

15 December 2016

John Pierce
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Response to Consultation Paper - NSW and ACT DNSPs revenue smoothing

Dear Mr Pierce,

Energy Networks Australia welcomes this opportunity to respond to the Australian Energy Market Commission's (AEMC) Consultation Paper on the *National Electricity Amendment (Participant derogation - NSW DNSPs revenue smoothing) Rule 2016* and the *National Electricity Amendment (Participant derogation – ACT DNSP revenue smoothing) Rule 2016* published on 17 November 2016.

Energy Networks Australia considers that the proposed rule changes seek a desirable policy outcome for the long-term interests of customers in NSW and ACT distribution network service providers' (DNSPs) specific circumstances. That is, the expectation of full recovery of efficient costs will be maintained whilst promoting stable forward pathways for customer prices. This outcome requires that the adjustments for "unders or overs" have the flexibility to apply over the current and upcoming regulatory control periods.

A pragmatic rule change outcome will increase regulatory certainty and promote the incentives for efficient investment, operation and use of the network. In particular, it will safeguard against potential price volatility that may be experienced by network customers by promoting the smoother revenue of any adjustments that may result at the conclusion of current legal proceedings.

Achieving this outcome would minimise the extent that there are distortions to the efficient use of the network. Importantly, if implemented by the AEMC, the proposed rule change would also ensure that DNSPs have the capacity to continue to access efficient long-term financing for network operation and capital expenditure regardless of the timing of the outcome of the legal proceedings. This is positive for NSW and ACT customers because it puts downward pressure on network charges.

Energy Networks Australia agrees that given a coincidence of unique circumstances, a rule change that only applies to NSW and ACT DNSPs is appropriate. We also note that NSW DNSPs consulted with stakeholders, including consumer groups, retailers and regulators in relation to the rationale for the rule change. Positive pre-lodgement engagement provided rule change proponents with valuable feedback and the opportunity to respond to stakeholder queries.

If further information is sought on this matter, please contact Garth Crawford, Executive Director, Economic Regulation, on 02 6272 1507.

Yours sincerely,



John Bradley

Chief Executive Officer