



DRAFT DECISION

Evoenergy

Adjustment Determination

September 2018

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Note

This adjustment determination should be read with:

- our draft decision on the Evoenergy remade electricity distribution determination for the 2014–19 regulatory control period; and
- our draft decision on the Evoenergy electricity distribution determination for the 2019–24 regulatory control period.

Contents

Note	2
Contents	3
Invitation for submissions	4
1 Background.....	5
1.1 Remaking of our 2015 final decision.....	5
1.2 AEMC revenue smoothing rule change	6
2 Our draft decision.....	7

Invitation for submissions

Interested parties are invited to make submissions on this draft decision paper by 5 October 2018.

Submissions should be sent to: ActewAGLremittal2014-19@aer.gov.au

Alternatively, submissions can be sent to:

Sebastian Roberts
General Manager, Transmission & Gas
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Submissions should be in Microsoft Word or another text readable document format.

We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested. Parties wishing to submit confidential information should:

- (1) clearly identify the information that is the subject of the confidentiality claim
- (2) provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential submissions will be placed on our website.¹

¹ For further information regarding our use and disclosure of information provided to us, see the *ACCC/AER Information Policy* (June 2014), which is available on our website: <https://www.aer.gov.au/publications/corporate-documents/acc-and-aer-information-policy-collection-and-disclosure-of-information>

1 Background

This adjustment determination was brought about by:

- the appeal of our final decision for the Evoenergy (then ActewAGL) 2014–19 electricity distribution determination (2015 final decision), and the subsequent remaking of our 2015 final decision (currently in process).
- the Australian Energy Market Commission's (AEMC) rule change regarding cross period revenue smoothing.

Under the National Electricity Rules, we are required to make an adjustment determination in order to ensure Evoenergy recovers only the revenue to which it is entitled and should not receive any windfall gains or losses as a result of the appeals process.² This adjustment determination primarily relates to the additional revenue Evoenergy can recover from metering services.

1.1 Remaking of our 2015 final decision

In April 2015, we published our final decision on the 2014–19 electricity distribution determination for Evoenergy.

In response, Evoenergy sought merits review of our final decision. The Australian Competition Tribunal (Tribunal) set aside our determination and remitted our decision to us to be remade.³

In March 2016, we sought judicial review of the Tribunal's decisions in the Full Federal Court. The Court upheld our appeal regarding imputation credits (or gamma), but dismissed our appeal regarding return on debt and operating expenditures (opex) (and its implications for the STPIS). As a result, we were tasked with revisiting our decisions on the latter aspects.

On 24 July 2018, Evoenergy submitted a proposal outlining its suggested approach to remaking our determination for the 2014–19 regulatory control period.⁴ Some consumer groups also provided their views on the proposal. Evoenergy's proposal and consumer groups' feedback is published on our website.

We have published our 2014–19 remade draft decision for Evoenergy on our website.⁵

² NER, cl 8A.15.5.

³ In accordance with its orders regarding return on debt; imputation credits (gamma); and operating expenditure and the implications of this for the Service Target Performance Incentive Scheme (STPIS).

⁴ Evoenergy, *Proposal for the remittal of Evoenergy's 2014-19 determination*, 24 July 2018.

⁵ AER, *Draft Decision: Evoenergy 2014–19 electricity distribution determination*, September 2018.

1.2 AEMC revenue smoothing rule change

During the appeal process, Evoenergy entered into enforceable undertakings with the AER to set prices for the 2016–17 to 2018–19 regulatory years. It was acknowledged the revenue Evoenergy collected through undertakings could differ, perhaps significantly, from the revenue it would be entitled to under the remade determination.

If so, this could cause significant fluctuation in network tariffs between the remaining years of the 2014–19 regulatory period, at the time of the appeals, and the first year of the next (2019–24) regulatory period. Evoenergy therefore submitted a rule change request to the AEMC to provide a mechanism to minimise potential price volatility for its customers that may occur as a result of the appeals and remittal decision.

On 1 August 2017, the AEMC published its ACT revenue smoothing final rule which provides such a mechanism.⁶ This adjustment determination is made under this final rule.⁷

The only component of our adjustment determination for Evoenergy will be the additional revenue it can recover from customers for the provision of metering services in the 2019–24 regulatory control period (see section 2).

⁶ NER, rule 8A.15.

⁷ NER, cl 8A.15.5. We anticipate making our 2014-19 remade final decision for Evoenergy later this year (that is, prior to 1 May 2019).

2 Our draft decision

Below, we set out our draft decisions for the metering variation amount.⁸

Our draft decision is that the metering variation amount is \$3.7 million (\$2018-19).

Evoenergy is to recover this amount in the 2019–24 regulatory control period. We will incorporate this amount in our upcoming draft decision on the 2019–24 distribution determination for Evoenergy.⁹ In particular, we will incorporate this amount as an increase to Evoenergy's metering building block revenue requirement in net present value terms. We will incorporate the metering variation amount into the metering building block for alternative control services for the 2019–24 regulatory control period,¹⁰ and not the building block for standard control services.

This metering variation amount is brought about by the correction of an error in the calculation of metering opex, as discussed by the Tribunal when it remitted our 2015 final decision to us to be remade.¹¹

We note that Evoenergy, in its 2014–19 remittal proposal, estimated the value of this error as approximately \$3.8 million.¹² We have since confirmed the metering variation amount to equal \$3.7 million (\$2018–19).

⁸ NER, cl 8A.15.5(b).

⁹ NER, cl 8A.15.5(c)(3) and (5).

¹⁰ NER, cl 8A.15.5(c)(8).

¹¹ Australian Competition Tribunal, *Application by ActewAGL Distribution [2016] ACompT 4*, 26 February 2016, paragraphs 57–71.

¹² Evoenergy, *Proposal for the remittal of Evoenergy's 2014–19 determination*, 24 July 2018, p. 6.