



Submission to the Australian Energy Regulator

Re: Transitional Feed in Tariff – AER determination under NER 6.6.1A

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1 Introduction

The Victorian Government amended the Electricity Industry Act in 2011 for the purpose of creating a Transitional Feed in Tariff (TFIT) Scheme for promoting the installation and use by Victorian households and small business of small solar energy generation facilities. The Transitional Feed in Tariff Amendment Act, No 64 of 2011 received assent on 22 November 2011 in Gazette S378. The Minister has yet to announce the commencement date of this scheme.

The Act places a number of obligations on retailers and distributors to provide qualifying customers with a \$0.25/kWhr credit for qualifying solar energy generation electricity.

40FH (2A)

Without limiting the generality of section 20(2) or (3) or section 21, the licence to distribute electricity held by that distribution company is deemed to include a condition requiring that distribution company to include in a use of system agreement with a relevant licensee or small retail licensee, a condition that credits to the relevant licensee or small retail licensee the amount of \$0.25 per kilowatt-hour for TFIT scheme electricity that is conveyed along a distribution system operated by that distribution company during the distributor TFIT obligation period.

Act No 64 also amends the National Electricity Victoria Act to place a TFIT feed in credit obligation on UE and to include the TFIT scheme as a jurisdictional scheme in the National Electricity Rules (NER) in accordance with NER 6.18.7A(d) (1).

'16A Modification of National Electricity Rules for the purpose of transitional feed-in tariff scheme

Despite section 6, the National Electricity Rules have the force of law in Victoria as if after rule 6.18.7A(e)(1)(iv) of the Rules there were inserted—

"(v) Electricity Industry Amendment (Transitional Feed-in Tariff Scheme) Act 2011 (Vic);".'

To enable UE to recover the costs of this jurisdictional scheme obligation, NER requires UE, during a regulatory control period to request the AER to determine how the costs may be recovered in accordance with NER 6.6.1A (a).

This submission is to meet the requirements of the NER 6.6.1A (a) in the current regulatory control period. UE requests the AER to make a determination on how UE is to report to the AER on its recovery of jurisdictional scheme amounts for the TFIT scheme 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 amounts in accordance with NER 6.6.1A (a) and NER 6.12.1 (20). UE request that the AER make a determination by the end of 2011 so that UE has assurance that should the DPI scheme commence on 1 Jan 2012 , UE is able to recover all costs incurred from this date.

2 The Event

The NER requires that UE must submit to the AER once the event under 6.6.1A (a) (1) or 6.6.1A (a) (2) are met.

6.6.1A Reporting on jurisdictional schemes

(a) If during a *regulatory control period*:

- (1) a scheme becomes a *jurisdictional scheme*; or
- (2) a *Distribution Network Service Provider* first becomes subject to *jurisdictional scheme obligations* under a *jurisdictional scheme*; and
- (3) the relevant *jurisdictional scheme* is not an *approved jurisdictional scheme*,

then a *Distribution Network Service Provider* may request the AER to determine how the *Distribution Network Service Provider* is to report to the AER on its recovery of *jurisdictional scheme* amounts in respect of that scheme 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 amounts.

The Act No 64 has met 6.6.1A (a) (1), TFIT is a jurisdictional scheme for the purposes of 6.18.7A (e) (1) (v).

3 Scope of this Submission

In accordance with the requirements of the NER 6.6.1A (b), this submission covers the following:

- (1) the name of the relevant jurisdictional scheme;
- (2) the date of the event referred to in subparagraph (a)(1) or (2);
- (3) details of how the Distribution Network Service Provider proposes to:
 - (i) estimate the jurisdictional scheme amounts for the relevant jurisdictional scheme for the purposes of clause 6.18.7A(b);
 - (ii) carry out any adjustments to jurisdictional scheme amounts for the relevant jurisdictional scheme for the purposes of clause 6.18.7A(b); and
 - (iii) report to the AER on the recovery process under clause 6.18.7A (a) to (c).

This submission deals with each of the sub clauses above.

(i) details of the relevant jurisdictional scheme

For the purposes of this submission the relevant jurisdictional scheme is the Electricity Industry Amendment (Transitional Feed in Tariff Scheme) Act 2011 (Vic).

The Transitional Feed in Tariff Amendment Act No 64 has met NER 6.6.1A (a) (1), TFIT is a jurisdictional scheme for the purposes of NER 6.18.7A (e) (1) (v).

(ii) the date of the event

The Transitional Feed in Tariff Amendment Act, No 64 of 2011 received assent on 22 November 2011, Gazette S378.

(iii) how the jurisdictional scheme amounts are estimated

UE submitted the annual pricing proposal for 2012 to the AER on 31 October 2011. At this time the TFIT Bill had not been given royal assent, nor had the Minister announced the commencement date for the TFIT scheme. The 2012 pricing proposal therefore could only cater for the continuation of the PFIT scheme as an open FIT scheme during 2012.

UE propose that the AER approve the unchanged 2012 pricing proposal and that the TFIT scheme amounts be recoverable from the commencement of the TFIT scheme (ie from 1 Jan 2012), these amounts will be estimated in the next annual pricing proposal for 2013.

UE have gained experience in the PFIT scheme over the last few years and are able to estimate the uptake of customers on the TFIT scheme, the TFIT scheme electricity and hence the TFIT scheme costs.

(iv) how adjustments to the jurisdictional scheme amounts will be made

UE will maintain an unders and overs account for the TFIT charges described in NER 6.18.7A (c). UE will provide information on this account to the AER as part of its annual pricing proposals under clause 6.18.2(b)(7) of the NER. UE will operate the unders and overs account from the commencement date of the TFIT scheme, that is, from the time UE is obliged to make TFIT credit payments.

As part of its pricing proposal for each remaining regulatory year of the 2011-15 regulatory control period, UE will provide details of the calculations of the 6.18.7A charges that UE incurred in accordance with its TFIT obligations including the under and over components as set out in this the Victorian Electricity Distribution Network Service Providers Distribution Determination, Appendices, Appendix F (Appendix F).

(v) report to the AER on the recovery process

The annual pricing proposal for 2013 will outline the tariffs designed to pass on to customers the costs of the TFIT scheme. At this stage UE envisage that this would operate in a similar manner to PFIT in terms of spreading the costs across tariffs classes, basis of charging etc.

The TFIT rebate of 25c/kWh will be available on the same network tariffs as PFIT.

The process for managing the under and over recovery of the TFIT scheme amounts will be managed in accordance with the method in Appendix F. Should the scheme commence on 1 Jan 2012, UE will under recover the TFIT scheme amounts in 2012 as UE legally did not have the opportunity to cater for TFIT in the 2012 pricing proposal.

UE expect that the under recovery of the TFIT scheme amounts for 2012 will be able to be recovered in future annual pricing proposals based on the actual costs in the audited regulatory accounts.

Reporting to the AER will also occur in the future annual pricing proposals and through the submission to the AER of the audited regulatory accounts.

4 UE request to the AER

UE requests the AER to determine how UE is to report to the AER on its recovery of the TFIT jurisdictional scheme amounts in respect of that scheme for the regulatory years 2012, 2013, 2014 and 2015 being the remaining years within the regulatory control period and on the adjustments to be made to subsequent pricing proposals to account for over or under recovery of those amounts in accordance with NER 6.6.1A (a) and NER 6.12.1 (20).

UE requests assurance from the AER that the under recovery of TFIT jurisdictional scheme amounts for 2012 will be recoverable in future regulatory years, given that these were unable to be requested at the time the 2012 pricing proposal was submitted to the AER.

UE requests the AER make a determination under NER 6.6.1A (e) and NER 6.12.1 (20) by 31 December 2011 which is prior to the commencement of the TFIT obligation. This enables alignment of the economic regulatory framework and the legal TFIT obligations.