

Better Regulation: Expenditure assessment and incentives



29 April 2013

Better regulation work program

- **Better regulation objective: deliver an improved regulatory framework focused on promoting efficient investment in the long term interests of electricity consumers**
- **Publishing a series of guidelines by 29 November 2013 under new and improved rules framework.**
- **Establishing mechanisms for enhanced consumer engagement**

Purpose of this forum

- **Identify interactions between expenditure assessment and incentives**
- **Outline AER views on expenditure incentives**
- **Opportunity for stakeholders to provide initial views**
- **stakeholders will have further opportunities to provide input**

Purpose of this forum (cont)

- **The first session will outline the intended role of expenditure assessment techniques in assessing efficient costs**
- **The second session will cover the key issues raised and seek stakeholder views on providing incentives for ongoing efficiency**

Key messages

- **AER preference to use light-handed incentive based approach**
- **Requires effective incentive framework**
- **Benchmarking information can test/support effectiveness of revealed cost framework for opex or to inform estimate of efficient costs**

AER's consultation approach

- **Consumer reference group established**
- **Further detailed workshops on expenditure assessment**
- **Bi-lateral meetings are being established to discuss incentives**
- **Draft guidelines to be released in August**
- **Final released in November**