



Revenue smoothing across regulatory periods

Stakeholder submissions invited on consultation paper for rule change requests

The AEMC has commenced consultation on rule change requests that seek to allow revenue adjustments for Ausgrid, Essential Energy, Endeavour Energy and ActewAGL to be recovered over two regulatory control periods.

The proposed changes to the National Electricity Rules seek to smooth the recovery of revenue adjustments that may result at the conclusion of current legal proceedings. Specifically, the proposed rule change would allow any resulting adjusted revenue amounts to be recovered over two regulatory periods rather than one. This approach aims to minimise pricing volatility for consumers.

Background

Judicial review proceedings are currently on-going for the proponents' final determinations for the 2014-2019 regulatory control period. There is a possibility that once these proceedings conclude, the Australian Energy Regulator (AER) may be required to remake revenue and pricing determinations for the NSW and ACT distribution network service providers. Since any remade determinations are likely to have revenue allowances that are different to the actual revenue that the proponents have recovered within the current regulatory period, there is the potential for significant adjustment amounts in revenue for the 2014-2019 regulatory control period.

Under the current rules, any additional revenue arising from the remade AER determinations can only be recovered in the remaining years of the current regulatory control period. This could lead to volatility for consumers' electricity bills, depending on the amount of revenue adjustment and how long remains in the current regulatory period.

Proposed solution

To minimise this potential pricing volatility, the NSW and ACT distribution network service providers submitted rule change requests that would allow for any revenue adjustment amount to be smoothed over the current (2014-2019) and subsequent (2019-2024) regulatory control periods. The proposed rules would allow for a specified proportion of any adjustment to be recovered across each of the current and subsequent regulatory control periods. In effect, rather than making a revenue adjustment in a single regulatory year, the change in revenue could be spread over up to six years.

Consultation process

The consultation paper and the rule change requests are available on the AEMC's website. Stakeholders are invited to make written submissions by no later than 15 December 2016.

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17 November 2016