

ELECTRICITY AMENDMENT BILL 2001

EXPLANATORY NOTES

GENERAL OUTLINE

Policy Objectives

To amend the *Electricity Act 1994* (the Act) to provide the Minister administering the *Electricity Act 1994* with the power to either regulate the electricity supply network, of Ergon Energy Corporation Limited (Ergon Energy) (excluding its 220 kv network) located in the Mount Isa/Cloncurry region Queensland; or appoint the Queensland Competition Authority (QCA) to regulate that network.

Reasons for the Bill

The reason for the Bill is to ensure that there is a legislative basis for the continued regulation of distribution service pricing applied by Ergon Energy in operating its Mount Isa/Cloncurry network, excluding its 220 kv network

There is no legislative basis for the continued regulation of distribution service pricing applied in operating the electricity supply network in the Mount Isa/Cloncurry region owned by Ergon Energy excluding the 220 kv network. The continuing regulation of the supply network is not provided for under the Act, and nor is it provided for under the National Electricity Code (the Code).

The Mount Isa/Cloncurry network is not connected to the national grid. The national grid is the interconnected electricity supply network that extends continuously from Cairns to Adelaide. Ergon Energy also owns networks that are connected to and part of the national grid. These are regulated by the QCA under the Code.

Achievement of Objectives

The proposed amendment ensures that there is a legislative basis for the continuing regulation of distribution service pricing applied in operating

the electricity supply network in the Mount Isa/Cloncurry network owned by Ergon Energy excepting its 220kv network. It does this by empowering the Minister administering the Act to either regulate the pricing of, or direct the QCA to regulate the pricing of, Ergon's electricity supply network (excluding its 220 kv network) located in the Mount Isa/Cloncurry region.

Alternatives to the Bill

A possible alternative to the Bill is to apply to the National Electricity Code Administrator (NECA) to amend the Code to ensure that the Mount Isa/Cloncurry network owned by Ergon Energy, excepting its 220 kv network, is within the ambit of the provision for the regulation of distribution service pricing contained in the Code. This alternative was not favoured, as the operations of other participants in the electricity supply industry in the Mount Isa/Cloncurry region are not subject to regulation under the Code. For example, the pool system operated by the National Electricity Market Management Company (NEMMCO) with respect to the operations of generators connected to the national grid does not apply to the generator supplying the Mount Isa/Cloncurry network.

The intention of the amendments is to ensure that the Minister administering the Act may continue to regulate the distribution service pricing (as was done under section 301 of the Act before that section expired) of the Mount Isa/Cloncurry network owned by Ergon Energy, excepting its 220 kv network, or to direct the QCA to regulate such pricing. If the direction is given to the QCA, the QCA is to regulate the distribution service pricing of the Mount Isa/Cloncurry network owned by Ergon Energy, excepting its 220 kv network, as if that network were connected to the national grid. The amendment is not intended to affect the rights and obligations of any persons in so far as the operation of Mount Isa/Cloncurry network owned by Ergon Energy, excepting its 220 kv network, is concerned other than providing for the regulation of distribution service pricing.

Estimated Cost for Government Implementation

There is no anticipated immediate cost to the Government of implementing the Bill. The QCA has considered a distribution pricing determination, to apply from 1 July 2001, for Ergon Energy's assets connected to the national grid and its assets in the Mount Isa/Cloncurry network, excluding the 220 kv network.

Consistency with Fundamental Legislative Principles

The amendment is consistent with fundamental legislative principles.

Consultation

Consultation on the proposed amendment has been had with Ergon Energy and the QCA.

NOTES ON PROVISIONS

Clause 1 cites the short title to this Act.

Clause 2 inserts a new section 89A and 89B into the Act.

Section 89A empowers the Minister administering the Act to regulate the pricing of customer connection services provided by the owner of the Mount Isa/Cloncurry network. Section 89A is intended to mirror section 301 of the Act and but limit the operation of the provision to the Mount Isa/Cloncurry network. Section 301 of the Act expired on 19 December 2000. Section 89A refers to “customer connection services” to be consistent with that phrase as used in the Act and as referred to in the expired section 301(1)(c).

Section 89B empowers the Minister administering the Act to direct the Queensland Competition Authority (QCA) to regulate the distribution service pricing applied to the Mount Isa/Cloncurry network. If the Minister directs the QCA, the QCA is to carry out the direction as if the Mount Isa/Cloncurry network were connected to the national grid. The section refers to “distribution service”, as opposed to “customer connection service”, and the pricing of that service, to be consistent with the QCA’s obligations under Chapter 6 and Chapter 9 of the Market Code.

Clause 3 inserts new definitions into schedule 5 of the Act.

The definition of “national grid” takes its meaning from the Market Code.