

Contestability of energy services

Draft determination

Public forum – 27 September 2017

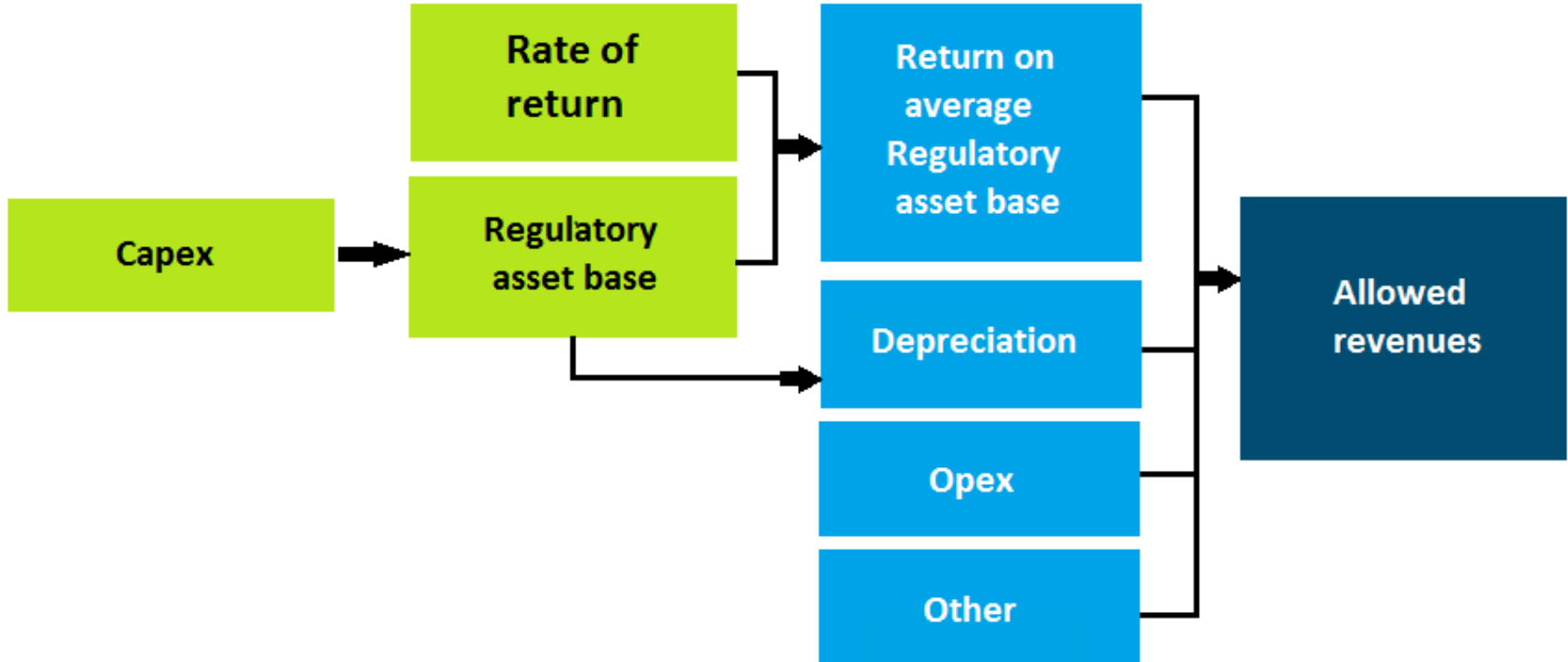
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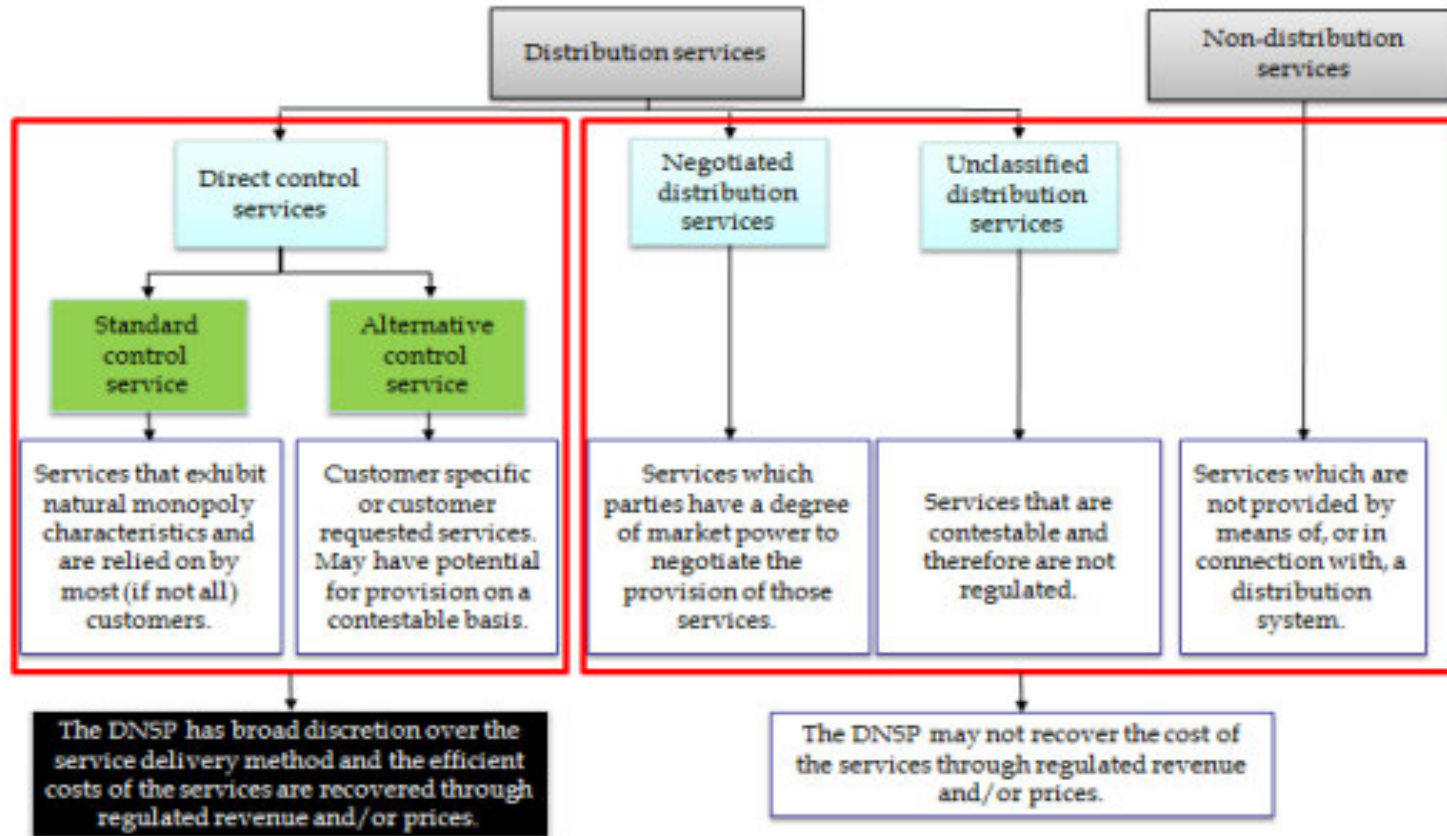


Context





Context



“Behind the meter” restriction





Intent and approach

- The proposed restriction is targeting three key elements (1) (2) (3):
 - DNSP control of assets located “behind the meter” that are capable of providing contestable energy services
- The approach is to implement this in the draft determination is through:
 1. A restriction on earning a regulated return on and of capital
 2. On assets located on the customers’ side of their connection point
 3. For all assets (subject to exemptions)



Element 1 – control

The restriction on capital expenditure directly links to control of assets by DNSPs because the accounting principles that underpin DNSPs' capitalisation procedures identify control as one of the key features of capital expenditure:

“An asset is a resource:

- (a) controlled by an entity as a result of past events; and
- (b) from which future economic benefits are expected to flow to the entity.”

“Asset: To satisfy the definition of property plant & equipment as an asset, there must be:

- recognition the asset has a cost that can be measured reliably;
- the asset has physical substance and could be expected to be used over more than one financial year; and
- *the asset will be in the control of Energex and will deliver future economic benefits to Energex.*”

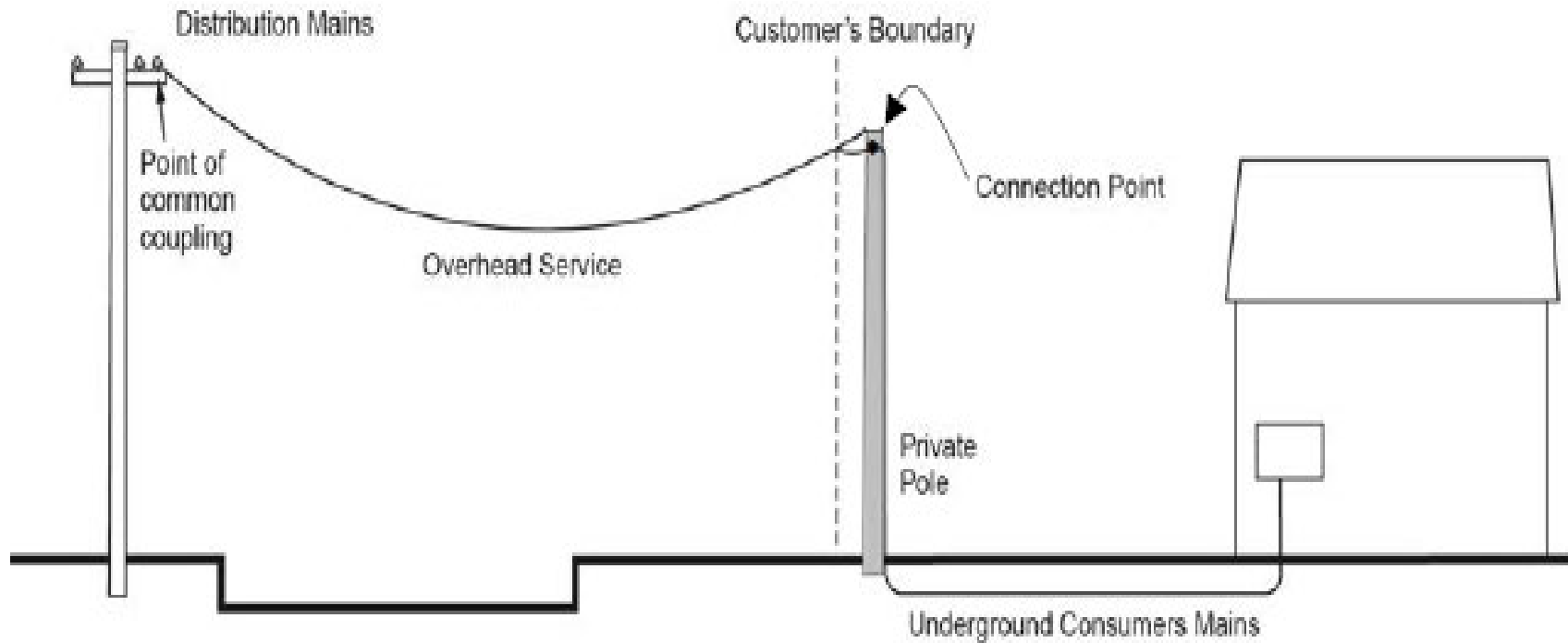


Element 1 – control

- The restriction applies to both return on and of capital expenditure within and across regulatory control periods:
 - Revenue allowances
 - RAB roll-forward
- It also applies to the existing within period adjustment mechanisms in the NER:
 - Cost pass throughs
 - Contingent projects
 - Re-openers

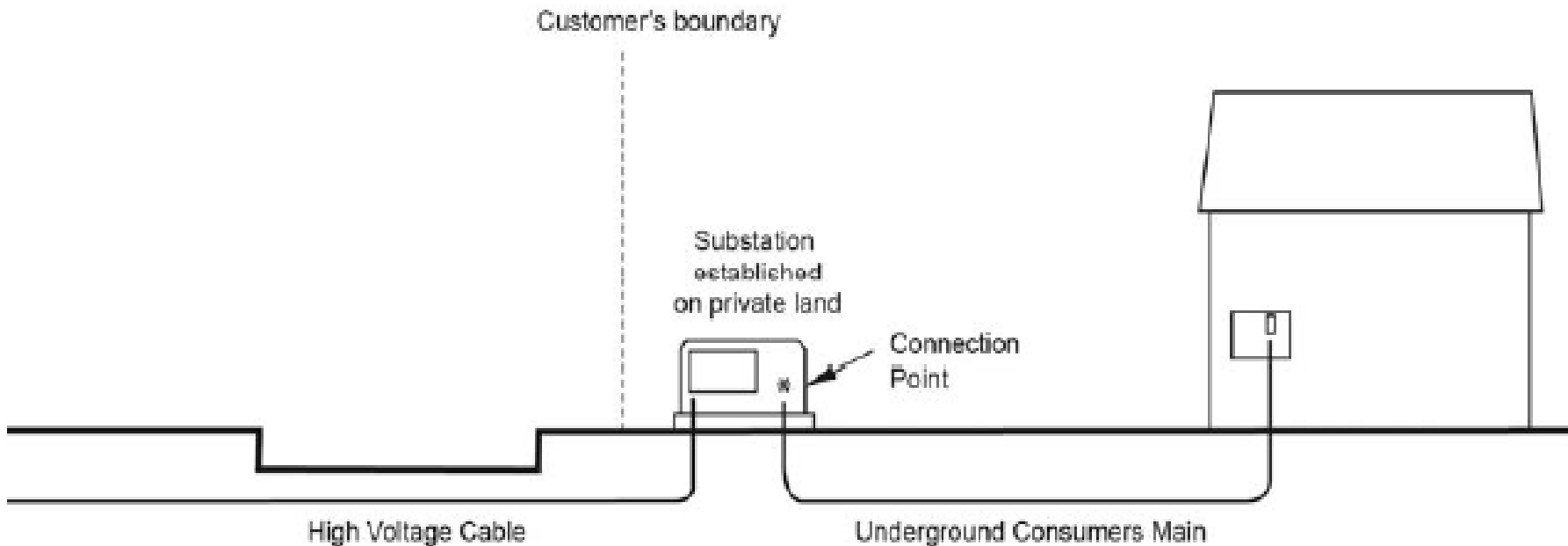


Element 2 – spatial



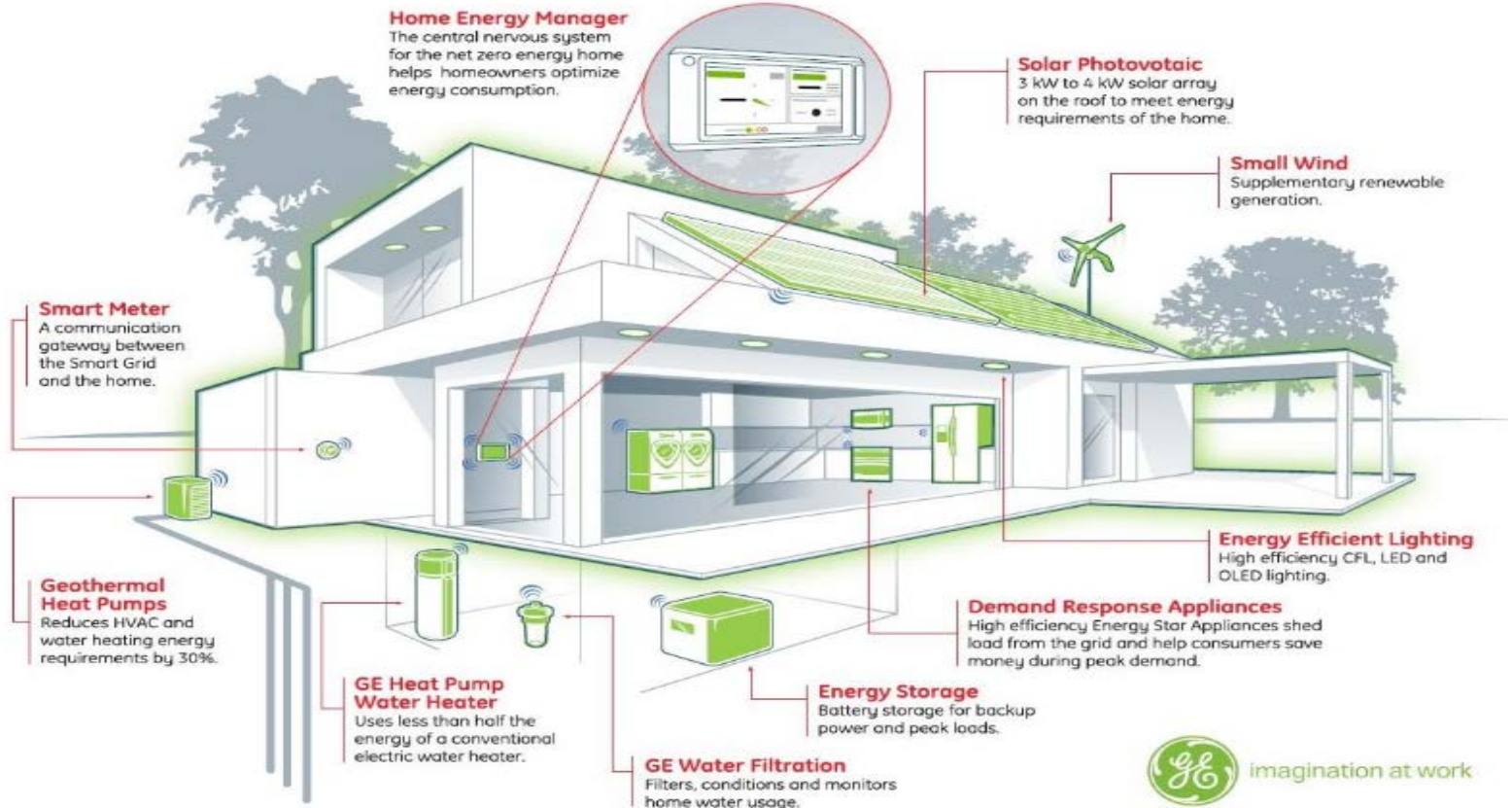


Element 2 – spatial





Element (3) – types of assets



imagination at work

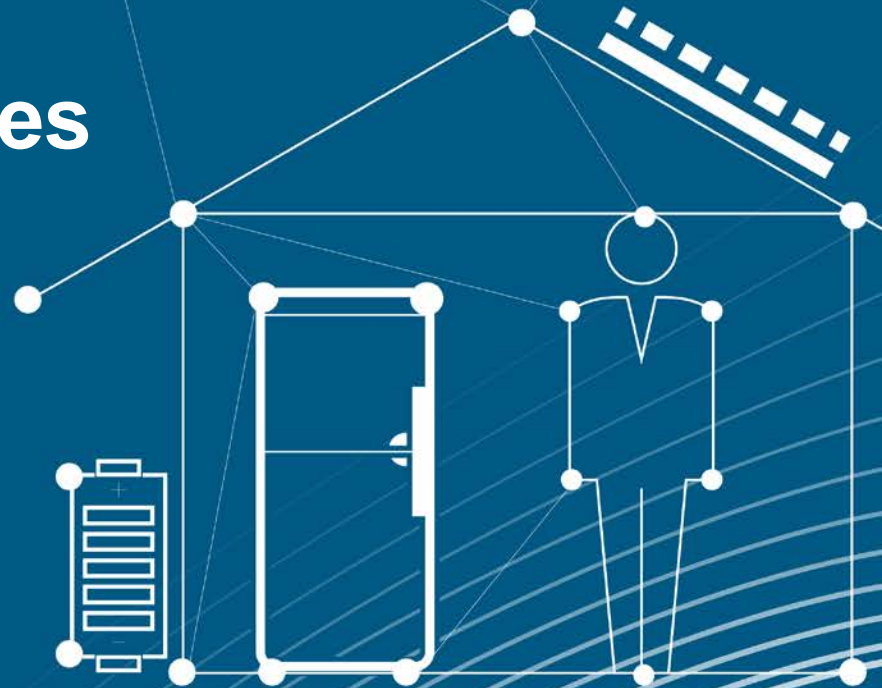


Element 3 – types of assets

The draft rule sets out three types of exemptions from the restriction:

1. Existing assets and refurbishments
2. Network devices
3. AER exemptions

Implementation and complimentary issues





Transitional measures

- The assets restriction will apply to the next round of revenue determinations for each DNSP.
- AER exemptions to be granted through the revenue determination process – through the propose respond model.
- In the first regulatory control period for NSW, ACT, NT and Tasmanian DNSPs they will not need to submit exemption application with their regulatory proposals. Instead they will be required to submit exemption applications by 31 March 2018.



Complimentary changes

