



Distribution Losses in Expenditure Forecasts

Final rule determination – 18 October 2012

The AEMC has published a final rule determination in response to a rule change proposal from the International Copper Association Australia (formerly the Copper Development Centre).

The Commission's final rule determination

The AEMC has made a rule in response to proposal regarding distribution losses. This rule is a more preferable rule which is different from the rule proposed by the proponent.

The rule as made will require a distribution network service provider (DNSP) to provide an explanation of how the cost of distribution losses has been taken into account in developing and implementing its asset management and investment strategy, as part of the Distribution Annual Planning Report under the new national distribution network planning and expansion framework.

Reasons for the Commission's final rule determination

It appears to be industry practice among most DNSPs that distribution losses are already considered as one of the many relevant inputs to their planning and investment decisions. Furthermore, the regulatory framework provides for the Australian Energy Regulator to assess whether a DNSP has considered the cost of distribution losses in preparing expenditure forecasts.

However, without some change to the National Electricity Rules, there may be some uncertainty to other market participants, regulatory bodies and consumers about how distribution losses are taken into account.

This rule will provide clarity, transparency and regulatory certainty on how DNSPs make efficient planning and investment decisions. As a result, the Commission is satisfied that the rule as made will, or is likely to, better contribute to the achievement of the National Electricity Objective than the rule proposed by the proponent.

Background

Electricity distribution networks deliver power from the transmission network to customers. During this process, some power is lost due to electrical resistance and the heating of conductors. These losses vary depending on many factors including the amount of electricity being transported, the structure of the network and the type of network equipment used. Some losses may also result from theft (such as illegal connections to the network) or metering errors.

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