



Distribution Losses in Expenditure Forecasts

Draft rule determination – 9 August 2012

The AEMC has published a draft rule determination in response to a rule change proposal from the Copper Development Centre (CDC). The AEMC invites written submissions on this draft rule determination, which includes a draft rule, by 20 September 2012.

The Commission's draft rule determination

The AEMC has made a draft rule in response to proposal from the CDC regarding distribution losses. The draft rule is a more preferable rule which is different from the rule proposed by the CDC.

The draft rule will require a distribution network service provider (DNSP) to provide an explanation of how distribution losses have been taken into account in developing and implementing its asset management and investment strategy, as part of the Distribution Annual Planning Report under the proposed national distribution network planning and expansion framework.

Reasons for the Commission's draft rule determination

It appears to be industry practice among most DNSPs that distribution losses are already considered as one of the many relevant inputs to their planning and investment decisions and that the regulatory framework provides for the Australian Energy Regulator to assess whether a DNSP has considered distribution losses in preparing expenditure forecasts.

However, without some changes to the National Electricity Rules, there may be some uncertainty to other market participants, regulatory bodies and consumers about how distribution losses are taken into account.

The draft rule will provide clarity, transparency and regulatory certainty on how DNSPs make efficient planning and investment decisions. As a result, the Commission is satisfied that the draft rule will, or is likely to, better contribute to the achievement of the National Electricity Objective than the rule proposed by the CDC.

Background

Electricity distribution networks deliver power from the transmission network to customers. During this process, some power is lost due to electrical resistance and the heating of conductors. These losses vary depending on many factors including the amount of electricity being transported, the structure of the network and the type of network equipment used. Some losses may also result from theft (such as illegal connections to the network) or metering errors.

Submissions

The Commission invites written submissions on the draft rule determination and draft rule by 20 September 2012.

For information contact:
AEMC Director, Meredith Mayes (02) 8296 7800
AEMC Adviser, Caroline Taylor (02) 8296 7800

Media: Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817

9 August 2012