

DO THE RULE CHANGE PROPOSALS MEET THE OBJECTIVES?

Distribution Networks Pricing Arrangements rule change workshop



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OVERVIEW OF THIS SESSION

- Building on the previous session, the focus of this session is to explore specific elements of SCER and IPART's proposals in the context of what we want the network pricing framework to achieve.
- This session will also consider the trade-offs between the different objectives and how important each objective is to stakeholders.
- Following this session, we hope to have a relatively good understanding of what is important to different stakeholders in the high-level design of the network pricing framework.
- We will draw on this feedback to develop options for the network pricing framework that will become the focus of the second workshop in May.

HOW THE RULE CHANGE PROPOSALS WOULD ADDRESS THE OBJECTIVES

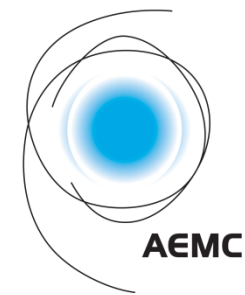
Objective	Element of rule change proposal
Revenue recovery	<ul style="list-style-type: none">• Distribution network businesses maintain responsibility for network pricing.• Continue an annual network pricing process to determine pricing levels.• Allow for a mechanism to vary any binding elements of the document.
Verification and oversight	<ul style="list-style-type: none">• Split the network pricing framework into two stages:<ol style="list-style-type: none">1. development of a document on tariff structures and potentially price levels that is assessed by the AER for compliance against the pricing principles; and2. a streamlined annual pricing process where the AER approves the pricing levels for each network tariff.

HOW THE RULE CHANGE PROPOSALS ADDRESS THE OBJECTIVES

Objective	Element of rule change proposal
Adequate notification	<ul style="list-style-type: none">• Document on network tariff structures and price levels approved in conjunction with the revenue determination.• Annual pricing process moved forward so network prices are finalised 2 months earlier.
Meaningful engagement with stakeholders	<ul style="list-style-type: none">• Distribution network businesses must consult with retailers and consumers on the development of a document on network tariff structures and price levels.• Distribution network businesses must demonstrate to the AER how they have incorporated stakeholder feedback.
Information and education	<ul style="list-style-type: none">• Distribution network businesses must publish the document on their website.

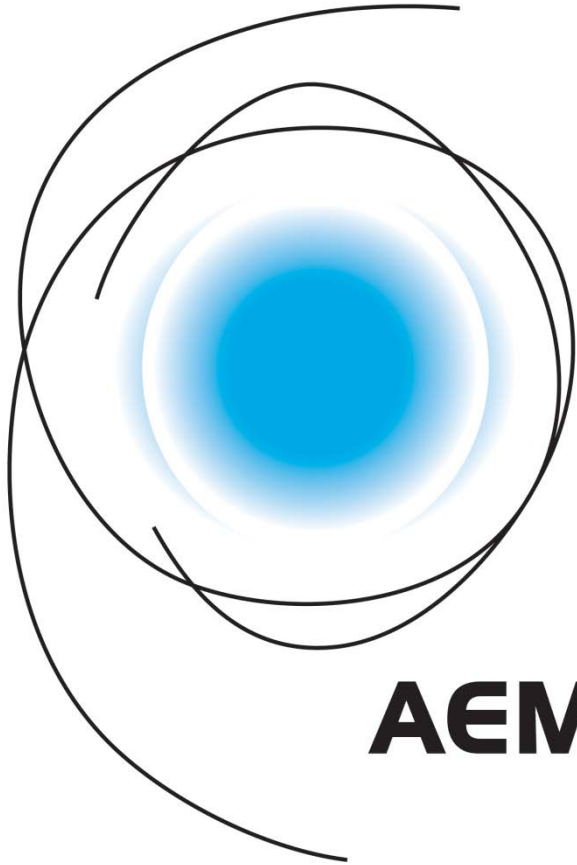
TRADE OFFS

- We recognise that in some instances the objectives conflict. For example:
 - Binding network tariff structures and price levels may affect a distribution network business's ability to recover its allowed revenue.
 - A document on network tariff structures and pricing levels may not be able to serve simultaneously as an information, consultation and compliance mechanism tool.
 - Requiring consultation may mean that more time is needed to develop network tariffs and could be more administratively burdensome.
- In undertaking our analysis, we need to understand where these conflicts are and also what importance stakeholders place on each objective.



DISCUSSION





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