

**STATEMENT OF REASONS**

**ActewAGL electricity distribution network**

**Approval of 2014–15 pricing proposal**

The Australian Energy Regulator has approved ActewAGL annual pricing proposal, which outlines the network tariffs and alternative control service charges that will apply from 1 July 2014 to 30 June 2015.

We assessed the annual pricing proposal for compliance with the price control mechanisms set out in ActewAGL’s placeholder determination for the transitional regulatory control period 2014–15 (placeholder distribution determination) and with section 6.18 of the National Electricity Rules (the rules). The average residential *retail bill* is, all things equal, anticipated to go up by approximately 3.0 per cent as a consequence of this decision.

The reasons for approving ActewAGL’s annual pricing proposal are that:

* We are satisfied that the proposed network tariffs have been calculated using the approved revenue requirement (as per the revenue cap formula in section 1.5 of the placeholder distribution determination) and based on reasonable quantity forecasts. Furthermore, the proposed network tariffs comply with the relevant pricing principles and side constraints set out in the distribution pricing rules.
* ActewAGL has correctly applied the approved price control mechanism to calculate the alternative control service price caps in accordance with section 1.5 of the placeholder distribution determination. The approved price control mechanism involves escalating current prices by the change in the March quarter CPI on a year on year basis multiplied by an approved X factor.

The approved 2014–15 network tariffs and alternative control service charges can be found in the following document on our website:

* [ActewAGL Distribution—2*014–15 Revised annual network pricing proposal*](https://www.aer.gov.au/sites/default/files/ActewAGL%20Distribution%20-%202014-15%20Revised%20annual%20network%20pricing%20proposal.pdf).