



Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
REF: ERC0210

19 June 2017

Dear Sir / Madam,

Re: DRAFT RULE DETERMINATION: National Electricity Amendment (Participant derogation – NSW DNSPs revenue smoothing) Rule 2017

The New South Wales Irrigators' Council (NSWIC), Cotton Australia and NSW Farmers' Association appreciate the opportunity to comment on the draft rule determination: *National Electricity Amendment (Participant derogation -NSW DNSPs revenue smoothing) Rule 2017*. As this rule change and the associated Limited Merits Review process & judicial appeal by the NSW DNSPs directly affect our constituency, we welcome the opportunity to outline our concerns with the proposed AEMC rule change.

In broad, NSW electricity consumers are currently faced with two very undesirable outcomes. On the one hand, electricity consumers could face significant once-off increases in their electricity costs in 2018-19 (assuming that the Australian Energy Regulator is able to implement the final recommendations of the Australian Competition Tribunal by then). On the other hand, electricity consumers could be subject to prolonged elevated electricity prices which will create significant opaqueness in future electricity prices and create uncertainty in terms of future investment decisions. At a time where consumers are facing significant change in the National Electricity Market and are under significant cost pressures from not just the distribution network service providers, but also the generation and retail sectors, this rule change would, if implemented, significantly distort any price signals that allow consumers to make informed decision on their electricity use. In addition, it creates significant investment uncertainty for electricity consumers who will have to consider potential price adjustments as a result of the next NSW DNSP regulatory determination, and also factor in another price adjustment resulting from the revenue smoothing mechanism.

In the face of two bad choices, NSWIC, Cotton Australia and NSW Farmers' Association would be (cautiously) supportive of the draft rule determination on the proviso that the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER) ensure that the price adjustments for individual customer groups (i.e. tariff classes) remain within an acceptable range (below 10 per cent) and that the AER protects individual customer classes from individual large price volatility via the TSS process. In addition, this upper limit adjustment test must include a consideration of the NSW DNSPs next regulatory determination which will commence on 1 July 2019.

Furthermore, NSWIC, Cotton Australia and NSW Farmers' Association submit that the revenue smoothing mechanism must be fixed in nominal terms, as an NPV neutral approach simply penalises electricity consumers for the regulatory appeal by the DNSPs. In light of the potential significant price adjustments that customers are subjected to, there should be no additional cost imposed in terms of indexing the revenue recovery amounts across the determinations.

It is disappointing that stakeholders are forced to decide between these unsatisfying choices and we would like to reiterate our position that the current Limited Merits Review provisions create significant uncertainty in an already uncertain and changing market. As no other regulated utility market has similar provisions, NSWIC, Cotton Australia and NSW Farmers' Association call on the Federal and State Government to support the abolishment of the LMR or substantive reforms that includes much stricter grounds for review, lifts the financial threshold for a review and increases opportunities for consumer participation. Our most preferred choice would be the abolishment of the LMR in line with other regulated utilities.

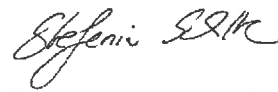
Sincerely,



Felicity Muller
Policy Officer
Cotton Australia



Derek Schoen
President
NSW Farmers' Association



Stefanie Schulte
Policy Manager
NSW Irrigators' Council