



Australian Government

Department of the Prime Minister and Cabinet Office of Best Practice Regulation

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Rob Heferen
Deputy Secretary
Department of the Environment and Energy

Dear Mr Heferen

Regulation Impact Statement – Second-Pass Final Assessment – Default Market Offer price cap and reference bill on retail electricity prices

Thank you for submitting a Regulation Impact Statement (RIS) to the Office of Best Practice Regulation (OBPR) examining options to address retail pricing in the National Electricity Market on 27 March 2019.

The OBPR's final assessment is that the Department of the Environment and Energy is compliant with the Government's requirements, but was not consistent with best practice.

The OBPR considers that to achieve best practice the RIS needs to provide more analysis on how the recommended option delivers the highest net benefit to the community. The RIS does not adequately describe and analyse the risks, as highlighted by stakeholders, of achieving the Government's objectives through the implementation of the Default Market Offer (DMO) and reference price. Furthermore, the RIS does not adequately address potential unintended consequences of implementation of the recommended option by way of Industry Code rather than through the National Energy Retail Laws.

Stakeholders were critical of the absence of supporting impact analysis in a RIS throughout the development of the proposal. This would have allowed them to examine, and provide feedback on, the merits of the Industry code in relation to alternative options. The absence of a RIS for consultation falls short of best practice for such significant regulation of the electricity market.

The OBPR agrees that the average annual regulatory cost of the proposal is likely to be under \$2 million and may be self-assessed by the Department of the Environment and Energy.

As outlined in the *Guide to Regulation*, the RIS may now be provided to the decision maker to inform a final decision.

The OBPR's reference number for this matter is 24582. If you have any further queries, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink, appearing to read "J. Lange".

Jason Lange
Executive Director

28 March 2019