



INFORMATION

Application of rate of return guidelines to TasNetworks

Stakeholder submissions are invited on new rule change request

The Australian Energy Market Commission has commenced consultation on a rule change request from TasNetworks which seeks to align the Rate of Return Guidelines applying to its electricity distribution and transmission five year regulatory control period commencing 1 July 2019.

The rule change request

On 9 June 2017, Tasmanian Networks Pty Ltd (TasNetworks) submitted a request to the Australian Energy Market Commission (AEMC) to make a rule change regarding the timing of the application of the Rate of Return Guidelines' revision, scheduled to commence by 17 December 2018, to its distribution business.

The rule change request relates to implementation of the Rate of Return Guidelines Review rule change which inserted rule 11.93.1 into the National Electricity Rules (NER).

TasNetworks has stated that the rule which commenced 20 October 2016 has the unintended consequence of applying different Rate of Return Guidelines to its five year transmission and distribution regulatory control periods commencing 1 July 2019. Specifically, the current 2013 Rate of Return Guidelines would apply to TasNetworks' distribution business and the revised 2018 Rate of Return Guidelines would apply to its transmission business in this regulatory control period.

The Rate of Return Guidelines set out the Australian Energy Regulator's (AER) approach to estimating the returns on equity and debt for electricity network service providers in accordance with the rate of return objective in the NER. The Rate of Return Guidelines is not binding on network service providers or the AER although reasons for any departures from the Rate of Return Guidelines must be provided.

TasNetworks has stated that applying different Rate of Return Guidelines to each of its transmission and distribution determinations will cause inconvenience, timing issues and create further complications for its stakeholders.

TasNetworks' proposed solution is to have the current 2013 Rate of Return Guidelines apply to its five year distribution determination for the regulatory control period commencing 1 July 2019 as well as for its transmission determination.

Expedited rule making process

TasNetworks proposed its rule change request be treated as non-controversial and expedited under section 96 of the National Electricity Law. The AEMC will assess this rule change request as non-controversial under an expedited rule making process subject to the receipt of any written objections from stakeholders by 5 September 2017.

Submissions

Submissions on the rule change request are to be lodged by 19 September 2017.

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