

9 June 2017

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Sir/Madam

RE Request for Rule Change Submission

Tasmanian Networks Pty Ltd (TasNetworks) seeks a rule change under section 91(1) of the National Electricity Law (NEL) to Rule 11.93.1 of the National Electricity Rules (the NER).

This Rule contains definitions relevant to determining whether the current or revised Rate of Return Guideline (Guideline) will apply to affected Network Service Providers in a given regulatory control period. Rule 11.93 was inserted into the NER by the National Electricity Amendment (Rate of Return Guidelines Review) Rule 2016 No. 9 (Original Rule Change), in order to promote regulatory certainty and avoid timing issues by applying the current 2013 Guideline to all regulatory determination processes, which commence in January 2018, for affected network service providers.

TasNetworks seeks a rule change to ensure that the intent of the Original Rule Change is achieved in relation to TasNetworks' distribution regulatory determination. The change is necessary because TasNetworks' 2017 distribution regulatory control period is only two years, from 1 July 2017 to 30 June 2019. The alignment for the transmission and distribution network businesses will enable regulatory certainty, efficiencies for TasNetworks, and provide customers and stakeholders the best possible opportunity to understand and comment on our regulatory determination processes.

TasNetworks submits:

- that this request for a rule change be treated as non-controversial by the AEMC and can be processed in an expedited manner under section 96 of the NEL;

- the proposed rule change will contribute to the achievement of the NEO, for the reasons set out in paragraph 10 of this submission; and
- there are no detrimental impacts or costs associated with making this rule change.

The attachment to this letter sets out the details of this request. We have worked collaboratively with the AEMC in the development of this rule change and welcome the opportunity to discuss this matter further with the AEMC and interested stakeholders.

Please contact Kirstan Wilding, Leader Regulation on (03) 6271 6696 or via email at kirstan.wilding@tasnetworks.com.au if you would like to discuss any aspect of this request.

Yours faithfully

A handwritten signature in black ink that reads "Bess Clark". The signature is written in a cursive, flowing style.

Bess Clark
General Manager Strategy and Stakeholder Relations

TasNetworks' Submission for a Rule Change

1. Proponent and Authority

- (a) The applicant is Tasmanian Networks Pty Ltd, trading as TasNetworks, ABN 24 167 357 299.
- (b) TasNetworks' address is 1-7 Maria Street, Lenah Valley, Tasmania, 7008.
- (c) The signatory to the attached letter is authorised by TasNetworks to make this request.
- (d) In this submission, TasNetworks requests the AEMC make a Rule Change to Rule 11.93.1 of the NER. This Rule contains definitions relevant to determining whether the current or revised Rate of Return Guideline (**Guideline**) will apply to affected Network Service Providers in a given regulatory control period.
- (e) TasNetworks seeks a change to this Rule amending the definition of "current regulatory control period" so that it captures TasNetworks' transmission and distribution regulatory control periods ending on 30 June 2019. The effect of this is to create certainty and consistency for TasNetworks, its customers, and its stakeholders in relation to the Guideline that will apply to each of its 2019 regulatory proposals.

2. Background

- (a) TasNetworks is a Registered Participant in the categories of Distribution Network Service Provider and Transmission Network Service Provider.
- (b) TasNetworks has a two year distribution regulatory control period commencing 1 July 2017, due to a participant derogation that aligns its transmission and distribution determination processes as of 1 July 2019. This alignment will create significant efficiencies for TasNetworks, as well as simplifying the process for its customers and other relevant stakeholders.
- (c) TasNetworks' current distribution regulatory control period commenced on 1 July 2012 and expires on 30 June 2017. TasNetworks' subsequent distribution regulatory control period commences on 1 July 2017 and expires on 30 June 2019. Its second subsequent regulatory control period commences on 1 July 2019 and expires on 30 June 2024.
- (d) TasNetworks' current transmission regulatory control period commenced on 1 July 2014 and expires on 1 July 2019. TasNetworks' subsequent transmission regulatory control period commences on 1 July 2019 and expires on 30 June 2024.
- (e) Rule 11.93 was inserted into the NER by the National Electricity Amendment (Rate of Return Guidelines Review) Rule 2016 No. 9 (**Original Rule Change**), in order to promote regulatory certainty and avoid timing issues by applying the current 2013 Guideline to all 2018 regulatory determination processes for the affected network service providers (**NSPs**).

- (f) As highlighted in the AEMC's Rule Determination in relation to the Original Rule Change, the proposed timing of the release of the revised Guideline is likely to occur during a period where some NSPs, including TasNetworks, are in the midst of their regulatory determination process. This could leave affected NSPs with insufficient time to consider the new information in revised regulatory proposal submissions.
- (g) Rule 11.93 attempts to address these transitional issues by specifying that the current Guideline will continue to apply to each affected NSP during the regulatory control period immediately following its current regulatory control period as at the date of that rule change ("subsequent regulatory control period").

3. Issues to be addressed

- (a) Because TasNetworks has a two year distribution regulatory control period in 2017-19, its affected distribution regulatory proposal submissions will not be for its "subsequent regulatory control period", but for the regulatory control period immediately following (its second subsequent regulatory control period).
- (b) The effect of the Original Rule Change is that the current Guideline will apply to TasNetworks' 2019-24 transmission determination, while the revised Guideline will apply to its 2019-24 distribution determination.
- (c) As well as creating a lack of alignment in respect of the Guidelines, TasNetworks is concerned that the revised Guideline will be published around the time that its revised regulatory proposal submission is due, and after customer and stakeholder consultations have already been completed based on the current Guideline. This could leave TasNetworks with insufficient time to consider and identify any departures from the Guideline in its revised regulatory proposal submission, let alone conduct further consultations with stakeholders.
- (d) Applying different Guidelines to each of the transmission and distribution determinations will cause timing issues and inconvenience to TasNetworks, as well as creating further complications for stakeholders in an already complex process. It is important to TasNetworks that its customers and stakeholders have the best possible opportunity to understand and provide feedback on its regulatory proposals.

4. Description of the proposed rule

The proposed rule amends the definition of "current regulatory control period" as it applies to TasNetworks to be the regulatory control period "which ends on 30 June 2019".

5. Explanation of how the proposed rule will address the transitional issues for TasNetworks

- (a) The proposed rule will have the effect of making the current Guideline applicable to TasNetworks' distribution and transmission businesses for the regulatory control period commencing in 2019.

- (b) This will give TasNetworks and its customers and stakeholders certainty about which guideline will apply to its distribution regulatory proposal.
- (c) The proposed rule will also allow TasNetworks' customers and stakeholders to have the best possible opportunity to understand and comment on TasNetworks' distribution regulatory proposal.
- (d) Finally, the proposed rule change will create efficiencies for TasNetworks by allowing it to apply the same Guideline to its distribution and transmission regulatory proposals.

6. Consultation with stakeholders

- (a) TasNetworks has discussed this proposal informally with the AER.
- (b) The AER:
 - (i) agrees that the current Rules provide an inconsistent application of the rate of return guideline between TasNetworks' 2019-24 transmission determination and TasNetworks' 2019-24 distribution determination; and
 - (ii) considers that stakeholders would benefit from applying the rate of return guideline in TasNetworks' concurrent transmission and distribution determination process on a consistent basis.

7. Rule change is non-controversial

- (a) TasNetworks submits that the rule change is non-controversial, because it will provide significant benefits by achieving the intent of the Original Rule Change without imposing any detrimental impact or costs.
- (b) Further, there are no other Registered Participants who could potentially be affected by the making of this rule change.

8. Form of the proposed rule change

A draft form of the proposed rule change is attached to this submission.

9. Achievement of the National Electricity Objective

- (a) The National Electricity Objective (**NEO**), set out in section 7 of the NEL, is as follows:

The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—

 - (a) *price, quality, safety, reliability and security of supply of electricity; and*
 - (b) *the reliability, safety and security of the national electricity system.*
- (b) For the reasons set out in paragraphs (c) to (g), below, TasNetworks submits that if the AEMC makes this rule change, it will assist TasNetworks to:

- (i) avoid inefficiencies in preparing its 2019-24 regulatory proposals for its distribution and transmission businesses; and
 - (ii) avoid further complications for its customers and stakeholders in an already complex process, and give its stakeholders the best possible opportunity to provide feedback on its regulatory proposals.
- (c) The effect of the Original Rule Change is that the current Guideline will apply to TasNetworks' 2019-24 transmission determination, while the revised Guideline will apply to its 2019-24 distribution determination.
- (d) The revised Guideline is likely to be published near the time that revised proposals are due. A scenario could arise where the revised Guideline is published before TasNetworks has had sufficient time to consider the new information in its revised distribution regulatory proposal submission, and decide on whether and how to either incorporate or depart from the Guideline. Similarly, TasNetworks' customers and stakeholders may not have an opportunity to consider and be consulted on any incorporation of, or departure from, the Guideline.
- (e) If TasNetworks did have sufficient time to apply the revised Guideline, TasNetworks would be required to apply two different Guidelines to its concurrent transmission and distribution determination process, and additional stakeholder consultation may be required. TasNetworks would be required to expend additional time and resources to achieve this.
- (f) Avoiding these additional expenses would promote the efficient operation of TasNetworks' business, and the interests of its customers with respect to price, helping to achieve the NEO.
- (g) Similarly, without the proposed rule change, TasNetworks' customers and stakeholders would either:
 - (i) be required to consider two Guidelines, creating further complications in an already complex process; or
 - (ii) have insufficient time to consider and provide feedback on TasNetworks' application of the revised Guideline.
- (h) Accordingly, TasNetworks considers that the proposed rule change would provide stakeholders with the best possible opportunity to understand and provide feedback on our regulatory proposals. This is in the best interests of consumers of electricity, in line with the NEO.

10. Expected benefits and costs of the proposed delegation

(a) *Benefits*

- (i) The principal benefits from the proposed rule change are set out in paragraph 9 of this submission.

(b) *Costs*

- (i) TasNetworks submits that there are no detrimental impacts or costs associated with making this rule change.

- (ii) TasNetworks confirms that there are no cost impacts on other Registered Participants.

11. Conclusion

- (a) TasNetworks submits that:
 - (i) this request for a rule change is non-controversial and can be processed by the AEMC in an expedited manner under section 96 of the NEL;
 - (ii) the rule change, if made, will contribute to the achievement of the NEO, for the reasons set out in paragraph 10 of this submission; and
 - (iii) there are no detrimental impacts or costs associated with making this rule change.

Tasmanian Networks Pty Ltd

Draft Rule Change

DRAFT RULE

Amendment of the National Electricity Rules

1. Title of Rule

This Rule is the *National Electricity Amendment (Tasmanian Networks Pty Ltd) Rule Change (Modification of Rule 11.93.1) Rule 2017 No. [insert]*.

2. Commencement

This Rule commences operation on *[insert date which must be after the date the notice making the rule is published in the South Australian Government Gazette]*.

3. Amendment of the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

Schedule 1 Amendment to the National Electricity Rules

Clause 11.93.1 Definitions

Omit the definition of “**current regulatory control period**” and substitute:

“**current regulatory control period** of an affected DNSP or affected TNSP means the *regulatory control period*:

- (a) for Tasmanian Networks Pty Ltd, which ends on 30 June 2019; and
- (b) for any other affected DNSP or affected TNSP, which commenced before the commencement date and, as at the commencement date, has not ended.”