

ATTACHMENT 9.3

REPORTING ON RECOVERY OF DESIGNATED PRICING PROPOSAL CHARGES

Contents

1. Introduction	3
2. Relevant rule requirements	3
3. Proposed arrangements for 2014-19 regulatory control period	3

1. Introduction

Designated pricing proposal charges include the transmission related charges payable to TransGrid, avoided transmission use of system (TUOS) charges payable to certain generators as well as inter-distributor payments. Essential Energy proposes that the AER should use the same unders and overs account mechanism to report the recovery of designated pricing proposal charges as that used to report TUOS charges and CCF payments during the current regulatory control period. The proposed unders and overs account mechanism ensures that these charges and scheme amounts are passed through to customers in a manner that ensures they pay no more or less than required.

The mechanism also includes an adjustment on outstanding balances that is consistent with the allowed rate of return. The under or over recovery calculated by this mechanism is passed through to customers through an adjustment in annual prices. It will be reported in the pricing compliance model submitted to the AER as part of the annual pricing proposal.

2. Relevant rule requirements

For the regulatory control period, the National Electricity Rules (the Rules), Clause 6.12.1 (19) requires the AER to make:

“a decision on how the Distribution Network Service Provider 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 subsequent pricing proposals to account for over or under recovery of those charges..”

3. Proposed arrangements for 2014-19 regulatory control period

Essential Energy 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 TUOS during the current regulatory control period. 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 under or over 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 Appendix I referred to in section 6.1.2 above is shown in table 6-1 below.

Table 1: Proposed reporting on recovery of designated pricing proposal charges (2013-14 example)

\$000s nominal	t-2 2011-12 audited	t-1 2012-13 expected	1 2013-14 forecast
Revenue from Transmission Cost Recovery (TCR) Tariffs	276,097	279,826	282,324
Transmission charges to be paid to Transmission Network Service Providers (TNSPs)	239,691	262,708	259,217
(Settlement residue payments)	-	-	-
Avoided TUOS payments	1,475	1,478	1,444
Inter-distributor payments	20,025	20,975	22,507
Total transmission related payments (net of settlement residue)	261,191	285,161	283,167
Overs and Unders Account forecast closing balance			
Interest rate applicable to balance	10.02%	10.02%	10.02%
Opening balance	(8,920)	5,822	809
Interest on opening balance (365 days)	(894)	583	81
Forecast over/(under) recovery for financial year	14,906	(5,335)	(844)
Interest charged on over/under recovery for financial year	729	(261)	(41)
Closing balance of transmission Overs/ (Unders) account	5,822	809	5