Better Regulation:
Draft shared asset guidelines

30 July 2013

The Australian Energy Regulator (AER) commenced the Better Regulation program in December 2012. Today we released our second draft guideline as part of this program. Our draft shared asset guidelines propose how electricity consumers will benefit from the other services network businesses may provide using the electricity assets consumers pay for.

What is the Better Regulation program?

The AER initiated the Better Regulation program following changes to the electricity and gas rules in late 2012. The program brings together improvements to our regulatory approach with other important reforms announced by the Prime Minister in December 2012.

> The Better Regulation program delivers an improved regulatory framework focused on the long term interests of electricity consumers.

The Better Regulation program involves:

- extensive consultation on seven new guidelines that outline our revised approach to determining electricity network revenues and prices
- establishing a consumer reference group for our guideline development work
- forming an ongoing Consumer Challenge Panel
- improving our internal technical expertise and systems.

What is a shared asset?

The AER regulates the electricity services that are central to electricity supply and relied on by most (if not all) consumers. Electricity service providers invest in the assets necessary to supply consumers with these essential services. These assets are regulated assets used to supply regulated services.

Sometimes a service provider uses a regulated asset for a purpose other than providing essential electricity services. We call any asset used to provide regulated services and unregulated services, a shared asset.

What are the shared asset guidelines?

Our draft guidelines set out how we propose consumers will benefit from the revenue earned from shared assets.

Part of the final price consumers pay for electricity services includes an amount covering the cost of the service providers' regulated assets.

> Consumers pay for regulated electricity supply assets. They will now share in the benefits when businesses use these regulated assets for unregulated purposes.

Our draft guidelines cover:

- Materiality: we will take action when the unregulated revenues from shared assets are more than 1 per cent of a service provider's total annual revenue.
- Method: we will reduce a service provider's regulated revenues by around 10% of the value of unregulated revenues earned from shared assets.
- Information reporting: what information we'll require from service providers to determine shared asset cost reductions.

> **Power poles: an example of a shared asset**
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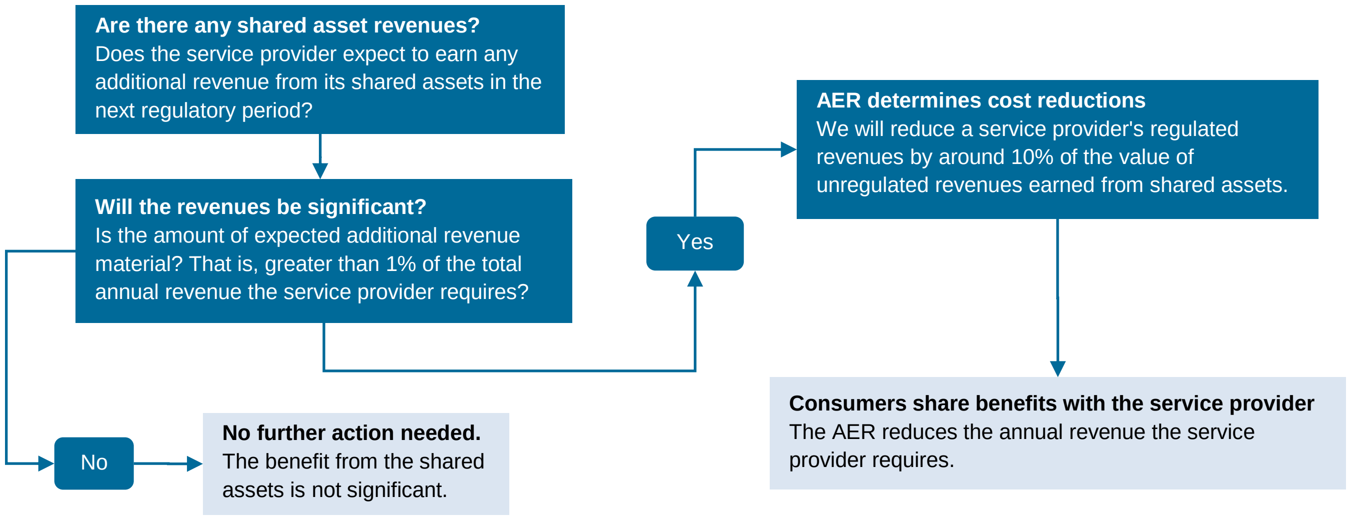
> Electricity service providers invest in power poles that support the power lines supplying electricity. The AER regulates electricity distribution, and so power poles are a regulated asset supplying a regulated service. But, power poles can also support fibre optic cable for internet services, which the AER doesn't regulate. In this case the power poles are a shared asset—a regulated asset supplying regulated services and unregulated services.

How consumers and service providers will benefit from shared assets



How can I provide a submission or comments?

We invite interested parties to make submissions or comments on our draft shared asset guidelines. If you would like to have your say prior to us publishing the final guidelines, you have until close of business 13 September 2013 to get your submission or comments to us. You can find further details on how to provide your submission on our shared asset guidelines web page www.aer.gov.au/node/18878, or you can email us at sharedassets@aer.gov.au.

For more information

For more information or to get involved in the consultation processes for the Better Regulation program, please visit our website www.aer.gov.au/better-regulation-reform-program or email us at betterregulation@aer.gov.au.