

ATTACHMENT 9.4

REPORTING ON RECOVERY OF JURISDICTIONAL SCHEMES

1. Introduction

Jurisdictional scheme amounts are amounts which Essential Energy is required to pay under jurisdictional legislation. They have been recognised as amounts which may be recovered under the National Electricity Rules (NER) as part of our annual pricing proposal. . There are currently three jurisdictional schemes relevant to Essential Energy which are recognised by the NER. The first is the NSW Solar Bonus Scheme, the second is the NSW Climate Change Fund, and the third is the Queensland Solar Rebate, each of which are recognised under Rule 6.18.7A(e)(1), (2) and (3) respectively.

Essential Energy proposes that the AER use the same unders and overs account mechanism to report the recovery of jurisdictional scheme amounts 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 (20) requires the AER to make:

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

3. Arrangements for the 2009-14 regulatory control period

During the current regulatory control period all payments made under the NSW Solar Bonus Scheme have been recovered by Essential Energy through payments to and from the NSW Climate Change Fund. Clause 6.18.7 of the NER transitional Chapter 6 expressly provided for pricing proposals to pass on payments into the Climate Change Fund to customers. Once payments were made into the Climate Change Fund, the NSW government arranged for Essential Energy to be reimbursed from the fund. Clause 6.18.7 was amended into its current form when amendments were made to the NER in July 2010 by the National Electricity Amendment (Payments under Feed-in Schemes and Climate Change Funds) Rule 2010. Consequently the AER has not been required to make a formal decision on reporting on the recovery of jurisdictional scheme amounts for Essential Energy.

In February 2013, Essential Energy was advised by the Queensland Department of Energy and Water Supply that they would cease to reimburse payments made by Essential Energy to customers covered by the (*Electricity Act 1994 (Qld)*) after 30 June 2013. These amounts have been claimed outside of the jurisdictional scheme arrangements during the current regulatory control period, however we intend to claim the amounts paid during the 2013-14 financial year through the reporting on the recovery of jurisdictional scheme amounts in 2014-15.

4. Proposed arrangements for 2014-19 regulatory control period

For the transitional regulatory control period, the AER determined to carry over the arrangements for the 2009-2014 period which had previously applied to the recovery of jurisdictional scheme amounts.¹

¹ AER 2014, Placeholder determination for the transitional regulatory control period 2014-15, Essential Energy, page 5.

Essential Energy anticipates that the current arrangements will continue whereby Solar Bonus Scheme payments are recovered through the Climate Change Fund until the NSW Solar Bonus Scheme cease. However should there be any change to these arrangements, Essential Energy would need to recover NSW solar bonus payments directly as a jurisdictional scheme. Consequently, Essential Energy is seeking that the AER make a decision on how we are to report on the recovery of the NSW Climate Change Fund, the NSW Solar Bonus Scheme, and any subsequent adjustments. In addition, Essential Energy seeks a decision from the AER on how we are to report on the recovery of payments made under Section 44A of the Electricity Act 1994 (Qld).

Essential Energy 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 the NSW Climate Change Fund and the NSW Solar Bonus Scheme as that which has been in place during the current regulatory control period. Essential Energy also proposes to use a similar mechanism to recover the jurisdictional scheme amounts related to Queensland solar rebates under Section 44A of the Electricity Act 1994 (Qld).

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 of this is shown in Table 4.1 below.

Table 4.1: Proposed reporting on recovery of Climate Change Fund, NSW Solar Bonus Scheme and Queensland Solar Rebate

\$000s nominal	t-2 2011-12 audited	t-1 2012-13 expected	1 2013-14 forecast
Revenue from Climate Change Fund Recovery (CCF) Tariffs	34,706	61,671	61,190
Climate Change Fund Payments	34,754	57,750	64,366
Overs and Unders Account forecast closing balance			
Interest rate applicable to balance	10.02%	10.02%	10.02%
Opening balance	(851)	(986)	3,028
Interest on opening balance (365 days)	(85)	(99)	303
Forecast over / (under) recovery for financial year	(48)	3,921	(3,176)
Interest charged on over/under recovery for financial year	(2)	192	(155)
Closing balance of Climate Change Fund overs/(unders) account	(986)	3,028	0