



Network service provider expenditure objectives

AEMC starts consultation on rule change request

The AEMC has commenced a first round of public consultation on a rule change request from the Standing Council of Energy and Resources relating to objectives in the National Electricity Rules for establishing network service providers' expenditure allowances.

Details of the rule change request

The Standing Council of Energy and Resources (SCER) considers that an interpretation of the National Electricity Rules (NER) could potentially allow network service providers (NSPs) to include in their regulatory proposals expenditure they consider necessary to maintain the level of reliability they achieved in the previous regulatory control period. It suggests this could be a problem where the required reliability standards are lowered or where a NSP is performing above the jurisdictional standards.

The rule change request seeks to address this issue by clarifying the expenditure objectives in the NER such that NSPs are only able to include sufficient expenditure for reliability in their regulatory proposals to comply with jurisdictional reliability standards.

This issue has previously been raised by the AEMC in 2012 as part of the New South Wales Reliability Review and by the AER in the context of the Economic Regulation of Network Service Providers rule change.

The SCER has also requested that the AEMC examine whether there is a similar need for clarification around expenditure relating to quality and security of supply and the safety of the network.

Other work being undertaken on reliability issues

It is important to note that this rule change request does not consider whether existing levels of jurisdictional reliability standards are appropriate or whether the setting of standards should be done at a jurisdictional or national level. In this regard, the AEMC has been requested by SCER to undertake a review to develop a national framework for setting distribution and transmission reliability standards.

Consultation process

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

- sets out a summary of, and a background to, the rule change request
- identifies a number of questions and issues to facilitate the consultation on the rule change request; and
- outlines the process for making submissions.

Submissions on the consultation paper and rule change request are due by 7 March 2013.

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**Submissions are due 7
March 2013**