

## **Summary of issues raised in submissions in response to the consultation paper on savings and transitional arrangements (closed on 25 October 2012)**

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Note: Definitions of abbreviations can be found in the final rule determination. Also, to the extent that a submission reflects a position that is already summarised in respect of another submission, that first submission has not necessarily been included in this table.

## Part I Delaying the new rules

Organisation	Issue	Substantive point being made	Page ref
ActewAGL Distribution	Delay	Does not support a delay. Proposes that the current rules should apply. Factors cited in support of this claim include: - resourcing constraints because ActewAGL is a small business and the delay would cause overlap with its gas and potential retail price review; and - the regulatory review process has already commenced with development of the framework and approach paper.	2
AER	Delay	Agrees that 12 month delay should be required for most NSPs. Exceptions to these would be ElectraNet, interconnectors and businesses due to submit in 2017.  For the latter group, the AER notes that there may be scope to apply new rules under the existing timetable. To accommodate this, the AER suggests that the transitional rules could state that the delay is to apply to businesses due for review in 2017 unless the NSP and the AER agrees (sufficiently ahead of time) that the transitional rules would not apply to their determination. Or the default could be that it applies and a NSP could apply for a subsequent rule change.	2
Aurora Energy	Delay	Does not support a delay. Notes the uncertainty surrounding the Tasmanian Government's intention to merge Aurora's distribution business with Transend by mid-2014, which means that the transitional arrangements need to be flexible enough to allow the AER and the new merged business to agree on alternative arrangements.	2
CitiPower and Powercor Australia	Delay	Prefers to submit under the current timetable but understands that resourcing constraints within the AER may mean a transitional arrangement would be required.	1
Energex	Delay	Accepts that a 12 month delay of the next regulatory control period is appropriate.	1
MEU	Delay	Transitional arrangements should only apply to NSW/ACT and Victorian transmission.	1-2
NSW DNSPs	Delay	Notes the potential for NSW DNSPs to be disadvantaged by the proposed delay given that the regulatory review process has already commenced, with the framework and approach paper almost complete and DNSPs having prepared expenditure forecasts and other information for their regulatory proposals.	3
Powerlink	Delay	Suggests that sufficient flexibility be provided in the transitional rules to allow Powerlink and the AER to agree and adopt a different timing for its next regulatory period.	2
SA Power Networks	Delay	Supports a 12 month delay to the commencement of the next regulatory control period.	1

<b>Organisation</b>	<b>Issue</b>	<b>Substantive point being made</b>	<b>Page ref</b>
SP AusNet	Delay	Wants to proceed under the current rules and in accordance with the current timetable (there is a potential for a shorter regulatory control period to align the timeframe with ElectraNet's).	2-5
UE and MG	Delay	Does not support a delay and notes that it is not clear why resourcing issues are allowed to perpetuate for 3 years.	1

## Part II Model supported

Organisation	Issue	Substantive point being made	Page ref
Ergon Energy	Model supported	See Energex's comments.	4
Jemena	Model supported	Does not support the model proposed in consultation paper. Proposes an alternative model based on the AER/TransGrid proposal with prices in the transitional year set on the basis of a "consensus" forecast of costs with a NPV neutral true up.	1
MEU	Model supported	Does not support the model proposed in consultation paper. Notes that TransGrid's proposal has merit but there is the potential that the first year revenue will not be as accurate as possible and therefore equitable for those using the services in that first year.	2
NSW DNSPs	Model supported	See Energex's comments. In addition, advocates a similar model to the AER's but also recognises the potential for a hybrid approach within that model.	4-7
SA Power Networks	Model supported	Does not support the model proposed in consultation paper. Indifferent between a purely mechanistic approach and hybrid model.	2
SP AusNet	Model supported	Does not support the AEMC's proposed model. However, if a transitional approach is to apply to its transmission business, then the revenue should be based on revenue in final year adjusted for inflation. There should be no true up for the interim years and a new clean process for the five year revenue path should apply under new rules but using existing review timeframes and processes.  Prefers the Victorian DNSPs' approach for distribution. The revenue in the placeholder year should be based on year 1 of the complete regulatory proposal. A second preference is the hybrid model.	5-10
Transend	Model supported	See Energex's comments. Alternatively, a second preference would be the TransGrid model.	1-2
TransGrid	Model supported	Does not support the model proposed in consultation paper. Proposes its own model but notes that the hybrid model may also be appropriate if there was some clarity around how the cap would be set and how it would provide best outcome in terms of process, transparency and efficiency.	3 (submission on 25/10/12)
UE and MG	Model supported	Does not support the model proposed in consultation paper. Prices in the transitional year should be based on the NSP's circumstances with reference to minimising future price volatility (noting that there will be a true up in subsequent years).	1
Victorian DPI	Model supported	Generally concerned with transitional arrangements, given the effort required to prepare/assess the associated regulatory proposal and potential appeals process, limited stakeholder engagement, and lack of appropriate incentives. The one year determination could be simplified for the Victorian electricity DNSPs by rolling forward the approach to determining the opex. Alternatively, apply a TFP-based price path for the one year or freezing network charges in real terms for one year with STPIS.	5
Ergon Energy	Model supported	See Energex's comments.	4
Jemena	Model supported	Does not support the model proposed in consultation paper. Proposes an alternative model based on the AER/TransGrid proposal with prices in the transitional year set on the basis of a "consensus" forecast of costs with a NPV neutral true up.	1

<b>Organisation</b>	<b>Issue</b>	<b>Substantive point being made</b>	<b>Page ref</b>
MEU	Model supported	Does not support the model proposed in consultation paper. Notes that TransGrid's proposal has merit but there is the potential that the first year revenue will not be as accurate as possible and therefore equitable for those using the services in that first year.	2
NSW DNSPs	Model supported	See Energex's comments. In addition, advocates a similar model to the AER's but also recognises the potential for a hybrid approach within that model.	4-7
SA Power Networks	Model supported	Does not support the model proposed in consultation paper. Indifferent between a purely mechanistic approach and hybrid model.	2

### Part III Mechanics of the placeholder and true-up approach

Organisation	Issue	Substantive point being made	Page ref
ActewAGL Distribution	View on level of cap and reference point for cap	There should be a roll forward of the current determination.	3
AER	Consultation process for placeholder year	<p><i>Regulatory periods commencing before 1 July 2014</i></p> <p>The NSP should be able to submit placeholder revenue statement and supporting information 5 months before start of next regulatory control period. Supporting information would include:</p> <ul style="list-style-type: none"> <li>- forecast revenue in the last year of the current regulatory period;</li> <li>- indicative opening RAB;</li> <li>- possible indicative total and annual revenue requirements for the next regulatory control period based on a range of indicative building block inputs. Rate of return building block to be based on recent regulatory decisions, available market information, expected market trends and the rate of return guidelines;</li> <li>- an indicative CPI;</li> <li>- a summary of overall plans for expenditure over the regulatory control period and an indication of how the placeholder revenue requirement fits within the plan; and</li> <li>- any other inputs necessary to determine placeholder revenue or pricing arrangements in the transitional year.</li> </ul> <p><i>Regulatory periods commencing after 1 July 2014</i></p> <p>There should be no need to submit a separate placeholder revenue statement (supported by information). The statement would instead form part of their substantive regulatory proposal and be supported by information in that proposal.</p> <p>Notes that while the timetable is short, there is a commitment between NSPs and AER to consult early on the indicative revenue requirement for the first year. Also notes that if a suitable outcome cannot be reached, the AER's power to ultimately determine the revenue will provide a simple and quick mechanism to resolve the deadlock.</p> <p>The TNSP approved statement should be published 3 months prior to commencement of first regulatory year and DNSP approved statement 2 months prior.</p>	5-6
AER	Criteria to be applied by the AER for placeholder year	<p>If the AER establishes a placeholder revenue, it would consider the following criteria:</p> <ul style="list-style-type: none"> <li>- whether the placeholder revenue is supported by and consistent with the information the DNSP has provided and any other information available to the AER at the time which the AER considers relevant to the next regulatory control period;</li> <li>- whether the placeholder revenue is likely to be broadly consistent with a distribution or transmission determination to be made by the AER for the transitional regulatory control period having regard to information provided by the NSP, stakeholders and any other info available to the AER that it considers relevant;</li> </ul>	7

Organisation	Issue	Substantive point being made	Page ref
		<ul style="list-style-type: none"> <li>- the desirability of minimising variations in expected revenue between regulatory periods and regulatory years;</li> <li>- the desirability of minimising price variations for consumers between regulatory periods and regulatory years; and</li> <li>- compliance with the control mechanism for the transitional year as set out in the framework and approach paper applying to that period.</li> </ul>	
AER	Form of true-up mechanism	Notes the concerns raised by some NSPs about opex and capex being determined near the end of the first year of the regulatory control period but considers that the only way to remove the uncertainty would be to undertake the full review proposed in the consultation paper. Considers that on balance industry appears to support the placeholder true-up approach and that most NSPs consider the level of uncertainty around opex/capex as manageable particularly given that the EBSS would not penalise NSPs for any difference between actual and forecast in year 1.	8-9
CitiPower and Powercor Australia	Consultation process for placeholder year	There should be no draft determination and no consultation in placeholder year.	3
CitiPower and Powercor Australia	Criteria to be applied by the AER for placeholder year	Price volatility should be minimised over the regulatory period.	3
CitiPower and Powercor Australia	Form of true-up mechanism	The true up mechanism should be flexible enough to accommodate different control mechanisms.	2
Energex	Consultation process for placeholder year	Placeholder revenue for NSPs post 1 July 2014 should be based on information in the proposed pricing statement submitted as part of the regulatory proposal. The statement would be supported by relevant information for determination of the total revenue requirement.	2
Energex	Form of true-up mechanism	Any difference between the placeholder revenue and the total revenue requirement should be accounted for.	2
Energex	View on level of cap and reference point for cap	A CPI adjustment should apply to revenue in last year of regulatory control period.	3
Ergon Energy	Consultation process for placeholder year	If proposal above the cap, a placeholder revenue statement should be provided to the AER along with the information proposed by the AER and NSW DNSPs.	4
Ergon Energy	Form of true-up mechanism	True up should be NPV neutral. Also the difference between the indicative WACC and the final WACC could be amortised on a PV neutral basis.	6
Jemena	Form of true-up mechanism	There should be no true up for opex/capex. True up should only apply to the WACC.	2
MEU	Consultation process for placeholder year	Consultation should be required but limited to one consultation. Proposal should be based on the current rules and guidelines. The AER should issue a final regulatory determination but no draft regulatory determination.	2
NSW DNSPs	Consultation process for placeholder year	Proposed the same model as the AER's with respect to the consultation process for the placeholder year.	1 (attachment in submission)
NSW DNSPs	Criteria to be applied by	Proposes an identical set of criteria as the AER for the placeholder year and the following	5-6

Organisation	Issue	Substantive point being made	Page ref
	the AER for placeholder year	<p>additional criteria:</p> <ul style="list-style-type: none"> <li>- customers should not be worse off or better off in PV terms as a result of the transitional period; and</li> <li>- the X factor should recover the difference between the expected weighted average revenue for the transitional year and the determined total revenue requirement.</li> </ul> <p>Notes that all NSPs should have a strong incentive to avoid a material difference between revenue in transitional year and that which the AER ultimately determines.</p>	
NSW DNSPs	Form of true-up mechanism	Prices should be trued up in NPV neutral terms.	1 (attachment 1 in submission)
NSW DNSPs	View on level of cap and reference point for cap	Revenue or prices should be escalated by the CPI escalation for the last year of the current regulatory period or a price freeze (consistent with rule 6.11.3) should apply. The CPI would likely be required in most instances.	6
SA Power Networks	Consultation process for placeholder year	A separate statement should not be required for NSPs post 1 July 2014 because the full regulatory proposal would be submitted.	2
SA Power Networks	Form of true-up mechanism	True up of revenue should be NPV neutral and applied on a smoothed basis over years 2-5.	2
SA Power Networks	View on level of cap and reference point for cap	See Energex's comments.	2
SP AusNet	Consultation process for placeholder year	See NSW DNSPs' comments.	8
SP AusNet	Form of true-up mechanism	See Jemena's comments.	8
SP AusNet	View on level of cap and reference point for cap	See Energex's comments.	6
TransGrid	Consultation process for placeholder year	<p>The NSP should be able to provide the following information for placeholder year:</p> <ul style="list-style-type: none"> <li>- forecast opening RAB;</li> <li>- current forecasts and historical trends for opex;</li> <li>- forecast tax and depreciation; and</li> <li>- an indicative value for the WACC taking into account recently available market information, expected market trends and informed by revenue determinations made in the preceding 12 months and the AER's guidelines.</li> </ul> <p>If the AER is not satisfied with the information provided by the NSP, the AER may request the NSP to provide revised information. If this fails, the AER may deem an appropriate revenue taking into account a number of criteria.</p>	2 (attachment in submission on 25/10/12)
TransGrid	Criteria to be applied by the AER for placeholder year	<p>The AER should apply the following criteria if determining an appropriate revenue:</p> <ul style="list-style-type: none"> <li>- NEO; and</li> <li>- expected revenue path over the entire regulatory period taking into account optimal revenue</li> </ul>	2 (attachment 2 in submission on

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		smoothing and the objective of minimising price shocks for customers throughout the regulatory period.	25/10/12)
UE and MG	Form of true-up mechanism	See Jemena's comments.	1

## Part IV Treatment of ancillary and other issues

Organisation	Issue	Substantive point being made	Page ref
ActewAGL Distribution	Ex post review	See ENA comments.	3
AER	Alternative control service	There is no avenue for true up of some alternative control service prices, so this should be rolled forward with CPI increase.	11
AER	Capex incentives	See Energex's comments. In addition, apply capex incentives from years 2-5.	11
AER	Connection policies	Connection policies should be dealt with on a jurisdictional basis.	11
AER	DMEGCIS	<p>Transitional rules for DMEGCIS should deem rollover of the following arrangements, unless the AER makes a different determination as part of the framework and approach paper:</p> <ul style="list-style-type: none"> <li>- part A - DMIA allowance in year one should be deemed to be based on the average yearly DMIA amount provided in prior regulatory control period for current DMIS; and</li> <li>- part B - not applied during year one.</li> </ul> <p>Carryover arrangements should continue to operate.</p>	11
AER	EBSS	<p>AER to set out its approach to application of EBSS in the framework and approach paper.</p> <p>Transitional rules should provide appropriate flexibility for EBSS to apply differently in the initial year of regulatory control period i.e. to allow the target in year 1 to be set equal to actual.</p>	10
AER	Jurisdictional matters	<p>The Victorian F Factor scheme should continue to operate by rolling over existing targets. Transitional rules could deem this to occur.</p> <p>The Victorian AMI Order in Council should continue to be regulated in accordance with that Order. To the extent any transition is required, these matters would be addressed through the framework and approach paper.</p> <p>The NSW D-factor scheme could be continued for year 1.</p> <p>The NSW NSPs currently operating a paper trail under the distribution STPIS could continue to do so in year 1 of transitional regulatory control period.</p> <p>For the NSW public lighting, allowable price movements should be dealt with but details would need to be addressed through the framework and approach paper.</p> <p>For Queensland, transitional arrangements provided under NER clause 11.16.10 should continue in year 1.</p>	12
AER	Matters to be dealt with in framework and approach paper	For NSW/ACT DNSPs where the framework and approach paper process has already commenced under the existing rules, the AER could publish part of that paper in the first quarter of 2013 that would cover matters where there has been no significant change from the existing rules i.e. service classification, control mechanism and dual function assets. There is already discretion	7

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		for the AER to publish early but the transitional rules should require the AER to segment the framework and approach paper into two parts and to be published at separate times. The second framework and approach paper would be published in November 2013 and would cover incentive schemes, assessment methods and any other matters.	
AER	Matters to be dealt with in framework and approach paper	Proposes for the following components to be covered in the transitional framework and approach paper: <ul style="list-style-type: none"> <li>- establish any processes for determining the rate of return such as timing of sampling period;</li> <li>- set out how EBSS, Distribution STPIS and DMEGCIS will apply;</li> <li>- control mechanism;</li> <li>- service classification; and</li> <li>- dual function assets.</li> </ul>	7, 10, 11
AER	Negotiating framework, negotiated service criteria and pricing methodology	The existing negotiating framework, negotiated service criteria and pricing methodology should apply in year 1 until the full regulatory determination is made.	10
AER	Number of regulatory periods	Supports a single regulatory control period.	1-2
AER	Other matters	Supports the use of a general catch all provision permitting the AER to determine that other rights and obligations of NSPs that apply in the current regulatory control period should continue to apply until the full determination has been made.  The transitional rules should also accommodate the delay of a number of other decisions, including: <ul style="list-style-type: none"> <li>* the due date for the framework and approach paper and all administrative steps in the development of that paper;</li> <li>* the submission due date for the NSP's proposal and any required associated documents; and</li> <li>* the making of the AER's regulatory decisions on the proposal.</li> </ul> The transitional rule should amend the rules so that the regulatory period can be less than 5 years to take into account the fact that there would not be a separate 12 month transitional determination.	7, 10, 11, 13
AER	Pass through	Transitional rules should provide that during the first year NSPs have access to the same pass through events on the same basis as apply in the current regulatory control period. Pass through events applying from years 2-5 would be determined under the new rules in the full determination.	10
AER	Shared assets	Treatment of the RAB in relation to shared assets should continue for year one as per NER clause 11.16.3.	11
AER	STPIS	For distribution STPIS, transitional rules should deem a rollover of existing arrangements to occur unless a different determination made as part of the framework and approach paper.  For transmission STPIS:	11-12

Organisation	Issue	Substantive point being made	Page ref
		<ul style="list-style-type: none"> <li>- service component - existing targets from final year of current control period used and rolled forward until full determination made;</li> <li>- market impact component - new design could be used from commencement of new period; and</li> <li>- network capability component - could also potentially apply from commencement of new regulatory period.</li> </ul>	
CitiPower and Powercor Australia	Alternative control service	True up should apply to public lighting. Other alternative control services should have prices rolled forward at CPI+2% with no true up.	2
CitiPower and Powercor Australia	Connection policies	Connection policies should be based on new rules and guidelines.	3
CitiPower and Powercor Australia	EBSS	EBSS should be suspended in transitional year.	4
CitiPower and Powercor Australia	Jurisdictional matters	See UE and MG comments. In addition, the Victorian F Factor scheme should continue to operate in the first year by rolling over existing targets and incentive rates.	2, 4
CitiPower and Powercor Australia	Matters to be dealt with in framework and approach paper	<p>The control mechanism should be set out in framework and approach paper. This would also to apply in the transitional year.</p> <p>The framework and approach paper should determine the cost of debt methodology.</p>	2-3
CitiPower and Powercor Australia	Number of regulatory periods	See AER comments.	2
CitiPower and Powercor Australia	Pass through	Pass throughs should be the same as those applied in the current regulatory period.	4
CitiPower and Powercor Australia	Rate of return	See UE and MG comments. With respect to AER approval prior to submission of the regulatory proposal, this should occur one month after the framework and approach paper is finalised, with the AER having one month to approve or reject that proposal.	2-3
CitiPower and Powercor Australia	STPIS	<p>STPIS factor arising in the penultimate year should be applied to placeholder prices but should not form part of the true up.</p> <p>The distribution STPIS should apply in the transitional year with the transitional year target deemed to be the target that applied in the last year of the previous regulatory control period, with same amount of revenue at risk.</p>	3-4
ENA	Ex post review	Considers any ex post reviews of capital investment decisions already made and to early stages of regulatory periods close to their expiration would be a fundamental breach of rule making principles, creating significant regulatory and investment risks. These past capex decisions were made under different binding rules and forecasts made on a different basis. Therefore, the	3-4

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		transitional rules should not implement the ex post review. Instead, the ex post review should apply from the first full five year regulatory determination process applicable to each NSP.	
ENA	Need for further consultation on transitional arrangements	Publication of the final transitional rules should be delayed by 30 business days to allow further consultation on the revised rule. This could be achieved through a short workshop that focuses on establishing the AEMC's intended arrangements rather than querying the policy intent.	2
Energex	Alternative control service	Consideration should be given to alternative control services because there is no mechanism to true up any variations. Options include a CPI adjustment, continuing with the existing methodology or proposing new rates as part of pricing proposal.	3
Energex	Capex incentives	Capex incentives should not apply in transitional year.	2
Energex	DMEGCIS	Transitional rules should deem a rollover of DMEGCIS from the current arrangements to apply for first year.	2
Energex	EBSS	Transitional rules should deem a rollover of the EBSS from the current arrangements to apply for the first year.	2
Energex	Jurisdictional matters	Clause 11.16.10 (cap con policies) and 11.16.3 (treatment of regulatory asset base for shared assets) should continue to operate.	3
Energex	Matters to be dealt with in framework and approach paper	The timing and length of the averaging period should be agreed through the framework and approach paper.	2
Energex	Need for further consultation on transitional arrangements	Further consultation is required given the complexity of the transition arrangements. Draft rules should be published before making the final rule determination.	3
Energex	Pass through	See CitiPower and Powercor's comments.	2
Energex	STPIS	STPIS targets and revenue at risk should continue to be applied as in the last year of the prior regulatory control period.	2
Ergon Energy	Alternative control service	Street lighting should be treated the same as standard control services. Other alternative control services could not be subject to a true up. Suggests similar hybrid approach for these services.	5
Ergon Energy	Jurisdictional matters	See Energex comments.	5
Ergon Energy	Matters to be dealt with in framework and approach paper	The timing and length of the averaging period for the return on debt should apply over the five years and should end just prior to the start of the transitional year.	5
Ergon Energy	Other matters	Clause 6.5.9(b)(2) on the X factor should be amended to support a true up mechanism.  Transitional rules should specify the due date for the framework and approach paper and all administrative steps in developing the paper, and the due date for the NSP's proposal and any required associated documents.	4-5
Ergon Energy	Pass through	See CitiPower and Powercor's comments.	5
Ergon Energy	STPIS	The target and revenue in year one should be the same as in final year of the prior regulatory period. Normal arrangements for STPIS should apply thereafter.	5

<b>Organisation</b>	<b>Issue</b>	<b>Substantive point being made</b>	<b>Page ref</b>
ESAA	Ex post review	Objects to ex post reviews for the current and subsequent regulatory control periods. On the former period, considers this is a form of regulatory retrospectivity undermining investment certainty.	1-2
Jemena	Ex post review	Notwithstanding its objection to ex post reviews, notes that ex post reviews can only be applied to capex that the NSP has committed to and spent in the regulatory period commencing after the commencement date of the relevant rule. It cannot be applied to capex that the NSP has committed to or spent in the current regulatory period.	2-3
Jemena	Need for further consultation on transitional arrangements	Refers to the ENA's concerns about procedural correctness of the process that the AEMC has adopted to propose and consult on the transitional arrangements.	1
NSW DNSPs	Alternative control service	Changes to alternative control services should be dealt with through the framework and approach paper process.  Details concerning the treatment of NSW public lighting should be addressed through the framework and approach paper process.	4 (attachment 1 in submission)
NSW DNSPs	Capex incentives	See Energex's comments.	4 (attachment 1 in submission)
NSW DNSPs	Connection policies	See AER's comments and SA Power Networks' comments.	4 (attachment 1 in submission)
NSW DNSPs	DMEGCIS	See AER's comments.	3-4 (attachment 1 in submission)
NSW DNSPs	EBSS	Expressed same view as the AER with respect to EBSS.	5
NSW DNSPs	Ex post review	Ex post reviews should not apply to any expenditure until the rule changes and capex incentive guidelines are in place. For NSW DNSPs, this would apply for expenditure incurred after 30 August 2013, but more reasonably after 1 July 2014. It would be better that the ex post review be considered from years 2 and 3 of the 2014-2019 period as there would be no basis for year 1 alone to be considered.	9
NSW DNSPs	Matters to be dealt with in framework and approach paper	To the extent possible additional matters would be deemed to be rolled forward from the end of the current regulatory period to the degree that this default is not amended through the framework and approach paper process applied to the networks.  For NSW, the rules should require the AER to segment the framework and approach paper into two parts and published at separate times.	5; 5 (attachment 1 in submission)
NSW DNSPs	Matters to be dealt with in framework and approach paper	The framework and approach paper should cover the operation of EBSS, DMEGCIS, STPIS, changes to alternative control services, NSW public lighting, and the form of control mechanism.	3 (attachment 1 in submission)

<b>Organisation</b>	<b>Issue</b>	<b>Substantive point being made</b>	<b>Page ref</b>
NSW DNSPs	Negotiating framework, negotiated service criteria and pricing methodology	See AER comments.	3 (attachment 1 in submission)
NSW DNSPs	Number of regulatory periods	There should be a single transitional regulatory control period (the first regulatory control period would commence after the new rules come into effect). While there needs to be an identifiable determination in place at all times to regulate revenue or pricing, this does not necessitate two regulatory control periods. The most appropriate approach would be for one regulatory control period during which there would be a determination of revenue or price for the first year and then a determination to apply to the whole period.	7
NSW DNSPs	Other matters	<p>Transitional rules should require the AER, when assessing the prudence and efficiency of opex and capex, to consider only information which the DNSP had available at the time it submitted its proposal. The rules should also limit the use of updated information to substitute a forecast to the extent it is unrelated to expenditure decisions already made.</p> <p>Certain decisions and processes should be delayed including:</p> <ul style="list-style-type: none"> <li>- the due date for framework and approach paper and all administrative steps in the development of that paper;</li> <li>- the due date for the NSP's proposal and any associated documents; and</li> <li>- the making of the AER's regulatory decision.</li> </ul>	3
NSW DNSPs	Pass through	See CitiPower and Powercor's comments. In addition, new events should apply from years 2-5 determined using new rules in the full regulatory determination.	2 (attachment 1 in submission)
NSW DNSPs	STPIS	Transitional rules should deem a rollover of the existing arrangements for STPIS unless the AER makes a different determination as part of the framework and approach paper. The target could be deemed to be any target that applied in last year of prior regulatory control period with same amount of revenue at risk.	3 (attachment 1 in submission)
Powerlink	Need for further consultation on transitional arrangements	Notes that it had not had the opportunity to talk to the AER about the nature of the arrangements that would apply to it post 2016 and that it is cautious of locking arrangements at this time.	2
QTC	Matters to be dealt with in framework and approach paper	Each service provider should be able to propose the timing and length of the averaging period used to estimate the benchmark return on debt, with the details of the averaging period agreed between the AER and service provider in the framework and approach process.	4
QTC	Number of regulatory periods	<p>The averaging period used to estimate the return on debt should end just prior to the start of the transitional year or the transitional year could be used as an extended averaging period. This will:</p> <ul style="list-style-type: none"> <li>- avoid creating additional interest rate risks if it had been estimated over 10-40 day averaging period towards end of transitional year;</li> <li>- allow service providers to enter into interest rate hedging transactions over the same time period used to estimate the benchmark return on debt; and</li> </ul>	3-4

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		<p>- account for a significant increase in debt volumes and the possible transition to a new return on debt approach.</p> <p>Some service providers will require an averaging period of at least six months to perform the necessary funding and interest rate hedging transactions. This will allow:</p> <ul style="list-style-type: none"> <li>- service providers with sufficient time to enter into the hedging transactions required to align actual debt costs with the return on debt allowance; and</li> <li>- greater amount of smoothing in the benchmark return on debt, protecting consumers against short-term volatility in the return on debt parameters without imposing additional costs.</li> </ul>	
QTC	Rate of return	A single determination should be used to estimate the benchmark return on debt. Two determination processes may create problems for some service providers in managing their interest rate risk exposure relative to the return on debt allowance.	2-4
SA Power Networks	Connection policies	Connection policies should be rolled forward from year 5.	5
SA Power Networks	DMEGCIS	See AER's comments.	5
SA Power Networks	EBSS	There should be an automatic roll forward of the EBSS, with rules to either allow initial year to be ignored for EBSS purposes or for actual expenditure to be made equal to the target in year 1.	4
SA Power Networks	Jurisdictional matters	The South Australian Government should extend the currently proposed NECF transitional arrangements.	5
SA Power Networks	Matters to be dealt with in framework and approach paper	The framework and approach paper should deal with WACC determination approaches, averaging period for any WACC parameters, DMEGCIS, form of control mechanism (applied consistently for the full regulatory control period), frameworks and their applications.	3
SA Power Networks	Need for further consultation on transitional arrangements	NSPs should have the opportunity to review and comment on drafting of specific transitional rules before they are finalised. If sufficient time is not available then rules should remain open for consultation for a further short period.	6
SA Power Networks	Negotiating framework, negotiated service criteria and pricing methodology	See AER comments.	5
SA Power Networks	Number of regulatory periods	See AER comments.	3
SA Power Networks	Pass through	See CitiPower and Powercor's comments.	5
SA Power Networks	STPIS	STPIS can operate during the placeholder year with target to be calculated using the existing methodology and the period immediately following the previous target setting period for the current arrangements. Revenue at risk for year 1 should be the same as for the current period unless an alternative is agreed between the AER and DNSP as part of the framework and approach paper. Revenue at risk should apply to years 2-5 part of the final regulatory determination.	4

<b>Organisation</b>	<b>Issue</b>	<b>Substantive point being made</b>	<b>Page ref</b>
SP AusNet	EBSS	See CitiPower and Powercor's comments.	6
SP AusNet	STPIS	Existing STPIS targets and parameters should be rolled over.	6
Transend	Other matters	Appropriate incentive schemes should apply in first year of regulatory period.	1
TransGrid	EBSS	Controllable opex allowance for year 1 should be set in the final decision for the full regulatory determination and the EBSS should be based on this expenditure. If the regulatory control period is shorter than 5 years, then the EBSS guideline may need to be updated.	1-2 (attachment 2 in submission on 25/10/12)
TransGrid	Need for further consultation on transitional arrangements	Notes considerable level of detail still needs to be finalised and suggests that transitional arrangements be settled separately in mid December.	1 (submission on 25/10/12)
TransGrid	STPIS	Provided a detailed submission on how STPIS could operate but largely consistent with the AER's proposal.	2-3 (attachment 2 in submission on 25/10/12)
UE and MG	EBSS	See CitiPower and Powercor's comments.	1
UE and MG	Ex post review	Notwithstanding its objection to ex post reviews, notes that ex post reviews can only be applied to capex incurred after the completion of the ex post review guidelines. It cannot be applied to capex incurred before this time.	2
UE and MG	Jurisdictional matters	The AMI Order in Council should be extended by the length of the delay and subject to a true up.	1
UE and MG	Matters to be dealt with in framework and approach paper	The cost of debt methodology should be agreed at framework and approach paper stage.	1
UE and MG	Rate of return	The rate of return for the next regulatory period should apply in the transitional period.  The measurement period for market observable parameters should be proposed by the NSP and approved by the AER prior to submission of the regulatory proposal.	1
Victorian DPI	EBSS	EBSS should be rolled forward for an additional year.	5
Victorian DPI	Jurisdictional matters	Metering expenditure should be considered as part of the Victorian electricity NSPs' revenue determination for 2016.	5
Victorian DPI	STPIS	STPIS should be rolled forward for an additional year.	5

## Part V Gas transitional arrangements

Organisation	Issue	Substantive point being made	Page ref
ERA	Transitional arrangements	One month delay to ATCO Gas' submission of revised access arrangement unnecessary because review process can be carried out in parallel with development of rate of return guideline. Proposes to allow ATCO Gas and Goldfields Gas Pipeline to revise their proposed access arrangements once final rate of return guidelines published viewed also unnecessary because ERA intends to release the final guideline before its draft decision on access arrangements. Delay in existing timeline could give rise to resourcing issues within the ERA.	1-3
APA	Transitional arrangements	Businesses that are due to submit revised access arrangements at the time the rate of return guideline is being developed will require time to prepare any submission they may seek to make on why it would be appropriate to depart from the guideline. The earliest filing date for access arrangement revisions should therefore be no earlier than three months after the release of the final rate of return guideline. Any delay to the revisions submission date that is made to accommodate this requirement should also apply to revisions required under Rule 51 (trigger mechanisms).	3-4
ATCO Gas	Transitional arrangements	Opposes proposal to require revisions to be submitted on the basis of the draft guidelines on the grounds that it would be inefficient, poor process and require complex transitional rules to deal with the need to allow mid-review adjustments in response to the final guidelines. Notes that an NSP will likely require 3 months to adapt its proposed revisions to the final guidelines and proposed an alternative transitional arrangement under which ATCO's review submission date would be postponed to the latter of 1 January 2014 (a 6 month delay) or a date that is at least 3 months after the guidelines are finalised. Acknowledged that this proposal would mean its access arrangement review would not be complete before the existing revisions commencement date of 1 July 2014 but notes that this could be dealt with by using an adaption of the existing rule 92(3) mechanism, ie, tariffs carried forward from prior period and trued up when new tariffs commence.	1-2