

Timing of the annual network pricing process

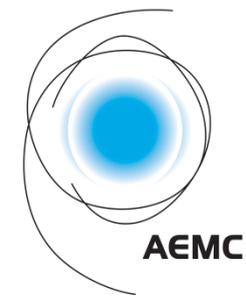
Distribution Network Pricing Arrangements rule change workshop
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OVERVIEW OF THIS SESSION

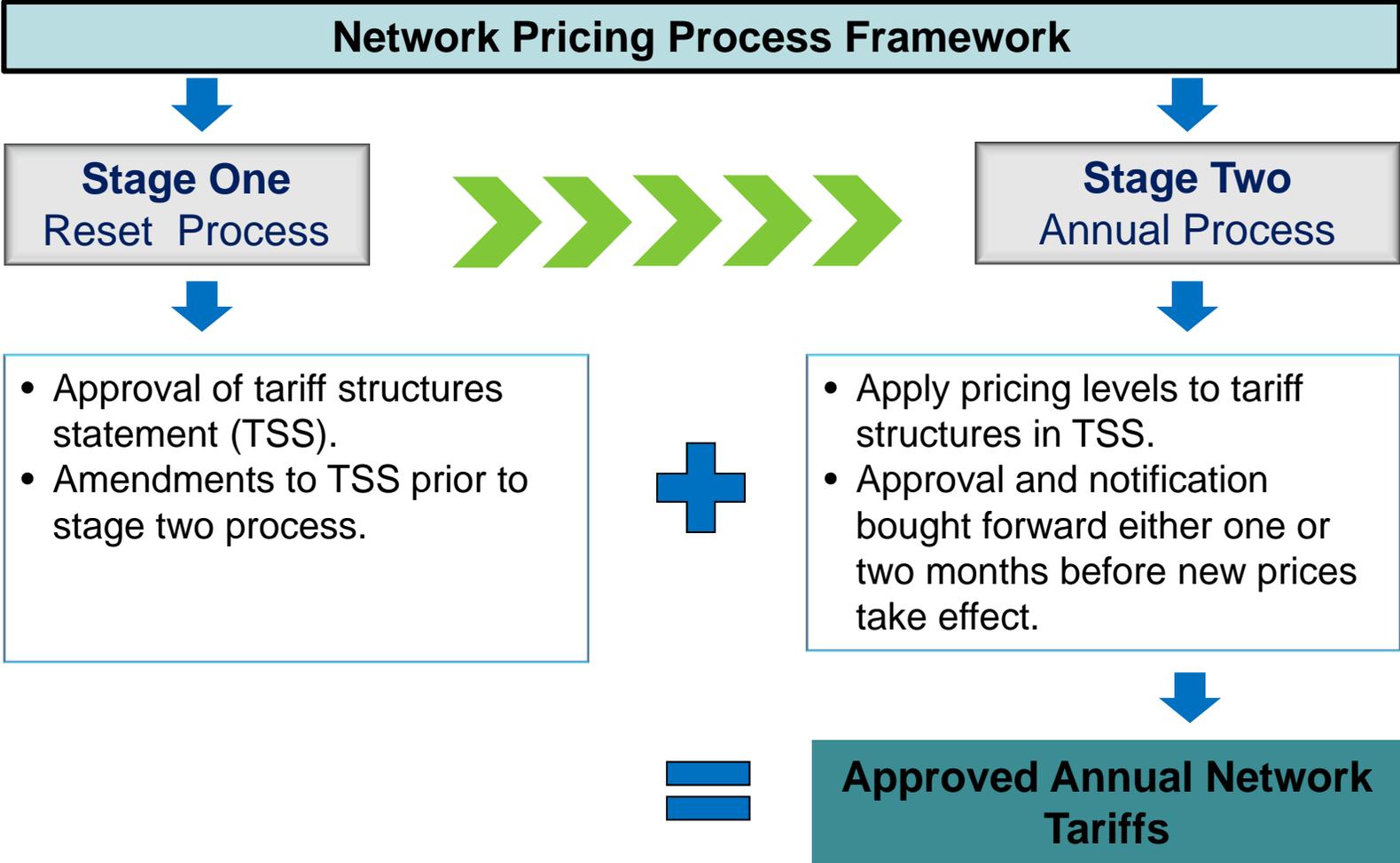
- Focus on options to improve the notification of final network prices for retailers and consumers.
- Two options to improve the notification of final network prices:
 - require annual network prices to be approved and notified two months before taking effect (IPART's proposal); or
 - require annual network prices to be approved and notified one month before taking effect.
- Opportunity for discussion following this presentation.



STAGE TWO: ANNUAL PRICING PROCESS



THE NETWORK PRICING PROCESS – OVERVIEW



OPTIONS FOR THE TIMING OF THE ANNUAL PROCESS (1/2)

- Two options for the timing of the annual network pricing process:
 - 1) transmission prices published by **15 March** each year and distribution prices approved **two months** before taking effect; or
 - 2) transmission prices published by **15 April** and distribution prices approved **one month** before taking effect.
- Binding timeframes for AER approval, subject to AER's ability to "stop the clock".
- No solution to initial year timing squeeze.

OPTIONS FOR THE TIMING OF THE ANNUAL PROCESS (2/2)

	FEBRUARY	MARCH	APRIL	MAY	JUNE	1 JULY
Current arrangements			30 April: DNSPs submit annual pricing proposals	15 May: Transmission prices published 31 May/1 June: Best endeavours for AER approval of network prices		1 July: Network price changes
Option One – 2 months	28 February: <i>If applicable,</i> amendments to TSS approved	15 March: transmission prices published 31 March: DNSPs submit annual pricing proposals	30 April: AER approval of network prices – subject to “stop the clock”			1 July: Network price changes – subject to DNSP compliance
Option Two – 1 month		31 March: <i>If applicable,</i> amendments to TSS approved	15 April: transmission prices published 30 April: DNSPs submit annual pricing proposals	31 May: AER approval of network prices – subject to “stop the clock”		1 July: Network price changes – subject to DNSP compliance

“STOP THE CLOCK” (1/2)

Why have a stop the clock provision?

- AER may need additional time to request more information from DNSPs.
- Prevent DNSPs from submitting late or incomplete proposals.

How could stop the clock operate?

- AER could only stop the clock where:
 - A DNSP did not submit proposal on time; or
 - if AER considered pricing proposal to not be not compliant with the TSS/rules.

“STOP THE CLOCK” (2/2)

Restarting the clock

- No limit to the number of times that AER could use stop the clock provision.
 - When the clock restarts, AER will have the remainder of the 20 business days to either approve network prices or to stop the clock again.

Implications of this provision

- DNSPs may need to be incentivised to provide full and compliant pricing proposals to prevent delays.

COMPLIANCE INCENTIVE

How would a compliance incentive work?

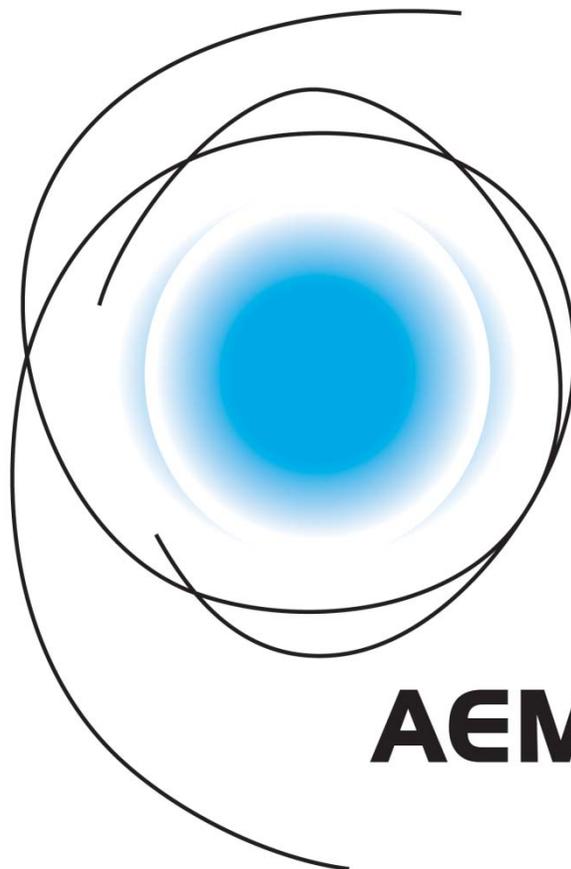
- A minimum notification period of new network prices:
 - either one or two months.
 - new network prices would only come into effect after the expiry of this period.
- Any additional revenue that would have been recovered in this period would be forgone.
 - Price decrease could be dealt with via a revenue neutral approach.
- This would reallocate the risk of delays to the approval of network prices from retailers to DNSPs.

ALTERNATIVE TO A COMPLIANCE INCENTIVE

- Alternative to the compliance incentive would be to give AER more time to approve.
- May be feasible if approval of network prices is moved forward by two months.
- AER could maintain existing powers to amend a non-compliant pricing proposal **to the extent necessary** to approve it.
- Extra time would need to be found in the annual pricing process.

DISCUSSION

- Options to improve the notification of annual network prices:
 - Approval two months prior to network price changes coming into effect
 - Approval one month prior to network price changes coming into effect
- Stop the clock provision for AER
- Compliance incentive
 - introduction of a minimum notification period
 - Forgone revenue/revenue neutrality
- Alternatives to a compliance incentive.



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