

**STATEMENT OF REASONS**

**Ausgrid electricity distribution network**

**Approval of 2014–15 pricing proposal**

The Australian Energy Regulator has approved Ausgrid’s annual pricing proposal, which establishes the network tariffs and alternative control service charges applicable from 1 July 2014 to 30 June 2015.

We assessed the annual pricing proposal for compliance with the price control mechanisms set out in Ausgrid’s placeholder determination for the transitional regulatory control period 2014–15 (placeholder determination) and with section 6.18 of the National Electricity Rules (the rules). Customers on the most common residential tariff will likely see a *retail bill* decrease of 0.2 per cent from this decision.

The reasons for approving Ausgrid’s annual pricing proposal are that:

* We are satisfied that the proposed network tariffs have been calculated using the approved revenue requirement (as per the revenue cap formula in the placeholder determination) and based on reasonable quantity forecasts. Furthermore, the proposed network tariffs comply with the relevant pricing principles and side constraints set out in the distribution pricing rules.
* Ausgrid has correctly applied the approved price control mechanism to calculate the alternative control service prices in accordance with the placeholder determination. The approved price control mechanism involves escalating current prices by the change in the March quarter CPI on a year on year basis multiplied by an approved X factor.

The approved 2014–15 network tariffs and alternative control service charges can be found in the following document found on our website:

[Ausgrid Networks Distribution—](https://www.aer.gov.au/sites/default/files/ActewAGL%20Distribution%20-%202014-15%20Revised%20annual%20network%20pricing%20proposal.pdf) Attachment A – Ausgrid 2014–15 Revised Annual Pricing Proposal

Attachment A2 – Ausgrid 2014–15 Public Lighting charges