



## Changes to cost allocation method

### AEMC starts consultation on rule change request

**Today the AEMC commenced public consultation on a rule change request from Trans Tasman Energy Group (the proponent). The request is to amend Chapter 6 of the National Electricity Rules (NER) in relation to the cost allocation method and also the principles relating to access to negotiated distribution services.**

#### Details of the rule change request

On 7 December 2012, the AEMC received a rule change request relating to the cost allocation method and also the principles relating to access to negotiated distribution services under Chapter 6 (distribution) of the rules. The proponent's perceived problems with the existing rules and how it suggests addressing the problems are as follows:

- Cost allocation methods are not subject to public consultation. The proponent considers that it is important that potential customers be able to participate in the process to establish appropriate cost allocation methods. It has proposed amending the current rules to require the Australian Energy Regulator to conduct a public consultation when reviewing a change to a cost allocation method.
- There is a lack of transparency in the cost allocation method. The proponent states that the current rules which require the cost allocation method to set out how costs are to be allocated to different service categories are insufficient to verify compliance and enable effective negotiation. It proposes to require cost allocation methods to also include the numeric values of the allocators.
- The principles to establish negotiated prices are insufficiently binding. The principles relating to access to negotiated distribution services underpin the criteria which are included in a distribution network service provider's negotiating framework. The proponent suggests that the wording of the principle which relates to price should be amended to require the price of a negotiated service to be based on the cost of providing it.

#### Background

The cost allocation method is a document published by a distribution network service provider which sets out how it will allocate costs between the different classes of services that it provides. Its principal aim is to ensure that an appropriate amount of costs are allocated to the activities that drive the relevant costs.

#### Consultation process

A consultation paper has been prepared by AEMC staff to facilitate public consultation on this rule change request.

#### Submissions are due by 14 March 2013.

For information contact:  
AEMC Director, **Richard Khoe** (02) 8296 7800  
AEMC Adviser, **Tara D'Souza** (02) 8296 7800

Media: Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817

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