

# Contestability of energy services

## Draft determination

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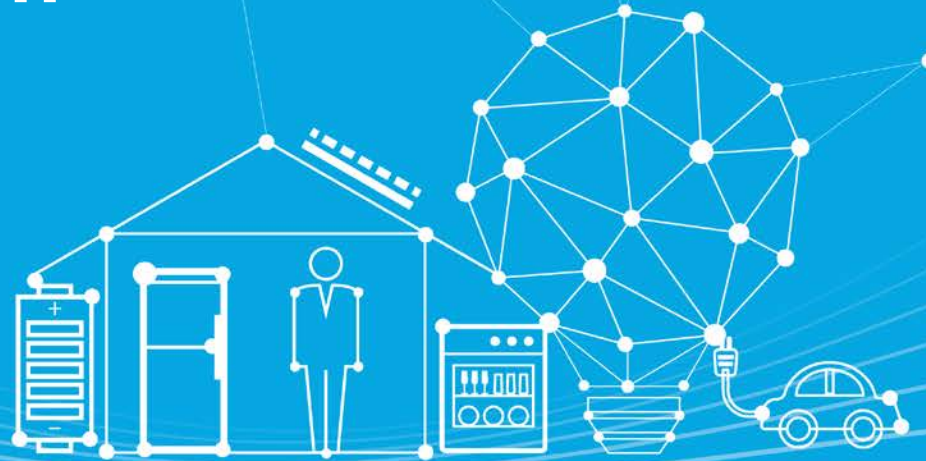
Public forum – 27 August 2017

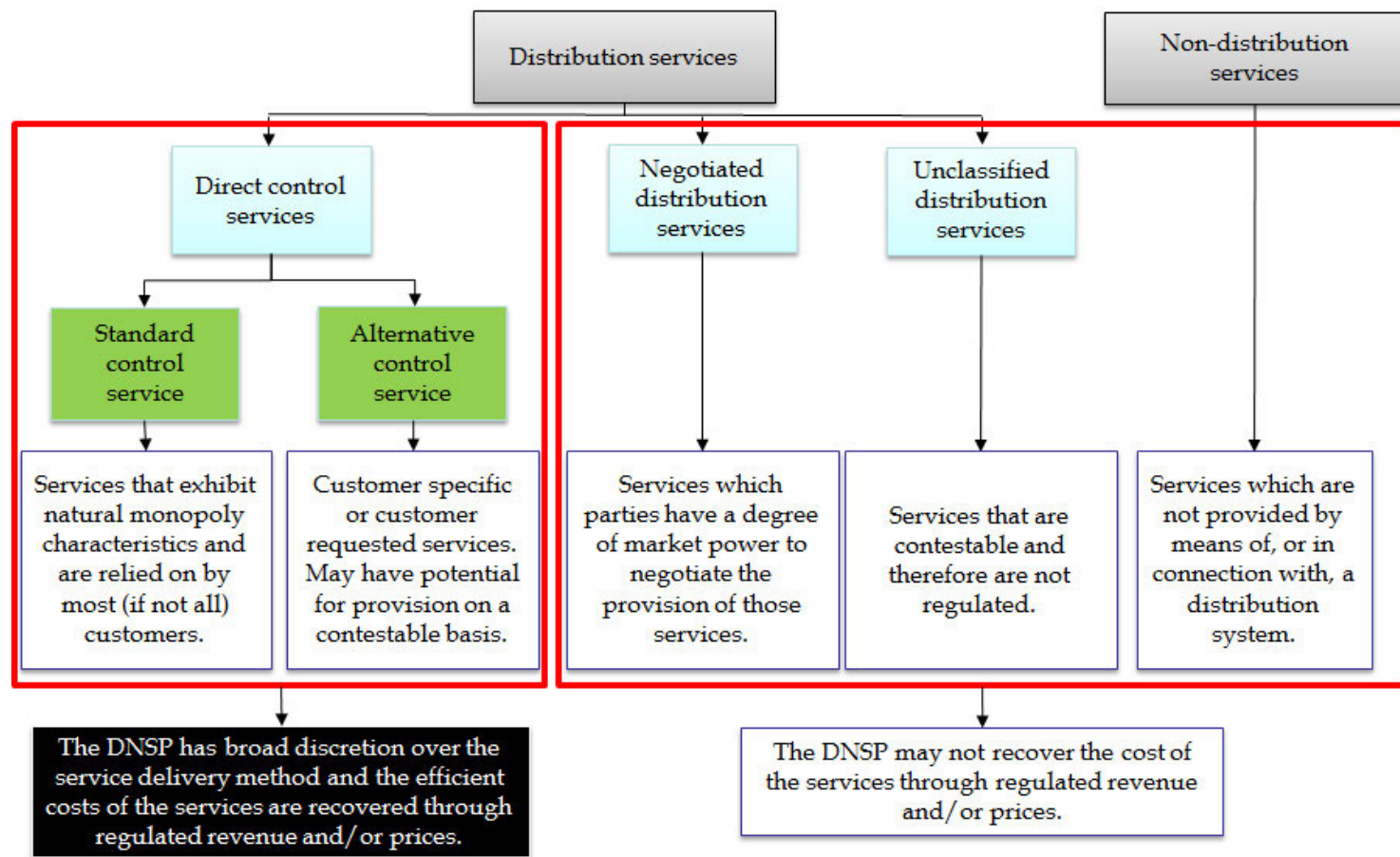
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# Improvements to service classification processes







## In this session ...

- Reasons for making the draft rule
- Overview of the draft rule
- Benefits if the draft rule is made

**Reason for our decision**





## Why are we making changes?

- Current process does not facilitate stakeholder engagement
- Limited understanding of the AER's approach in classifying services
- Current framework limits the AER's discretion when responding to changes in the market

# Overview of the draft rule





# Improvements to the service classification processes: overview

## Changes to service classification framework

1. AER to publish a distribution service classification guideline
2. Remove AER's obligation to consider service classification from previous regulatory period
3. Reduces threshold for AER to change classification decision during a determination process





# Publication of Distribution Service Classification Guidelines

## Requirements under the draft rule

- First Distribution Service Classification Guidelines published by **30 September 2018**
- Service classification still conducted on a business by business basis
- If the AER departs from the approach stated in the guideline, it must state its reasons for departure

## Implementation (transitional)

- Does not apply to the 2019-24 determination process for DNSPs in the following jurisdiction:
  - NSW, ACT, TAS, NT



# Consideration of previous classification approach

## Changes under the draft rule

- Requirement to not depart from previous classification unless a different classification is clearly more appropriate removed
  - Delete clause 6.2.1(d) – classification of distribution services
  - Delete clause 6.2.2(d) – classification of direct control services and alternate control service

## Implementation (transitional)

- Does not apply to the 2019-24 determination process for DNSPs in the following jurisdiction:
  - NSW, ACT, TAS, NT



# Changing classification during a determination process

## Changes under the draft rule

- Threshold to change classification during a determination process reduced from:
  - “unforeseen circumstance”to
  - “a material change in circumstances”

## Implementation (transitional)

- Change to apply from rule commencement

# Benefits of the draft rule

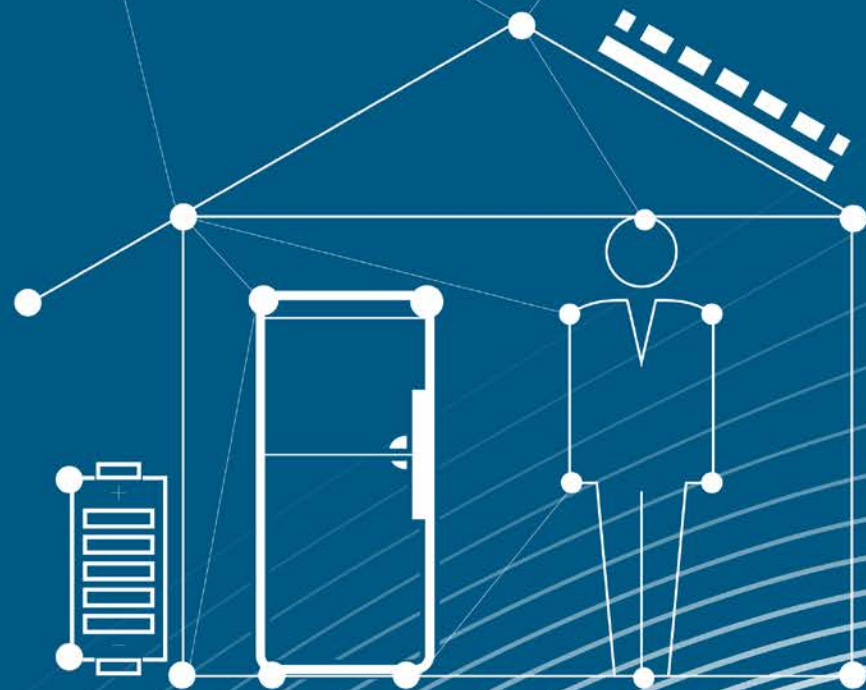




## Benefits under the draft rule

- Provide clarity, transparency and regulatory predictability to stakeholders
- Improve the AER's discretion when classifying services in a changing market
  - Classification of services based on form of regulation factors, not previous approaches

# Summary





## Summary

- Why
  - Current process does not facilitate stakeholder engagement
  - Current framework limits the AER's discretion when responding to changes in the market
- How?
  - Publication of distribution service classification guidelines
  - Changes to improve framework's responsiveness to market changes
- Benefits
  - Provide clarity, transparency and regulatory predictability to stakeholders

