

Contact Officer: John Skinner  
Contact Phone: 02 9230 3855

2 May 2016

Dear stakeholder

### **Network charges in the ACT and NSW from 1 July 2016**

On 26 February 2016 the Australian Competition Tribunal (Tribunal) handed down its decisions on the limited merits review of the AER's electricity distribution determinations and gas access arrangement decision made in April and June 2015 respectively.

The Tribunal set aside and remitted to the AER for further consideration its determinations for the following ACT and NSW service providers:

- the ACT electricity distributor, ActewAGL
- the NSW electricity distributors Ausgrid, Endeavour Energy and Essential Energy
- the NSW gas distributor, Jemena Gas Networks (JGN)

On 24 March 2016, the AER applied to the Federal Court for judicial review of the Tribunal's decisions. Resolution of the judicial review and remittal process is likely to take some time. In the interim, it is unclear what network charges are applicable from 1 July 2016 and how the ACT and NSW service providers should meet their 2016–17 pricing compliance obligations. Neither the Tribunal's decision nor the National Electricity/Gas Rules provide an unambiguous way forward.

This letter outlines our proposed approach for setting network charges for the ACT and NSW service providers from 1 July 2016. We have been considering the most appropriate way to establish network charges that will:

- promote stability, predictability and transparency for consumers, retailers and the ACT and NSW service providers themselves; and
- provide for all non-price components of the distribution determinations and access arrangement (e.g. connections policies, classification of services, provision of alternative control services and reference service agreements) to be maintained.

Each of the ACT and NSW service providers had a different price path in their relevant 2015 distribution determination or access arrangement. Our proposed pricing approach for each service provider accommodates the different circumstances faced by each of the service providers, while at the same time achieving the objectives outlined above.

We are of the view that stability, predictability and transparency for all stakeholders can be achieved with the following pricing outcomes:

- ActewAGL, Ausgrid and Endeavour Energy network charges to remain constant in real terms. (This means their existing network charges will be increased by actual CPI, which is currently 1.5 per cent)
- Essential Energy to apply the determination we made in April 2015 and the price path included in that decision. (Under this approach, Essential Energy will also submit a 2016–17 pricing proposal)
- JGN's network tariffs to remain constant in nominal terms. (This means the existing network tariffs will not change – no CPI adjustment).

To enhance transparency and provide greater compliance and pricing certainty for stakeholders, we propose that these arrangements are formalised through the use of **enforceable undertakings**, offered by each of the ACT and NSW service providers. We propose that the undertakings expire on 30 June 2017.

In addition to setting out network charges that reflect the outcomes noted above, the undertakings will oblige the ACT and NSW service providers to continue to provide access to their networks and provide other network services consistent with the non-price terms and conditions of the 2015–19 electricity distribution determinations and the 2015–20 gas access arrangement (in the case of JGN) made in April and June 2015.

We are in discussions with the ACT and NSW service providers regarding the terms of the undertakings that will give effect to the above, but have not yet accepted undertakings from any of the businesses. When undertakings are accepted by the AER, we will make them publicly available on our website. We expect this to happen by around mid-May 2016.

If you have any questions about this letter, please contact John Skinner on 02 9230 3855.

Yours sincerely

Paula Conboy  
Chair  
Australian Energy Regulator