

Minutes

The AER's predetermination conference on its draft decision for SP AusNet's transmission determination

Rendezvous Hotel, Flinders St, Melbourne

Tuesday 11 September 2007

The conference commenced at 10 a.m.

1. The predetermination conference began with a presentation from Steve Edwell, the Chairman of the AER, on the AER's draft decision for SP AusNet's transmission determination. The presentation is available on the AER's website www.aer.gov.au. The Chairman then invited submissions and questions from other parties.

2. David Headberry (Energy Users Coalition of Victoria (EUCV)) made a short presentation. The EUCV's presentation is available on the AER's website, and raised the following issues:

- The EUCV expressed concern that the predetermination conference is the only opportunity for formal dialogue between the AER and interested parties (and that parties only had six business days between the publication of the draft decision and the predetermination conference), whereas VENCORP and SP AusNet will have further opportunities to meet with the AER. The EUCV claimed that, in previous ACCC processes, interested parties were given the opportunity to make submissions after the predetermination conference. The EUCV believes that this added value to AER/ACCC processes and gave interested parties an ongoing opportunity to express concerns.
- The EUCV expressed concern that interested parties were not given the opportunity to comment on the reports of the AER's consultants before the AER's draft decision was released.
- The EUCV noted that consumers need to know the potential impact of changes from the pricing principles and guidelines the AER has developed, and submitted that comparative historical data should be provided as part of a TNSP's proposal and the AER's draft decision. The EUCV believes that the AER should include price changes in context as part of its draft or final decision, so that interested parties (consumers) can see what the changes are in real terms.
- The EUCV submitted that it needs to be ensured that those using large quantities of electricity for a short amount of time see the impact of costs. This is an issue EUCV have taken up with the AER in their pricing principles approach. The EUCV expressed concern that SP AusNet and VENCORP aren't going to be subject to pricing principles.
- The EUCV submitted that significant growth in cost for Victorian transmission services is still occurring, and that, according to Powerlink,

Transgrid, Electranet, and Transend, the Victorian network is the most concentrated network and subsequently should have the lowest costs. Transmission costs equate to about 10% of the electricity bill, for large end users this is a significant cost.

- The EUCV considers the rise in controllable operating expenditure to be significant (\$44m in today's dollar). The EUCV considers that a previous benchmark has not been used as a basis for all changes (a bottom up approach has been used instead). In order to justify an increase in controllable operating expenditure, real changes that have occurred need to be identified.
- The EUCV expressed concern that the easement land tax is increasing, and submitted that this opens potential issues:
 1. whether or not the AER anticipated such an increase;
 2. that the easement land tax seems to be growing unrelated to electricity, but in line with land values risk element;

The EUCV submitted that the AER should address the Victorian government about the easement land tax and question why it is increasing with land value, and whether the tax will cease in 2015 as initially intended.

3. Steve Edwell thanked Mr Headberry for his presentation and made some comments in response:

- Today's conference is not the only opportunity for interested parties to put forward submissions. The purpose of the predetermination conference is to explain, by way of an overview, the AER's draft decision. If it is contemplated in the NER, and interested parties consider it preferable to have the conference further distanced from the draft, then changing the timing of the conference may be a possibility in future, subject to any constraints in the NER.

4. Lynley Jorgensen (AER) added:

- If the AER was to push back the timing of the predetermination conference, it would impact on the ability of the AER to adequately consider all written submissions before the release of its final decision. The NER require that written submissions close 45 business days after the predetermination conference. Under the NER the AER is also subject to a fixed time for release of its final decision. The AER must publish its final decision no more than two months prior to the beginning of the relevant regulatory control period.

5. Steve Edwell added

- The door is always open for people to come and talk to us at any time about aspects of the draft.

6. David Headberry commented that some parties are not comfortable making writing submissions, however may still have comments to make.

7. Steve Edwell continued:

- Although consultants' reports add value to the process, they are only one input into the AER's decision making process; the AER does not necessarily follow consultants' recommendations. If consultants' reports were published earlier, interested parties would tend to focus on the consultants' views, even though the AER's decision may not necessarily reflect those views. Interested parties will be better informed if they receive the draft decision at the same time as the consultants' reports. However, the AER is happy to reconsider this position if interested parties believe there is merit in doing so.
- Mr Edwell noted the EUCV's request that the AER's draft and final decisions present the impact on users of those decisions in an accessible way.

8. John Dick (Energy Action Group (EAG)) made the following submissions in support of the EUCV's submissions:

- The predetermination conference held by the AER under the NER was not truly a predetermination conference, as it was held after the release of the AER's draft decision, it's a justification for the draft.
- The focus of a predetermination process should be points raised by interested parties, rather than justification of the AER's draft decision.
- When funding needs to be accessed by bodies/ user groups, they need to know what the key issues are with adequate time to prepare submissions, especially when consultants' reports are released at the same time as the draft decision.

9. In response Mr Edwell noted that:

- The AER has pro-actively adopted a practice of holding public forums after the submission of a TNSP's proposal, at which TNSPs are invited to present their proposals to interested parties. This provides the opportunity for interested parties to engage with the relevant TNSP and the AER prior to the release of the AER's draft decision.

10. Mr Dick stated that he has received legal advice to the effect that the easement levy is not legal. The EAG also has concerns about how the easement tax gets presented within the MAR, and to deal with it as a pass through cost would be a more appropriate way to handle the tax.

11. In response, Mr Edwell noted that:

- The easement tax is a Victorian government tax and it is the responsibility of the Victorian government. However, the AER does give feedback to governments on the impact of their policies and processes, and will provide advice to the Victorian government on the impact of the tax in terms of pricing.

The conference then concluded at approximately 12 p.m.