

25 May 2016

Mr Warwick Anderson  
General Manager, Network Regulation  
Australian Energy Regulator  
23 Marcus Clarke Street Canberra 2601

Via email: [Warwick.Anderson@aer.gov.au](mailto:Warwick.Anderson@aer.gov.au)

## **Request for changes to the National Electricity Rules and the National Gas Rules – Deferral of Rate of Return Guideline**

Dear Mr Anderson

I am writing to you following recent discussions between ENA and the AER on the proposed AER rule change application relating to the deferral of the next Rate of Return Guideline review. The ENA greatly appreciates the collaborative engagement which the AER has undertaken in its consideration and preparation of its rule change application.

The purpose of this letter is to indicate the support of the Energy Networks Association and its members for the sensible proposal to amend the National Electricity and Gas Rules to defer the requirement for completion of a review of the Rate of Return guideline for up to two years.

The ENA supports the proposed deferral through the mechanism of an expedited rule change process as this would recognise that significant elements of the guidelines are currently being considered in merits and judicial review proceedings, and the outcomes of these may not be known within the next 12 months.

Proceeding with a rate of return guideline review in these circumstances risks duplication, additional costs and wasted resources given the potential for the outcomes of these proceedings to have implications for broader rate of return estimation processes. ENA considers these impacts would be contrary to the National Electricity and Gas Objectives and the long-term interests of consumers in promoting clear efficient investment signals.

Moreover, a deferral of the guideline timeline would provide other tangible benefits. For example, it would provide the best opportunity, following any resolution of review proceedings, for AER, energy consumer groups and network service providers to explore potential collaborative opportunities. Such engagement could focus future reviews on key priority issues, and identifying common ground, thereby further improving the efficiency and effectiveness of the guideline review process.

ENA further supports the expediting of this rule change application consistent with s.96 of the *National Electricity Law* and its equivalent provision in the *National Gas Law*. Approval of this rule change under the expedited process would provide timely clarity for all stakeholders on the review timing, prior to the expending of significant resources from any party ahead of the currently scheduled review.

Should you wish to discuss any of these issues further, please feel free to contact either myself (02 6272 1555) or Garth Crawford, Executive Director, Economic Regulation on 02 6272 1507.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'John Bradley', is positioned above a thin horizontal line.

John Bradley  
**Chief Executive Officer**