



Hon Lily D'Ambrosio MP

Minister for Energy, Environment and Climate Change
Minister for Suburban Development

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Clare Savage
Chair
Australian Energy Regulator
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Ref: MBR040694

Dear Ms Savage

CHANGES TO TIMING OF ANNUAL VICTORIAN NETWORK PRICE UPDATES

Further to my letter to Ms Paula Conboy dated 12 April 2019, I am writing to confirm that the Victorian Government intends to introduce legislation in early 2020 to amend the timing of Victorian energy network price updates.

The Victorian Government considers there are several benefits in changing the timing for network price updates from a calendar year to a financial year. These include:

- avoiding bill shock for customers over the Christmas/New year period, when customers may be more affected by cost-of-living pressures;
- prompting customers to engage with the market and consider other offers at a time of year when they are more likely to do so (i.e. end of financial year rather than calendar year); and
- aligning Victorian price change timing with other jurisdictions.

The Victorian Government is developing legislation to make amendments to the *National Electricity (Victoria) Act 2005* (NEVA) and *National Gas (Victoria) Act 2008* (NGVA) to give effect to this change. Subject to Parliamentary passage, the legislation will extend the current regulatory control period (for electricity) and current access arrangement period (for gas) by six months and require distributors to submit pricing proposals in respect of the six-month extension. The Victorian Government understands the Australian Energy Regulator (AER) has varied the usual timeframes for submission of regulatory proposals as a consequence of the anticipated extension of the regulatory period. The legislation will ensure the validity of regulatory proposals that are submitted in accordance with the AER's revised timeframes.

Among other matters, the legislation will:

- amend the NEVA to direct the AER to apply the 2018 Rate of Return Instrument (RORI) from 1 January 2021;
- validate the AER's actions, retrospectively if required, regarding the process used to apply the RORI and the process for nomination of averaging periods;
- amend the NGVA to provide for the application of either the 2018 RORI or the 2022 RORI during the period of the 6-month extension for gas, depending on whether the AER makes its regulatory decision for gas distribution businesses before or after 20 December 2022; and
- give the AER discretion to make adjustments to the current and following distribution determination or final decision that are necessary or incidental to the date change.

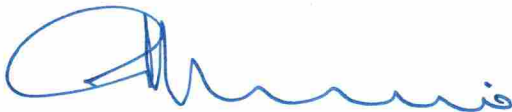
It is the expectation of the Victorian Government that electricity Distribution Network Service Providers (DNSPs) will ensure that consumers are not worse off as a result of changing the timing for network price updates. I have written to DNSPs to urge them to work constructively with the AER to ensure a smooth implementation of this reform that prioritises the best outcome for consumers.

The legislative amendments will also provide that Orders in Council may be made for or in respect of the adjustments the AER may make and any matters necessary or incidental to the extension of the current regulatory control period. This is intended to be a reserve power only, used to address any unforeseen issues that may arise during implementation of the reform over the six-month period between 1 January 2021 and 30 June 2021 for electricity DNSPs and 1 January 2023 and 30 June 2023 for gas distributors.

It is expected that the legislation will be ready for introduction into Parliament in early 2020. I understand the AER will continue ongoing consultation with businesses to discuss how these reforms will affect deadlines for pricing proposals and to discuss other implementation issues.

Should you wish to discuss this further please contact Ms Sarah Sheppard, Director, Energy Consumer Policy, Department of Environment, Land, Water and Planning on (03) 9637 9789 or sarah.sheppard@delwp.vic.gov.au.

Yours sincerely



Hon Lily D'Ambrosio MP
Minister for Energy, Environment and Climate Change
Minister for Solar Homes

30, 10, 19

CC: Clare McIntosh, Director, Distribution Branch, Australian Energy Regulator