



Summary of meeting

Shared Asset Guideline

Bilateral meeting with the Energy Networks Association

7 May 2013

9 – 11am

Held at AER's Sydney, Melbourne, Canberra, Adelaide and Brisbane offices (VCU)

On 7 May 2013, the Australian Energy Regulator (AER), as part of its Better Regulation package, hosted a bilateral meeting with members of the Energy Networks Association (ENA) on development of the Shared Asset Guideline. Moston Neck, AER Director, chaired the meeting. A range of electricity network service provider (NSP) representatives participated. The AER's video conferencing unit (VCU) facilities allowed face-to-face discussion, with a minority of attendees participating by teleconference.

Attendees agreed that AER staff could record issue raised at the meeting and publish a meeting summary on its website. Issues raised were not to be attributed to individuals or organisations. No formal presentation was provided by the AER or the ENA.

A public stakeholder forum was not held for this element of the Better Regulation package, as insufficient interest in such a forum was expressed in response to AER staff requests. Rather, stakeholders preferred bilateral engagement with AER staff. This ENA meeting is one of a number of bilateral discussions with stakeholders from both the electricity supply industry and consumer groups. These are in addition to consultation undertaken with the AER's Customer Reference Group, comprised of representatives from several consumer organisations and advocacy groups.

1. Introductions

The AER welcomed attendees and outlined that the purpose of the meeting was to seek input on the content of the guidelines. An AER issues paper is publicly available and the AER encourages stakeholder submissions in response.

The AER indicated that its preference is for a shared asset mechanism which is simple, transparent and robust, mitigating administrative costs. The shared asset rule is intended to share some of the benefits of unregulated services with electricity customers who funded the shared assets with which those services are provided. The rule is not aimed at optimising assets or revenues, allowing for a less detailed mechanism than in some other cases.

2. Overview of Better Regulation Program

The Shared Asset Guideline is one of several guidelines the AER is developing as part of its Better Regulation package. Once completed, these will provide clarity to businesses and consumers on how the AER intends to apply recent changes to the National Electricity Rules (the Rules).

Amongst other things, changes to the Rules establish the concept of shared assets—used to provide both standard control (distribution) or prescribed transmission services and unregulated services. The revised Rules allow the AER to reduce an NSP's standard control or prescribed transmission service regulated revenues to reflect asset costs recovered by charging for unregulated services. The Rules establish only a high level framework for a shared assets mechanism. The AER must establish a Shared Asset Guideline setting out the approach it intends to take in giving effect to the Rules.

3. Issues

Materiality

AER staff outlined that:

- the Rules indicate unregulated services provided with shared assets should be material before shared asset cost reductions apply, but don't define materiality in this context
- the issues paper proposes a materiality threshold consistent with the cost pass through threshold. That is, annual shared asset unregulated revenues would be material at 1 per cent of the NSP's annual revenue requirement for a particular regulatory year
- a range of thresholds could potentially apply, relating to a range of benefit sharing proportions.

Attendees asked if meeting the proposed 1 per cent threshold would trigger further investigation of the circumstances in which the unregulated revenues are earned. That is, whether the revenues represent only cost recovery or profit. AER staff responded that the issues paper proposed that at 1 per cent the shared asset mechanism would activate.

Attendees also proposed that a materiality threshold relate to only unregulated revenues earned using shared assets, not to unregulated services more broadly. AER staff agreed that this is their understanding of the mechanism established in the Rules.

Attendees proposed that a materiality threshold apply to individual unregulated services, or types of services, provided with shared assets, rather than to pooled unregulated services. AER staff noted this is one of a range of possible approaches, but also that the issues paper proposed an aggregated approach to assessing materiality.

Sharing costs

Attendees asked if the intention is to share costs or revenues. Attendees also indicated that for some unregulated services they recover only additional costs associated with the service. That is, they do not make a positive commercial return from such services. Some attendees further proposed that determining cost sharing proportions using a percentage of shared asset unregulated revenues may be outside the scope of the Rules.

AER staff noted that explicit sharing of unregulated service revenues is beyond the AER's scope. Rather, that shared asset rules reflect asset cost recovery from unregulated service customers and are written in relation to costs. Staff also noted, however, that the AEMC's final decision report on the revised Rules refers to unregulated service revenues when discussing alternative methods for calculating benefit sharing.

Cost allocation

Attendees asked how the shared asset mechanism relates to the cost allocation arrangements already established under the Rules. AER staff indicated that the shared asset mechanism would not be necessary were all regulated assets to remain in use consistent with their treatment under approved service provider cost allocation methods. The shared asset mechanism relates to assets initially allocated to standard control or prescribed transmission services which, over time, have become used for unregulated services.

4. Meeting attendance

Represented	Jurisdiction
ActewAGL	Australian Capital Territory
Powerlink	Queensland
Ergon Energy	Queensland
Energex	Queensland
SA Power Networks	South Australia
Jemena	Victoria
Ausgrid	New South Wales
Essential Energy	New South Wales
Endeavour	New South Wales
Transend	Tasmania