Submission to the Productivity Commission Inquiry: Impact of Competition Policy Reforms on Rural and Regional Australia

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Table of Contents

EXECUTIVE SUMMARY **3**

RECOMMENDATION 3

SUMMARY POINTS **4**

KEY CONCERNS AND ARGUMENTS 4

BACKGROUND **6**

FAIR AND EFFICIENT REGULATION **6**

CONTRADICTORY REGULATORY DIRECTIONS **8**

VICTORIA 8
NEW SOUTH WALES 9
AUSTRALIAN CAPITAL TERRITORY 10
REGULATORY STABILITY 10

SOCIO-ECONOMIC CONSEQUENCES **11**

REGULATING THE REGULATORS **13**

REFERENCES **15**

Executive Summary

United Energy appreciates the opportunity to present a view to the Commission on this important issue. While modest in length, this submission is founded on robust principles and extensive empirical evidence, the documentation of which can be supplied to the Commission if required.

We confine our comments mainly to the consequences for economic and social welfare of the regulatory regimes being established under National Competition Policy (NCP) and associated micro-economic reform policies for electricity, but the matters raised are relevant to the other regulated sectors listed in the Commissions's draft report and issues paper.

All Australian governments are committed to ensuring appropriate frameworks in which businesses operate to maximise competitive processes and to minimise intervention, creating markets that operate under one set of rules. Where regulation is required, it is intended to simulate competitive market processes and to be light handed, incentive driven and non-intrusive.

The view put in this submission is that those frameworks are inadequate to the task, allowing regulators to implement regimes which are frustrating rather than fostering the principles and objectives of policy and which are against the long term interests of consumers (including price shocks). Such regimes will not only impact on residential consumers of electricity in rural and regional areas, but also high energy using industries and businesses. Policy makers must now consider whether they wish to facilitate a dynamic and best practice electricity industry that increases exports and jobs or a dead one.

The matters raised in this submission are of significance both nationally and to individual jurisdictions as poor regulation feeds back to undermine the benefits of reform across the board. It would be very sad if, for instance, the gains made for Victorians from electricity reform were to be lost by a step backwards towards a regulatory regime that has had such a dismal record overseas.

Recommendation

It is both timely and appropriate that the current frameworks are reviewed to test the consistency of regulatory outcomes with the intent of policy, and to recommend remedies where deficiencies are exposed. This may involve changes to the legislation or other action such as the introduction of intermediaries capable of balancing the total discretion allowed the relatively immature regulatory bodies.

Summary Points

Key Concerns and Arguments

The key concerns are:

- The access and pricing regimes being implemented by the regulatory authorities fail to satisfy or are in contradiction of the objectives and principles of NCP and micro-economic reform:
  - this will have adverse consequences for investment, industry development, economic efficiency, exports and jobs, including in many rural areas; and
  - the fragile early achievements of electricity reform in improving the competitiveness of contestable user industries operating in other domestic or foreign markets will be undermined.
- The command and control regimes being implemented deny the prospect of firms achieving dynamic efficiency while imposing the certainty of future rate shocks on consumers. They may also put future system reliability at risk.
- The instability of the regimes, and inconsistency between regimes across jurisdictions, increases regulatory and sovereign risks, jeopardising the potential success of future privatisations and diminishing the attractiveness of Australia as a place to invest.

The key arguments are:

- There is little or no recognition by the regulators that it is the simulation of effective competition in imperfectly contestable markets that provides the incentives which induce and drive firms to invest, innovate, continuously improve efficiency and to manage risks. This maximises both consumer and producer surpluses (or the size of the 'cake' that can be fairly divided):
  - what is inherent in the regimes is the short-term view that the interests of electricity businesses and consumers are in conflict, where the focus is on providing an initial 'one-off' benefit to consumers and profit control. This regulatory "opportunism" is not in their long-term interests as there is no expansion of the 'cake'. Worse, the perverse incentives which are also created are likely to produce outcomes inferior to having no regulation at all,
  - NCP recognises that the interests of businesses and consumers are consonant over time and that the long term interests of consumers include those derived from the encouragement of growth, innovation and diversity of choice. This is already evident from the reforms in electricity supply that have taken place.
- Some regulators have failed to inform themselves of best practice incentive regulation, opting instead for the illusory comfort of traditional heavy handed cost of service/rate of return regulation which has had such a dismal record in the UK and the US and is now widely derided.
  - first best incentive regulation is now widely applied in the US (and, indeed, was successfully applied in one case in Australia prior to NCP),

- NCP supports reliance on emulating competitive processes and price-based incentives to achieve fair and efficient regulation. Indeed, the Victorian Tariff Order directs the regulator to apply such a scheme, but this has been ignored or misinterpreted.

- ♦ Heavy-handed regulation requires high levels of intrusion and scrutiny of most aspects of a company's operations and decision-making processes. In Victoria, it is also proposed that firms must 'prove' the success or otherwise of their actions. Were this to be realised, where the judgement and views of the regulator and the availability of 'proof' become pivotal in decisions, it would be questionable not only as to who was actually running the businesses but also who was ultimately responsible for outcomes, including the reliability of supply (as has occurred overseas):
  - NCP requires light-handed regulation and has not provided for, nor contemplated, the implications of switches in responsibility. It also requires a low cost of administration,
  - The heavy handed regulation being implemented denies fairness and natural justice to consumers and regulated companies alike, as there are none of the checks and balances in the system that such regulation requires.
- ♦ Heavy handed regulation fosters a culture of regulatory dependence and minimal compliance with service standard targets, as well as stifling innovation and progress towards developing competitive markets.
  - the role of the regulator under NCP and reform policy is seen as emulating competitive processes and facilitating future competition, but not determining market structures, investment levels, technological choices and consumer preferences,
  - current proposals are aimed at controlling profits and investment. The arrangements will also have the perverse effects of inhibiting technological advances and pricing responses that would otherwise provide for new entry and access, and of inducing firms that have already changed their service cultures to regress from quality performances already well beyond official targets.
- ♦ There is little or no recognition of the need for the stability and consistency of the regimes, allowing for investor expectations. When a regime is complex and subject to reversal, or is becoming more intrusive, the risks to businesses and potential investors will increase, raising the required return on capital and, eventually, prices for consumers. The unwillingness of regulators to recognise arrangements put in place at the time of privatisation raises sovereign risk and demonstrates the inadequacy of the regulatory framework.
  - While NCP does not encompass privatisation, it is concerned with establishing stable regimes, which minimise regulatory and project risk, attracting necessary investment and reducing prices to consumers.

Background

The Productivity Commission (in earlier guises) established the principles for reforming the utility industries in a series of reports in the late 1980s and early 1990s. In meetings between July 1991 and June 1993, the Council of Australian Governments (COAG) agreed on a series of reforms aimed at improving competitive processes in electricity supply. These developments became a sub-set of what was to eventuate in a major national effort to reform the economy and major industries. The emerging agreements to implement nationally consistent policies to enhance competitive processes also had their roots in another report – the general principles expressed by the Independent Committee of Inquiry into National Competition Policy (the Hilmer Report).

In April 1995, all jurisdictions agreed to a package of measures to provide a framework of laws, principles and processes to promote a nationally consistent approach to reform and regulation. The resulting NCP has a clear focus on enhancing competitive processes and commercial incentives as the preferred means of achieving light handed regulation with fair prices, increased economic efficiency and safe and reliable utility supply at minimal administrative cost.

The benefits of structural reform and widening contestability are increasingly evident and have been documented by the National Competition Council (NCC) in its 1998 Annual Report. For example, about all the potential savings in electricity bills originally estimated for the reform process by the Productivity Commission for large contestable customers in Victoria and NSW by the Year 2000 were **already** realised in 1998 (average **real** price reductions of 25 per cent, and up to a maximum of 60 per cent), with improved quality of supply. Electricity prices in those States are now about the third lowest in the industrial world, increasing the competitiveness of user businesses in both domestic and export markets.

Residential consumers are yet to become contestable, but the sector has already enjoyed both price reductions and quality improvements. As the NCC shows, a 'typical' Victorian household is estimated to have achieved a 9.2 per cent **real** cut in the unit cost of electricity between November 1992 and May 1997, with falling levels of minutes off supply.

Fair and Efficient Regulation

The purpose of regulating firms possessing market power in natural monopoly or imperfect markets can be found in the Hilmer Report (eg p279) and the resulting NCP legislation. That purpose is two fold:

- to ensure that market power is not abused; and
- to promote long term dynamic efficiency by fostering investment, innovation and productivity growth through the emulation of market incentives.

The concept of market power under the Trade Practices Act 1974 is firms having the discretion to *"give less and charge more"*. As we have seen, the electricity industry is not abusing its market power as it has been *"giving more and charging less"* with higher quality and lower prices.

What is implied by all the terms in the second purpose is that regulation should induce a firm (which we can assume is some inefficient utility) to take steps in three directions (unfortunately simultaneously). First, it should induce a firm to move towards the industry's efficiency frontier by such means as improving work practices and investing. Secondly, the firm should shift along this frontier by changing the quality and mix of its services to suit consumer preferences. Thirdly, the firm should undertake (Schumpeterian) activities such as developing new processes and products and services to help expand the industry frontier, particularly towards international best practice.

Consumers will gain from each of these three steps by the firm to pursue productive, allocative and dynamic efficiencies. When all three are completed, the largest possible 'cake' will have been created that can be fairly divided. In United Energy's view, **all** these gains (no sharing) should be eventually passed on to consumers when the incentives to firms have served their purpose.

What is happening here is that good regulation will automatically emulate the fair and efficient outcomes that result from imperfect markets where competition is effective. Effective competition is the antithesis of market power.

There are two basic forms of regulating firms that may concern us here:

- command and control (cost plus regulation, including cost of service and rate of return regulation); and
- incentive regulation such as glide path and total factor productivity (TFP).

It is United Energy's view that the form of regulation now being implemented threatens the benefits of NCP, both those already achieved and those in prospect. We would argue that only true market based incentive schemes can meet the requirements of NCP and the objectives of fair and efficient regulation. Instead, regulators are opting for the cost accountant's dream of variations of command and control, precisely of the sort that NCP sought to avoid. Rather than light handed, top down (price and performance based) incentive regulation, what is being imposed is bottom up (cost of service/rate of return) regulation that requires highly intrusive methods to fix and control profits and regimented compliance with black letter rules on standards.

While such an approach may not do too much harm (but with no benefits) when applied to single assets such as a pipeline, it will create perverse incentives and poor outcomes if applied to modern distribution businesses operating in dynamic and diverse real world environments. While command and control will stop abuse of market power, abuse is not a problem in Australia. Our problem is to induce and drive firms to best practice levels, and that requires the market incentive approach. Only incentive regulation will maximise the long-term interests of consumers and provide low costs of energy to export industries and other businesses.

Contradictory Regulatory Directions

The failings and inconsistencies between regimes are evident when comparing Victoria, NSW and the ACT.

Victoria

While the regulatory regime in Victoria was formulated on the promise of a light handed and incentive driven approach, what is being implemented is a step backwards to some of the worst forms of command and control to be found in the UK and classic rate making in the US. The model proposed by the Office of the Regulator-General (ORG) to apply from 2001 for regulating electricity distribution prices is derived from the indexed cost of service regulation applied in the UK and is said to be functionally identical to the model recently abandoned in California.

- The former President of the Californian Public Utilities Commission, Dr Dan Fessler, has urged the ORG not to adopt the model, citing weak incentives, rising costs, increasing intrusion and litigation, unpredictability and systemic failure. The approach was not seen to be in the long term interests of consumers, and Dr Fessler advised the ORG to adopt incentive schemes such as glide path or TFP.
  - Dr Fessler's description of the ORG model as analogous to traditional American rate of return regulation suggests a likely breach of the Victorian tariff order, which forbids such regulation.
- Emeritus Professor Brian Johns (former head of the BIE, Deputy Chairman of the TPC and Associate Commissioner of the ACCC) has written to the ORG pointing out the principal – agent problem (where the objectives of regulators differ from those of the government or the community) and assessing the model as having serious disadvantages, including weak incentives, high costs, increased business uncertainty and raising the danger of inefficient investment levels in the Victorian electricity industry
  - Professor Johns also questioned whether the community (or the government) would accept the need for sudden and sharp price increases in the ORG's proposal
  - instead, Professor John favoured glide path and the development of the TFP approach
- Professor Martin Cave (Brunel University), on behalf of the Victorian Department of Treasury and Finance, has found that the ORG model could have a major adverse effect upon incentives for efficiency compared with glide path
  - in deciding who should bear risks, Caves considers that these should lie with the distribution businesses (glide path) and not consumers (ORG proposal)
- The Treasurer of Victoria, Mr Alan Stockdale, has written to the ORG pointing out that the regulatory framework was originally intended to contain strong incentives to encourage the development of a dynamic, efficient and sustainable electricity industry that would continue to deliver benefits to consumers. It was also intended to be stable and predictable while avoiding unduly onerous and costly reporting requirements,
  - "That is why the Government is so strongly committed to the 'glide path' concept".

New South Wales

The regulatory direction of the Independent Pricing and Regulatory Tribunal (IPART) may be set for fundamental change. Currently, traditional forms of command and control continue to be applied. In electricity, for instance, heavy handed licensing requirements were imposed in the highly competitive retail market for contestable businesses, even though such users have strong countervailing power and a proven record of successfully negotiating on price and quality. This only served to increase barriers to entry and diminish competition. In gas, opportunities to provide a truly light handed and incentive driven regime for regulatory access to the Wagga Wagga natural gas system were not taken up.

However, in a landmark paper (IPART 1999) outlining its intended approach in a forthcoming review of electricity distribution and transmission prices, IPART recognises the need for dynamic efficiency:

> *"The drive for improvement within a firm is a dynamic process expressed through operational practices, investments in new technology, innovation and service development"* [p12].

IPART also recognises the disadvantages of traditional regulation:

> *"The history of intrusive cost plus regulation is replete with examples of heavily regulated utilities that exhibit low levels of efficiency, poor investment practices and below average service performance. Both theory and experience indicate that repeated frequent confiscation of the benefits of efficiency improvements combined with uncertainty over future regulatory actions will lead to poor performance and welfare loss"* [p13].

In assessing the relative merits of regulatory options, the IPART paper prefers the application of glide path at this stage as offering the best balance of benefits and risks for stakeholders, but that TFP holds considerable potential advantages for all stakeholders once more research on benchmarking is completed for Australian conditions. In considering the disadvantages of cost based forms, particularly the ORG's proposed approach, the IPART paper is concerned about the need for what it terms the micro management of the businesses by the regulator. This is also one of the focii of criticism by Professor Johns (Johns, 1999, p11), who calls it the Achilles heel of the approach.

United Energy supports all of the analysis and conclusions of the IPART paper with only one significant proviso – we would argue that the construction of best practice benchmarks may be undertaken now. These currently apply overseas and a US consultancy has constructed such benchmarks for the Victorian distribution businesses, which pass all the relevant econometric tests, and there seems no reason why these may not be further developed and applied generally. If regulators, nevertheless, are opposed to relying solely on such benchmarks, they may of course apply cost of service targets. But cost of service should not drive the regulatory system, and prices should only be linked with costs once incentives have achieved their purpose.

Australian Capital Territory

In considering the regulatory options, the experience overseas and the conflicting views of the ORG and IPART, the Independent Pricing and Regulatory Commission (IPARC) has come down firmly in favour of glide path in its recent (May 1999) determination of electricity prices for ACTEW, both because of the incentive effects and avoidance of rate shock for consumers. IPARC also recognises that there is considerable community support for the achievement of high standards of service, and that consumers are prepared to pay for those desirable standards.

Regulatory Stability

The IPART paper recognises that regulatory commitment is a major issue in good regulation, quoting Laffont and Tirole (1993) that the utility must have confidence that the regulator will not renege on the terms of the regulatory contract. Without this confidence, incentive regulation can lead to lower efficiency levels than cost of service regulation.

Moreover, Dr Graham Shuttleworth (UK, NERA), the ORG's own adviser, has noted that the choice between regulatory forms is less important than the creation of a regime that supports long term regulatory commitments:

> *"We believe it is unwise and inefficient to adopt any revenue formula that might be overturned in the future due to foreseeable problems. Overturning previously agreed methods and formulae simply creates unnecessary risk and discourages efficient investment. In the long run, this is not beneficial to either the regulated company or its customers"* [Shuttleworth, 1998, p30].

Yet this is precisely what is proposed in Victoria.

In Victoria, the distribution businesses have a regulatory contract with the regulator comprising the constituent legislation, a tariff order and statements made prior to privatisation by the regulator and representatives of government, including a letter by the (then) Regulator-General.

The ORG letter was crucial to the valuation of the businesses by investors, as they were being expected to chance some $8 billion with no information about the future regulatory context other than the bare bones of the tariff order and statements on objectives. As is widely understood, what investors are subscribing to in any privatisation is the ownership of a utility, which possesses rights to generate a net income stream; they are not investing in 'assets' as such. Whether there was to be a glide path or a regulatory scheme that provided for sudden and sharp changes in price was the key on which the valuations of the businesses in Victoria turned. It is a matter of record that investors paid about double the adjusted asset values of the businesses, the benefits of which have long been passed on to Victorian taxpayers (who are also consumers of electricity).

United Energy recognises that a regulatory contract should not bind a regulator if there has been a gross error or some dramatic change in circumstances. We also recognise that regulation should be an evolving animal, with the flexibility to incorporate new and improved ideas in a manner that is consistent with the overall policy framework. But what is unacceptable is the ORG proposal which turns that framework and those commitments on their heads, with consequences close to the antithesis of the original contract.

Failure to provide a full glide path in 2001 as originally provided could be expected to undermine confidence in the regulatory process, increasing regulatory risk, stifling discretionary investment and raising the cost of capital. It may also generate sovereign risk, not only for Victoria but more generally.

In this context, SG Hambros, part of the fourth largest bank in the world, has written to the ORG expressing concern that the contract struck in 1995 needs to be honoured to ensure the achievement of the original policy objectives in electricity reform. In particular, Hambros notes that a failure by the ORG to do so would undermine the capability of the businesses to repay debt. Such an action would result in:

> " – *increased cost of equity capital;*
> – *increased cost of debt capital by potential credit agency changes to credit ratings and by more restrictive debt covenants; and*
> – *sovereign risk implications, which may diminish future investment by the private sector in regulated assets, in Victoria and Australia"* [SG Hambros, 1999, p4]

These matters were put to Professor Stephen Littlechild, the former head of the UK Office of Electricity Regulation and the world's most eminent regulator. It may be said that Professor Littlechild agreed with the thrust of all the above comments as a matter of principle, although he would not comment on the Victorian case.

Socio-Economic Consequences

This submission has pointed to a range of adverse consequences for investment, regional development, exports and jobs from a failure to apply the sort of regulation that theory dictates and NCP requires. The sort of regulation that is being applied has no robust foundations and has proven to be outmoded, inefficient and unfair when applied overseas. Such regulation should not be regarded as 'second best' to incentive regulation but as, potentially, the worst of all outcomes, undermining the reforms that have been achieved.

The possibility of future rate shocks for consumers will be particularly harsh on low income groups and those with low savings or in debt as the price increases will be sudden and could be severe (perhaps $100 extra). The suggestion by the ORG that such groups take out hedging instruments to cover the risk seems unreal, and the ORG offers no evidence that such instruments are available and, if so, that such groups are aware of them and would be prepared to pay for them. It is our view that a regulatory system that includes such effects could not withstand the political and social pressures that would undoubtedly be applied, leading to asymmetric application.

Moreover, despite the recent experiences of energy disruption in Canada, New Zealand and Australia, there is little or no recognition by regulators (except for IPARC) that the social value of reliability in energy supply is high, and is very high for some community groups in country areas. Reliability also has a high economic value for high-energy using and continuous process industries, and can be a matter of life and death for some rural small businesses. Nor is it recognised that much of the distribution infrastructure is antiquated in the country, a legacy of past policies of governments, not private enterprises. Yet customer demand for reliable supply is becoming stronger every day, and even the momentary outages that come with open wire networks will no longer be accepted. Customers are also demanding the broader range of services being developed for metropolitan areas.

Socio-economic welfare will only be enhanced if incentives are provided to distributors to improve reliability (as well as reducing prices). This requires ongoing incremental investment to networks and related improvements (eg tree trimming). Yet the actions of regulators can easily kill off such activities.

First, honouring the regulatory contract is critical as companies will not invest if they fear not getting their money back. As SG Hambros (1999) observes in the Victorian case:

> *"We see the regulatory contract entered into during the sales process as a very fragile concept which the regulator needs to nurture to ensure that the original objectives of the electricity reform and privatisation process are achieved. This fragility is reflected in the fact that investors in the DBs (distribution businesses) require a level of confidence in revenue streams of periods of up to forty years to recover investments made in long term assets. This fragility is heightened considering the discretionary powers that the ORG has in determining regulated prices and therefore the DB's revenue.*
>
> *Our issue with the regulatory contract is more than a retrospective argument about fairness and equity. It has policy implications for the incentive for the new owners to seek out a wide range of expansion and business improvements necessary to support the development of the State's energy resources and provide certainty of supply"* [p2]

Dr Graham Shuttleworth (the ORG's own adviser) has echoed these views at a recent forum, remarking that good practice regulation is about inducing long term efficiencies through investment, and that stability over a significant number of regulatory periods was necessary for this to be achieved.

Secondly, the drive by some regulatory to ringfence the network businesses from competitive commercial activities may also run counter to the NCP reforms. Such a business will have a strong incentive to create a good corporate image and provide good customer service in all its activities so as not to lose market share, but unnecessary ring fencing diminishes such incentive.

Moreover, the regime proposed in Victoria creates perverse incentives by not rewarding better quality performance, and may even penalise good performance when the new standards are set in 2001. To take United Energy as an example, the company invested heavily to reduce minutes off supply to almost one third of the regulatory standard. However, if the company had instead reacted to the ORG's incentives it would not have invested but the opposite, chopping costs and letting quality deteriorate, to the detriment of customers. The regulator also needs to recognise that establishing a culture of better quality in a business takes a long time, and it cannot be turned off and on like a tap. For United Energy's part, it will continue to build quality even though costs now sharply increase for each additional improvement, but this is in spite of the regulatory regime, not because of it.

Yet another problem is the predisposition of some regulators to micro manage regulated companies to specific ends. The objectives of NCP and the regulatory framework are diverse and require fine judgements of balance. The concern is that single objectives are being imposed through command and control or, in some notable instances, objectives outside of the framework are being proposed. The micro management of the businesses towards a biased set of objectives will stifle investment and innovation and that will not serve the interests of rural communities. What regulators fail to see is that the it is in the interests of the businesses to serve their customers well. What should happen is that the businesses should manage themselves and the regulator should confine itself to ensuing those proposals and actions are within the policy and statutory frameworks.

Regulating the Regulators

As a reading of the submissions to the various reviews by Australian regulators will attest, there is a climate of increasing disquiet among all stakeholders with respect to natural justice and transparency elements in regulatory processes as well as to the fairness and efficiency of regulatory outcomes.

On regulatory process, submissions by Cooperative Energy Ltd for example (representing non-profit aged care agencies and rural groups) have detailed many complaints, including from other consumer and electricity user groups, about the integrity of the review process *"…which is being jeopardised by the Office of the Regulator-General, Victoria"* [p1999, p2], where there is no explanation about which issues are considered important and why, how decisions are reached, and even *"…At its most basic level, there is not even a list of submissions received"* [p3]. Such an approach is compared with the good practices in the United States, including Idaho and California.

Complaints in a similar vein have been expressed by other bodies to the ACCC and IPART in their review of TransGrid's revenue.

This is seen as a critical issue by regulated companies, as they are very anxious that there is no inherent procedural fairness in the regulatory framework, and they predict ongoing disputation and legal challenge as the result. In Victoria especially, they consider they are being led through a process that is neither transparent nor understood, where options are apparently not to be evaluated and where it is not explained which arguments find favour or not, and why, nor how final decisions are reached. The former President of the Californian Public Utilities Commission described the process in Victoria as appalling from the point of view of natural justice. Dr Graham Shuttleworth of NERA recently remarked on the possible reason for the failure of UK regulation being the lack of due process constraints.

The problem in Victoria at least is that the Government set up the framework without the benefits of the US system, including the checks and balances under 'due process', because they intended that only light handed regulation would be applied.

But what is being implemented is heavy-handed regulation of the most intrusive sort. In short, the regulated companies consider that they are having to endure the worst of all worlds – heavy-handed regulation but without the safeguards that such regulation requires.

There is also very real apprehension about the direction of regulation and the sort of competitive market that regulators should be seeking to emulate. As price regulation for utilities is new in Australia, it is important that we get it right and do not induce the poor industrial outcomes that have been evident in overseas regulated industries.

As is evident from the submission to the various reviews, however, there is a widespread view that the regulatory regimes are likely to fail to satisfy or are in contradiction of the objectives of NCP. A core problem is that regulators are imposing conditions that replicate what may be termed a cost accountant's interpretation of a perfectly competitive market rather than the conditions for effective competition in the imperfect real world markets in which regulated firms actually operate. The problem with the former is that there will be perverse incentives for achieving productive efficiency and no dynamic efficiency, making the 'cake' smaller rather than larger. Another problem is the discretion of regulators to reverse commitments made in regulatory contracts, as noted earlier.

In sum, it is submitted that an essential part of an open and fair regulator process would include ensuring that policy objectives are adhered to, commitments are kept, options are fully evaluated, adequate time is given for preparing evidence and there is open debate and decision making, so that all stakeholders understand how and why decisions are reached.

As consumers, user businesses and regulated companies consider that those elements do not apply, the Commission should address the adequacy of legislative frameworks across jurisdictions in achieving the objectives of NCP.

Other countries are re-evaluating how regulatory institutions and procedures can be improved and **this is now an urgent task in Australia.**

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