

Distribution Losses in Expenditure Forecasts

AEMC starts consultation on rule change request

The AEMC today commenced a first round of public consultation on a rule change request from the Copper Development Centre (CDC). The request is to amend the National Electricity Rules to require electricity distribution businesses to consider the cost of losses on their networks.

Details of the rule change request

On 22 December 2011, CDC submitted a rule change request to the AEMC relating to the cost of distribution network losses. Specifically, CDC has requested an amendment to the National Electricity Rules to require Distribution Network Service Providers (DNSPs) to consider the cost of losses on their networks, in preparing their operating and capital expenditure forecasts.

As a component of a revenue proposal, operating and capital expenditure forecasts are prepared by DNSPs for assessment by the Australian Energy Regulator.

CDC's rule change request included a proposed rule and a paper of supporting analysis on the calculation of the long run cost of electrical energy losses.

Background

Electricity networks transport power from generators to customers. During this process, energy is lost due to electrical resistance and the heating of conductors.

Most losses are defined as technical losses and may vary depending on the structure of the network, the amount of electrical energy (or load) being transported through the network and the type of network equipment (including conductors and transformers). However, there are also non-technical losses consisting of theft and metering errors.

Consultation process

A consultation paper has been prepared by AEMC staff to facilitate public consultation on this rule change request. This paper:

- sets out a summary of, and background to, the rule change request;
- identifies a number of questions and issues for consultation; and
- outlines the process for making submissions on this rule change request.

Submissions on the consultation paper and rule change request are due by 31 May 2012.

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