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Thank you for the opportunity to comment on the AEMC *Strategic Priorities for Energy Market Development Discussion paper 2011*.

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

The Australian Energy Market Commission (AEMC) has two key roles. The first key role is to advise the Ministerial Council on Energy (MCE) on the National Energy Market (NEM). To assist in this role the AEMC undertakes reviews and commissions reports and writes plans.

The second key role is to consider and decide upon rule change requests under the various national energy laws including under the NECF.

The 2011 AEMC Strategic Priorities Discussion Paper spells out what the AEMC sees as the major challenges facing the National Electricity Market and its proposed responses.

The paper identifies four challenges facing the energy market over the coming years:

- Forecast increases in peak demand
- Investment requirements
- Rising retail prices
- Market resilience in the face of the changes from the expanded Renewable Energy Target and a carbon price.

In response to these challenges the AEMC identified three strategic priorities for the coming years and the proposed work associated with those priorities.

These are:

- A predictable regulatory and market environment for rewarding economically efficient investment

- Building the capability and capturing the value of flexible demand
- Ensuring the transmission framework delivers efficient and timely investment.

What is missing from the Strategic Priorities Discussion Paper is any consideration of the affordability implications for consumers of rising prices. Further there is no proposal for any work around this critical issue.

EWON considers that there is room for a further role for the AEMC in the context of providing policy advice to the MCE.

Affordability of essential utility services in the face of significant price increases is a significant issue. It is important for the industry and for disadvantaged consumers that responses are driven from an evidence base and that there is a policy framework for understanding the issue of affordability and best practice responses.

We suggest that the AEMC could play a valuable role in initiating and facilitating an industry wide discussion on energy affordability and appropriate responses. Such a process could consider the relevance or otherwise of establishing a benchmark for 'energy stress'. It could also explore other responses that have been proposed, eg the value and structure of a social tariff concept.

A further activity that the AEMC could build into its strategic priorities is commissioning research into the effectiveness of differing community service obligations in the NEM. In the context of national regulation, research to provide an evidence base for identifying best practice and potentially harmonising areas such as rebates and emergency assistance would benefit both consumers and the industry.

If you would like to discuss this matter further, please contact me or Chris Dodds, Senior Policy Officer on 82185250.

Yours sincerely



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