



**Submission by**

**Alternative Technology Association**

**on**

**Proposed Rule Change:  
*Economic Regulation of Network Service Providers***

**19<sup>th</sup> December 2011**

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## 1. Introduction

The Alternative Technology Association (ATA) welcomes the opportunity to respond to the proposed changes to the national electricity rules in respect of the economic regulation of transmission and distribution network service providers.

ATA is a national, not-for-profit organisation representing consumers in the National Energy Market with particular interest in the renewable energy, energy efficiency and demand-side marketplace. The organisation was established in 1980 to empower our community to develop and share sustainable solutions and to promote the uptake of sustainable technologies.

The organisation currently provides service to approximately 6,000 members nationally who are actively engaged with small, medium and large scale renewable energy projects, energy efficiency, demand side management and the national electricity market (NEM).

## 2. Position Summary

Overall, ATA makes the following points in regards to the Rule Change proposals:

1. Through ATA's experience of engaging with Distribution Network Service Providers (DNSPs) in relation to a number of policy reviews and projects over the past five years, that our strong belief is that the issues raised by both the Australian Energy Regulator (AER) and the Energy Users Rule Change Committee (EURCC) are 'material' – i.e. that there is a problem, and that the AEMC should proceed with this Rule Change process to the next stage including development of a Directions Paper, with a view to a draft determination and culminating in a Rule Change.
2. That the ATA support's the intent of the AER's Rule Change application to give the AER greater discretion in the process of forecast revenue determination for DNSPs.
3. That the ATA support's the intent of both the AER's and the Energy Users Rule Change applications to revise the approach to determining the Weighted Average Cost of Capital (WACC) to be applied across all network businesses, for electricity and gas.
4. That the ATA supports the intent of the AER Rule Change application to adjust the process for network price determinations – in particular, for networks to be unable to respond to their own proposals, with the opportunity of withholding significant information from scrutiny by other stakeholders. The ATA also supports changes in the treatment of 'confidential' information, to limit the extent to which non confidential information is withheld from scrutiny of other stakeholders, including the general public.
5. That the ATA supports the intent of the EURCC Rule Change application to amend current approaches to determining debt risk premiums.

### 3. Inappropriate use of ‘Commercial Sensitivity’

Specifically in support of point 4 above, the ATA share the concerns raised by the AER regarding the current rules governing commercially sensitive information.

Our view is that the rules currently afford the DNSPs inappropriate rights to restrict the disclosure of information that is important for the AER and other stakeholders to view in order to be able to assess the reasonableness of their claims.

In this regard, ATA would put forward our experience of engaging with the AER process for determining charges for new excluded services for smart meters under the Victorian AMI program, as part of the body of evidence to demonstrate the need for tightening of the rules, with respect to what constitutes valid commercially confidential information.

Through engaging with this process, ATA found errors, including a miscalculation and a clearly false assumption, in United Energy’s submission to the AER. These errors were only visible to the ATA as they had not been marked ‘commercial in confidence’ – unlike substantial amounts of similar information provided by other distributors in this process.

The following is extracted from our submission to the draft determination made by the AER.

#### **3.3.5 Errata**

*‘United Energy’s claim of an average of 39 minutes of manual intervention for meter reconfiguration (the highest of any of the DNSPs) appears overstated by 5 minutes due to an error.*

*‘In UED’s letter to Chris Pattas of the AER on page 4, it states:*

*“Review time: 20 mins per service order (**4 per hour**).”*

*‘ATA advise that 4 service orders per hour is actually equal to **15 minutes** per service order.*

*‘ATA also note that UED’s modelling assumes a volume of only 232 total meter reconfigurations per annum. Based on current trends however, it is likely that over 10,000 grid connect new PV systems will be connected to UED’s network in 2011 alone. If 20% of these are installed at sites with extant smart meters, this would suggest a figure in the order of 2,000 total meter reconfigurations per annum to be more accurate.*

*‘ATA believe that the above errors have materially affected UED’s own estimate of their costs for this service.’*

Neither the AER, nor the subject matter expert appointed by them to undertake the review, had detected these errors, which along with an additional error also discovered by ATA through the same process, were subsequently acknowledged by the AER.

As the public consultation stage of a pricing review should be an opportunity for any stakeholders to uncover errors of this nature, in our view, this highlights the importance of transparency of information provided by the businesses through this process.

As stated in the same submission:

*'ATA note that the lack of transparent information provided in the DNSP's public submissions is of some concern, and while we appreciate the efforts of the AER in attempting to fill some of these information gaps in their draft decision paper, we feel that distributors should be required to provide the public with more detailed justification of their proposed charges.'*

In their submissions to the AER for this process, Jemena, Citipower and Powercor refused to make available to the public or to other stakeholders the assumed timing details and volume of service orders on which their cost estimates were based. Again, ATA fail to see why such information should be treated as confidential.

## 4.0 Further Contact

Thank you for the opportunity to submit to this Rule Change process and please do not hesitate to contact us at [Damein.Moyse@ata.org.au](mailto:Damein.Moyse@ata.org.au) or on (03) 9631 5417 should you have any questions regarding the content of this submission.

Yours sincerely



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