

25 November 2013

Warwick Anderson  
General Manager Network Regulation  
Australian Energy Regulator

Via email: [warwick.anderson@aer.gov.au](mailto:warwick.anderson@aer.gov.au)

Level 22  
530 Collins Street  
Melbourne VIC 3000

**Postal Address:**  
GPO Box 2008  
Melbourne VIC 3001

T 1300 858724  
F 03 9609 8080

Dear Warwick,

AEMO is proposing to amend its proposed pricing methodology submitted to the AER on 30 September 2013.

AEMO's proposed amendments reflect feedback received at the AEMO/AER public forums convened on 28 October 2013 and 15 November 2013 which involved a number of consumer groups, as well subsequent discussions with some of those consumer representatives.

AEMO appreciates the feedback received in preparing this amendment.

### **Proposed Amendments**

AEMO is proposing to amend its proposed pricing methodology to reflect the following principles:

- Locational, non-locational and common service prices and charges will be set on the most recent 12 month maximum demand and energy consumption data available (most likely to be the period 1 March to 28 February).
- Under exceptional circumstances, AEMO, in consultation with the relevant transmission customer, may use forecast average maximum demand and energy provided by the transmission customer for the purposes of calculating locational, non-locational and common service component (for example to allow for the decommissioning of significant loads, or for the creation of a new load).

### **Reason for the change**

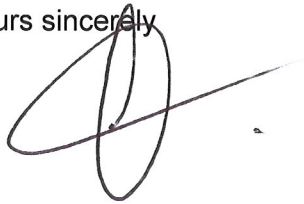
Consumer representatives raised concerns about AEMO's proposed approach to set prices and charges on average maximum demand from the most recently completed financial year ( $t - 2$ ) to calculate both locational TUOS prices and charges.

This is due to the current trend of declining energy consumption which may continue through the proposed regulatory period. During the forums AEMO proposed an alternate approach where prices and charges be set on the basis of forecast maximum demand and energy. However, consumer groups raised concerns about the potential uncertainty that this creates, and presented the view that prices and charges should be based on the most recent historical data.

AEMO will provide the AER with a revised version of the proposed pricing methodology to facilitate comment.

If you have any questions please do not hesitate to contact myself on (03) 9609 8506 or Louis Tirpcou on (03) 9609 8501.

Yours sincerely



Jack Fitcher  
**Chief Financial Officer (Acting)**