



Application of rate of return guidelines to TasNetworks

Final determination and final rule published

The Australian Energy Market Commission (AEMC) has made a final rule to align the timing of the application of the revised Rate of Return Guidelines to TasNetworks' distribution and transmission businesses.

Final rule

The final rule will amend the NER so that the current 2013 Rate of Return Guidelines will apply to TasNetworks' five year distribution regulatory control period commencing 1 July 2019. As a result, the current Rate of Return Guidelines will apply to TasNetworks' aligned distribution and transmission regulatory control period commencing 1 July 2019.

Commission's reasons

The Commission has made the rule as proposed by TasNetworks, with minor amendments. The Commission considers it will, or is likely to, contribute to the achievement of the national electricity objective (NEO).

The rule is expected to enhance transparency of information and regulatory certainty. TasNetworks will not have to consider within a short time frame the revised 2018 Rate of Return Guidelines in making its revised regulatory proposal submission for its five year distribution regulatory control period commencing 1 July 2019.

The final rule should also reduce regulatory and administrative burden. Having the same Rate of Return Guidelines apply to TasNetworks' five year distribution and transmission regulatory control periods commencing 1 July 2019 will realise greater efficiencies, such as the ability to consult stakeholders jointly. It may also have additional benefits in reducing regulatory and administrative burden for the Australian Energy Regulator in assessing TasNetworks' revenue proposals against one Rate of Return Guidelines rather than two.

The benefits of reduced regulatory burden and enhanced transparency of information and regulatory certainty could be shared with consumers. This will be likely to contribute to the achievement of the NEO.

Background

On 9 June 2017, TasNetworks submitted a request to the AEMC to make a rule change regarding the timing of the application of the Rate of Return Guidelines' revision, scheduled to commence by 17 December 2018, to its distribution business.

TasNetworks stated that clause 11.93 of the National Electricity Rules introduced under the Rate of Return Guidelines Review rule change has the unintended consequence of applying different Rate of Return Guidelines to its five year transmission and distribution regulatory control periods commencing 1 July 2019. Specifically, the current 2013 Rate of Return Guidelines would apply to TasNetworks' distribution business and the revised 2018 Rate of Return Guidelines would apply to its transmission business. TasNetworks identified a further potential issue where it may have insufficient time to consider the revised Rate of Return Guidelines when it commences for its next revised distribution regulatory proposal submission.

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