



AusNet Services electricity transmission — Framework and Approach

Information sheet

Who is the AER?

The Australian Energy Regulator (AER) is responsible for the economic regulation of electricity transmission and distribution services in Australia's national electricity market. We are an independent statutory authority funded by the Australian Government. Our powers and functions are set out in the National Electricity Law and the National Electricity Rules (NER).

What is a Framework and approach?

The Framework and Approach (F&A) is the first step in the process to determine efficient prices for electricity transmission services. The F&A determines, amongst other things, how the AER will set prices for electricity transmission services and the application of any incentive schemes. The F&A also facilitates early consultation with consumers and other stakeholders and assists electricity businesses to prepare expenditure proposals.

Which electricity business does this process affect?

We are taking steps to determine if a new or amended F&A is required for Victoria's electricity transmission network service provider, AusNet Services. AusNet Services operates and maintains a high voltage electricity transmission network for Victorian electricity consumers. AusNet Services' next regulatory control period commences on 1 April 2022.

Why is a Framework and approach important?

The F&A is important because it provides an opportunity for interested parties to have a say in which incentive schemes should apply to AusNet Services to encourage efficient investment and performance and how we should apply our Expenditure Forecast Assessment Guideline when assessing its expenditure proposal.

The sort of issue we might consider in an F&A includes setting out whether incentive schemes will apply, for example, to service quality, improvements in network reliability or capital and operating expenditure. The purpose of incentive schemes is to encourage transmission businesses to manage their business in a safe, reliable manner that serves the long term interests of consumers. The schemes provide transmission businesses with incentives to only incur efficient costs in meeting their service quality targets. Transmission businesses may incur a financial penalty if they fail to meet set targets.

What are the next steps?

We are calling for submissions on whether we need to amend or replace the current F&A for AusNet Services. **Submissions close on 30 August 2019.** If we decide to amend or replace the current F&A we will publish a preliminary positions paper in early 2020 and consult on what amendments should be made. If a new F&A is required we will publish it by 30 April 2020.