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# Regulatory issues

## Electricity

### Draft determination on amendments to the National Electricity Code

On 5 August 1998 the Commission issued a draft determination proposing to grant authorisation to amendments to the National Electricity Code, subject to a number of conditions. The existing code was granted on 10 December 1997.

The present applications were lodged jointly by the National Electricity Code Administrator (NECA) and the National Electricity Market Management Company Limited (NEMMCO). The proposed amendments related to most areas of the code including:

- the wholesale electricity spot market rules;
- the power system security provisions;
- the access arrangements for the electricity transmission and distribution networks; and
- transitional arrangements for market participants.

The Commission considered that, subject to a number of conditions being met, the public benefits of the proposed amendments were likely to outweigh the anti-competitive effects.

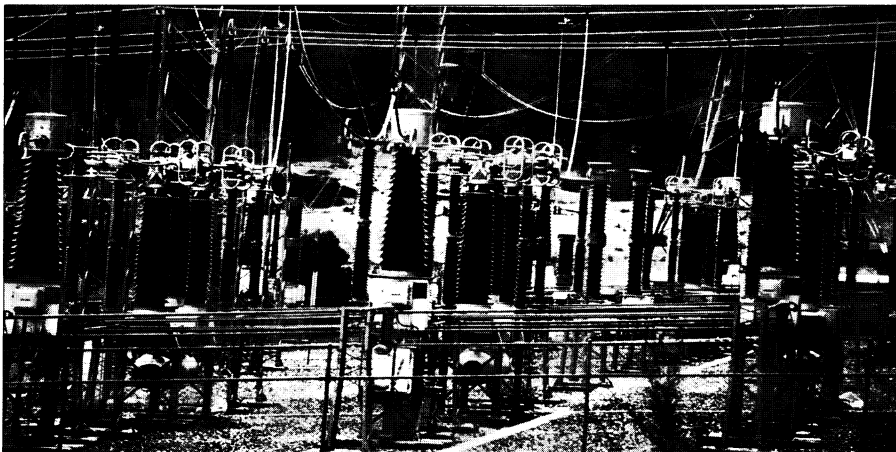
It proposed to authorise the applications until 31 December 2010, the same period of authorisation granted in respect of the existing code.

### NSW vesting contracts

The Treasurer of New South Wales, along with NSW generators and retailers, has applied for authorisation of a third tranche of electricity vesting contracts to replace contracts which expired on 30 June 1998. The new contracts cover the remaining regulated franchise load and expire in 2002, consistent with the timetable for customer contestability. Two types of contracts are proposed: type 1 contracts which are two way hedges with an average strike price; and type 2 contracts with a separate price cap and floor. The type 2 contracts include a binary option which pays the generator both the spot and floor price whenever the spot price is below the floor.

The Commission granted interim authorisation to the type 1 contracts in June 1998 and, following market inquiries in New South Wales and Victoria, granted interim authorisation to the type 2 contracts in late July 1998. Interim authorisation for both types of contract continues until 31 October 1998. During this trial period the Commission will continue public consultations on both contracts to make a full

assessment of their effect in the market and to consider any improvements that may be needed over the longer term to enhance identified public benefits.



Photography by Arthur Mostead

# Telecommunications

## Telecommunications arbitration hearing

On 15 July 1998 Telstra Corporation Ltd notified the Commission of an access dispute under Part XIC of the Trade Practices Act.

The dispute relates to the service known as domestic GSM terminating access provided by Vodafone Network Pty Ltd, as the carrier, to Telstra, as the access seeker. Domestic GSM terminating access is a service whereby calls are passed from an originating network to be completed on a terminating network (in this case, a mobile GSM network).

Accordingly, the Commission has begun an arbitration hearing.

## Variation to the data service declaration

On 24 July 1998 the Commission announced its decision to vary the digital data service declaration. The variation to the service's declaration removes the requirement on service providers to route their traffic via Telstra's capital city switches. The change is designed to reduce the cost and expand the range and quality of digital data services available, particularly in regional areas.

Digital data access provides high quality data products to business customers, including retailers, banks, insurance companies and other financial service providers, government departments and agencies. It is central to facilities such as automatic teller machines and EFTPOS. The market value of data and related services and products provided by Telstra alone is estimated at more than \$500 million. This is one of the fastest growing areas of the telecommunications market.

The Commission can declare services for access or make variations to declared services where this is in the long term interests of end users as defined in s. 152AB of the Trade Practices Act. It was satisfied the variation was in the long term interests of end users. The Commission expects greater competition in data markets. This will be particularly apparent in regional areas as service providers will be able to offer the same

services to regional customers as those enjoyed by city customers.

The variation to digital data services follows a public inquiry into competition in data markets, covering ISDN services and transmission capacity, and follows consideration of the inquiry draft report.

The decision will take effect from the Commission's issuing of its final public inquiry report into competition in data markets. However, the Commission expects access providers and access seekers to begin negotiations soon in good faith so that the benefits can flow promptly to end users.

## International comparisons of telecommunications interconnection (access) charges

On 19 June 1998 the Commission issued an independent consultant's report comparing interconnection charges proposed by Telstra with those being levied by other telecommunications carriers around the world. The report, by Ovum Pty Ltd, is one of a number commissioned by the Commission to help it to assess Telstra's undertakings for domestic PSTN and AMPS originating and terminating access services. The release of this report for comment is an important part of the Commission's public process in its assessment of Telstra's undertakings.

Telstra lodged three undertakings with the Commission on 7 November 1997. The undertakings specify the terms and conditions upon which Telstra undertakes to meet its standard access obligations to supply PSTN, GSM (digital mobile) and AMPS (analogue mobile) origination and termination services.

If the Commission accepts the undertakings, the terms and conditions in the undertakings will apply if parties cannot come to a commercial agreement. In this way the undertakings remove the role of the Commission to arbitrate disputes between parties over the terms and conditions specified in the undertakings.

The Commission specifically invited comments on the methodology used in the Ovum report. The report demonstrated differences between the interconnection charges proposed by Telstra and those of other countries and pointed to

possible sources of these differences. The Commission sought comments on the likely sources of differences of interconnection charges between Australia and other countries identified in the report.

The Commission also released a report looking at a comparison of the charges in Telstra's PSTN undertakings with the Commission's s. 41 determination, which mandated certain charges for interconnection and access (that are currently in force) pending the Commission's consideration of Telstra's undertakings.

## National Competition Council

### Compendium of NCP agreements

The National Competition Council (NCC) has released the second edition of the Compendium of National Competition Policy Agreements. The compendium contains the three agreements collectively known as the National Competition Policy (NCP) and their related reforms.

The three intergovernmental agreements are the:

- Competition Principles Agreement;
- Conduct Code Agreement; and
- Agreement to implement the National Competition Policy and related reforms (Implementation Agreement).

The agreements outline the reforms that all Australian governments undertook to put in place under the NCP process. Related reforms in the electricity, gas, water and road transport industries also form part of the NCP package. Reforms in these areas have been agreed at recent meetings of the Council of Australian Governments (COAG) and Heads of Governments and Premiers and Chief Ministers. For some reform areas, agreements reached by interjurisdictional bodies such as Ministerial Councils are also relevant. The compendium contains the three agreements and relevant extracts of agreements reached by COAG and other interjurisdictional bodies.

Copies of the compendium are available from AusInfo stores for \$11.95 or from the NCC's website at <http://www.ncc.gov.au>

### New appointment

Dr Paul Moy has been appointed Councillor for the NCC. The appointment is on a part-time basis, until November 2000.

The NCC consists of a President and four Councillors who are qualified by virtue of their knowledge of, or experience in, industry, commerce, economics, law, consumer protection or public administration. Members serve on a part-time basis, as required, for a term of up to five years.

The NCC President is Graeme Samuel. Dr Moy joins other Councillors Elizabeth Nosworthy, Michael Easson and Stuart Hohnen.