy markets.

Competition policy and economic regulation are both policies aimed at achieving the single objective of improving the welfare of consumers. They need to work together to achieve this goal. Moreover, the best mix of policies is likely to vary through time. The necessary degree of coordination may be harder to achieve when responsibilities in energy markets are split between an access and pricing regulator and the ACCC.

*The proposal mischaracterises the Retail Law and the AER's retail responsibilities*

A second major implication concerns the proposal that the ACCC assume the AER's retail responsibilities. It appears that the rationale for this recommendation is that the AER's retail responsibilities limited to consumer protection and competition functions that would sit well with the ACCC. This, however, mischaracterises the Retail Law and the AER's obligations under it.

The Retail Law provides an overall framework for the regulation of retail energy supply. The Retail Law includes provisions covering:

- the relationship between retailers and small customers – including in relation to customer hardship, payment plans, energy marketing and prepayment meters
- the relationship between distributors and customers – including in relation to connection services and connection contracts
- small customer complaints and dispute resolution
- the authorisation of retailers and the exempt seller regime – including authorising energy retailers, and granting exemptions from the requirement to hold a retailer authorisation
- the retailer of last resort (RoLR) scheme – including registering and appointing RoLRs, declaring a RoLR event, and transferring customers, and
- a small compensation claims regime.

The Retail Law therefore governs the relationship between energy retailers, distributors and retail customers – it affects a range of market participants including retailers, distributors, metering providers, ancillary service providers and the market operator. These players have interrelated obligations in other legislation, such as the National Electricity Law and Gas Law.

While there are strong elements of consumer protection in a number of these Retail Law provisions, a range of these functions are essentially regulatory roles. The role of authorising retailers and granting exemptions is a regulatory role requiring detailed energy sector knowledge. Retail authorisation models are evolving to include generation (embedded and renewables), energy storage capability and service provision.<sup>5</sup> This authorisation role requires a detailed understanding of developments across the entire supply chain. Similarly, the metering and retailer load allocation inherent in a RoLR process will continue to require a detailed understanding of wholesale market arrangements, market

---

<sup>5</sup> This was discussed recently in AER (2014) *Regulating innovative energy selling business models under the National Energy Retail Law, Issues Paper*, November 2014, available at <http://www.aer.gov.au/node/28403>

settlements and the market operator's IT systems. These are not roles that neatly complement the ACCC's traditional consumer protection and competition responsibilities.

Energy policy makers are also reflecting on how this regulatory framework can keep pace with innovation and technology changes occurring in the energy sector. These developments may make the retail regulatory framework even more distinct from the ACCC's existing responsibilities.

## 2.3 Implementation issues with the draft report recommendation

In addition to the implications we have outlined in section 2.2, we consider there are implementation issues that present significant practical obstacles to the proposed model. These practical issues would be difficult to address and create significant costs.

There are a range of implementation issues that need to be addressed around the governance arrangements for the access and pricing regulator. First and foremost, it needs to be determined whether the access and pricing regulator is a Commonwealth or a national regulator. This issue is far from straightforward given that a range of the proposed functions for the access and pricing regulator (such as communications) are currently under Commonwealth jurisdiction, while the basis for the energy functions is set out in State law.

The access and pricing regulator's proposed responsibility for a mix of Commonwealth and State regulatory roles highlights a number of practical governance implementation issues. Funding arrangements would need to be determined, in particular whether the access and pricing regulator would be funded by the Commonwealth or States. This issue is particularly important given the Panel's view that over time the access and pricing regulator would be expected to take on more roles currently undertaken by the States.

The process for Board appointments would also need to be addressed. As highlighted in our initial submission to this review, the AER has an independent Board comprised of two State members and a Commonwealth member. The two State members are recommended for appointment by the agreement of at least five States and Territories. It needs to be determined whether this 'national but jurisdiction – sensitive' Board appointment process would be preserved under the access and pricing regulator model or whether some other arrangement would be introduced.

The legislative requirements to implement the proposal would also need to be addressed. In energy, South Australia is the lead legislator with respect to the National Electricity Law, National Gas Law and the National Energy Retail Law, with other states introducing application legislation to give effect to the South Australian legislation. Changes to these laws would be required to split the work of the AER between an access and pricing regulator and the ACCC. A range of other changes would appear to be required, including to the Australian Energy Market Agreement, the Competition and Consumer Act, National Electricity Rules, National Gas Rules and the National Energy Retail Rules.

There would also be important implications of the proposal for market participants that the Panel may wish to consider. Under the proposal, virtually all energy market participants would be regulated by both the access and pricing regulator and the ACCC under effectively the same legislation.

As highlighted above, industry market structure is becoming increasingly vertically integrated. The draft report proposal would require a vertically integrated generator – retailer to deal with the access and pricing regulator for their wholesale market activities and with the ACCC for a range of their retail activities. This increases the cost and complexity of regulation for these market participants which would be passed on to consumers.

Similarly retailers and distributors would have to report to both regulators. Retailers and distributors have a range of obligations under the Retail Law, in addition to obligations under the National Electricity and Gas Law and Rules. Under the proposal, the ACCC would enforce the distribution business's compliance with these obligations under the Retail Law, while the access and pricing regulator would enforce the distribution business's compliance with other obligations, such as their obligations under the Electricity or Gas Rules. Making these distribution businesses deal with separate compliance regulators, depending on which legislation was involved, increases compliance costs for these businesses. Again these increased costs would be passed on to consumers.

We also note that the proposal has significant implications for the regulators that would need to be addressed. Given the integrated nature of issues in the energy sector, both an access and pricing regulator and the ACCC will need to establish and maintain strong technical knowledge across networks, generation, retail and market operation to undertake their proposed roles. This will involve duplication of technical skills which will increase regulatory costs. These costs will eventually fall on consumers.

Further, as highlighted above, an access and pricing regulator and the ACCC in some instances will be undertaking the same role, such as rule enforcement, and will both need the skill set to perform this role. This will involve duplication of expertise, systems and resources, which will increase regulatory costs. There is also potential for inconsistent regulatory approaches being adopted by the separate regulators.

## 2.4 Stated benefits of the proposed arrangements

The draft report outlines a number of arguments in favour of a single national access and pricing regulator model. These include that:

- amalgamating all price regulatory functions across a range of industries into a single agency will 'sharpen focus and strengthen analytical capacity in this important area of regulation'
- a single agency will have the scale of activities that enables it to acquire broad expertise and experience across a range of industries, and acquire and retain staff who have that expertise
- a single agency regulating a range of infrastructure industries reduces the risk of capture in each individual industry, and
- a single agency will reduce the costs associated with multiple regulators and regulatory frameworks and promote consistency in regulatory approaches.

While the previous discussion highlights the concerns and implementation issues with the recommendation, it also shows that a range of these benefits the Panel associates with the proposed structure could not materialise in practice.

The draft report argues that amalgamating all price regulatory functions will sharpen focus and strengthen analytical capacity in network regulation. We agree that this type of structure could help build depth and experience in a range of network pricing issues and promote consistency of the general approach to network regulation across a range of industries. In the case of energy, however, these benefits are already largely captured through the ACCC and AER's internal processes, including through a common Commissioner/Board member and shared technical expertise on issues common to all regulated industries through the Regulatory Economics Unit and Regulatory Law Unit.

The draft report argues that an access and pricing regulator will have the scale of activities that enables it to acquire broad expertise and experience across a range of industries. However, the access and pricing regulator will be responsible for regulating over 30 separate electricity and gas networks. Further, the access and pricing regulator will be undertaking a range of other detailed energy sector roles. It will need to build up specialist expertise and experience to undertake this role.

The draft report also argues that the access and pricing regulator would reduce the risk of regulatory capture. However, the task of regulating energy networks and monitoring the operation of wholesale and retail energy markets is an inherently complex task that cannot be undertaken without specialist technical knowledge, and industry and engineering expertise. To the extent this build-up of specialist energy sector knowledge increases any risk of regulatory capture, mechanisms can be put in place to mitigate this risk. As highlighted in our initial submission to this review, the AER's independence is underpinned by having clearly defined roles and functions under legislation, a well-established governance and reporting framework, and a transparent decision making process. Further, the current relationship with the ACCC means that staff and decision makers are already exposed to a broader range of industries, and have the benefit of the experience of the ACCC regulation in communications, rail, water, ports and airports.

Finally, the draft report argument that an access and pricing regulator model will reduce the costs associated with multiple regulators and promote consistent regulatory approaches is not true, at least in the case of energy. It involves an access and pricing regulator and the ACCC taking on the work currently undertaken by the AER. As highlighted above, most market participants would need to deal with both regulators under the proposed framework. This increases compliance costs for the businesses involved and creates the potential for inconsistent regulatory approaches. The proposed framework also increases the costs of regulation. The proposal involves the ACCC and the access and pricing regulator performing a range of similar roles, such as in relation to compliance and enforcement with respect to the same industry. This can only add costs and reduce efficiencies compared to the current arrangement where all energy market compliance and enforcement work is undertaken by the AER.

The discussion in this section highlights that there are fundamental implications to the proposal to divide the AER's work between an access and pricing regulator and the ACCC. It does not reflect the integrated nature of energy markets or the existing industry institutional arrangements and it mischaracterises the Retail Law. If implemented, it would create unnecessary costs and deliver little benefit. This highlights the importance of a single national energy market regulator.

### 3 Energy market reform

Draft Recommendation 16 covers a range of potential areas for energy market reform. It states:

*State and territory governments should finalise the energy reform agenda, including through:*

- *application of the National Energy Retail Law with minimal derogation by all National Electricity Market jurisdictions;*
- *deregulation of both electricity and gas retail prices; and*
- *the transfer of responsibility for reliability standards to a national framework.*

*The Panel supports moves to include Western Australia and the Northern Territory in the National Electricity Market, noting that this does not require physical integration.*

The AER supports all of these initiatives and we consider that this recommendation has identified a range of significant reforms that would further enhance the efficiency of Australia's energy markets.

#### *Uniform application of the retail law*

At present, the Retail Law applies in New South Wales, South Australia, Tasmania and the ACT. Recent announcements by the Queensland and Victorian Governments to apply the Retail Law would extend coverage across all NEM jurisdictions.

Application of the Retail Law by all jurisdictions has the potential to deliver significant benefits to energy consumers and energy businesses. Application of the Retail Law by all NEM jurisdictions will help provide consumers with the tools to more effectively compare retail offers and seek out the deal that best suits them. It will also provide consumers with a range of protections.

As highlighted in submissions by retailers to this review, application of the Retail Law across the NEM will lower barriers for energy retailers to enter into the market across participating states and territories. This can be expected to promote an increase in retail competition.

However, as highlighted by the recommendation, the benefits of the Retail Law depend in part on the extent of any derogations. We support uniform application of the Retail Law across all jurisdictions.

#### *Retail price deregulation*

The AER supports the recommendation to deregulate electricity and gas retail prices. Retail price deregulation offers the greatest potential to deliver retail energy markets characterised by strong competition that offer innovative products and services to the benefit of consumers.

We believe that by promoting informed customer choice, the Retail Law provisions will play an important role to play in supporting a deregulated retail market.

#### *National reliability standards framework*

The AER also supports the recommendation for a national reliability standards framework. This has the potential to promote greater efficiency, consistency and transparency in how reliability levels are set and provided across the NEM.

#### *Including Western Australia and the Northern Territory in the NEM*

The AER would welcome any move from Western Australia and the Northern Territory to join the NEM. Indeed, we note that the NEM network regulation framework will be applied in the Northern Territory from 2015. We consider that benefits could result through minimising regulatory costs for market participants. This value will be best realised through the adoption of the NEM frameworks as consistently as possible. Adopting the NEM market institutions – for example the AER for network regulation – but relying on jurisdiction specific frameworks, is unlikely to deliver the full benefits.

## **4 Review of regulatory decisions**

In the Draft Report, the Panel states that, while it is important that review processes are conducted within restricted timeframes, the value of the review process would be greatly enhanced if the Australian Competition Tribunal was empowered to hear from relevant business representatives and economists responsible for reports relied upon by original decision makers.

We note that an amended merits review regime for the AER's electricity and gas regulatory decisions has recently been introduced, with the legislation coming into effect on 19 December 2013. This followed an Expert Panel review of the limited merits review regime and a public consultation process conducted by the COAG Standing Council on Energy and Resources.<sup>6</sup>

Under the amended merits review regime, in deciding whether a ground of review is established, the Tribunal is limited to the documents before the AER. If a ground of review is established, the Tribunal may consider new information. As this new regime has not yet been tested, we believe that it should not be amended. We also note that a review will commence in 2016 to assess the effectiveness of this amended merits review regime.

---

<sup>6</sup> Further details on the legislation may be found at The Statutes Amendment (National Electricity and Gas Laws - Limited Merits Review) Act (Commencement) Proclamation 2013 and the Statutes Amendment (National Electricity and Gas Laws - Limited Merits Review) Act 2013: [www.legislation.sa.gov.au](http://www.legislation.sa.gov.au). SCER's policy can be found at <http://www.scer.gov.au/files/2013/09/LMR-Decision-RIS-June-2013.pdf> and SCER's Statement of Policy Intent is at <https://scer.govspace.gov.au/files/2012/12/LMR-Statement-of-Policy-Intent-December-2012.pdf>