

July 2020

AER report to Commonwealth, State and Territory Energy Ministers under section 28ZG of the National Electricity Law and rule 14 of the National Gas Rules

The Australian Energy Regulator (AER) was required to publish revenue determinations by 30 April 2020 for the 2020–25 regulatory control period for: SA Power Networks, Energex, Ergon Energy, and Directlink (Revenue Determinations). The AER's decision with respect to Jemena Gas Networks' Access arrangement was required by 9 May 2020.

The AER did not meet the stipulated publishing dates of 30 April 2020 and 9 May 2020.

If the AER does not make a network revenue determination or an access arrangement decision, within the time specified under the law, it must give an explanatory report to the Commonwealth, State and Territory Energy Ministers.

In determining efficient revenue allowances, an estimate of expected inflation is an important input.

In making the revenue determinations and the access arrangement final decisions the AER's approach is to estimate expected inflation over a 10-year period. This relies on estimates of, and targets for, future inflation produced by the Reserve Bank of Australia (RBA) in its most recent quarterly Statement on Monetary Policy (SMP).

In normal circumstances, the AER would have used the RBA's February 2020 SMP to estimate expected inflation.

If we adopted this, the AER would have published its Revenue Determinations and Access arrangement final decisions by the required date.

At the time, we considered it was desirable to wait for the May inflation forecasts, as, if available, they were likely to be a more accurate reflection of the economic circumstances going into the next regulatory control period. The impact of the COVID-19 pandemic provided a further material reason to delay the decisions to await the May data.

The AER's reasons for deciding to delay the decisions to use the RBA's May SMP to estimate expected inflation and the manner in which we took into consideration the May SMP, are set out more fully in the revenue determinations and access arrangement final decisions.

The AER consulted on its proposed delay and stakeholders generally supported a short delay.

The revenue determinations and access arrangement final decisions were published on 5 June 2020.

Timeliness in statutory decision making is very important to the AER, as is ensuring the most appropriate decision in the circumstances. The COVID-19 pandemic is certainly an extraordinary circumstance, and hence the AER considers it made the most appropriate decision under these unique circumstances.