



## Michael Cunningham

---

Position	Associate
Location:	Melbourne, AUSTRALIA
Mobile:	0412 255 131 (International +61 412 255 131)
Email address	<a href="mailto:michael[at]economicinsights.com.au">michael [at] economicinsights.com.au</a>

---

### Qualifications

Master of Commercial Law, Melbourne University

Master of Commerce (Hons), Melbourne University

Bachelor of Economics, Monash University

### Key Skills and Experience

Michael Cunningham became an Associate of Economic Insights in late 2013 following more than a decade as a senior regulatory manager with the Essential Services Commission of Victoria. Michael has extensive experience in the regulation of energy, water and transport networks and in detailed productivity analysis.

Michael developed Victoria's minimum feed-in tariffs for 2014, and conducted research into Victoria's energy retail market, including methods for estimating retailer margins, and research into emerging regulatory issues such as household electricity control products. Other projects undertaken for the ESC relating to retail electricity included leading two empirical studies into retailer margins and into residential customer responsiveness of time-varying feed-in tariffs. Michael also produced the ESC's analysis of the productivity of the Victorian water industry in 2012, and on secondment to the Victorian Competition and Efficiency Commission in 2011, for the Inquiry into a State-Based Reform Agenda, he was lead author of its Productivity Information Paper (Dec 2011).

In August 2011, Michael produced a substantial ESC internal research report on "Returns to Businesses in Regulatory Decision Making: What is best practice?" which examined in detail the broad range of issues relating to regulated rates of return.

Michael has led many key ESC reviews, including:

- Review of the Rail Access Regime 2009-10
- Reviews of Victorian Ports Regulation 2009 & 2004
- Reviews of Grain Handling Access Regime 2009, 2006 & 2002
- Taxi Fare Review 2007-08
- Review of Port Planning 2007
- Implementing the Victorian rail access regime 2005 & rail access arrangement approvals 2006 & 2009
- Review of the Supply of Bottled LPG in Victoria 2002.

Prior to joining the ESC, Michael was a commercial advisor at Gascor Pty Ltd for the re-determination of the natural gas price under Victoria's (then) principal gas supply contract for Gippsland gas. From 1997 to 1999, he was an Associate Analyst at Credit Suisse First Boston Australian Equities, carrying out financial analysis of Australia listed infrastructure businesses and utilities. For more than 10 years Michael was employed by Gas & Fuel Corporation Victoria (GFCV) and was responsible for developing forecasting models, operations research, project evaluation, developing management performance reporting systems and tariff design.

As Manager, Resource Strategy, he participated in contract negotiations, and carried out key analysis, relating to the supply of LNG (for the Dandenong storage facility), and participated in the development of gas transmission prices. From 1994 to 1997, he was seconded to the Gas Industry Reform Unit (GIRU) in Victoria's Treasury department and assisted with the negotiation and settlement of the Resource Rent Tax dispute between GFCV and Esso-BHP (approximately \$1 billion in claims). He was a member of the negotiating team that settled a new 13-year gas supply agreement to supply 95% of Victoria's natural gas. In addition to being a member of the negotiating team, he was responsible for carrying out all of the forecasting and risk analysis of key contractual terms such as take-or-pay, maximum day quantity, quantity renomination options etc.

## Recent Projects

### Telecommunications

- For the Australian Competition and Consumer Commission (ACCC), with John Fallon and Tim Coelli, undertook an econometric study of competitive pricing of domestic transmission capacity services (DTCS), to assist the ACCC in its review of DTCS prices on regulated routes.
- For the ACCC, with John Fallon and Joe Hirschberg, undertook an econometric study to develop an hedonic pricing model for the major telecommunications retail services, to measure movements in prices while controlling for changes in service characteristics. The telecommunications services included were fixed line voice services, internet services, and mobile phone services.

### Electricity

- For the Essential Services Commission Victoria (ESC), developed options for feed-in tariffs for small renewable electricity generators in Victoria to apply in 2015 (2014), and again provided advice to the ESC in 2015 in relation to feed-in tariff applicable in 2016.

### Gas

- On behalf of Jemena Gas Networks, carried out productivity analysis, benchmarking and forecasting partial productivity to support its access arrangement proposal (2014) submitted to the Australian Energy Regulator (AER).
- On behalf of Australian Gas Networks (AGN), carried out productivity and benchmarking analysis (2015) to support its proposed access arrangement submitted to the AER.
- For three Victorian gas distribution businesses (AGN, Multinet Gas and AusNet Services) carried out productivity and benchmarking analysis to support their forthcoming proposed access arrangements to be submitted to the AER (2016).

- On behalf of Multinet Gas, carried out econometric analysis of the gas distribution opex cost function to support its forthcoming access arrangement proposal (2016).
- On behalf of ATCO Gas Australia (AGA), carried out productivity and benchmarking analysis (2018) to support its proposed access arrangement currently being prepared for submission to the ERA.
- On behalf of JGN carried out productivity benchmarking and econometric analysis for the purpose of forecasting partial productivity to support its access arrangement proposal (2019).
- Carried out productivity benchmarking and econometric analysis for Evoenergy to support its access arrangement proposal in 2020. Also carried out productivity benchmarking analysis for AGN SA to support its access arrangement proposal in 2020.

### Water

- For the Commonwealth Department of Environment, with Denis Lawrence, carried out an economic benchmarking study of the Murray Darling Basin Authority's River Murray Operations joint venture against similar Australian rural water businesses using data envelopment analysis (2014).
- For the ESC, carried out an econometric benchmarking study of Victorian urban water businesses against urban water businesses throughout Australia in 2014, and updated the study again for the ESC in 2017.

### Economic Regulation — Allowed rate of return

- With John Fallon, prepared advice to the New Zealand Commerce Commission on international practices regarding setting regulated rates of return within a range of best estimates (2014).

### Economic Regulation — Benchmarking

- With Denis Lawrence, John Fallon and Valentin Zelenyuk, in 2017 prepared advice to the Netherlands Authority for Consumers and Markets (ACM) on topics relating to benchmarking the efficiency of electricity and gas transmission system operators (TSOs) in Europe, including in relation to selecting cost drivers, estimating the cost of capital, choosing the modelling method and explaining the results. This advice will inform the ACM in its forthcoming benchmarking of European electricity and gas TSOs.
- With Denis Lawrence and John Fallon, provided advice in 2020 to the Netherlands ACM on the projected rate of frontier shift over the five-year regulatory period commencing 2022 for the regulated energy transmission businesses, Gasunie Transport Services and TenneT. The study included: (i) reviewing international studies and regulatory decisions on energy transmission productivity; (ii) calculating total factor productivity (TFP) and partial factor productivity (PFP) indexes and trends for selected Dutch industries considered comparable to the Dutch energy transmission sector; (iii) using data envelopment analysis and econometric analysis applied to selected industries in a number of European countries to separate productivity gains associated with catch-up from those associated with shifts in the frontier, and to identify differences in productivity trends relevant to opex and capital inputs; and (iv) advising the ACM on appropriate allowances for frontier shift to be included in the regulatory plans.

### Recent Publications

Journal article: 'Productivity Benchmarking the Australian Water Utilities' *Economic Papers* (June 2013)

Conference paper: Cunningham M B & Harb, D, 'Multifactor productivity at the sub-national level in Australia', 41st Australian Conference of Economists 2012

#### Submissions:

- 'Submission to MCE consultation on the separation of electricity transmission and distribution' (Nov 2011)
- 'Submission to AEMC consultation on AER rule change request' (Dec 2011)
- 'Submission to PC Consultation on Electricity Network Regulation' (Apr 2012)
- 'Processes for stakeholder negotiation for electricity regulation', submission to PC (Nov 2012)
- 'Submission to Productivity Commission Review of the National Access Regime' (Feb 2013)
- 'Options to Strengthen the Law Prohibiting Misuse of Market Power', submission to Treasury (Feb 2016).