

Overview of SCER's proposal: New distribution pricing framework

Distribution Network Pricing Arrangements rule change public forum



RICHARD KHOE
DIRECTOR
AUSTRALIAN ENERGY MARKET COMMISSION

SCER's rule change request

- SCER is proposing changes to the electricity rules in relation to:
 - the basis on which distribution network prices are set and structured; and
 - the process by which this happens.
- This morning's session will focus on SCER and IPART's proposed changes to the pricing process.
- My presentation will provide an overview of SCER's proposed changes to the pricing framework. We will now be assessing this against the NEO, as we do with all rule changes.

SCER's rule change request – issues identified

- SCER recognises that it is appropriate that distribution businesses have discretion over the structure and application of network tariffs.
- However, the current pricing process provides limited information in advance to consumers.
- This may not allow for them to plan and respond to the cost impacts of changes in network tariff structures.
- In addition, distribution businesses are not required to consult with their customers or retailers in developing their tariff structures.

SCER's rule change request – proposed solution

- SCER has proposed the introduction of a new framework for the distribution network pricing process.
- This framework would require a distribution business to develop a Pricing Structure Statement (PSS).
- The PSS would be developed, consulted on and approved by the AER in advance of the annual pricing process.
- The PSS would outline a distribution business's proposed tariff structures for each year of the regulatory control period.
- The PSS would need to be consistent with the pricing principles.

SCER's rule change request – proposed solution

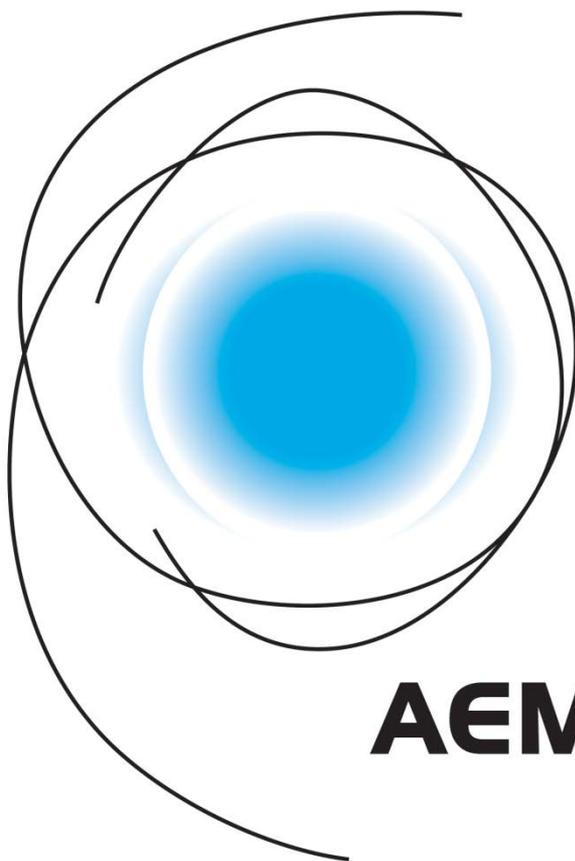
- There would still be an annual approval process for pricing levels.
- The annual pricing proposals would need to comply with the tariff structures outlined in the approved Pricing Structure Statement.
- The PSS could be amended from year to year subject to certain conditions being met.
- SCER also proposes that expected price levels be incorporated into the PSS – pricing levels would not be binding.

SCER's rule change request – proposed solution

- SCER's proposal would require distribution businesses to consult with retailers and consumers in developing and amending the PSS.
- The AER would be required to consider whether distribution businesses have considered issues raised by retailers and consumers in assessing the PSS.
- SCER proposes the AER develop a consultation guideline that sets out how distribution businesses consult with retailers and consumers.
- This consultation links with SCER's proposed amendments to the pricing principles to broaden how the business must consider the impacts of prices on consumers. The consultation will show how this has been done.

SCER's rule change request - consolidation

- IPART has requested changes to the pricing framework to achieve similar aims, though their proposal is a little different.
- As Paul mentioned, the SCER and IPART rule change requests have been consolidated so that we can consider the issues within the one process.



AEMC