

Changing “Limited Merits Review” Good First Step to Electricity Reform

CEO of the National Irrigators' Council (NIC), Steve Whan, says agreement from States to changing the power market's “Limited Merits Review (LMR) process would be a positive first step toward reforming the industry to focus more on serving consumers and less on generating guaranteed super profits for network operators.

Steve Whan said “unsustainably high electricity prices are compromising the international competitiveness of Australian agriculture. NIC has advocated several policy responses including an affordable and sustainable electricity price of 8 cents per kilowatt-hour for the electrons and 8 cents per kilowatt-hour for the network.

“One of the steps toward reform is changing the LMR. In theory LMR allows parties affected by Australian Energy Regulator (AER) decisions to have the decisions reviewed by the Competition Tribunal.

“Unfortunately, the process fails to allow effective challenge by consumers. The process is inaccessible and costly, meaning it is stacked in favour of network operators who can afford to fund a massive legal team and recover the cost from consumers.

“Reforming the process, as suggested by the Federal Government, would be a good first step – particularly if it results in an appeals process that is genuinely accessible.”

However, the NIC said, reform needs to go further and thoroughly review the governance structures of Australia's regulatory oversight framework to ensure it is working efficiently and effectively for the long-term benefit of the Australian economy.

This week we saw a decision from the AER endorsing tariff proposals from Ergon energy in Queensland. The regulator went along with the proposed 10 hour peak period despite being presented with independent evidence by Canegrowers that Ergon had made errors in its pricing calculations.

Steve Whan said “Canegrowers in Queensland went to significant effort and expense to challenge the Ergon tariff proposal and, while their input was acknowledged by AER, the AER could not act. The AER simply assesses whether Ergon's proposal complies with the rules. It does not have the ability of deciding between the Ergon and Canegrowers proposals. As a “toothless tiger” it cannot improve Ergon's proposal.

“With the LMR the way it is, it would be likely to be an expensive waste of time to attempt any further appeal and that illustrates a system that is stacked against consumers like those in the irrigation sector.”