

## RIT-D

### Public Forum—draft RIT-D

#### Summary of Melbourne workshop—26 June 2013

Separate workshops on the draft regulatory investment test—distribution (RIT-D) and draft RIT-D application guidelines (application guidelines) were held in the Australian Energy Regulator's (AER) Melbourne and Sydney offices. Some participants were able to connect via teleconference.

Mr John Skinner, Director of the project, chaired the workshops. A full attendee list can be found in Attachment A. This summary outlines the key topics discussed at the workshops, including views expressed at the workshop, without ascribing particular comments to any one individual or organisation.

#### **1 Introduction**

The AER's purpose in holding workshops in Melbourne and Sydney was to consult on the draft RIT-D and the application guidelines.

These workshops did not cover any other Power of Choice related matters, such as demand management incentives or development of more cost reflective or flexible pricing frameworks. These are still subject to further rule changes by the Australian Energy Market Commission (AEMC).

The workshops provided distribution businesses and other stakeholders an opportunity to discuss the draft RIT-D and application guidelines, released for public consultation on 5 June 2013.

#### **2 Issues discussed at the workshop**

##### *a) Market benefits*

Network service providers (NSP)s queried when to quantify market benefits as it was not clear in the draft RIT-D. AER staff (staff) indicated that the quantification of market benefits is only mandatory for non-reliability driven projects.

##### *b) Base case*

All participants agreed with the treatment of this issue in the draft RIT-D application guidelines.

##### *c) Discount rates*

Participants were generally happy with the treatment of discount rates.

However, NSPs queried whether:

- the regulated weighted average cost of capital (WACC) was utilised with a plus/minus on the sensitivity analysis
- a lower than regulated WACC could be utilised in forming options.

Consumer representatives queried whether the AER's WACC guidelines will be updated yearly. Staff noted that the WACC should not affect the ranking of the projects.

*d) Deemed values*

Deemed values issue were discussed by the participants.

*e) Lead party*

The lead party issue was discussed by the participants.

*f) Sensitivity analysis*

Consumer representatives noted that a RIT-D proponent needs to take into account all outcomes. Where weights are assigned to options meeting a network need, it should provide supporting information. Each option should be assessed individually. Application guidelines should also make clear that the probabilities are not set in stone. While the RIT-D proponent needs to weigh options, it should be noted that this is not always possible.

Participants noted that it would not be reasonable to assign an exact cost to an option. It is more reasonable to assess the options based on previous experience, which needs to be built into the guideline.

NSPs noted that it is difficult to attribute values to options as probabilities may not always be available.

Staff noted that it will review the wording in the draft RIT-D to note that judgement should be exercised in attributing probabilities.

*g) Treatment of land*

Participants supported the view that a value of land should be included in a RIT-D.

The issues discussed included:

- what value to ascribe to land for the purposes of a RIT-D assessment
- whether the strategic purchase of land should trigger a RIT-D. It was recognised by participants that land often needs to be purchased as soon it becomes available.
- any purchase of land will be rolled into the regulated asset base (RAB) and reviewed during the next reset.

*h) Voluntary curtailment*

Participants noted that internally, market benefits are paid out to consumers. This should be noted in the RIT-D.

*i) Other issues*

Consumer engagement

Consumer representatives queried whether the RIT-D would refer to the AER's Consumer Engagement Guideline, especially in areas of consumer involvement and dispute resolution.

Staff noted that the RIT-D cannot exclude consumers from this process.

### Dispute resolution

Participants noted that disputes within a regulatory test context arise over issues such as wealth transfers.

Consumer representatives requested that the application guidelines have more detail on interested parties and dispute resolution. They also queried whether RIT-D proponents were obliged to identify an interested party.

Staff noted that RIT-D proponents did not have to seek out interested parties.

### **3 *Concluding comments***

Mr Skinner thanked all attendees for their participation. He requested that submissions be made on time and where possible, it would be appreciated for it to be received ahead of the deadline.

## Attachment A: Attendee list

<b>Name</b>	<b>Organisation</b>
Neil Gascoigne	CitiPower and Powercor
Elizabeth Carlile	CitiPower and Powercor
Paul Troughton	EnerNOC Pty Ltd
Rodney Bray	United Energy and Multinet Gas
Nadia Yousif	United Energy and Multinet Gas
Mark Henley	UnitingCare Australia
Gabriel Wan	Jemena
Ashley Lloyd	Jemena
Mark Harding	Economic and Regulatory Consulting (behalf of CitiPower and Powercor)
Bev Hughson	Darach Energy Consulting Service
Rajat Sood	Frontier Economics
John Skinner	AER
Shalini Prasad	AER

## Telephone hook in

<b>Name</b>	<b>Organisation</b>
Sisira Weeratunga	Energex
Charmain Martin	Energex
Alex McPherson	Energex
Aaron Forno.	Energex
Nicole Roscoe	Energex
Michael Whitfield	DRET