

Critical Issues in Regulation – From the Journals

The Long-run Effect of Government Ideology on Economic Freedom, Ryan Murphy, *Economic Affairs*, 39, 1, February 2019, pp. 101-114.

This paper is about the effect of government ideology on economic freedom where the issue is viewed from a long-run perspective. The author, Ryan Murphy, observes that, according to popular attitudes in Western democracies, the choice between right-wing and left-wing parties is a choice between unbridled free markets and socialism. However, in contrast to this popular view, he observes that the 'cold and staid' academic research has frequently concluded that particular political parties do not really matter to the outcome in regard to economic freedom. This is because, regardless of the party that is elected, it will be 'closely tethered to the will of the median voter'. This article contains reference to the relevant literature on the economics of politics and an empirical analysis of the effects of the ideology of parties in power over the long run (data from 1928 to 1995 from 85 countries) on economic freedom in subsequent periods.

The Data and Method are set out in section 2, and the Results are discussed in section 3. The variable to be explained in the econometric analysis is a measure of political ideology (based on World Bank data) and the key explanatory variable is 'economic freedom' which is drawn from the Fraser Institute's *Economic Freedom of the World*. A number of 'control' variables (such as education attainment and real GDP per capita) are also used in the multiple-regression analysis.

In summarising the results of the econometric analysis, the author writes that, 'if you take the results at face value, they support the general view of the literature so far, namely that conservative or professed free-market beliefs on the part of parties have modest but positive effects on economic freedom'. While the effects found in the empirical analysis reported in the article are 'statistically uneven and not always robust', it is argued that the findings actually fit well into the existing literature. In this regard, Ryan Murphy claims that the primary scholarly contribution of the article is to reproduce these findings using a different methodology, thus adding to the robustness of the findings in the literature.

Contents

From the Journals	1
Regulatory Decisions in Australia and New Zealand	7
Regulatory News	11

Another feature of the paper is what is described by the author as a 'new special emphasis on the long run and the very long run'. In making this emphasis, the author rejects the strongly stated analytical perspective that only the median voter matters. Further, the author offers only limited support for the perspective that political victories are important variables for the future of economic freedom.

Perhaps 'muddying the waters' of the effects of party ideology on economic freedom are numerous historical counter-examples of, for instance, left-wing governments engaging in market liberalisation reforms, and of right-wing governments increasing the size of the welfare state. Moreover, cross-country trends of liberalisation or socialisation sweeping across the globe often dominate the narrative and data. But Ryan Murphy conjectures that this may just be another way of saying that political parties are very much tethered to the median voter. If politics is different now, and political victories today will have truly lasting consequences, it will be a break with the historical patterns identified in this article.

There are four sections in the paper: Introduction; Data and Method; Results; and Conclusion. There is also an Appendix.

There are 51 items in the reference list, with year of publication ranging from 1948 to 2018. Economists cited include Duncan Black, James Buchanan, Anthony Downs, Friedrich von Hayek, Harold Hotelling and Gordon Tullock. Amongst the classic references are Harold Hotelling's 'Stability in Competition' published in the *Economic Journal* in 1929, and Anthony Downs's *An Economic Theory of Democracy* published in 1957.

The article can be accessed by subscription to *Economic Affairs*.

Regulatory Takings without Confiscatory Returns, Dennis L Weisman, *Yale Journal on Regulation*, 36, 2019, pp. 170-195.

This paper is about price cap regulation (PCR); rate-of-return regulation (RRR); the *Hope* Standard (which protects the regulated business from confiscatory rates following a 1944 Supreme Court decision); and policy instruments known as accommodative competitive-entry (ACE) policies. Dennis Weisman considers these four factors in the context of regulated industries, including telecommunications, electric power, and natural gas. He broadly observes that there has been a 'dramatic substitution' of PCR for RRR. Despite this 'sea change' in regulatory regimes, the *Hope* Standard continues to serve as the litmus test for whether a regulatory taking has occurred. The author sees this as creating some tension between the economics and the law. He argues that the incentive properties of PCR are superior to those of RRR precisely because PCR breaks the link between allowed revenues and costs. This is seen as problematic because the *Hope* Standard employs an earnings test to assess takings claims – crucially, applying this test requires relinking revenues and costs to measure financial returns.

It is contended that, in order to preserve the desirable incentive properties of PCR, the law must recognise that a taking can occur even when the regulated business's returns are not confiscatory. Specifically, the traditional *Hope* Standard, which came before the pervasive adoption of PCR, must be supplemented in a manner so that the regulated business remains the residual claimant for its efficiency gains. This requires that the regulator's ability to recontract *ex post* with impunity must be limited.

This proposed new standard integrates the traditional *Hope* Standard with a Sustainable Price Standard. This integration aims at ensuring that (i) the regulated business remains financially viable; and (ii) earnings above confiscatory levels would no longer be sufficient to reject a taking claim. The Sustainable Price Standard inquires whether ACE policies – or some other *ex post* regulatory policy actions that do not reflect competition on the merits – result in a level of earnings lower than that which the regulated business would have otherwise realised. A taking may arise under the Sustainable Price Standard even when there is no taking under the *Hope* Standard. This further implies that merely providing for 'adequate revenues' would no longer be sufficient to reject a taking claim under price regulation.

There are six sections in the paper: Introduction; Price Regulation Fundamentals (three subsections); Regulatory Moral Hazard (three subsections); Applicable Case Law (four subsections); An Economic Standard for a Regulatory Taking (two subsections); and Conclusion.

References (contained in the 86 footnotes) range in year of publication from 1961 to 2016. Economists cited include Mark Armstrong, Robert Bork, Timothy Brennan, Ronald Braeutigam, Gerald Brock, Luis Cabral, Robert Crandall, Alfred E Kahn, Stephen Littlechild, Paul MacAvoy, Sam Peltzman, Richard Posner, Michael Riordan, David Sappington, Daniel Spulber, George Stigler, William Tye, and Oliver Williamson. A classic reference is to James Bonbright's *Principles of Public Utility Rates* (1961).

The article can be accessed by subscription to *Yale Journal on Regulation*.

Enforcement Spillovers: Lessons from Strategic Interactions in Regulation and Product Markets, Mary F Evans, Scott M Gilpatric and Jay P Shimshack, *The Journal of Law and Economics*, 61, 4, November 2018, pp. 739-769.

This paper begins with the observations that 'without enforcement, regulations are just discretionary guidelines' and that 'economists have formally proposed theories of punishment since at least Gary Becker and George Stigler'. The authors explore what they call 'enforcement spillovers', in which sanctions at one entity influence behaviour at other entities. The authors model spillovers arising from two channels: a regulatory channel; and from a product-market interactions channel. The second channel has not, in the authors' view, previously been emphasised. The paper contains both theoretical and empirical analysis – the authors' theoretical model motivates empirical hypotheses, which are tested using data from manufacturers subject to the Clean Water Act in the United States.

The authors find that penalties create positive spillovers for other facilities facing the same regulatory authority, such that enforcement actions reduce pollution at facilities in the same regulatory jurisdiction. However, penalties generate negative spillovers for facilities in the same industry facing a different regulatory authority, such that enforcement actions increase pollution at facilities in the same industry but facing a different regulator. Reductions in pollution in a state issuing a fine are about 50 per cent offset by increases in pollution in nearby states. The authors suggest that the negative spillovers to entities outside of the jurisdiction can be thought of as 'enforcement leakage'.

There are seven sections in the paper: Introduction; Modelling Enforcement Spillovers (two subsections); Empirical Setting and Data (four subsections); Empirical Framework (three subsections); Interpretation (four subsections); and Discussion and Conclusion.

There are 55 items in the reference list, with year of publication ranging from 1789 to 2017. Economists cited include Gary Becker, Jeremy Bentham, James

Bushnell, Paul Klemperer, Michael E Porter and George Stigler.

This paper can be accessed by subscription to The Journal of Law and Economics.

Ensuring Capacity Adequacy in Liberalised Energy Markets, Nicolas Astier and Xavier Lambin, *The Energy Journal*, 40, 3, 2019, pp. 227-242.

This paper is about liberalised wholesale electricity markets. Concerns have been raised in numerous countries about the ability of decentralised market decisions to achieve desired policy objectives. These concerns have sometimes led policy-makers to impose constraints (of various kinds) on wholesale electricity markets. Amongst the measures used are price caps that set an exogenous upper bound to the price at which electricity may be traded. These price caps have been criticised for creating a ‘missing-money’ problem, raising concerns that new capacity installation may be less than socially optimal. Additionally, when there is a shortage of capacity and prices are at the cap, they fail to elicit socially efficient demand reductions. Various mechanisms have been implemented in different jurisdictions in moves aimed at restoring short-term allocative efficiency and long-term investment incentives. As a result, demand-side and supply-side mechanisms aimed at ensuring adequacy often coexist. According to the authors, Nicolas Astier and Xavier Lambin, it is therefore crucial to identify the limits of these mechanisms and to understand how they may compete and interact with one-another.

As a first step, the authors show that ‘traditional’ models of both demand-side and supply-side adequacy mechanisms can be described within a common analytical framework, contributing to the literature by clarifying how these mechanisms relate to each other. Using this framework, the authors observe that optimal investment signals can be restored by making the high social marginal costs during peak states either explicit or implicit. The latter approach (implicit signalling) will often be preferred as it does not require demonstrating ‘socially unacceptable’ prices. Mechanisms which allow keeping these high marginal costs implicit are likely to be preferred from a political perspective, most likely for the same reasons that led to the implementation of a price cap in the first place. However, they also appear to be less efficient because of both uncertainty and incomplete (or asymmetric) information.

Finally the authors make two simple policy recommendations for circumstances where implicit mechanisms are to be used. First, they recommend that the price cap should be set higher than the highest marginal cost of conventional generation,

minimising the inefficiencies of the supply-side implicit mechanism. Second, a careful investigation of the limits of implicit mechanisms should precede the implementation of a demand-side mechanism.

There are 35 items in the reference list, with year of publication ranging from 1979 to 2018. Economists cited include William Hogan, Paul Joskow, David Newbery, and Robert Wilson.

This paper can be accessed by subscription to The Energy Journal.

Promoting Competition and Protecting Consumers? Regulation of the GB Retail Energy Market 2008-2016, Stephen Littlechild, *Journal of Regulatory Economics*, 55, 2, April 2019, pp. 107-139.

This paper is about policies aimed at promoting competition and protecting consumers in the retail energy market in Great Britain (GB). In 1999 the GB retail energy market was opened to competition for residential customers. In 2008, the energy regulator, Ofgem, began a series of regulatory interventions, notably a non-discrimination condition and subsequently a restriction of retailers to offering four ‘simple tariffs’. In Stephen Littlechild’s view, this intervention reversed Ofgem’s previous policy of minimal intervention. In this paper, the author explores the reasons for this change of policy, drawing upon the responses of economists and others to Ofgem and Competition and Market Authority (CMA) consultations.

The author argues that key factors for the change from minimal intervention were: a significant increase in energy prices before 2008 (section 13); the reduced involvement of economists in senior roles at Ofgem (section 14); and systematic changes in Government policy and the statutory regulatory framework (section 15).

Finally, the author examines what the CMA *Energy Market Investigation* had to say about this in 2016. The CMA found that these were inappropriate regulatory interventions, and laid part of the blame on arrangements for governance of the regulatory framework.

There are nineteen sections in the paper.

There are 86 items in the reference list, with year of publication ranging from 1983 to 2018. Economists cited include Mark Armstrong, William Baumol, Tim Brennan, Paul Joskow, Paul Klemperer, Michael Pollitt, Catherine Waddams Price, John Vickers and George Yarrow.

The article can be accessed by subscription to Journal of Regulatory Economics.

Net Neutrality and Asymmetric Platform Competition, Marc Bourreau and Romain Lestage, *Journal of Regulatory Economics*, 58, 2, April 2019, pp. 140-171.

This paper is about the interplay between access to the 'last-mile' network and net neutrality in the market for Internet access.

The authors consider a model with two competing Internet service providers (ISPs), each of which acts as a platform between Internet users and content providers (CPs). One of the ISPs is vertically integrated and provides the other (non-integrated) ISP with access to its last-mile network. The impact of the access price on the termination fees charged by the ISPs to CPs for carrying their traffic is studied.

There are two main findings presented in the paper. First, the authors show that, in their model, the termination fee set by the integrated ISP decreases with the access price, whereas the termination fee of the non-integrated ISP can either increase or decrease with it. Second, the authors' model shows that there exists a negative relationship between the access price and the total termination fee paid by the CPs. This is referred to as a 'waterbed effect'. As a consequence, the authors argue that it may be socially optimal for the regulator to set the access price above cost when termination fees are left to the market.

There are seven sections in the paper: Introduction; The Model (four subsections); Equilibrium in the Market for Internet Access (two subsections); Access Regulation with Unregulated Termination Fees (three subsections); Internet Fragmentation; and Conclusion. There are ten appendices.

There are 29 items in the reference list, with year of publication ranging from 1998 to 2018. Economists cited include Mark Armstrong, Carlo Cambini, Joshua Gans, David Sappington and Tommaso Valletti.

The article can be accessed by subscription to *Journal of Regulatory Economics*.

Non-monotonic NPV Function Leads to Spurious NPVs and Multiple IRR Problems: A New Method that Resolves these Problems, Kannapiran Arjunan, *Economic Papers*, 38, 1, March 2019, pp. 56-69.

This paper is about Net present Value (NPV) and the Internal Rate of Return (IRR), which are tools used in the evaluation of investments. In practice, serious problems have arisen with respect to 'spurious NPVs' and 'multiple IRRs'. The primary function of this paper is to identify and formulate a new method to resolve the problem of multiple IRRs and to estimate a unique rate of return. The causes and effects of

non-monotonic NPV functions (giving rise to multiple IRRs) are evaluated and the results presented.

Reinvestment of intermediate income causes there to be a non-monotonic NPV function. This non-monotonic NPV function not only leads to multiple IRRs, but it also leads to spurious NPVs. The capital amortisation (CAS) method used in this analysis transparently reveals if there is any reinvestment. A modified CAS method, discussed in this paper, eliminates the reinvestment and resolves the problems of a non-monotonic NPV function, reinvestment, spurious NPVs and multiple IRRs. The current practice of using NPV as the preferred criterion when there are multiple IRRs, is considered by the author to be inappropriate.

There are five sections in the paper: Introduction; Literature; Methodology; Results and Discussion (two subsections); and Summary and Conclusions.

There are 29 items in the reference list, with year of publication ranging from 1955 to 2018. Authors cited include Richard Brealey, Aswath Damodaran, Sandro Gronchi, Stewart Myers and Leonard Savage.

The article can be accessed by subscription to *Economic Papers*.

PC Productivity Bulletin 2019, Productivity Commission, May 2019.

The annual *Productivity Bulletin* published by the Productivity Commission (PC) contains an analysis of Australia's recent productivity performance, recognising that it is a key determinant of long-run prosperity. While output growth in Australia is relatively 'buoyant', the *Bulletin* observes that this has not translated into significant productivity growth. Put simply, output growth has reflected input growth rather than 'doing things better'. The result is that the labour productivity and multifactor productivity performance of the market sector, where measurement of performance is most accurate, has deteriorated further from the previous two years. It is also observed that economy-wide generalisations do not capture the fact that some industries have experienced strong productivity growth.

Growth in labour productivity (0.4 per cent) and multifactor productivity (0.5 per cent) for the sixteen-industry market sector in 2017-18 is described as 'sluggish'. This continues the recent trend of weakening productivity growth since the end of the investment phase of the mining boom in 2012-13.

Labour productivity growth is well below the market sector's long-run trend rate of 2.2 per cent per annum achieved from 1974-75 to 2017-18. Corresponding to the market-sector outcomes, productivity growth has also been weak at the economy-wide level.

The current weakness in labour productivity can be partly attributed to a 'marked slowdown' in investment in capital. This has led to the ratio of capital to labour decreasing, a phenomenon that is described as 'capital shallowing'.

The PC regards this as troubling because investment typically embodies new technologies, which complement people's skill development and innovation. This is especially so for investment in research and development, where capital stocks are now decreasing.

Increases in labour supply have increased the overall productive capacity of the economy, so that output per capita has exceeded output per hour in recent years. Labour supply growth has primarily reflected increased labour participation rates. The PC regards this as having positive social and economic benefits for households beyond its effects on economic growth.

There has also been a continued recovery in real net national disposable income per capita, which had fallen steadily from 2011-12 to 2015-16. The PC regards this as the single best measure of prosperity.

Real (consumer) wage growth (the degree to which nominal wages outpace the prices of goods and services) has been low from 2011-12 and is the lowest since the mid-1980s. What the PC regards as a 'puzzling gap' has opened between labour productivity and real wage growth. However, no gap exists between labour productivity and real wages defined in terms of producer prices. The PC regards this as a sign that producer-price growth has deviated from consumer prices.

The breakdown in the usually strong relationship between consumer and producer prices is, according to the PC, likely to have been partly driven by the different impacts of the commencement and ending of the resources boom. There is some prospect that real consumer wages will grow more strongly. Nevertheless, other factors – such as a poorer labour market dynamism and weaker-than-usual response of wages to labour demand – are also seen as likely to be contributing to wage stagnation.

Notwithstanding recent 'mediocre' productivity growth, Australia has a high level of productivity compared with many economies and, as a result, has a high standard of living by international standards. Productivity levels, however, remain below the best international performers.

There are 60 items in the reference list, with year of publication ranging from 2007 to 2019. Economists cited include Jeff Borland, James Feyrer, Robert Gordon, Dean Parham, and Giuseppe Moscarini.

The PC's Productivity Bulletin can be accessed [here](#).

Horizontal Mergers and Innovation, Bruno Jullien and Yassine Lefouili, *The Journal of Competition Law and Economics*, 14, 3, September 2018, pp. 364-392.

This paper is about the impact of horizontal mergers on innovation. The authors argue that the academic literature does not support a presumption that mergers have a negative impact on innovation. This conclusion follows from the existence of potential positive effects of mergers on innovation, even in the absence of spillovers and R&D complementarities. Three main effects of mergers on the incentives to innovate are identified: the innovation-diversion effect (depends on the nature of the innovation); the demand-expansion effect (provides higher incentives to innovate); and the margin-expansion effect (provides the merged entity with lower incentives to innovate). The authors argue that the combination of these effects can result in either a positive or negative impact of a merger on innovation.

The authors argue that competition authorities should take a neutral perspective when assessing the impact of a merger on innovation. They should also balance the various effects. Competition authorities should take account of both theories of harm and benefits. All the effects of a merger on the incentives to innovate identified in this paper, including spillover effects, should be part of the main competitive assessment carried out by competition authorities. Insofar as the demand-expansion effect and the margin-expansion effect are part of the appropriability dimension of a merger, appropriability must be a key element in the analysis. In particular, there should not be a hierarchical bias towards the diversion/cannibalisation aspect when analysing the effects of a merger on innovation. Such bias could result from the internalisation of the innovation externality remaining the dominant driver of the impact of the merger on innovation incentives. Introducing an 'unjustified leaning' towards the diversion effect in merger policy would be detrimental to innovation both in the short run (by blocking innovation-friendly mergers) and in the long run (by reducing the profitability of innovative activities). Relatedly, the authors note that the potential positive effects of a merger on innovation are not of a fundamentally different nature from its potential negative effects. On the one hand, both the innovation-diversion effect and the spillover effect capture externalities exerted by an innovative business on its rivals and, on the other hand, the demand-expansion effect and the margin-expansion effect are the 'two sides of the same coin'.

Finally, the authors view the analysis of technological spillovers as an important part of the discussion about innovation externalities in merger analysis, at par with the diversion effect. Both spillovers and

sales diversion affect incentives for similar reasons, although possibly in different directions. The authors emphasise that spillovers should not be related exclusively to imitation and, therefore, to the strength of intellectual property rights. R&D activities have both direct spillovers and inter-temporal spillovers that enhance other firms' ability to innovate in the future.

There are forty items in the reference list, with year of publication ranging from 1962 to 2018. Economists cited include Kenneth Arrow, Marc Bourreau, Greg Mankiw, Joseph Schumpeter, Carl Shapiro and Jean Tirole.

The article can be accessed by subscription to The Journal of Competition Law and Economics.

Regulatory Decisions in Australia and New Zealand

Australia

Australian Competition & Consumer Commission (ACCC)

Inquiry into the National Electricity Market – Second Report Released

On 16 September 2019, the ACCC released the second **report** as part of its inquiry into the National Electricity Market (NEM). The report covers the prices, profits and margins in the supply of electricity in the NEM. The report also contains some initial analysis of the impact of recent reforms to retailer pricing and advertising. Further, the report also examines the cost components of electricity bills. This report also contains an update on the progress of implementation of recommendations from the ACCC's Retail Electricity Pricing Inquiry ('REPI').

East Coast Gas Inquiry – Seventh Interim Report Released

On 22 August 2019, the ACCC released its seventh **Gas Inquiry Report**.

NBN Wholesale Market Indicators Report for June 2019 Released

On 15 August 2019, the ACCC released its **quarterly Wholesale Market Indicator Report** relating to retail service providers directly accessing the NBN in more locations around Australia.

Murray-Darling Water Markets Inquiry Commenced

On 13 August 2019, the ACCC **commenced an Inquiry** into markets for tradeable water rights in the Murray-Darling Basin.

Australia Post Draft Price Notification Received

On 7 August 2019, Australia Post **submitted** to the ACCC for assessment a proposal to increase the price of its ordinary letter services (the Basic Postage Rate or 'BPR') from \$1 to \$1.10.

Measuring Broadband Australia – Sixth Report Released

On 6 August 2019, the **ACCC's Measuring Broadband Australia Report** was released on broadband speed, comparing actual speeds achieved with the maximum plan speeds.

New Rules for Electricity Retailers Enforced

On 1 July 2019, the ACCC will be enforcing new **rules under the new Electricity Retail Code** that are aimed at benefiting most electricity consumers by both limiting standing-offer electricity prices and imposing new advertising rules on electricity providers.

Australian Competition Tribunal (ACT)

No reportable matters listed.

Australian Energy Market Commission (AEMC)

Integrating Distributed Energy Resources for the Grid of the Future – New Report

On 26 September 2019 the AEMC released a **new report** calling on distribution network businesses to lead implementation of trading platforms to 'open the way' for renewable energy.

Proposed Transmission Access Reform Mechanism

On 22 August 2019 the AEMC released **feedback pertaining to its proposed approach to transmission access reform**.

Mechanisms to Enhance Resilience in the Power System – Discussion Paper Released

On 15 August 2019 the AEMC released a **discussion paper** which proposes new and enhanced mechanisms to manage better the risks to grid stability and to make the power system more resilient.

Wholesale Demand Response Mechanism – Draft Determination Published

On 18 July 2019, the AEMC published a **wholesale demand response mechanism draft rule for consultation** that would allow non-retailers to offer demand response directly into the wholesale market for the first time.

Australian Energy Market Operator (AEMO)

Electricity Statement of Opportunities 2019 Published

On 9 August 2019 the AEMO released its **2019 Electricity Statement of Opportunities (ESOO)**, which is developed annually to forecast electricity supply reliability in the National Electricity Market (NEM) over a ten-year period.

Quarterly Energy Dynamics Q2 2019 Published

On 9 August 2019 the AEMO published its **Quarterly Energy Dynamics report** which provides a summary of electricity and gas market dynamics, trends and outcomes during Q2 2019.

Victoria Renewable Integration Project – Assessment Conclusions Report Published

On 19 July 2019 the AEMO published its **assessment** of strategic investment in Western Victoria's transmission network.

Australian Energy Regulator (AER)

Values of Customer Reliability Review – Customer Survey

On 26 September 2019 the AER announced that it is **conducting a survey** of residential and business customers as part of its Values of Customer Reliability (VCR) study. This followed the release of its **Draft Decision** on the methodology for developing VCR values for the National Electricity Market and the Northern Territory released on 18 September 2019.

Draft Return on Debt Illustrative Model Review – Request for Submissions

On 3 September 2019 the AER invited **stakeholder feedback on the draft return on debt illustrative model and handbook its assessment**, including on the scope and accessibility of the model.

Electricity Distribution Ring-Fencing Guideline – Review Commenced

On 16 August 2019 the AER **commenced a review**, of ring-fencing arrangements that apply to distribution businesses across the NEM. Stakeholder workshops took place on 28 and 29 August 2019.

Electricity Transmission Network Performance Data Update Published

On 25 July 2019 the AER **published updated performance data**, covering the period 2006 to 2018. The data reflects the key components of the AER regulatory determinations for the electricity transmission businesses it regulates.

Profitability Measures Review – Discussion Paper Released

On 11 July 2019 the AER **released a discussion paper**, on approaches to allocate interest and tax expenses from corporate groups to network service providers (NSPs) for determining the return on equity (regulatory) profitability measure.

National Competition Council (NCC)

Port of Newcastle Shipping Channel Service Declaration – Revocation

On 24 September 2019 the Treasurer of the Commonwealth of Australia **announced** that it is taken that a decision to revoke the declaration of the shipping channel of the Port of Newcastle has been made.

New South Wales Water Infrastructure Access Regime – Application for Certification

On 31 July 2019 the NCC **received an application** for certification of the NSW third-party access regime for water infrastructure services.

Australian Capital Territory

Independent Competition and Regulatory Commission (ICRC)

Electricity Price Investigation 2020-24 – Issues Paper Released

On 2 September 2019 the ICRC **released an issues paper** outlining its approach to the 2020-24 electricity price investigation.

New South Wales

Independent Pricing and Regulatory Tribunal (IPART)

Maximum Prices that Sydney Water and Water NSW can Charge – Issues Paper Released

On 17 September 2019 the IPART **released an Issues Paper** seeking feedback and submissions from the public on the maximum prices that Sydney Water and WaterNSW can charge its customers from 1 July 2020.

Maximum Prices that Hunter Water can Charge – Issues Paper Released

On 17 September 2019 the IPART **released an Issues Paper** seeking submissions from the public and other stakeholders by 21 October 2019.

NSW Rail Access Regime Review of Rate of Return and Remaining Mine Life – Final Report

On 9 July 2019 the IPART **released its Final Report** outlining the rate of return and remaining life of the mines that use the regulated rail network assets.

Northern Territory

Utilities Commission

Retail Electricity Tariffs and Water and Sewerage Tariffs – New Pricing Orders

On 1 July 2019 the Utilities Commission **released the new Electricity Pricing Order** and new Water Supply and Sewerage Pricing Order.

Queensland

Queensland Competition Authority (QCA)

Irrigation Pricing Review – Draft Report Released

On 9 September 2019 the QCA **released a draft of the rural irrigation price review** for stakeholder feedback.

Southeast Queensland Retail Electricity Market Monitoring – Quarterly Report June 2018-19 Published

On 31 July 2019 the QCA **released a report** about the prices that electricity retailers in southeast Queensland offered between 1 April and 30 June 2019.

South Australia

Essential Services Commission of South Australia (ESCOSA)

Energy Retail Price Offers Comparison – 2018-19 Report Published

On 2 September 2019 the ESCOSA **published a report** discussing electricity and gas retail offer prices that were available to small customers during the period 30 June 2018 to 30 June 2019.

Review of Water Third-Party Access Regime – Final Report

On 5 July 2019 the ESCOSA **released its final report** on the review of the third-party access regime that applies to the South Australian water industry.

Australian Gas Networks Regulatory Framework for 2021-2026 – Review Commenced

On 2 July 2019 the ESCOSA **commenced a review** of the regulatory framework to apply to Australian Gas Networks from 1 July 2021 to 30 June 2026.

Tasmania

Office of the Tasmanian Economic Regulator (OTTER)

No reportable matters listed.

Victoria

Essential Services Commission (ESC)

Default Offer Price for Electricity for 2020 – Draft Decision Released

On 20 September 2019 the ESC **released its draft ruling** on the Default Offer price for electricity for 2020.

Victorian Energy Market Report – March Quarter 2019

On 28 June 2019 the ESC **published its quarterly market report** which shows disconnections have almost halved since reforms were introduced on 1 January 2019.

Western Australia

Economic Regulation Authority (ERA)

Determination of WACC (for 2018 and 2019) for Rail Networks – Final Determination Published

On 22 August 2019 the ERA **published its final determination** which presents the final method and determination of the 2018 weighted average cost of capital (WACC) for rail networks.

Proposed Revised Access Arrangement for the Goldfields Gas Pipeline – Draft Decision

On 31 July 2019 the ERA **published its draft decision** on access arrangements.

Energy Price Limits 2019 – Final Decision

On 26 July 2019 the ERA **published its final decision** and approved the Australian Energy Market Operator's (AEMO) proposed price energy price limits for the year ahead.

New Zealand

New Zealand Commerce Commission (NZCC)

Fonterra's Base Milk Price for the 2018-19 Dairy Season – Final Report Released

On 12 September 2019 the NZCC **released final report** on Fonterra's milk price calculation for the 2018-19 dairy season.

Transpower's Price-Quality Path – Decisions on Key Inputs

On 29 August 2019 the NZCC **issued its decision** on key inputs and approach for calculating the maximum revenue Transpower may recover and the minimum quality standards it must meet under its individual price-quality path.

Spark's Resale Copper Voice Services – NZCC Recommends Deregulation

On 18 July 2019 the NZCC **released its final report** recommending that Spark's resale copper voice services be deregulated by removal from Schedule 1 of the Telecommunications Act.

Regulatory News

Chair of the Australian Energy Regulator Announced

On 20 September 2019 the Australian Government announced the appointment of Ms Clare Savage as the Chair of the Australian Energy Regulator, commencing on 14 October 2019. **Access the announcement here.**

2019 ACCC and AER Regulatory Conference

The 2019 ACCC and AER Regulatory Conference was held in Brisbane on Thursday 1 August and Friday 2 August 2019. Please check the **conference page** for copies of presentations.

Network is a quarterly publication of the Australian Competition and Consumer Commission for the Utility Regulators Forum. For editorial enquiries please contact Rob Albon (Robert.Albon@acc.gov.au) and for mailing list enquiries please contact Genevieve Pound (Genevieve.Pound@acc.gov.au).