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Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

EMAIL: aemc@aemc.gov.au
(also submitted through electronic lodgement facility)

Dear Mr Pierce

UED submission on proposed Rule for recovery of transmission related charges on behalf of the Victorian Distribution Network Service Providers: ERC0114

UED (on behalf of the Victorian electricity distribution network service providers) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's Draft Determination on the proposed Rule change relating to the recovery of transmission related charges.

The submission by the Victorian electricity distributors is appended to this letter.

Should you have any queries in relation to this response please contact Jeremy Rothfield on (03) 8540 7808 or myself on (03) 8540 7818.

Yours sincerely

Andrew Schille
Regulatory Manager

Victorian DNSPs' response to AEMC Draft Determination on Recovery of Transmission-related Charges (rule 6.18.7)

**Prepared jointly by the
Victorian Electricity Distribution Businesses**

21 January 2011



Victorian DNSPs response to AEMC draft determination on recovery of transmission-related charges (rule 6.18.7)

1 Background and introduction

On 2 December 2010, the AEMC published its draft rule determination on recovery of transmission-related charges (**Draft Determination**).¹

The Draft Determination considered that in accordance with the revenue and pricing principles under the National Electricity Law, Distribution Network Service Providers (**DNSPs**) should be provided with a reasonable opportunity to recover efficient charges that they incur in providing standard control services.² Accordingly, the Draft Determination provided that the following charges should be recoverable under the annual pricing proposal process:

- charges for designated pricing proposal services, being:
 - prescribed exit services;
 - prescribed common transmission services; and
 - prescribed TUOS services,
- avoided customer TUOS payments;
- payments between DNSPs that are charges for prescribed transmission services; and
- charges for standard control services from other DNSPs it incurs as a Distribution Customer.³

The Draft Determination sets out “true-up” provisions for differences between estimates of the relevant charges and actual amounts that are charged, as well as incorporating transitional provisions for the Victorian DNSPs and a specific provision for the costs associated with SPI Electricity’s network support agreement with Bairnsdale Power Station.

The Victorian DNSPs welcome the opportunity to make submissions on the Draft Determination. The Victorian DNSPs agree that all of the charges specified by the AEMC in its draft Rule should be provided for in the annual pricing proposal process. However, the Victorian DNSPs are concerned that the AEMC’s draft Rule does not sufficiently address issues related to the recovery of all transmission services that may be inputs into the provision of standard control services by DNSPs.

In summary, the Victorian DNSPs consider that the proposed Rule should, in addition to providing specifically for the charges listed above, provide for a general provision under the annual pricing proposal process to allow DNSPs to recover other charges that are not captured by those specifically listed in the AEMC’s draft Rule. The Victorian DNSPs submit that providing for an “other charges” category, with the nature of such charges to be specified as part of a distribution determination process, strikes an appropriate balance between the potential for legitimate categories of costs to be excluded from the annual

¹ Australian Energy Market Commission, *National Electricity Amendment (DNSP Recovery of Transmission-Related Charges) Rule 2010*, 2 December 2010 (**Draft Determination**).

² Draft Determination, p 10.

³ Draft Determination, p 10.

pricing proposal process and any perceived risk that inappropriate charges would be included in the annual pricing proposal process.

In the absence of providing for a general provision under the annual pricing proposal process to allow DNSPs to recover other charges that are not captured by those specifically defined above, the Victorian DNSPs submit that the specifically defined categories should capture all transmission charges, being charges associated with prescribed, negotiated and non-regulated transmission services. In the absence of that, the Victorian DNSPs submit that the specifically defined categories should at least cover prescribed and negotiated transmission services.

The Victorian DNSPs do not agree that the amended clause 6.18.7 should set out in prescriptive detail the calculation of over and under recovery amounts. The method for the calculation of these amounts is currently set out in distribution determinations made by the AER and the Victorian DNSPs submit that this process should continue. To the extent the AEMC maintains that the calculation method should be prescribed in the National Electricity Rules (**Rules**), the Victorian DNSPs request that the AEMC consult with DNSPs as to the final form of any such provisions. This includes because the Victorian DNSPs are concerned that the AEMC's proposed Rule contains an error. Provision should also be made for explicit adjustments to reflect inflation and the time value of money with respect to the calculation of over and under recovery amounts.

The Victorian DNSPs also consider that, in terms of the transitional provisions, it is appropriate to provide the Victorian DNSPs with the ability to submit revised pricing proposals to reflect any amended Rule that would apply for the remainder of the 2011 year or to elect to recover any relevant costs over the remaining four years of the regulatory period. Permitting the Victorian DNSPs to submit revised pricing proposals reflecting the amendments made to clause 6.18.7 would assist in reducing any price shock, as the period over which the relevant charges are recovered would be longer (in the order of four and a half years, as opposed to four years).

These points are addressed in more detail below.

2 General provision in the annual pricing proposal process to capture “other charges”

2.1 Overview

The Victorian DNSPs note that the AEMC has considered the option of including a general provision under the annual pricing proposal process to allow DNSPs to recover other charges that are not captured by those specifically defined.⁴ The Draft Determination noted that these other charges would be charges outside of the DNSP's control but incurred in the provision of standard control services.⁵ The Draft Determination considered that if a general provision under the annual pricing proposal process to allow DNSPs to recover other charges outside of those specifically defined was included, these categories of “other charges” would be determined via the AER's distribution determination process.⁶ The AEMC stated that it decided for the purposes of the Draft Determination not to include provision for categories of other charges that may be included in the annual pricing proposal

⁴ Draft Determination, p 15.

⁵ Draft Determination, p 15.

⁶ Draft Determination, p 15.

process, because the AEMC considered that this option may be difficult to implement and potentially create ambiguities.⁷

The Victorian DNSPs submit that the AEMC should incorporate a general provision under the annual pricing proposal process to allow DNSPs to recover other charges that are not captured by those specifically defined in the AEMC proposed Rule.

As noted in the AEMC's consultation paper dated 1 August 2010, it is important to appropriately balance the level of prescription under the pricing process.⁸ While there is a concern that if the framework is too broad, it may lead to inappropriate costs being recovered, the Victorian DNSPs submit that it is equally undesirable for a framework to be overly prescriptive and present a risk that any legitimate costs may be unintentionally excluded. The Victorian DNSPs submit that a process which would involve the category of "other charges" being defined as part of a distribution determination would achieve this balance. This process would also make better allowance for the different types of arrangements between distributors, and between distributors and transmission businesses, which may exist across the jurisdictions.

2.2 Practices between different jurisdictions

The Victorian DNSPs submit that it is important that the AEMC recognise that there are different or potentially different practices between distributors, and between distributors and transmission businesses, across jurisdictions. This is, in part, due to the process by which the electricity network service providers in different jurisdictions came to be regulated under the national framework.

The jurisdictions that comprise the National Electricity Market are continuing to move towards an integrated national framework. The differences in practise between these jurisdictions necessarily influence the manner in which participants approach the interpretation and application of the complex and detailed provisions in the Rules. An example of the different approaches and practices in some jurisdictions is illustrated in the treatment of network support agreements (described in more detail below).

Given the different or potentially different practices across jurisdictions, a degree of flexibility in the proposed Rule, coupled with sufficient regulatory oversight, will enable the AER and the different jurisdictions to efficiently address issues that may arise with the service definitions in the Rules and the treatment of costs associated with transmission-related services. A general provision for "other charges" will make better allowance for the different or potentially different types of arrangements between distributors, and between distributors and transmission business in their respective jurisdictions.

The Victorian DNSPs consider that the categories of "other charges" that may potentially be submitted for consideration by the AER as part of a distribution determination would not be numerous, and in most circumstances no additional categories would be nominated. Rather, it would be expected that requests for the inclusion of categories of "other charges" to be provided for as part of the annual pricing proposal process would be limited to unique circumstances (such as the Bairnsdale network support arrangements). Therefore, it is unlikely that providing for an "other charges" category in the proposed Rule would impose an unreasonable administrative burden on the AER.

⁷ Draft Determination, p 15.

⁸ AEMC, *National Electricity Amendment (DNSP Recovery of Transmission-related Charges) Rule 2010: Consultation Paper*, 2 September 2010, p 7.

2.3 Network support agreements

As noted in the Victorian DNSPs' previous submissions, it is clear from the Rules that, at least insofar as a network service provider implements a generation option as an alternative to network augmentation, the cost of the network support is to be included in distribution service prices. Clause 5.6.2(m) provides:

Where the relevant *Transmission Network Service Provider* or *Distribution Network Service Provider* decides to implement a *generation* option as an alternative to *network augmentation*, the *Network Service Provider* must:

- (1) register the *generating unit* with *AEMO* and specify that the *generating unit* may be periodically used to provide a *network* support function and will not be eligible to set *spot prices* when *constrained on* in accordance with clause 3.9.7; and
- (2) include the cost of this *network* support service in the calculation of *transmission service* and *distribution service* prices determined in accordance with Chapter 6 or Chapter 6A, as the case may be.

Transmission Network Services Providers (**TNSPs**) more frequently enter into these network support agreements and there are very specific pass through provisions in Chapter 6A to deal with costs incurred under such agreements.⁹ For example, Clause 6A.7.2(b) provides:

If a *network support event* occurs, a *Transmission Network Service Provider* must seek a determination by the AER to pass through to *Transmission Network Users* a *network support pass through amount*.

The term “network support event” is defined in Chapter 10 as:

- (a) If, at the end of a *regulatory year* of a *regulatory control period*, the amount of *network support payments* made by a *Transmission Network Service Provider* for that previous *regulatory year* is higher or lower than the amount of *network support payments* (if any) that is provided for in the *annual building block revenue requirement* for the *Transmission Network Service Provider* for that *regulatory year*, this constitutes a *network support event*.
- (b) In calculating the amount for the purposes of a *network support event* referred to in paragraph (a), the amount of *network support payments* made by a *Transmission Network Service Provider* must not include an amount of *network support payments* that are a substitute for a *network augmentation* where an allowance for capital expenditure in relation to that *network augmentation* has been provided for in the *revenue determination*.

There is not a similar pass through event in the Rule-specified pass through events for DNSPs. While it is not as common for DNSPs to enter into network support agreements, the likelihood increases for DNSPs that have the transmission connection planning role (such as in Victoria). Where this occurs, the same principle applies to DNSPs as TNSPs, and those charges should appropriately be passed through to end users. An efficient way to do this is to create the capacity for these charges to be incorporated in the annual pricing proposal process via provision for the specification of categories of “other charges”.

⁹ See in particular clause 6A.7.2.

As charges associated with network support agreements cannot necessarily be forecast with any degree of accuracy as part of the distribution determination process (unless an agreement spanning a number of years has already been entered into) and as DNSPs have little control over these charges, in most cases, it is not appropriate to forecast the costs as part of operating expenditure and it is considered that these charges would be most appropriately represented in tariffs submitted as part of the annual pricing proposal process.

In the absence of mirror provisions in Chapter 6, dealing with costs incurred under these agreements is most efficiently done as part of the annual pricing proposal process. Given the relative infrequency with which network support agreements are likely to be entered into by DNSPs it is not considered efficient to attempt to replicate in Chapter 6 the more detailed provisions associated with network support in Chapter 6A.

Network support agreements are also generally unique in that they are specifically designed for the circumstances faced. It should also be noted that these types of arrangements may have the potential to deliver significant benefits to end users. For example, the Bairnsdale network support arrangements that were approved by the Essential Service Commission of Victoria were an alternative to what would have been a very expensive transmission solution. The amendments to clause 6.18.7 should encourage DNSPs to find such solutions where they exist – the AEMC’s proposed Rule would have the opposite effect.

It is appropriate that network support agreements are subject to regulatory oversight and network service providers should also be reassured that by entering into what may be a more cost-effective option they are not deprived of an opportunity to recover at least their efficient costs. A general “other charges” provision should provide sufficient regulatory oversight as well as the flexibility for the AER to assess the circumstances of each network support agreement and deal with it in the most appropriate way.

2.4 Charges excluded

The Victorian DNSPs submit that the AEMC’s proposed Rule may present a risk that legitimate costs are unintentionally excluded. Examples of legitimate charges that are, or have the potential to be, excluded under the AEMC’s proposed Rule include:

- those associated with the provision of negotiated transmission services that are inputs into the provision of standard control services by DNSPs;
- those associated with the provision of non-regulated transmission services that are inputs into the provision of standard control services by DNSPs;
- charges for distribution services provided by another DNSP where those charges comprise:
 - charges incurred by that DNSP for negotiated or non-regulated transmission services; and
 - charges for alternative control services¹⁰;
- those associated with network support agreements.

¹⁰ It may be possible to envisage a situation where a DNSP could acquire from another DNSP an alternative control service that the first DNSP then uses as an input to the provision of a standard control service.

The Victorian DNSPs submit that charges for negotiated and non-regulated transmission services should be recoverable in the same way as prescribed transmission services. See sections 3.2, 3.3 and 3.4 below for more details.

There may be other existing legitimate charges that would not be captured by the AEMC's proposed Rule, or charges for new transmission services that may be developed in the future.

A general allowance for a pass through of miscellaneous charges will place DNSPs in a better position to deal with these legitimate charges as and when they arise.

2.5 Summary

The Victorian DNSPs consider that a general category of "other charges" should be provided for in the proposed Rule which would allow for the nomination of categories of charges that could be incorporated in the annual pricing proposal process as part of a distribution determination. It enables the AER and DNSPs to deal with potentially unforeseen circumstances as and when they arise, and, as it ensures that DNSPs are able to recover efficient costs they incur for providing standard control services, it increases regulatory certainty. Given that the nomination of categories of "other charges" will likely be on an "as exception" basis, any additional regulatory burden on the AER is likely to be limited.

Amended drafting has been provided in Attachment A to incorporate a provision for "other charges".

In addition to, and certainly in the absence of, the proposed Rule including a general provision under the annual pricing proposal process to allow DNSPs to recover other charges that are not captured by those specifically defined in the AEMC's proposed Rule, the Victorian DNSPs submit that the charges that are specifically defined in the proposed Rule be expanded to cover charges associated with transmission services more generally, as set out below.

3 Charges for transmission services

3.1 Charges for designated pricing proposal services

The AEMC has provided for recovery of charges for prescribed exit services, prescribed common transmission services and prescribed TUOS services by use of its new defined term "designated pricing proposal services".

Notwithstanding that the Victorian DNSPs consider that all transmission charges (prescribed, negotiated and non-regulated) should be recoverable, in respect of prescribed transmission services, the Victorian DNSPs agree with the AEMC that each of the prescribed charges listed should be recovered under the annual pricing proposal as they are incurred in the provision of standard control services.

The AEMC has noted a concern about definitions or charges that are too open-ended because of the risk that it would create to consumers with respect to pass through of inefficient costs or inappropriate costs.¹¹ According to the Draft Determination, the objectives and principles important in the AEMC's decision making are:

- ensuring DNSPs are able to recover efficient costs they incur for providing standard control services;

¹¹ Draft Determination, p 14.

- providing transparent and timely regulatory processes; and
- increasing regulatory certainty and reducing the administrative burden on DNSPs and the AER.¹²

To the extent the AEMC considers it appropriate to restrict the recovery of transmission-related costs to prescribed transmission services, the Victorian DNSPs submit that rather than using a new definition for “designated pricing proposal services”, the already existing term of “prescribed transmission services” be used. This will ensure that to the extent new categories or sub-categories of prescribed transmission services are created, these should be automatically captured by the pass through provisions in the new clause 6.18.7 and ensure that the DNSPs are able to recover the efficient costs they incur for providing standard control services. As the term “prescribed transmission services” is an existing defined term under the Rules, this would reduce the risk of administrative burden and / or regulatory uncertainty associated with new terminology.

Based on the AEMC’s reasoning and analysis, substitution of “prescribed transmission services” for “designated pricing proposal services” would be desirable and give effect to the revenue and pricing principles under the National Electricity Law.

3.2 Negotiated transmission services

The Victorian DNSPs consider that the AEMC has not sufficiently addressed the submissions that have been made in relation to negotiated transmission services. Submissions were made by the Victorian DNSPs, Energex and Ergon Energy that charges for transmission services that are inputs to the provision of standard control services should be recoverable, regardless of their service classification (prescribed, negotiated or non-regulated).

(a) Regulatory oversight of terms and conditions of negotiated transmission services

Specifically in relation to the recovery of negotiated transmission charges, the Draft Determination suggests that the AEMC considers these charges are not subject to sufficient regulatory oversight, and therefore should not be provided for under clause 6.18.7.¹³ The AEMC does not provide reasons as to why the current regulatory regime, which provides for regulatory oversight of charges for negotiated transmission services, is not sufficient. This regulatory oversight includes:

- regulation of the terms and conditions of access to be applied (including the prices that may be charged) by TNSPs for the provision by them of negotiated transmission services (Part D of Chapter 6A); and
- provision for a commercial arbitrator to be appointed to resolve transmission services access disputes in relation to the terms and conditions of access for the provision of negotiated transmission services (and for prescribed transmission services) (Part K of Chapter 6A).

The Victorian DNSPs maintain that the arrangements in Chapter 6A relating to negotiated transmission services do provide adequate regulatory oversight of charges for these services. The following features in particular are relevant:

¹² Draft Determination, p 12.

¹³ Draft Determination, p 16.

- a transmission determination consists of, amongst other things, a determination relating to the TNSP's negotiating framework and a determination that specifies the Negotiated Transmission Service Criteria that apply to the TNSP (clause 6A.2.2(2) and (3));
- a TNSP is required to comply with the TNSP's negotiating framework and Negotiated Transmission Service Criteria when negotiating the terms and conditions of access for negotiated transmission services to be provided to a person (clause 6A.9.2);
- the Negotiated Transmission Service Criteria in a transmission determination sets out the criteria that are to be applied by the provider in negotiating the terms and conditions of access for negotiated transmission services, including the prices that are to be charged for the provision of those services (clause 6A.9.4(a)(1)); and
- the Negotiated Transmission Service Criteria must give effect to and be consistent with the Negotiated Transmission Service Principles (clause 6A.9.4(b)), which include that:
 - the price for a negotiated transmission service should be based on the costs incurred in providing that service (clause 6A.9.1(1));
 - except where the negotiated transmission service is the provision of a shared transmission service that exceeds or does not meet specified network performance requirements, the price for a negotiated transmission service should be at least equal to the avoided cost of providing it but no more than the cost of providing it on a stand-alone basis (clause 6A.9.1(2));
 - where the negotiated transmission service is the provision of a shared transmission service that exceeds or does not meet specified network performance requirements, then the differential between price for that service and the price for the shared transmission service that meets the specified network requirements, should reflect: the increase in the TNSP's incremental cost of providing that service (where it exceeds specified network performance standards); or the amount of the TNSP's avoided cost of providing that service (where it does not meet (and does not exceed) specified network performance standards) (clause 6A.9.1(3) and (4));
 - the price for a negotiated transmission service must be the same for all Transmission Network Users unless there is a material difference in the costs of providing the negotiated transmission service to different Transmission Network Users or classes of Transmission Network Users (clause 6A.9.1(5)); and
 - the price for a negotiated transmission service should be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person, in which case such adjustment should reflect the extent to which the costs of that assets is being recovered through charges to that other person (clause 6A.9.1(6)).

It should be clear from the above that negotiated transmission services are subject to significant regulatory oversight via the transmission determination process, including in relation to the charges that may be levied in connection with these services. Within the parameters of the negotiating framework and the Negotiated Transmission Service Criteria there is relatively limited scope for any real negotiation of the prices. That is, the regulatory framework applying to the provision of negotiated transmission services largely delivers the pricing outcome and therefore charges associated with negotiated transmission services are subject to significant regulatory oversight via the transmission determination process.

The AEMC has expressed a view that any charges recovered through the annual pricing proposal process should be those that are outside the control of the DNSPs and / or subject to other regulatory processes.¹⁴ As noted above, the charges associated with negotiated transmission services are largely outside of the control of the DNSPs, given the respective roles of the negotiating framework and Negotiated Transmission Service Criteria, and are clearly subject to other regulatory processes, being the transmission determination process. The proposed Rule should therefore allow for negotiated transmission service charges to be recoverable in the same way as prescribed transmission service charges.

- (b) Policy intent to encourage more services to be classified as negotiated transmission services

In undertaking its review of the pricing of the economic regulation of electricity transmission services, the AEMC noted the tendency in the arrangements that existed at that time for an over-inclusion of services that were subject to revenue cap regulation.

“The Commission considers that there has been an over-reliance on traditional regulation for transmission services, and sees a greater role for commercial negotiation. The Rule Proposal applies a two part regulatory framework:

- Prescribed Transmission Services – are to be subject to a revenue cap - CPI – X building block approach form of regulation in a similar manner as currently applied by the AER; and
- Negotiated Transmission Services – are to be subject to a commercial negotiated regime.”¹⁵

In its initiation document, the AEMC noted the “real possibility for more transmission services to be subject to commercial negotiation between TNSPs and users” and sought to clarify the classification of transmission services and the forms of regulation to be applied to them to provide a higher level of certainty for market participants.¹⁶ The AEMC stated:

“The Commission considers that there are transmission services, for instance connection services and non-standard use of system services that provide scope for more commercial negotiation. The current Rules allow less intrusive regulation of services for which competition exists. In practice, however, less intrusive forms of regulation do not appear to have been employed...”¹⁷

In the draft determination, the AEMC restated its concerns as to the over-inclusion of transmission services in the revenue cap:

“In the Rule Proposal the Commission identified a lack of clarity regarding the delineation between the types of transmission services that should be subject to a revenue cap determination under the current form of Chapter 6 of the Rules and those that are appropriate subject to a less intrusive form of regulation. The

¹⁴ Draft Determination, p 14.

¹⁵ AEMC, *Review of the Electricity Transmission Revenue and Pricing Rules – Transmission Revenue: Rule Proposal Report, Draft National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006*, p 13.

¹⁶ AEMC, *Review of the Electricity Transmission Revenue and Pricing Rules – Transmission Revenue: Rule Proposal Report, Draft National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006*, p 34.

¹⁷ AEMC, *Review of the Electricity Transmission Revenue and Pricing Rules – Transmission Revenue: Rule Proposal Report, Draft National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006*, p 13.

result of this lack of clarity has been an over-inclusion of services into the revenue cap.”¹⁸

The current Rule provisions provide adequate regulatory oversight of negotiated transmission services costs. To the extent the proposed Rule provides for recovery of charges associated with prescribed transmission services via clause 6.18.7, and not for the recovery of charges associated with negotiated transmission services, the effect of this would be to create a distortion or incentive in favour of prescribed transmission services (even where there may be a more effective and / or cost-efficient negotiated transmission services option available) in order for the DNSPs to have certainty as to the recovery of these charges. This is inconsistent with the intention that Chapter 6A encourage the classification of services as negotiated transmission services rather than prescribed transmission services where appropriate.

The Victorian DNSPs submit that the ability to pass through charges associated with transmission services via the annual pricing proposal process should apply equally to prescribed and negotiated transmission services to the extent these services are inputs to standard control services. To do otherwise would create an incentive for DNSPs to acquire prescribed transmission services where a negotiated transmission service may otherwise be available, as the proposed Rule provides certainty as to the pass through and recovery of prescribed transmission services and not as to negotiated transmission services.

(c) Differences of view as to the proper classification of transmission services

As noted in the submissions dated 8 October 2010, it is also possible that a difference of opinion could exist as to whether any augmentation required to the transmission network to facilitate the connection is to be properly characterised as a prescribed transmission service or a negotiated transmission service.

Pursuant to section 50C of the National Electricity Law and section 32 of the *National Electricity (Victoria) Act 2005* (Vic), in Victoria the functions of AEMO include, amongst other things: to plan, authorise, contract for, and direct, augmentation of the Victorian transmission network; and to provide shared transmission services by means of, or in connection with, the Victorian transmission network. Therefore, AEMO’s approach in relation to shared network augmentations resulting from a new or modified connection is of more direct importance to the Victorian DNSPs, but is also of potential relevance to DNSPs more generally if the AER agrees with AEMO’s approach.

It is clearly the position of AEMO that negotiated services can be inputs to standard control services. In its response to the AEMC’s review of the National Framework for Distribution Network Planning and Expansion, AEMO submitted:

“New terminal stations, or upgrades to existing terminal stations, typically result in augmentations to both the shared transmission network and connection assets. While the Rules deem connections between TNSPs and DNSPs to provide prescribed transmission services, the same does not apply to shared network augmentations resulting from a new or modified connection. These are more likely to provide negotiated transmission services as referred to in Chapter 5 of the Rules.”¹⁹

¹⁸ AEMC, *Draft Rule Determination – Draft National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006*, 26 July 2006, p 6.

AEMO's position is that shared network augmentations resulting from a new or modified connection are more likely to provide negotiated transmission services, as opposed to prescribed transmission services. Such services could clearly be acquired by DNSPs as inputs to standard control services. In this regard, AEMO's position highlights the differences in approach that parties may take to the interpretation of the Rules and emphasises that it is important that the proposed Rule change is not overly restrictive.

(d) Other avenues to recover negotiated transmission services

In the Draft Determination, the AEMC notes that under the distribution determination process DNSPs can apply for the inclusion of any other costs they incur in providing standard control services.²⁰ The Victorian DNSPs have previously set out at length why it is consistent with the national electricity objective, and the revenue and pricing principles, for the recovery of charges associated with negotiated transmission services, to the extent they are inputs to the provision of standard control services, to be dealt with via the annual pricing proposal process rather than the distribution determination process.²¹

In short, the direct pass through of the actual costs which a DNSP incurs in relation to negotiated transmission services via the annual pricing process ensures that a DNSP will recover only its actual charges, while simultaneously providing an assurance to end-users that they will only pay for the actual expenses incurred by a DNSP in respect of those transmission services. This approach has considerable merit over an alternative method that might result in DNSPs having to characterise any charges associated with negotiated transmission services as forecast operating expenditure.²²

The pass through of actual costs is appropriate where a DNSP does not have direct control over the charges that it may incur for items that are inputs to the provision of standard control services – this includes prescribed, negotiated and non-regulated transmission services. This is because the incentive framework, which, in broad terms, encourages network service providers to do better than the benchmark, does not have a relevant application to charges over which a DNSP does not have a relevant degree of control. For this reason, and in conjunction with other reasons such as the difficulty associated with forecasting with any degree of accuracy the likely charges associated with negotiated or non-regulated transmission services, the Victorian DNSPs maintain that the appropriate avenue through which to explicitly recover these charges is via the annual pricing proposal process.

3.3 Non-regulated transmission services

The Victorian DNSPs also consider that the AEMC has not sufficiently addressed the submissions in relation to non-regulated transmission services. The same rationale applies for non-regulated transmission service charges in that the charges should be recoverable, regardless of its service classification (prescribed, negotiated or non-regulated) if standard control services are being provided.

In addition, the risk that inappropriate or inefficient costs would be recovered is limited. This is because while non-regulated transmission services are not regulated under Chapter 6A,²³

²⁰ Draft Determination, p 16.

²¹ United Energy Distribution (on behalf of the Victorian Electricity Distributors), *Response to AEMC Questions about the Recovery of Transmission Connection Charges and other Costs*, 3 September 2010, pp 5 – 8; Victorian Electricity Distribution Businesses, *Victorian DNSPs' response to AEMC Consultation Paper on Recovery of Transmission-Related Charges (Rule 6.18.7)*, 8 October 2010, pp 10 – 12.

²² Victorian Electricity Distribution Businesses, *Victorian DNSPs' response to AEMC Consultation Paper on Recovery of Transmission-Related Charges (Rule 6.18.7)*, 8 October 2010, p 10.

²³ See clause 6A.1.1(j).

services are non-regulated because they are capable of being provided on a genuinely competitive basis. Therefore, in relation to non-regulated transmission services (being transmission services that are neither prescribed or negotiated transmissions services), the relevant oversight or discipline on the charges associated with such services takes the form of a competitive market discipline.

3.4 Consistency with national electricity objective and revenue and pricing principles and other Rule provisions

To the extent that negotiated and non-regulated transmission services are inputs to the provision of standard control services, tariffs in a pricing proposal should provide for the recovery of charges associated with these services. This approach is consistent with the national electricity objective in section 7 of the National Electricity Law and the revenue and pricing principles in section 7A of the National Electricity Law.

The national electricity objective in section 7 of the National Electricity Law provides:

“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.”

The revenue and pricing principles in section 7A of the National Electricity Law include:

- that a regulated network service provider should be provided with a reasonable opportunity to recover at least the efficient costs the operator incurs in:
 - providing direct control network services; and
 - complying with a regulatory obligation or requirement or making a regulatory payment (section 7A(2)); and
- a regulated network service provider should be provided with effective incentives in order to promote economic efficiency with respect to direct control network services the operator provides. The economic efficiency that should be promoted includes:
 - efficient investment in a distribution system or transmission system with which the operator provides direct control network services; and
 - the efficient provision of electricity network services; and
 - the efficient use of the distribution system or transmission system with which the operator provides direct control services (section 7A(3)).

The Victorian DNSPs submit that providing for the explicit recovery of charges associated with the provision of transmission services to DNSPs more generally, as opposed to only prescribed transmission services, is consistent with the national electricity objective and the revenue and pricing principles in section 7A.

Providing certainty to DNSPs as to the recovery of charges associated with negotiated and non-regulated transmission services to the extent they are inputs to the provision of standard control services promotes the national electricity objective, including to the extent that it

removes any distortion or incentive to acquire prescribed transmission services instead of negotiated transmission services or non-regulated transmission services, even where the negotiated transmission service or non-regulated transmission service provides a more effective or cost-efficient solution.

In addition, DNSPs are not able to forecast with good accuracy the charges they may incur for negotiated or non-regulated transmission services as part of the distribution determination process in the same manner that DNSPs are not able to accurately forecast charges associated with prescribed transmission services. In these circumstances, a mechanism that provides for the pass through of actual costs ensures that DNSPs are provided with a reasonable opportunity to recover at least their efficient costs and that the interests of consumers are protected in relation to price. In particular, negotiated transmission services are subject to such regulatory oversight that there is limited scope for charges, other than efficient charges, to be passed through.

An approach that provides for the recovery of charges associated with transmission services more generally is also consistent with clause 6.20.1(d) of the Rules. Clause 6.20.1(d) provides:

“Distribution Network Service Providers must:

- (1) calculate transmission service charges and distribution service charges for all connection points in their distribution network; and*
- (2) pay to Transmission Network Service Providers the transmission service charges incurred in respect of use of a transmission network at each connection point on the relevant transmission network.”*

Clause 6.20.1(d) does not distinguish between whether the “transmission service charges”²⁴ are prescribed, negotiated or non-regulated transmission services.

The Victorian DNSPs therefore submit that negotiated and non-regulated transmission service charges should also be recoverable under the proposed Rule. In the absence of the proposed Rule providing for all transmission services (whether prescribed, negotiated or non-regulated), the Victorian DNSPs submit that given:

- the regulatory oversight of negotiated transmission services in particular with respect to price;
- the different views that may be taken as to the classification of transmission services as prescribed or negotiated transmission services;
- the policy intent to encourage the classification of services as negotiated transmission services rather than prescribed transmission services where appropriate;
- the potential adverse incentive for DNSPs to opt for, or seek to have services classified as prescribed transmission services rather than negotiated transmission services, even where the negotiated transmission service may be more effective or cost-efficient, in order to recover the charges relating to prescribed transmission services; and
- recovery of charges for negotiated transmission services is consistent with the national electricity objective and the revenue and pricing principles,

²⁴ Note that the term “transmission service charges” is italicised in clause 6.20.1(d) however only the term “transmission service” is a defined term, and the term “transmission service charges” and the term “charges” are not defined terms.

the proposed Rule should at least provide for the inclusion of charges associated with prescribed and negotiated transmission services in the annual pricing proposal process.

Amended drafting has been provided in Attachment A to the definition of “designated pricing proposal charges” to reflect the submissions of the Victorian DNSPs set out above.

4 Avoided customer TUOS payments

The Victorian DNSPs, consistent with the Rule change proposal and previous submissions, agree that the recovery of avoided customer TUOS payments is appropriate.

5 Inter-DNSP payments

The AEMC has provided for recovery of charges for distribution services provided by another DNSP to the extent those charges comprise: (a) charges incurred by that DNSP for prescribed transmission services; or (b) charges for standard control services. The Victorian DNSPs submit that the provision for these charges in the annual pricing proposal process is appropriate.

6 Transitional provisions for Victorian DNSPs

6.1 Resubmission of pricing proposals

The AEMC has provided transitional provisions for Victorian DNSPs to recover the 2011 costs over the remainder of the regulatory control period (2012-2015). Relative to the approach advocated for by the Victorian DNSPs which would see recovery of the relevant amounts as soon as practicable after any final Rule determination is made, the AEMC’s proposed approach would lead to a heightened price shock as the time over which the recovery of the charges would occur would be over a shorter period. In the Draft Determination the AEMC does not explain why it does not consider the arrangements proposed by the Victorian DNSPs to be appropriate.

The Victorian DNSPs maintain that the most appropriate course which is consistent with the national electricity objective, and as set out in their joint submissions dated 8 October 2010, is for there to be any amendments made that are necessary to the relevant distribution determinations and approved pricing proposals to make those consistent with the Rule provisions that are amended as a consequence of any Rule change.²⁵

No amendments are required to the distribution determinations to the extent the AEMC adopts the submissions of the Victorian DNSPs that the AER continues to specify the method to calculate any over or under recovery amounts as part of a distribution determination. Amendments would be required to the approved pricing proposals, which would need to be amended to provide for the pass through of the relevant specified charges in addition to transmission use of services. In this regard the transitional provisions should provide explicitly for the ability of the Victorian DNSPs to submit revised pricing proposals within four weeks of any final Rule determination being made, being in respect of the regulatory control period ending 31 December 2011. The AER would then be required to publish and assess the pricing proposal. As the relevant amount to be recovered (and therefore the size of the price shock) will vary as between the Victorian DNSPs, it should also be open to the Victorian DNSPs to elect to recover the relevant amounts over the remaining four years of the regulatory control period as opposed to re-submit their pricing proposals for approval by the AER.

²⁵ Victorian Electricity Distribution Businesses, *Victorian DNSPs’ response to AEMC Consultation Paper on Recovery of Transmission-Related Charges (Rule 6.18.7)*, 8 October 2010, pp 13 – 14.

The Victorian DNSPs may be able to further minimise any price shocks and administrative burden by aligning the effective date of the new prices following any re-opening of the distribution determinations with Victorian retailers' variation of their licensee standing offers as much as possible in July 2011.

Under the *Electricity Industry Act (Vic) 2000*, retailers in Victoria (being companies with a licence to sell electricity) are required, among other things, to offer to supply and sell electricity to domestic or small business customers at:

- tariffs determined by the licensee and published by the licensee in the Government Gazette at least one month before they take effect; and
- on terms and conditions determined by the licensee and approved by the Commission and published by the licensee in the Government Gazette at least one month before they take effect (**licensee standing offers**).²⁶

Retailers may vary the tariffs of the licensee standing offers, however, under subsections 35(3) and (3A) of the *Electricity Industry Act (Vic) 2000* respectively, the variation in the tariffs must be published in the Government Gazette not less than one month before the variation is to take effect and the licensee must not vary tariffs that have been in effect for less than six months.

In practice, many retailers vary the tariffs in their standing offers in January / February of each year. Given that retailers are not permitted to vary tariffs in the standing offers until they have been in effect for at least six months, the next point at which retailers could vary the tariffs in their standing offers is around July / August 2011. If the Victorian DNSPs are able to incorporate the effect of any Rule change made by the AEMC to clause 6.18.7 into prices by, say April or May 2011, this would represent an efficient point for retailers to vary their tariffs to also incorporate the changes in transmission-related charges that will be passed through. As the increase in the retail tariffs arising as a consequence of any Rule change is then spread over four and a half years, as opposed to four years, the price shock is less relative to the AEMC's current proposal.

The Draft Determination notes that the amending Rules should apply to all DNSPs from the first regulatory year after the commencement of the Rule, if made.²⁷ As has been noted in documents submitted by the Victorian DNSPs²⁸, in the distribution determinations applying in NSW, Queensland and South Australia, the AER has provided for the annual pricing proposals submitted by the relevant DNSPs to cover at least the charges set out in the AEMC's proposed Rule. The AER has also approved annual pricing proposals that propose tariffs that provide for the recovery of these elements.

Therefore, in other jurisdictions, in effect, the arrangements that will be formalised by the AEMC's proposed Rule (if made) are already operating. The Victorian DNSPs are simply seeking for those arrangements to apply to them as soon as possible so as to bring the Victorian arrangements in line with those other jurisdictions and to minimise price shocks to their customers. Providing for transitional arrangements such as those proposed by the Victorian DNSPs will better promote the AEMC's objective of providing consistency of approach across the National Electricity Market. The minimising of price shocks will also

²⁶ *Electricity Industry Act (Vic) 2000*, s 35(1).

²⁷ Draft Determination, p 19.

²⁸ United Energy Distribution (on behalf of the Victorian Electricity Distributors), *Response to AEMC Questions about the Recovery of Transmission Connection Charges and other Costs*, 3 September 2010, pp 2 – 3; Victorian Electricity Distribution Businesses, *Victorian DNSPs' response to AEMC Consultation Paper on Recovery of Transmission-Related Charges (Rule 6.18.7)*, 8 October 2010, p 3.

promote the interests of end-users, particularly in relation to price, consistent with the national electricity objective.

Amended drafting has been provided in Attachment A to provide for the resubmission of pricing proposals by the Victorian DNSPs.

6.2 Network support agreements

The AEMC has provided a specific transitional provision for network support agreement charges paid by SPI Electricity for the Bairnsdale Power Station. This is to account for the previous approval given to this network support agreement arrangement by the Essential Service Commission of Victoria.

The AEMC noted that it is not aware of any other similar network support agreements that should be included in the transitional provisions, but welcomes submissions on this. The Victorian DNSPs confirm that there are no other similar network support agreements currently in existence.

The Victorian DNSPs reiterate the benefits of having a general “other charges” provision, including that such a provision will provide the AER with the ability to address and assess charges such as those that may be associated with future network support agreements as they arise. In the absence of an “other charges” provision, the Victorian DNSPs submit that, consistent with their proposed Rule change, the categories of charges to be provided for as part of the annual pricing proposal process specifically include network support agreements.

6.3 True up provisions

The Victorian DNSPs have reviewed the true-up provisions in the AEMC proposed Rule and have the following principal concerns:

- the AEMC proposed Rule does not currently provide for an explicit adjustment to account for the time value of money;
- the AEMC proposed Rule does not include, as part of the correction factor, a term equivalent to K_{t-1} which appears in the Victorian DNSPs distribution determination, which is the reversal of the prior year’s correction and appears to be required to bring the correction back into a balanced result; and
- the amount in proposed clause 6.18.7(c)(3), being a revenue amount, should properly be deducted, rather than added to the amount in clause 6.18.7(b), which is an expense amount.

Given the complexity of the under and over provisions, the primary position of the Victorian DNSPs is that it is appropriate for the AER to continue to determine any relevant over and under recovery provisions as part of the distribution determination. Clause 6.12.1(19) of the Rules currently provides:

“A distribution determination is predicated on the following decisions by the *AER* (**constituent decisions**):...

- (19) a decision on how the *Distribution Network Service Provider* is to report to the *AER* on its recovery of *Transmission Use of System* charges for each *regulatory year* of the *regulatory control period* and on the adjustments to be made to subsequent *pricing proposals* to account for over or under recovery of those charges;...”

If the AER is to continue to include in its distribution determinations a decision on the adjustments to be made to subsequent pricing proposals to account for over or under recovery of those charges, the Victorian DNSPs submit that the following amendments should also be made to the Rules:

- an amendment to clause 6.18.7(b) and (c)(1) and (2) to allow for $t - 2$ adjustments to be made, currently these clauses only refers to $t - 1$ adjustments in that they refer to amounts “in the previous *regulatory year*”;
- an amendment to clause 6.18.7(c) to explicitly provide for adjustments to be made to the under or over recovery amounts to account for the time value of money, being a CPI adjustment and a cost of capital adjustment.

Amended drafting has been provided in Attachment A to provide for the amendments referred to above.

If the AEMC continues to consider it is desirable for the proposed Rule to contain highly prescriptive provisions relating to the calculation of over or under recovery amounts, the Victorian DNSPs submit that the AEMC should incorporate the correction factor, K_t , as it is expressed in the distribution determinations currently applying to the Victorian DNSPs.

The term K_t is a correction factor to account for any under or over recovery of actual revenue from 6.18.7 tariffs in relation to allowed revenue from 6.18.7 tariffs. It is determined by reference to the following formula:

$$K_t = (Ky_t + Kz_t + K_{t-1}) \times (1 + CPI_t) \times (1 + pretaxWACC_D)$$

where:

Ky_t (in ϕ) is calculated in accordance with the following formula:

$$Ky_t = TR_{t-1} - TC_{t-1}$$

where:

TR_{t-1} (in ϕ) is the total revenue which it is estimated the DNSP will earn from its 6.18.7 tariffs in respect of all distribution customers in calendar year $t - 1$; and

TC_{t-1} (in ϕ) is the aggregate of all 6.18.7 charges which it is estimated will be payable by the DNSP during calendar year $t - 1$.

Kz_t is a correction factor for the difference between the estimates made in the calculation of Ky_t in calendar year $t - 1$ and actual audited values and is expressed by the following formula:

$$Kz_t = \{(TRa_{t-2} - Tre_{t-2}) - Tca_{t-2} - Tce_{t-2}\} \times (1 + pretaxWACC_D) \times (1 + CPI_{t-1})$$

where:

TRa_{t-2} (in ϕ) is the actual audit total revenue earned by the DNSP from 6.18.7 tariffs in respect of all distribution customers in calendar year $t-2$;

Tre_{t-2} (in ϕ) is the figure used for TR_{t-1} when calculating Ky_t for calendar year $t-2$;

Tca_{t-2} (in ϕ) is the audited aggregate of all 6.18.7 charges which were paid by the DNSP during calendar year $t-2$;

Tce_{t-2} (in ϕ) is the figure used for TC_{t-1} when calculating K_t for calendar year $t-1$;

CPI_{t-1} is CPI_t for the calendar year $t-1$; and

$pretaxWACC_D$ is the pre-tax WACC in the relevant DNSPs determination

The AEMC proposed Rule does not include, as part of the correction factor, a term equivalent to K_{t-1} , which is the reversal of the prior year's correction and appears to be required to bring the correction back into a balanced result.

The Victorian DNSPs have attempted to set out the above formula in text form that would be appropriate for the Rules and have also attempted to amend the AEMC's proposed Rule to give effect to the above concepts – and it has not proven possible to do so. The Victorian DNSPs consider that the level of detail and prescription required to properly provide for adjustments to be made for any over or under recovery amounts does not lend itself to a Rule provision. Including for this reason the Victorian DNSPs submit that, and as current provided for in the Rules, the AER should continue to set out the detail of the calculation of over and under recovery amounts as part of a distribution determination. This is subject to appropriate amendments being made to clause 6.18.7 to explicitly provide that the adjustment should reflect the time value of money and to incorporate differences in forecasts / estimates and audited amounts in both years $t-1$ and $t-2$.

As noted above, if the AEMC continues to consider it is desirable for the proposed Rule to contain highly prescriptive provisions relating to the calculation of over or under recovery amounts, the Victorian DNSPs submit that the AEMC should incorporate the correction factor, K_t , as it is expressed in the distribution determinations currently applying to the Victorian DNSPs, as well as amendments to provide for appropriate adjustments for CPI and the time value of money. The Victorian DNSPs also consider that the manner in which the AEMC's proposed Rule is currently expressed is incorrect insofar as the amount in proposed clause 6.18.7(c)(3), being a revenue amount, should properly be deducted, rather than added to the amount in clause 6.18.7(b), which is an expense amount.

If the AEMC remains of the view that it is appropriate to include the method for the calculation of the over and under recovery amounts in the amended Rule, the Victorian DNSPs would encourage the AEMC to further consult with DNSPs as to the appropriate drafting in order to test any drafting against hypothetical scenarios to ensure the provisions work from a mathematical perspective.

The Victorian DNSPs note that the AEMC's proposed Rule with respect to over and under recovery amounts adopts the current wording in clause 6.18.7A(c). If the AEMC thought it appropriate to do so, as a consequential change, the AEMC could consider amending clause 6.18.7A to provide explicitly for adjustments for CPI and the time value of money, as well as considering whether the amount in clause 6.18.7A(c)(3) should properly be deducted from the amount in 6.18.7A(c)(2).

7 Conclusion

In conclusion, the Victorian DNSPs consider that the proposed Rule should, in addition to providing specifically for the charges listed above, provide for a general provision under the annual pricing proposal process to allow DNSPs to recover other charges that are not captured by those specifically defined in the AEMC's proposed Rule. The Victorian DNSPs submit that providing for an "other charges" category, with the nature of such charges to be specified as part of a distribution determination process, strikes an appropriate balance between the potential for legitimate categories of costs to be excluded from the annual

pricing proposal process and any perceived risk that inappropriate charges would be included in the annual pricing proposal process.

In the absence of providing for a general provision under the annual pricing proposal process to allow DNSPs to recover other charges that are not captured by those specifically defined in the AEMC's proposed Rule, the Victorian DNSPs submit that the specifically defined categories should capture all transmission charges, being charges associated with prescribed, negotiated and non-regulated transmission services. In the absence of providing for charges associated with all transmission services to be dealt with via the annual pricing proposal process, the Victorian DNSPs submit that the specifically defined categories should at least cover prescribed and negotiated transmission services.

The Victorian DNSPs also consider that, in terms of the transitional provisions, the most appropriate course is for it to be open to the Victorian DNSPs to submit revised pricing proposals (as well as to recover any appropriate amounts over the remaining regulatory years in the regulatory control period) to make those proposals consistent with the Rule provisions that are amended as a consequence of any Rule change. The Victorian DNSPs also consider that the amended Rule should not set out the methodology for calculating the over or under recovery amount – rather, that this is more appropriately specified by the AER as part of a distribution determination, consistent with current practice.

Attachment A: Victorian DNSP proposed amendments

Definition of designated pricing proposal charges

The proposed amendments to the AEMC's definition of "designated pricing proposal charges" are set out below. Insertions are shown as blue double underlined text, deletions are shown as red strike-through text.

Designated pricing proposal charges

Any of the following:

- (a) charges for ~~designated pricing proposal services~~ transmission services [first alternative] prescribed transmission services and negotiated transmission services [second alternative] prescribed transmission services [third alternative];
- (b) *avoided Customer TUOS charges*;
- (c) charges for *distribution services* provided by another *Distribution Network Service Provider*, but only to the extent those charges comprise:
 - (1) charges incurred by that *Distribution Network Service Provider* for *prescribed transmission services*; or
 - (2) charges for *standard control services*;
- (d) charges for network support agreements;
- (e) other charges that have been nominated in a distribution determination, and approved by the AER, as a designated pricing proposal charge (in addition to those listed above).

A consequential amendment to the Rules where an "other charges" category is included in the definition of *designated pricing proposal charges* would be to clause 6.12.1(19) as follows:

A distribution determination is predicated on the following decisions by the AER (**constituent decisions**):...

- (19) a decision on:
 - (i) how the *Distribution Network Service Provider* is to report to the AER on its recovery of *designated pricing proposal charges* for each *regulatory year* of the *regulatory control period*;
 - (ii) additional designated pricing proposal charges (other charges) that are to apply for the regulatory control period.
 - (ii) the adjustments to be made to subsequent *pricing proposals* to account for over or under recovery of those charges; and..."

Over and under recovery provisions

The proposed amendments to the existing clause 6.18.7(b) and (c) in respect of the over and under recovery provisions are set out below. Insertions are shown as blue double underlined text, deletions are shown as red strike-through text.

6.18.7

...

- (b) The amount to be passed on to consumers for a particular *regulatory year* must not exceed the estimated amount of the *transmission use of system charges* for the relevant *regulatory year* adjusted for over or under recovery ~~in the previous regulatory year~~ amounts.
- (c) The extent of the over or under recovery is the difference between:
- (1) the amount actually paid by the *Distribution Network Service Provider* ~~by way of transmission use of system charges~~ for designated pricing proposal charges in ~~the a~~ previous *regulatory year*, and
 - (2) the amount passed on to customers by way of ~~transmission use of system charges~~ in respect of designated pricing proposal charges by the *Distribution Network Service Provider* in ~~the a~~ previous *regulatory year*,
adjusted for inflation and the time value of money based on the weighted average cost of capital for the provider for the relevant regulatory control period.

Transitional provisions re recovery of under-recovered amounts during current regulatory control period: resubmission of pricing proposal

11.X.3 Resubmission of pricing proposals applying to Victorian Distribution Network Service Providers during the regulatory year 1 January 2011 to 31 December 2011

- (a) A Victorian *Distribution Network Service Provider* may (but is not required to) submit a revised *pricing proposal* to the AER to reflect the new clause 6.18.7 and to apply for the remainder of the 2011 *regulatory year*.
- (b) Any revised *pricing proposal* submitted in accordance with paragraph (a), must be submitted to the AER within four weeks of the commencement date.
- (c) Where relevant, any revised *pricing proposal* must comply with the requirements of clauses: 6.18.2(b); 6.18.3; 6.18.5; and 6.18.6.
- (d) The AER must on receipt of a revised *pricing proposal* under this clause *publish* the proposal.
- (e) Clause 6.18.8 applies to the AER's assessment of the revised *pricing proposal* with the exception that any revised *pricing proposal* is to take effect as soon as practicable after it has been approved by the AER.