

Our Ref: D12/00031099
Your Ref:
Contact Officer: Blair Burkitt
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27 February 2012

Mr Eric Howie
Pricing Manager
SP AusNet
Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006

Via email: Eric.howie@sp-ausnet.com.au

Dear Mr Howie

Reporting on the recovery of payments made under the Victorian Government's Transitional Feed in Tariff Scheme

I refer to your letter dated 6 January 2012 in which you made a request under clause 6.6.1A of the *National Electricity Rules (NER)* for the AER to determine how SP AusNet is to:

- estimate the payments made under the Victorian Government's Transitional Feed in Tariff Scheme (**TFiT payments**) for the purposes of clause 6.18.7A(b) of the NER;
- report its recovery of its TFiT payments for each regulatory year of the 2011–15 regulatory control period; and
- make adjustments to subsequent pricing proposals for over and under recovery of such payments.

Estimation of TFiT payments

SP AusNet has established systems and processes related to the previous Premium Feed in Tariff (PFiT) scheme regarding the collection of information regarding the take up rates and forecasts. SP AusNet has proposed that, based on utilising these systems and the probable decrease in the take up rates due to the lower incentive tariff rates of the TFiT scheme, SP AusNet can accurately forecast the amount of the payments to be recouped from its wider customer base.

The AER considers that this proposal is appropriate.

Reporting on recovery of TFiT payments

SP AusNet has proposed that it will report the recovery of TFiT payments to the AER by applying the methodologies outlined in Appendix F.3 of the AER's *Final decision—appendices, Victorian electricity distribution network service providers, Distribution determination 2011–2015*, October 2010 (**Final Decision**) which will occur at the time they submit a pricing proposal to the AER under rule 6.18 of the NER.

The AER considers that this proposal is appropriate.

Adjustments for over and under recovery of TFiT payments

SP AusNet has proposed to make adjustments for the over and under recovery of TFiT payments on the same basis as payments for the former PFiT scheme, in accordance with clause 6.18.7A(c) of the NER by applying the methodologies outlined in Appendix F.3 of the Final Decision.

The AER considers that this proposal is appropriate.

This confirmation will be published on the AER's website.

If you have any questions, please contact Blair Burkitt on (02) 9290 1442 or by email on blair.burkitt@aer.gov.au.

Yours sincerely



Chris Pattas
General Manager
Network Operations and Development