

2011–12 Distribution Loss Factor Approval Process

Distribution Network Service Providers (DNSPs) have an obligation to provide distribution loss factors (DLFs) approved by the AER to AEMO for publication by 1 April 2011. An assessment is required under clause 3.6.3(i) of the National Electricity Rules (NER) and the DLFs must be determined in accordance with a methodology published either by the AER or the DNSP (where the AER has not published a methodology).

Regulatory Managers will be aware that after reviewing existing jurisdictional methodologies the AER decided not to publish a common DLF calculation methodology. This decision took into account the potential to cause price shocks in some jurisdictions. Accordingly, the AER has decided to continue recent practice as set out in this communication for this year and subsequent years, until such time as a common methodology can be developed and implemented. There are, however, no immediate plans to begin this task.

Regulatory Managers should note this e-mail communication replaces the prior written notification to DNSPs of the arrangements to apply for the following year. Regulatory Managers should ensure this advice is brought to the attention of all relevant staff within their organisation.

AER process for approval of DNSPs' DLF calculations for 2011–12

The AER's proposed timeline and process for approval of 2011–12 DLFs will be a continuation of the approach used by the AER in approving 2010–11 DLFs.

1. Publication of methodology for determining DLFs

DNSPs should determine DLFs in accordance with their own published methodology or, where appropriate, the relevant published methodology operating in their jurisdiction as at 31 December 2007. Methodologies may be amended where necessary to better reflect the principles set out in the NER so long as the revised methodology is provided to the AER and published by the DNSP in an accessible form. Embedded network operators may apply the same process for determining DLFs as applied for DLFs determined for the 2010–11 financial year.

2. Independent certification of DNSPs' DLFs

DNSPs must determine their DLFs in accordance with their respective published methodologies. For approval by the AER the DNSP is to provide to the AER:

- the DLFs in a format fit for editing and publication by AEMO
- a copy of the methodology (in electronic form) and
- an independent assurance/certification that the DLFs have been calculated by the application of the relevant published methodology.

The AER considers that an assurance or certification provided by an auditor or a technical consultant is acceptable. The AER does not intend certification to be unduly burdensome but set at a standard sufficient for the certifying party to be confident that the appropriate data has been used, the correct methodology applied and that the results are a fair statement of the applicable loss factors for that firm.

Timeline for AER approval of DNSPs' 2011–12 DLFs

Friday, 11 March 2011 DNSPs submit DLFs and supporting documentation (including independent certification report) to the AER.

Thursday, 24 March 2011 AER provides approved DLFs to AEMO.

DNSPs' DLF calculations and independent certification of these calculations should be submitted in electronic form by COB, 11 March 2011 to AERInquiry@ aer.gov.au.

Enquiries regarding the AER's 2011–12 Distribution Loss Factor Approval Process can be sent electronically to AERInquiry@ aer.gov.au .

Stakeholders who do not wish to receive future AER communications should send an email to AERinquiry@ aer.gov.au.