

Attachment 9.04

Reporting on recovery of designated pricing proposal charges and jurisdictional scheme amounts (climate change fund)

May 2014



1. Reporting on recovery of designated pricing proposal charges

Purpose

This section sets out Ausgrid's proposed approach to the reporting on the recovery of designated pricing proposal charges.

Designated pricing proposal charges include the transmission related charges payable to TransGrid, avoided TUOS charges payable to certain generators as well as inter distributor payments.

Relevant rule requirements

For the regulatory control period 2015-2019, clause 6.12.1(19) requires the AER to make a decision:

*“on how the DNSP is to report to the AER on its recovery of **designated pricing proposal charges** for each regulatory year of the regulatory control period and on the adjustments to be made to the subsequent pricing proposals to account for over or under recovery of those charges. .”*

Arrangements for the 2009-2014 period

Under the transitional rules which applied to the current period (2009-2014), Rule 6.12.1(19) required the AER to make a decision in relation as to how the DNSP was to report on the recovery of transmission use of system charges and on the adjustments to be made in future pricing proposals, rather than designated pricing proposal charges. As part of its decision for the 2009-2014 the AER imposed requirements for Ausgrid to maintain a transmission use of system (TUOS) overs and unders account. These requirements were set out in detail in appendix I to that decision.

AER's decision for the Transitional Regulatory Control Period

For the transitional regulatory control period 2014-15, the AER determined to carry over the arrangement for the 2009-2014 period which had previously applied to the recovery of TUOS charges.¹

Proposed Arrangements for 2015-2019 period

Ausgrid proposes that the AER make a decision which results in the same mechanism for the reporting on recovery of designated pricing proposal charges and subsequent adjustments to that used for transmission use of system charges during the 2009-14 and the transitional 2014-15 transitional regulatory periods. The current mechanism is based on the audited closing balance in year t-2, and an estimate of the closing balance in year t-1. The over/under recovery in year t-1 is recovered via an adjustment in year t. This information is reported in the form of a table in the pricing compliance model, submitted to the AER as part of the annual pricing proposal. An example based on the requirements of attachment I of the AER's 2009-14 decision for Ausgrid is shown in Table 1.

¹ AER 2014, Placeholder determination for the transitional regulatory control period 2014-15, Ausgrid, April, p.5

Table 1 - Proposed reporting on recovery of designated pricing proposal charges (FY2014 overs and unders account set out in 2013-14 pricing proposal used as an example)

Ausgrid - financial year ending 2014

TRANSMISSION RECOVERY ARRANGEMENTS

1A

Inputs		t-2 audited 2012	t-1 expected 2013	t forecast 2014
Financial year ending				
Revenue from Transmission Cost Recovery (TCR) Tariffs	\$'000	491,661	514,900	550,675
			-	-
Transmission charges to be paid to TNSP's (Settlement residue payments)	\$'000	485,056	523,073	516,500
	\$'000	-	-	-
Avoided TUOS payments	\$'000	274	500	500
Inter-distributor payments	\$'000	13,170	13,500	13,838
Total transmission related payments (net of settlement residue)	\$'000	498,500	537,073	530,838
		-	-	-
Audited opening balance of trans overs/(unders) account	\$'000	10,118	-	-

1B

Overs and Unders Account forecast closing balance		t-2 audited 2012	t-1 expected 2013	t forecast 2014
Financial year ending				
Interest rate applicable to balance	%	10.02%	10.02%	10.02%
Opening balance	\$'000	10,118	3,949	(18,912)
Interest on opening balance (365 days)	%	1,014	396	(1,895)
forecast over / (under) recovery for financial year		(6,840)	(22,173)	19,837
Interest charged on over/under recovery for financial year	\$'000	(343)	(1,084)	970
Closing balance of transmission overs/ (unders) account	\$'000	3,949	(18,912)	0.0

2. Reporting on jurisdictional scheme amounts (climate change fund)

Purpose

This section sets out Ausgrid's proposed approach to the reporting on the recovery of jurisdictional scheme amounts (NSW Climate Change Fund)

Jurisdictional schemes amounts are amounts which DNSPs are required to pay under jurisdictional requirements which have been recognised by the rules or the AER as amounts which may be recovered under the rules as part of the DNSP's pricing proposal.

There are currently two jurisdictional schemes relevant to the NSW DNSPs which are recognised by the rules. The first is the NSW solar bonus scheme, the second is the NSW climate change fund, each of which are recognised under rule 6.18.7A(e)(2) and (3) respectively.

Relevant rule requirements

For the regulatory control period 2015-2019, clause 6.12.1(20) requires the AER to make a decision:

*“on how the DNSP is to report to the AER on its recovery of **jurisdictional scheme amounts** for each regulatory year of the regulatory control period and on the adjustments to be made to the subsequent pricing proposals to account for over or under recovery of those charges. A decision under this subparagraph (20) must be made in relation to each jurisdictional scheme under which the Distribution Network Service Provider . . .”*

Both the NSW Solar Bonus Scheme and the NSW Climate Change Fund are recognised as jurisdictional schemes by clause 6.18.7A(e)(2) and (3) of the rules.

Arrangements for the 2009-2014 period

During the 2009-2014 period all payments made under the NSW solar bonus scheme have been recovered by NSW DNSPs through payments to and from the NSW climate change fund. Clause 6.18.7 of the transitional chapter 6 expressly provided for pricing proposals to pass on to customers, payments into the climate change fund. Once payments were made into the climate change fund the NSW government arranged for the NSW DNSP to be reimbursed from the fund.

AER's decision for the Transitional Regulatory Control Period

For the transitional regulatory control period, the AER determined to carry over the arrangement for the 2009-2014 period which had previously applied to the recovery of jurisdictional scheme amounts.²

Proposed arrangements for the 2015-2019 period

The NSW DNSPs anticipate that the current arrangements will continue whereby Solar Bonus Scheme payments are recovered through the climate change fund until the NSW solar bonus scheme finishes in December 2016. However should there be any change to these arrangements, the NSW DNSPs would need to recover NSW solar bonus payments directly as a jurisdictional scheme. Consequently the NSW DNSPs are seeking that the AER make a decision on how the NSW DNSP are to report on the recovery of both the NSW climate change fund and the NSW solar bonus scheme and any subsequent adjustments.

Ausgrid proposes that the AER makes a decision that results in the same mechanism for the reporting on recovery of jurisdictional scheme amounts and adjustments in subsequent pricing proposals for both the NSW climate change fund and the NSW solar bonus scheme as that which has been in place during the 2009-14 and the transitional regulatory control periods.

The current mechanism is based on the audited closing balance in year t-2, and an estimate of the closing balance in year t-1. The over/under recovery in year t-1 is recovered via an adjustment in year t. This information is reported in the form of a table in the pricing compliance model, submitted to the AER as part of the annual pricing proposal. An example is shown in Table 2.

² AER 2014, Placeholder determination for the transitional regulatory control period 2014-15, Ausgrid, April, p.5

Table 2 - Proposed reporting on recovery of climate change fund and NSW solar bonus scheme charges (FY2014 overs and unders account as set out in 2013-14 pricing proposal used as an example)

Ausgrid - financial year ending 2014

CLIMATE CHANGE FUND RECOVERY ARRANGEMENTS

2A

Inputs		t-2 audited 2012	t-1 expected 2013	t forecast 2014
Financial year ending				
Revenue from Climate Change Fund Recovery.	\$'000	71,331	118,100	149,704
		-	-	-
Climate Change Fund Contribution	\$'000	71,012	118,000	149,802
		-	-	-
Audited opening balance of CCF overs/(unders) account	\$'000	(313)	-	-

2B

Overs and Unders Account forecast closing balance		t-2 audited 2012	t-1 expected 2013	t forecast 2014
Financial year ending				
Interest rate applicable to balance	%	10.02%	10.02%	10.02%
Opening balance	\$'000	(313)	(10)	94
Interest on opening balance (365 days)	%	(31)	(1)	9
forecast over / (under) recovery for financial year		319	100	(99)
Interest charged on over/under recovery for financial year	\$'000	16	5	(5)
Closing balance of CCF overs/(unders) account	\$'000	(10)	94	0.0