

## **REGULATOR PROPOSES CHANGES TO PRICE SETTING RULES**

The Australian Energy Regulator has proposed changes to the National Electricity Rules to ensure that electricity network companies can charge no more than is necessary for the safe and reliable delivery of electricity services.

“The cost of delivering electricity through the transmission and distribution networks can be up to 50 per cent of a consumer’s energy bill. And while there is a need to spend money on these networks to ensure a reliable supply, there needs to be a balance to be sure consumers pay no more than necessary,” AER Chairman Andrew Reeves said.

“The current rules were intended to promote electricity network investment by the businesses, which we believe has been achieved. However, it is time to focus on the efficiency of that investment expenditure to prevent consumers paying more than they should.”

The AER is currently restricted in its ability to set prices based on an objective assessment of the efficiency or the necessity of the expenditure proposed by electricity businesses. The AER’s proposed changes would give it the scope to make a more effective and robust assessment of the costs proposed by electricity network businesses.

The AER is confident that the proposed changes will promote efficient network services and advance the long term interests of consumers.

Under the proposed rules, the AER would determine the forecast of efficient expenditure needed by the business for a reliable electricity supply. The AER would be bound by the requirements in the national electricity law and guided by a clear, consistent and transparent list of expenditure factors.

“The changes would allow the AER to weigh up all available information, evidence and data, including benchmarking analysis, in order to reach a balanced decision on forecast expenditure” Mr Reeves said.

The AER is also proposing a consistent approach for setting the rate of return on investment for gas and electricity network businesses. Under this approach the AER would review the rate of return at least every five years with the outcome applying to each subsequent energy network revenue determination.

“These changes would provide certainty for investors while ensuring that the regulator’s approach can keep pace with changing financing practices” Mr Reeves said.

“The AER also wants the processes for stakeholders to provide their views on spending proposals from electricity network businesses to be improved”.

The AER is an independent body with responsibility for the economic regulation of the electricity transmission and distribution networks in the national electricity market. In carrying out these functions, the AER must comply with the requirements of the National Electricity Rules.

The AER has submitted its proposals to the Australian Energy Market Commission (AEMC) for consideration. To amend the rules the AEMC must ensure that the proposed changes meet the National Electricity Objective – to promote the long term interests of electricity consumers with respect to (among other things) price, quality, safety, reliability and security of supply.

The AEMC will then follow the mandated consultation process set out in the national electricity and gas laws.

A copy of rule change proposal and supporting documentation is available at [www.aer.gov.au](http://www.aer.gov.au).

**Media inquiries**

**Mr Andrew Reeves, chairman, AER, 0419 397 956**

**Mr Duncan Harrod, media, (02) 6243 1108 or 0408 995 408**

**General inquiries**

**Infocentre: 1300 302 502**

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