

The Australian Gas Light Company
ABN 95 052 167 405

North Sydney
AGL Centre, 111 Pacific Highway
North Sydney NSW 2060
Locked Bag 944
North Sydney NSW 2059

Telephone 02 9921 2585
Facsimile 02 9957 3871

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NCP Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

By email: ncp@pc.gov.au

Productivity Commission Review of National Competition Policy Reforms – Discussion Draft

The Australian Gas Light Company (AGL) welcomes the Commission's release of the Discussion Draft and the opportunity to provide comments. AGL's comments are limited to energy matters.

AGL generally supports the direction of the proposals contained in the Discussion Draft although there are some areas where there is scope for clarifying, refining or expanding the draft proposals.

AGL welcomes the recognition that energy remains a priority for continued reform within a nationally co-ordinated framework. AGL agrees with the Commission that some progress has been made and some benefits have been delivered, but there is still work to be done and that given the amount of investment required over the next decade, it is important to get the timing, location and nature of investment decisions correct.

AGL notes the draft proposal that Governments should complete all outstanding national competition policy (NCP) electricity and gas reforms. AGL also notes that the NCP reforms are now the responsibility of the Ministerial Council on Energy (MCE) and the MCE has agreed to a new energy market reform program. AGL considers that it is important that this new energy market reform program is completed.

AGL has concerns with the pace and progress of the energy market reform program, in particular the delays which have resulted in truncated and less meaningful consultation. The program requires a renewed commitment from all stakeholders to address the outstanding issues and to ensure that actions are not taken to unwind reforms achieved to date. It is imperative that there continues to be a united effort towards a national regulatory framework. The MCE should consider whether the current timetable, work program, and resources will achieve outcomes that are best suited to delivering the desired objectives.

The following fundamental principles must underpin the energy market reform program. These principles are the basis of the recommendations that AGL has made in response to the Discussion Draft.

1. Regulation only where there is market failure

Regulation in energy (including consumer protection and retail price regulation) should only be in response to clearly identified market failures. This principle is particularly important as there has been some pressure to increase regulation or delay the unwinding of regulation despite regulators' objective assessments that the market is ready for a reduction in the level of retail energy market regulation.

2. Where there is regulation, that regulation must be least cost and least intrusive

Where regulation is required, it must be least cost and least intrusive in its application. This requires an efficient and consistent national regulatory and market framework. It also requires that regulation has clear objectives and pricing principles (if relevant) and clear accountability mechanisms.

3. There must be a level playing field

A level playing field requires that full retail competition be introduced in all jurisdictions and market distorting mechanisms such as the Electricity Tariff Equalisation Fund (ETEF) be removed.

4. There must be appropriate institutional and governance arrangements

The separation of rule making and regulation is critical to an effective regulatory regime. It is also necessary that there are appropriate mechanisms to ensure accountability.

AGL's detailed submission is enclosed. If you have any queries, please contact my office on (02) 99212585.

Yours sincerely

Dr Robert Wiles
General Manager, Regulation and Policy

EXECUTIVE SUMMARY OF AGL'S DETAILED COMMENTS

ENERGY MARKET REFORM - CURRENT AGENDA

AGL notes the Commission's draft proposal that Governments should complete all outstanding NCP electricity and gas reforms. AGL also notes that the NCP reforms are now the responsibility of the MCE and that the MCE has agreed to a new energy market reform program. AGL believes that it is important that this new energy market reform program is completed. AGL has concerns with the pace and progress of the energy market reform program. Accordingly, AGL considers that the MCE should carefully reconsider what resources are required to deliver the energy market reform program and the timetable for the implementation of the program. AGL also considers that the Commission's draft proposal should be amended to expressly address the following:

- The new national framework should result in a substantial reduction in the overall costs of regulation and increased efficiency in terms of participation in a competitive energy market. The new national framework must deliver a number of outcomes, including regulation only where there is identified market failure and a level playing field.
- There is a need for States and the Commonwealth to commit to continuing a united effort towards a national regulatory framework. Jurisdictions should not introduce regulatory measures or changes to laws that threaten the development of a uniform national framework. All jurisdictional regulation (other than price regulation) should be transferred to the national framework.
- The following principles should be clearly incorporated into the energy market reform program: transparency, appropriate consultation, appropriate governance and institutional arrangements (including clarity of roles of the regulators, the principle of separation of powers and the resolution of information sharing issues), strong appeal rights and accountability for market funded institutions.
- AGL agrees with the Commission that the MCE should establish a process for the independent monitoring of the implementation and outcomes of the energy reform program and a stocktake of progress in 2009.

ENERGY MARKET REFORM – GAPS IN THE CURRENT AGENDA

Generator market power/further disaggregation

- AGL notes the Commission's discussion about further disaggregation of generation businesses. AGL considers that the most important issue is that jurisdictional distortions and market distorting pricing mechanisms are removed.
- AGL considers that market distorting pricing mechanisms such as ETEF should be removed.

Processes for screening the competition implications of any reintegration in the electricity sector

- AGL does not believe that compelling reasons have been put forward to justify the need for special merger rules for electricity.
- AGL does not believe that any further debate is required about any need for special merger rules in electricity. There is no compelling evidence that there is a need for a change to the current arrangements. Further debate on the issue will only increase uncertainty.

Greenhouse gas abatement

- AGL supports consideration of actions to reduce regulatory fragmentation and policy uncertainty.
- CoAG should give priority to achieving a national approach. A national and economy-wide approach that has a long-term focus is important to provide investment certainty.
- AGL supports the Energy Supply Association of Australia's position that the Federal Government should set a single greenhouse gas emission target for 2050.

Improving the efficiency of retail price regulation

- AGL strongly opposes the transfer of retail pricing functions to the national regulator.

- In the transition to effective competition, price regulation does not remain a legitimate or ongoing vehicle for governments to facilitate consumer protection goals. AGL believes that, at the conclusion of the current price paths, competition will be effective in all markets and accordingly, there will be no policy rationale to continue price regulation.
- The focus and goal of governments should be to strengthen competition and to identify and address the causes of any potential or actual market failure and address those. Distributional and transitional impacts should be addressed through transparent community service obligations (CSOs) funded by governments.

Regulated infrastructure providers

- AGL welcomes the further recognition of the need to improve price setting and access arrangements. AGL agrees with the Commission's suggestion that its earlier reports should be the basis for moving forward.

Consumer protection regulation

- AGL agrees with the Commission that there should be a national review of consumer protection regulation. The complexity of consumer protection arrangements and differences in regulatory requirements across jurisdictions impose significant compliance and operating costs on retailers, which can diminish benefits that would otherwise flow from energy market reform.
- In considering the national regulatory framework for consumer protection, it is important that gaps/deficiencies in existing arrangements are identified, and that the new arrangements do not simply amalgamate or duplicate existing arrangements. The new arrangements must add value, lower the cost of regulation and be effective on a national basis.
- AGL notes that the MCE's program of reform touches on consumer protection issues. It is important that the MCE's work on a national regulatory framework for energy (with respect to consumer protection) takes account of the proposed national review and adopts similar criteria.
- Further, the work being carried on as part of the energy market reform program must distinguish between consumer protection issues and market design issues.

AGL'S DETAILED COMMENTS

Set out below is AGL's detailed response to each of the draft proposals that relate to energy. AGL deals with each of the draft proposals in the order in which they were addressed in the Discussion Draft.

ENERGY MARKET REFORM – CURRENT PROCESS

AGL notes the Commission's draft proposal that Governments should complete all outstanding NCP electricity and gas reforms. AGL also notes that the NCP reforms are now the responsibility of the MCE and the MCE has agreed to a new energy market reform program. AGL considers that it is important that this new energy market reform program is completed. AGL's June 2004 submission in response to the Issues Paper raised a number of concerns with the energy market reform process and in particular, that there were some parts of the energy market reform program where the process might be poorly directed or unclear. Many of AGL's concerns remain. The most important issues are the pace and progress of reform and appropriate institutional and governance arrangements. AGL considers that it would be helpful if the Commission's draft proposal was amended to expressly address a number of detailed issues as set out below.

AGL welcomes the Commission's acknowledgment that detailed policy development and cooperation between jurisdictions will be required to translate what are still general reform directions into more specific, agreed options for change. In translating general reform directions into more specific agreed options for change, careful consideration needs to be given to the objectives of the reform process and whether the current processes and timeframes will result in these objectives being met.

Given the amount of investment at stake, it is important to get the continued reform process right. While it is important to continue to move the energy market reform program forward, it is equally important to recognise the necessity of meaningful consultation with industry participants.

Accordingly, it is timely to reconsider the timetables that are required for delivering the energy market reform program.

AGL strongly agrees that co-operation between the jurisdictions will be required. AGL has a concern that jurisdictions are continuing to take unilateral action that may have the unintended consequence of undermining the move towards a national energy framework. Given that the development of a national regulatory framework is underway, further development of jurisdictional regulation should be co-ordinated through the national process.

It is also important to reinforce the need for States and the Commonwealth to continue a united effort towards a national regulatory framework. The move towards a national framework has begun. Jurisdictions should not introduce regulatory measures or changes to laws that threaten the development of a uniform national framework to help promote the optimal development of the industry and the significant economic gains flowing from that. Permitting residual powers for policy, rule making and regulation in any of the states or territories would defeat the purpose of moving to national regulation.

AGL also repeats its call for a sensible, efficient and consistent national regulatory and market framework. Such a framework should provide a more streamlined, sensible, efficient and lower cost basis for regulation. AGL particularly welcomes the work that is being undertaken to transfer distribution and retailing to a national framework. However, it is imperative that the national regulatory framework delivers the following outcomes:

- A substantial reduction in the overall costs of regulation and increased efficiency in terms of participation in a competitive energy market;
- A selective use of energy specific regulation that is limited to matters where there has been a demonstrable market failure or there is a lack of existing customer protection law. (This issue is considered in more detail under the headings "Improving the efficiency of retail price regulation" and "Consumer protection regulation" below.) Where energy specific legislation is implemented, every provision should be developed using a structured and transparent process that ensures that

all provisions are justified against clearly defined objectives and criteria, and tested against the principles of best practice regulation;

- A market environment which is conducive to promoting competition through achieving a “level playing field” for all participants and is supported by appropriate terms and conditions of access;
- Full utilisation of the national frameworks already in place, for example the gas distribution pricing under the national gas code and electricity distribution pricing under the national electricity code (soon to be law); and
- An effective and transparent rule change process allowing for consultation with all stakeholders.

A clear and well-defined process is needed for the national framework to achieve the outcomes discussed above.

In particular, it is important that:

- A timetable is established for the introduction of full retail contestability in all jurisdictions;
- There are strong and nationally consistent ring fencing obligations between all networks and retailers;
- Market distorting mechanisms, such as ETEF, are removed.

We are also concerned about the relationship between the regulatory bodies, in particular the Australian Energy Regulator (AER) and the Australian Competition and Consumer Commission (ACCC). Accordingly, AGL welcomes the acknowledgment by the Commission that the MCE should seek to resolve any outstanding issues concerning operation and governance of AER and AEMC as soon as possible. In reviewing such issues, the role of the ACCC must also be considered.

The MCE has endorsed the “separation of powers” principle. That is, there must be a clear distinction between the power to create a regulatory obligation and the power to enforce that obligation. This principle is essential to maintaining the integrity of regulatory processes and the confidence of industry participants in those processes. There is a need for clarity of roles and adherence to the principle of separation of powers.

Arrangements for information sharing between the regulatory bodies will mean that information provided to one regulatory body for a particular purpose can be used by another regulatory body for any purpose. Currently regulatory bodies are bound by the common law principle of the ‘equitable duty of confidence’¹. Under this precedent, information provided in confidence can only be used for the purpose for which it was provided. It appears that the common law principle is to be abrogated with no equivalent controls on information use.

AGL has previously expressed concerns that certain fundamental principles are not clearly incorporated into elements of the MCE reform program. These principles include transparency, appropriate consultation, appropriate governance and institutional arrangements, strong appeal rights and accountability for market funded institutions. These principles should be incorporated into the energy market reform program.

Finally, AGL agrees that the MCE should establish a process for the independent monitoring of the implementation and outcomes of the energy reform program and a stocktake of progress in 2009.

ENERGY MARKET REFORM – GAPS IN THE AGENDA

The Commission identifies a number of gaps in the reform agenda, namely generator market power, market structure issues, regulatory fragmentation and uncertainty around GHG abatement. The Commission proposes that, in addition to its current work program, the MCE should give priority to five specified issues. AGL’s comments on gaps in the reform agenda are set out below.

Generator market power/further disaggregation

The Discussion Draft considers issues related to “generator market power”. AGL has previously raised concerns about “jurisdictional distortions” in NSW and Qld and specifically referred to concerns with the ETEF in the submission it made to the Commission in June this year. AGL continues to have

¹ Established by Justice Gummow in the Smith Kline French case

concerns with market distorting pricing mechanisms being used by governments. AGL is concerned that such distortions are having an adverse effect on competitive neutrality. Accordingly, AGL considers that competitive neutrality issues should be properly investigated and addressed.

While AGL notes the Commission's discussion about further disaggregation of generation businesses and whether this is required to strengthen competition in the National Electricity Market (NEM), AGL considers that the most important issue is that jurisdictional distortions and market distorting pricing mechanisms are removed.

Processes for screening the competition implications of any reintegration in the electricity sector

AGL notes the Commission has addressed the issue of the tightening of merger rules for electricity. AGL is well placed to comment on this issue, given its experience in the case of Loy Yang A.

AGL welcomes the recognition by the Commission that "it is not clear whether there is currently a significant problem" and the Commission's acknowledgement that "it would be difficult to justify imposing tighter restrictions on mergers in the electricity industry on the basis of recent merger experience, especially as has it involved two contestable elements of the electricity supply chain"². AGL does not believe that compelling reasons have been put forward to justify any need for special merger rules for electricity and agrees with the Commission that there "is a significant risk that a knee jerk response could both discourage investment in the industry and reduce the scope for market structures to evolve efficiently over time in response to changing circumstances"³.

AGL remains strongly of the view that a convincing case has not been made out for the need for special merger rules in electricity:

- Integration between the generation and retail sectors in the electricity industry has not historically been a concern in competition law thinking in Australia.
- International comparison reveals little concern, in principle, for integration between generation and retail and reinforces the reasoning in Loy Yang in several respects. Structural trends in Britain and Europe suggest that, in practice, there is a move towards reaggregation.
- The competitive effects of vertical integration or any other type of energy sector merger are specific to the facts of the particular case.

The Commission indicates that uncertainty created by debate about the adequacy of arrangements could also deter investment. The Commission proposes the MCE should give priority to assessing whether the processes for screening the competition implications of any reintegration in the electricity industry need strengthening.

While AGL notes the Commission's concerns, AGL does not believe that any further debate is required as there is no compelling evidence that there is a need for change to the current arrangements.

AGL notes that the ACCC has expressed some concerns with the "safe harbours" provisions of its mergers guidelines, although the ACCC has indicated that it does not consider that changes to the safe harbours will suffice. AGL has the following concerns with proposals to change the safe harbours:

- It is vital that there is a stable investment environment for the electricity generation industry because electricity generation is an essential input into most other industries.
- These guidelines are important to providing a relatively predictable investment environment and proposals for change will create significant investment uncertainty at the very time when additional investment in new capacity is required.
- No changes to the guidelines should be made without a rigorous assessment to show how and why different thresholds should be applied to electricity generation mergers compared with other energy and non energy industries and the demonstration of a clear net benefit.

² Refer page 171 Discussion Draft

³ Refer page 171 Discussion Draft

AGL also has concerns that the ACCC does not appear to accept the reasoning of Justice French in relation to market definition in the Loy Yang case. AGL maintains that, on the facts before the Federal Court, Justice French's decision in Loy Yang about the geographic markets in the wholesale sector was correct. This decision is consistent with the reality of trading in the National Electricity Market (NEM), the objectives of the NEM and NEMMCO's settlement of the market. In addition, it conforms with international treatment of the definition of geographic markets in the electricity industry.

Greenhouse gas abatement

AGL welcomes the endorsement in the Discussion Draft of the need to reduce regulatory fragmentation and improve policy certainty in relation to greenhouse gas abatement. AGL considers that CoAG should give priority to achieving a national approach.

AGL supports the Energy Supply Association of Australia's position that the Federal Government should set a single greenhouse gas emission target for 2050 that has milestones along the way and applies to the whole economy.

Setting a long-term emission target would significantly increase the uptake of energy efficiency improvement in Australia through increasing investment certainty. The measures to achieve the 2050 target should be formulated to encompass the widest set of abatement options available to achieve those reductions.

Existing state based measures should be rolled into a national scheme to reduce the duplication, complexity and compliance costs that are emerging from multiple approaches.

Improving the efficiency of retail price regulation

AGL welcomes the Commission's recognition that unduly suppressing regulated prices may compromise the longer term sustainability of supply. AGL also welcomes the Commission's recognition that the interests of vulnerable users are "best handled through transparent community service obligation payments, rather than through the general suppression of prices"⁴.

It is AGL's view that, in addition, general suppression of prices has the effect of impeding the further development of effective competition in retail markets.

The Discussion Draft suggests the MCE should give priority to improving the efficiency of retail price regulation with a particular emphasis on facilitating the responsiveness of both demand and supply to changing market conditions.

At the time competition was introduced, it was the expressed intent of governments and regulators that price controls would provide a transitional safety net for customers who were not able to or chose not to participate in a competitive market following the introduction of competition. The presumption was that competition provides the most effective form of customer protection available. Accordingly, it was expected that retail price controls would be transitional in nature. (Appendix 1 lists examples showing that regulators recognise that safety net arrangements are transitional measures and that they will become unnecessary when effective competition is achieved in the energy markets).

AGL does not consider that, in the transition to effective competition, price regulation remains a legitimate or ongoing role for governments to facilitate consumer protection goals⁵. Effective competition is to be preferred over regulation as a means of ensuring consumer protection. Multiple year price paths have been agreed in Victoria and New South Wales and a draft price path has been published in South Australia. At the conclusion of these price paths, AGL expects that competition will be effective in all markets and accordingly jurisdictions should not have a policy rationale to continue with price regulation⁶.

⁴ Refer page 174 Discussion Draft

⁵ For example, the United Kingdom regulator Ofgem suggests that price controls may inhibit competition and could also remove competitive pressures on prices for those customers who choose to remain with their traditional supplier. In the UK price controls for gas and electricity were removed in April 2002 and replaced with reserve powers existing under UK competition law.

⁶ AGL has previously raised the issue of incentives for the investment in intermediate and peaking plant that will be required in the medium term.

The focus and goal of governments should be to strengthen competition and to identify and address the causes of any potential or actual market failure and address those. The Discussion Draft notes that governments have adopted a commonly agreed definition of CSOs and have accepted the principle that the costs of CSOs should be transparent and funded directly through consolidated revenue. AGL agrees with this.

Some jurisdictions have maintained a monopoly-based approach to price regulation applying across all customers which have delayed achievement of cost reflective prices that will remain up to 5 ½ years after competition was first introduced impeding effective competition.

Lack of cost reflective retail prices has unintended consequences such as reducing the incentives for demand management and energy efficiency (as noted by the Parer Review) and unchecked increases to peak energy demand (eg. current summer demand levels). This results in a need for costly investment that would otherwise not be required, resulting in increased costs to all customers. Prices should reflect costs to promote investment in generation and retail supply and to promote demand management and energy efficiency.

Any short-term transitional and distributional energy price impacts as a result of the removal of price controls should be considered in terms of direct and indirect benefits of NCP reforms to customers and to the economy and addressed through transparent and government funded CSOs.

In considering transitional and distributional impacts, it is also important to take into account existing consumer protection requirements. These impacts are currently being addressed through price controls since the introduction of full retail competition and through the 3 to 4 year transitional price paths. The focus on addressing the transitional impacts entirely through broadly-based retail price regulation has in fact delayed competition and the benefits from it in some jurisdictions, and has led to unintended consequences in relation to demand management, efficiency of energy use and infrastructure investment. Investors need certainty with respect to retail pricing to ensure prudent investment in new generation, transmission, and distribution infrastructure.

AGL strongly opposes the transfer of retail pricing functions to the national regulator. AGL believes that, at the conclusion of the current price paths, competition will be effective in all markets and accordingly, there will be no policy rationale to continue price regulation. Accordingly, AGL considers the focus of the energy market reform program should be on aspects of regulation that will continue and which it is therefore appropriate to transfer to the national regulator. A national approach to retail pricing will not deliver the required efficiencies or cost reductions to justify the transfer of retail pricing responsibilities to the national regulator given the level of competition in the jurisdictions is at different stages.

Regulated infrastructure providers

AGL agrees that inadequate or inappropriate investment in infrastructure networks could have major ramifications for Australia's future economic performance and standard of living.

AGL agrees with the Commission that governments and regulatory agencies should explore opportunities to improve the efficacy of price setting and access arrangements for regulated infrastructure providers and that particular emphasis should be given to improving incentives for providers to undertake investment to maintain existing facilities and expand networks, including through implementation of clear and nationally consistent principles to guide regulators.

AGL also agrees that specific approaches outlined in recent Productivity Commission reports into the National Access Regime and Gas Access Regime should provide the basis for moving forward. This is particularly welcome as AGL has a concern that, in the work to transfer distribution and retail to a national framework, there appears to be a risk that earlier work of the Commission, particularly on the Gas Access Regime, will be revisited. This concern was highlighted in AGL's recent response to the *Issues Paper* on a proposed national framework produced for the MCE SCO.⁷

⁷ AGL submission to Ministerial Council on Energy Standing Committee of Officials Issues Paper *National Framework for Electricity and Gas Distribution and Retail*, 16 November 2004 (See especially section 4.1)

AGL considers that the *Distribution and Retail Framework* consultation was not a forum which could adequately address access pricing principles, and that this matter should be properly left until after the expected MCE/Government response to the Productivity Commission review, and then considered through the forthcoming MCE process to develop a national approach to energy access under the Trade Practices Act.

Consumer protection regulation

AGL agrees with the Commission that, while consumer protection regulation has a potentially important role in facilitating the efficient functioning of markets, it is not without costs.

AGL also agrees with the Commission that that “it is important not to overstate the extent of the problems that arise from the informational market failures that underpin consumer protection regulation” and that the “upshot is that the need for standards and other forms of consumer protection regulation must be considered on a case by case basis, having regard to both the significance of the problems for consumers and hence the likely benefits of addressing them, and the costs of doing so.”⁸

AGL is of the strong view that the complexity of consumer protection arrangements and differences in regulatory requirements across jurisdictions impose significant compliance and operating costs on retailers, which can diminish the benefits that would otherwise flow from energy market reform.

Accordingly, AGL agrees with the Commission’s draft proposal that there should be a national review into consumer protection policy and administration in Australia. AGL agrees with the Commission that this national review should focus on the effectiveness of existing measures in protecting consumers in the more competitive market environment; mechanisms for coordinating policy development and application across jurisdictions and for avoiding regulatory duplication; the scope for self-regulatory and co-regulatory approaches; and ways to resolve any tensions between the administrative and advocacy roles of consumer affairs bodies.

In considering the national regulatory framework for consumer protection, it is important that gaps/deficiencies in existing arrangements are identified, and that the new arrangements do not simply amalgamate or duplicate existing arrangements. The new arrangements must add value, lower the cost of regulation and be effective on a national basis.

AGL also notes that the MCE energy market reform program touches on consumer protection issues. It is important that the MCE’s work on a national regulatory framework for energy (with respect to consumer protection) uses criteria consistent with those proposed for the national review. AGL also notes that the MCE energy market reform program is currently considering national consumer advocacy arrangements. AGL considers that it is equally important that the work being carried on as part of the energy market reform program should distinguish between consumer protection issues and market design issues.

⁸ Refer page 217 Discussion Draft

APPENDIX 1

REGULATORS' VIEWS ON PRICE REGULATION IN A COMPETITIVE MARKET

Regulators recognise that safety net arrangements are transitional measures and that they will become unnecessary when effective competition is achieved in the energy market(s):

The Office of Gas and Electricity Markets (UK)

"All evidence suggests that price competition is the key driver of customer choice. To artificially set one price for all customers would kill competition, as well as stopping those who shop around from getting better deals. It would also remove competitive pressures on prices for those customers who remain with their traditional supplier – Callum McCarthy, CEO, press release 16 June 2003."

The Independent Pricing and Regulatory Tribunal of NSW

"Extending choice and competition to all retail customers is predicated on the principle that an efficient, competitive market can deliver benefits for customers in terms of both price and quality of service." – The Independent Pricing and Regulatory Tribunal of NSW, Issues Paper – Review of Gas and Electricity Regulated Retail Tariffs, October 2003 (p.4).

The Essential Services Commission of Victoria

"Competition is not an end in itself, but a means of achieving more efficient use of the community's resources in the production, supply and consumption of goods and services. Effective competition contributes to this objective by forcing businesses to produce at least cost, to charge cost-based prices and to be innovative in product and process design and in service delivery. In a competitive market place failure to operate in these ways would simply result in loss of sales to more efficient competitors supplying substitute goods and services at the prices and quality preferred by consumers. For these reasons promoting effective competition is also an efficient means of protecting final customers from the misuse of market power, compared to other more interventionist regulatory approaches." – The Essential Services Commission of Victoria, Special Investigation: Review of the Effectiveness of Full Retail Competition for Electricity — Final Report, September 2002 (p.18).

"Once retail competition is judged to be effective, the assessment of standing offer tariffs can be less intrusive, since the presence of competition will itself provide protection for consumers." – The Office of the Regulator General Victoria, Approach to Benchmarking Electricity Retail Costs – Issues Paper, November 2001 (p.4).

"Whilst the substance of existing standards could be retained for protection of customers in the newly contestable environment, some standards can reasonably be expected to be less prescriptive than the current Supply & Sale Code so as to encourage innovation and enhance customer choice in service delivery." - The Office of the Regulator General Victoria Consultation Paper No. 2, Minimum Standards Framework for Full Retail Competition, Review of Existing Supply and Sale Code Provisions, Jan 2000.

The Essential Services Commission of South Australia

"The introduction of full contestability to the retail electricity market was a policy decision implemented by successive South Australian Governments. Underpinning this policy decision is a view that it is the process of competition, rather than regulation, which can, ultimately, deliver maximum benefits to consumers through lower prices, better goods and services and increased efficiency. Competition, it is argued, provides these outcomes in a more expeditious and efficient manner than does direct intervention into a market by a Government. (p.22).

"If ESCOSA is to protect the long term interests of South Australian consumers, and given that the electricity retail market in South Australia is now based on the concept that competition will ultimately provide the best protection for consumers, then it is important for ESCOSA to monitor the state of competition in the South Australian electricity retail market." – The Essential Services Commission of

South Australia – Monitoring The Development of Electricity Retail Competition in South Australia - Proposed Approach", ESCOSA, April 2003 (p.1).

The Independent Competition and Regulatory Commission of the ACT

“Once effective competition is established, market forces should ensure that suppliers provide services of quality demanded by customers, and that they do not earn excessive profits” – The Independent Competition and Regulatory Commission of the ACT, Final Determination, Review of natural gas prices, May 2001 (p.8).