



INFORMATION

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Rate of Return Guideline review

Final determination and final rule published

The Australian Energy Market Commission has made final rules under the National Electricity Rules (NER) and National Gas Rules (NGR) to extend the timeframe of the first review of the Rate of Return Guideline (Guideline) from three years to five years. This requires the AER, and potentially the ERA in Western Australia, to review the Guideline by no later than 17 December 2018.

Final rules

The final rules under the NER and NGR allow additional time for the AER, and potentially the ERA in Western Australia, to incorporate more relevant and up to date information into the first Guideline review in December 2018. The final rule under the NER also includes a specific transitional arrangement to provide additional regulatory certainty for six service providers. These rules have been made in response to a rule change request submitted by the AER.

Commission's reasons

The Commission determined that it should make the rules as proposed by the AER, as it considers they will, or are likely to, contribute to the achievement of the national electricity and national gas objectives. This is because the rules will promote efficient investment in electricity and gas services for the long term interests of consumers.

In extending the time to review the Rate of Return Guideline, the rules provide an opportunity for the outcomes of the Federal Court of Australia decisions related to the New South Wales and Australian Capital Territory limited merits review processes to be taken into account in the next Guideline review process. Including relevant, up-to-date information in the Guideline has the potential to reduce regulatory costs, and lower the risk of (and costs associated with) reviews of future regulatory determinations and decisions.

Background

On 7 June 2016, the AER submitted a rule change request seeking to extend the timeframe to review the current Guideline. On 18 August 2016, a consultation paper was released to facilitate discussion on the key issues in the rule change request. Submissions closed on 15 September 2016. Stakeholders provided 13 written submissions to this process.

The AER may become the economic regulator for Western Australian gas pipeline operators in 2018 as part of reforms currently being progressed by the Government of Western Australia. However, this transfer is not yet confirmed. If the proposed transfer does not occur, the final rule will require the ERA to review its Rate of Return Guideline by 18 December 2018.

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