



Hon Lily D'Ambrosio MP

Minister for Industry
Minister for Energy and Resources

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Ref: D2015/35752

Ms Paula Conboy
Chair
Australian Energy Regulator
Level 35, 360 Elizabeth Street
MELBOURNE VIC 3000

Dear Ms Conboy

DISTRIBUTION NETWORK PRICING ARRANGEMENTS

I write regarding the implementation of changes to distribution network pricing arrangements in Victoria.

Implementation of new pricing arrangements

As you are aware, the Australian Energy Market Commission announced on 27 November 2014 regulatory changes to deliver new distribution network pricing arrangements. In particular, the AEMC issued a new rule which seeks to establish network prices that reflect the business' efficient costs of providing services to each consumer. It also provided that network tariffs must comply with any jurisdictional pricing obligations imposed by state or territory governments.

The Andrews Labor Government supports pricing arrangements which aim to deliver greater efficiency in distribution networks. We believe such efficiencies can assist to reduce the need for network investment, delivering savings to energy consumers in the long term.

In Victoria, the new distribution network pricing arrangements will be implemented through an opt-in approach for the period 1 January 2017 to 31 December 2020. The Labor Government strongly believes that Victorians should be able to decide whether this new pricing approach is suitable for their household or small business. As such, Victorians will remain on their current network tariff structures unless they decide to choose the new pricing structures with their retailer.

This implementation approach will be delivered by amending Victoria's Advanced Metering Infrastructure (AMI Tariffs) Order (AMI Order). Stakeholders will be consulted on the proposed changes to this Order before it is amended in February 2016.



In 2020, the Victorian Government will review these arrangements to determine whether an opt-in approach remains appropriate for the following regulatory period.

Development of a Victorian energy demand management framework

Next year, the Labor Government will work with the community and industry to develop a Victorian energy demand management framework. As the only jurisdiction to have undertaken a rollout of smart meters, Victoria is in a unique position to deploy a range of technologies and services to manage electricity demand. This framework will identify measures to assist households and small businesses to manage their demand more effectively, particularly in peak periods. This will be developed to complement national schemes, such as the Demand Management Incentive Scheme, which is scheduled to apply in Victoria from 2021. In addition, the Labor Government expects this work will assist in further developing demand-side management policies through the COAG Energy Council.

If you have any questions, please contact Mark Feather, Executive Director, Energy Policy and Programs on (03) 9092 1880.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Lily D'Ambrosio', with a stylized, flowing script.

Hon Lily D'Ambrosio MP
Minister for Energy and Resources

Date: 21/12/2015