



Distribution Network Pricing Arrangements rule change: Section 108A report

Purpose

The Australian Energy Market Commission (Commission) is required under section 108A of the National Electricity Law (NEL) to publicly report on rules not made within 12 months of publication of the notification of the commencement of the rule change process.

Background

On 18 September 2013, the Council of Australian Governments Energy Council (COAG Energy Council) submitted a rule change request to improve the arrangements within the national electricity rules by which distribution network prices are set and structured. This rule change request was in response to recommendations made to the COAG Energy Council in the Power of Choice review.

Due to a significant overlap of issues, the COAG Energy Council's rule change request was consolidated with the Annual Network Pricing Arrangements rule change that was initiated by the AEMC on 6 June 2013. This rule change was requested by the Independent Pricing and Regulatory Tribunal (IPART) and sought to amend the timing of the annual pricing process for earlier notification of network prices and introduce greater certainty and consultation into the annual network pricing process.

On 14 November 2013, the AEMC published the following notices under the NEL:

- under section 93(1)(a) that it had consolidated the Annual Networks Pricing Arrangements rule change request proposed by IPART with the Distribution Network Pricing Arrangements rule change request proposed by the COAG Energy Council;
- under section 95 that it was formally commencing the rule change process; and
- under section 107 that it was extending the period of time for making the draft determination to 29 August 2014.

A staff consultation paper was also published to facilitate stakeholder comments on the consolidated rule change request. Stakeholders were provided five weeks to respond to the consultation paper, with submissions due on 19 December 2013. Thirty-nine submissions were received.

The draft determination and draft rule were published on 27 August 2014 with submissions due on 16 October 2014. Thirty-five submissions were received on the draft determination.

Reason for the final determination not being made within 12 months

The final determination was not been made within 12 months of the publication of the notice under section 95 of the NEL as a result of the detailed and complex nature of the consolidated rule change request. The issues raised in the consolidated rule change request were difficult and complex because:

- they covered a broad range of matters concerning the complex rules surrounding distribution network pricing arrangements;
- the rule change proposals represented fundamental changes to the current network pricing arrangements; and
- due to the complexity and nature of the issues, it was important to consult extensively with a significant number of stakeholders, requiring additional time.

For these reasons, the timeframe for making a draft determination was extended under section 107 on initiation of this rule change process. The Commission considered that the proposed rule raised issues of sufficient complexity and difficulty such that additional time was necessary. The extended timeframe also provided for additional stakeholder engagement, including bilateral discussions and stakeholder workshops.

Time for making the final determination

This section 108A report is published with the final determination and final rule on 27 August 2014.