



Network regulation rule changes from the AER

AEMC starts public consultation

The AEMC today called for public submissions on rule change requests from the Australian Energy Regulator (AER) which seek to change the way revenues are set for electricity and gas network businesses. The AER's key purpose of these proposed changes is to ensure that customers pay no more than is necessary for energy services.

The AER's rule change request

The AER has made two rule change requests. One request seeks to address deficiencies that the AER has identified in the framework for the economic regulation of electricity network businesses. The other seeks to improve the rate of return provisions in the framework for the price and revenue regulation of gas pipeline businesses. In particular the rule change requests seek to address:

- the capital and operating expenditure framework in electricity
- the expenditure incentive arrangements in electricity
- the cost of capital provisions in electricity and gas, and
- the efficiency of the regulatory process.

AEMC consultation paper

The AEMC is seeking written submissions on the rule change requests by 8 December 2011. To facilitate this process the AEMC has released a consultation paper on the proposals. The consultation paper sets out the AER's proposals at a high level and identifies key issues on which the AEMC is particularly interested in stakeholder feedback. The paper also sets out the process that the AEMC intends to follow in considering the requests. The consultation paper and the AER's proposals are on the AEMC's website.

Public forum

The AEMC will conduct a public forum in Brisbane on 23 November 2011. The AEMC will also be holding a series of stakeholder meetings in capital cities around the nation.

The rule change process

In recognition of the complexity of the issues raised, the AEMC has adopted an extended period of consultation.

The consideration of these rule change requests will include the release of a directions paper for public consultation prior to the draft rule determinations.

An indicative timeline is below.

The AEMC invites public submissions on the AER rule changes by 8 December 2011.

A public forum will be held in Brisbane on 23 November 2011.

Indicative timeline

Public forum in Brisbane	23 November 2011
Submissions close on the first round of consultation	8 December 2011
Second round consultation - Directions paper issued	Late February 2012
Submissions close on Directions paper	Early April 2012
Release draft rule determinations	By 26 July 2012
Submissions on draft rule determinations close	6 September 2012
Release final rule determinations	By 15 October 2012

Background

Electricity and gas network businesses transport energy from generators or producers to end use consumers. Transmission businesses transport energy at high voltage or pressure linking generators or producers with load centres. Distribution businesses transport energy at a lower voltage and pressure from points along the transmission network or pipeline to end-use customers. The services they provided also facilitate competition in the generation and retail sectors of energy markets.

Electricity and some gas network businesses are regulated, meaning the prices that these businesses can charge and the revenues that they can earn are set by the AER.

The frameworks for the revenue regulation of electricity distribution and transmission businesses are respectively contained in chapters 6 and 6A of the National Electricity Rules. These electricity rules apply in all eastern Australia states. The framework setting out the price and revenue regulation of certain gas pipeline businesses is contained in Part 9 of the National Gas Rules. These gas rules apply in all eastern Australia states and Western Australia.

The cost of providing network services represents up to half of a customer's bill.

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