

Notice inviting submissions: Victorian electricity distribution businesses – Framework and approach

The Framework and approach (F&A) is the first step in a process to determine efficient prices for electricity distribution services. The F&A determines, amongst other things, which services the Australian Energy Regulator (AER) will regulate and the broad nature of any regulatory arrangements as prescribed by the National Electricity Rules. This includes how the AER will set prices for electricity distribution services and the application of any incentive schemes. It also facilitates early public consultation and assists CitiPower, Jemena, Powercor, SP AusNet and United Energy to prepare their regulatory proposals.

All five Victorian distribution businesses have written to the AER requesting the AER amend the F&A. The businesses cite the form of control, the application of incentive schemes, the application of AER guidelines and the approach to metering services as some of the matters to be considered. We consider these are likely to be significant issues.

In accordance with the National Electricity Rules, the AER invites submissions on whether it is necessary or desirable to amend or replace the current Victorian F&A paper for CitiPower, Jemena, Powercor, SP AusNet and United Energy for the next regulatory control period of 1 January 2016 to 31 December 2020.

The matters the AER may amend or replace in its F&A paper are listed in clause 6.8.1(b) of the National Electricity Rules. Briefly, these include:

- distribution service classification (which services the AER will regulate)
- control mechanisms (how the AER will determine prices for regulated services) and the formulae that give effect to the control mechanisms
- the application of a range of incentive schemes that encourage things like service quality, improvements in network reliability or efficient capital and operative expenditure
- dual function assets (how the AER will treat transmission type assets).

The current Final F&A approach for CitiPower, Jemena, Powercor, SP AusNet and United Energy respectively can be found at:

<http://www.aer.gov.au/node/7208>

<http://www.aer.gov.au/node/7209>

<http://www.aer.gov.au/node/7210>

<http://www.aer.gov.au/node/7211>

<http://www.aer.gov.au/node/7212>

More information about the purpose of the F&A can be found in the AER's Framework and Approach Information Sheet. We will make a decision whether to amend the F&A for each business by the end of April. If we decide to amend the F&A we will release an issues paper in May. The final form of the amended F&A will be issued in October 2014.

How to make submissions

The AER invites submissions on whether it is necessary or desirable to amend or replace the Victorian Framework and approach papers. This consultation will inform the AER's approach to the development of the Framework and approach papers. Submissions close at 5pm on 18 April 2014.

Submissions should be sent electronically to: VICelectricity2016@aer.gov.au

Alternatively, you may mail submissions to:

Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3000

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. The AER will treat submissions as public documents unless otherwise requested. Parties wishing to submit confidential information are requested to:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential submissions will be placed on the AER's website at www.aer.gov.au. For further information regarding the AER's use and disclosure of information provided to it, see the *ACCC/AER Information Policy*, October 2008 available on the AER's website.

Enquiries should be directed to:

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