
Prices

ACCC set to authorise move to regional pricing of certain ancillary services in the electricity market

The ACCC has issued a draft determination authorising a request by the National Electricity Code Administrator (NECA) to alter the way costs of certain frequency control ancillary services (FCAS) are recovered within the National Electricity Market.

The proposed changes are intended to improve the equity and efficiency of the market.

The changes relate specifically to the situation where FCAS are required to correct the supply and demand imbalance that arises when part of the market becomes isolated because of a major failure in the system.

Under the current provisions of the National Electricity Code, the costs of FCAS incurred in these circumstances are spread across the entire electricity market.

The proposed amendments will result in these costs being limited to market participants within the region where the event occurred.

ACCC Commissioner responsible for energy, Mr John Martin, said the proposed amendments should ensure that costs are allocated more equitably and this in turn will produce a more efficient electricity market.

One of the problems with the current situation is that participants who have neither caused a requirement for FCAS nor have the ability to influence the cost of these services are forced to pay for them.

This is inequitable and can lead to higher prices across the energy market as generators attempt to limit their exposure to higher FCAS prices by reducing their output or raising their prices.

The ACCC believes the amendments will redress this situation and will improve the efficiency of the market by providing incentives for participants to have appropriate risk management systems in place.

This should result in a net public benefit with minimal detriment to industry participants.

The proposed amendments also provide for a price cap which will limit a participant's liability in the event of an extreme and extended price spike.

The ACCC invites interested parties to either request a pre-determination conference to discuss the operation and effect of the draft determination, or to make an additional submission before issuing its final determination.

A copy of the draft determination is available on the ACCC's website or from Mrs Maxine Helmling on (02) 6243 1246.

Monitoring report for mobile phone termination services

The ACCC issued a report outlining the results of its monitoring of retail price movements for mobile services.

The report represents a key component of the ACCC's implementation of the retail benchmarking pricing principle for mobile phone termination services.

It outlines individual average retail price movements for GSM mobile services for Telstra, SingTel Optus and Vodafone. The report estimates price movements using a methodology determined by the ACCC, in consultation with the industry, after the retail benchmarking pricing principle was determined by the ACCC in July 2001. It covers the period from January 2001 to December 2002 and will be updated further when the ACCC assesses price movements for subsequent periods later this year.

The information in this report will be useful for the review of the regulation of mobile telephone services that the ACCC is currently conducting.

Among the major issues in this review is whether there should be continued regulation of the wholesale mobile termination service and, if so, how the pricing of this service should be regulated by the ACCC. The disclosure of this information does not mean that the ACCC has formed any initial views.

The issue of this report should assist parties in commercial negotiations regarding the mobile termination service and inform interested parties' views about the effectiveness of the existing pricing principle for mobile termination services as part of the current mobile services review.