



3 March 2014

Warwick Anderson
General Manager, Network Regulation
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

By email: AERInquiry@aer.gov.au

Dear Mr Anderson

REGULATORY CONTROL PERIOD 2014-19: FRAMEWORK AND APPROACH – NSW & TASMANIA

The National Generators Forum (NGF) welcomes the opportunity to comment on the AER's Framework and Approach documents for TransGrid, Transend, Ausgrid, Endeavour Energy and Essential Energy, as published in January 2014. These documents set out the AER's proposed approach to the economic regulation of transmission and distribution network services for the transitional regulatory period (2014-15 financial year) and the subsequent regulatory control period (four years to 30 June 2019).

The NGF is the national industry association representing private and government owned electricity generators. NGF members operate all generation technologies, including coal-fired plant, gas-fired plant, hydroelectric plant and wind farms.

The NGF has a keen interest in the setting of revenue caps for the network businesses. Dramatic increases in network charges in the past five years were passed through directly to all end use customers. The period of sharply rising retail prices coincided with an unprecedented decline in overall energy consumption and the level and frequency of peak demand events. This decline in both energy consumption and peak demand has damaged the financial viability of all generation businesses operating in the competitive wholesale market.

The Framework and Approach documents set out how the AER will apply the various efficiency sharing schemes, incentive schemes and expenditure assessment guidelines. These new arrangements will be applied for the first time to these network businesses following a series of Rule changes in recent past. The NGF supports these new initiatives. The test for the AER and other regulatory players will be ensuring that these various incentive schemes and guidelines can be applied effectively in practice.

The NGF notes that the AER will use the transitional regulatory proposals lodged by the network businesses to set “placeholder” revenue determinations for 2014-15, which may be modified when the final regulatory determinations are made. At this point, the NGF is reviewing these transitional proposals to assess the likely implications for future network charges as well as reviewing the robustness of assumptions incorporated in this early work. The NGF considers that one area where it can provide valuable input throughout the regulatory determination process is through sharing the views of NGF member on likely energy and peak demand trends over the short to medium terms. We recognise that this is an important input into setting overall revenue caps and initial network charges.

The NGF appreciates that the AER has initiated substantial changes to the Rules governing the revenue determination process and dedicated serious time and effort in developing the various components of the Better Regulation program. We look forward to commenting in detail as these new arrangements are rolled out for the first time when the New South Wales and Tasmanian network businesses submit their regulatory proposals over the next few months.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tim Reardon', with a stylized flourish at the end.

Tim Reardon
Executive Director