

15 September 2016

Mr John Pierce
Chairman
Australian Energy Market Commission,
Level 6, 201 Elizabeth Street,
SYDNEY NSW 2000

Consultation on request for rule change – Deferral of Rate of Return Guideline

Dear Mr Pierce

The Energy Networks Association welcomes the opportunity to provide its comments in relation to the Australian Energy Market Commission's Consultation Paper considering the changes to the *National Electricity Rules* and the *National Gas Rules* proposed by the Australian Energy Regulator (AER), which would defer the requirement for completion of a review of the Rate of Return Guideline for up to two years.

The ENA supports the AER's rule change proposal to alter the relevant provisions of the *National Electricity Rules* and *National Gas Rules* and its rationale for the change.

Significant elements of the guidelines are currently being considered in merits and judicial review proceedings, and the outcomes of these may not be known within the next 12 months. Given the potential for the outcomes of these proceedings to have implications for broader rate of return estimation processes, the deferral of the Rate of Review Guideline review will provide greater certainty to stakeholders during the review process.

The ENA further notes that since the Rate of Return Guideline is non-binding, sufficient flexibility exists to accommodate changes in market conditions at any point in time, i.e. during individual regulatory and access arrangement determinations.

In view of the above, the ENA considers that the rule change will promote the National Electricity and Gas Objectives for the long-term interests of consumers in promoting clear efficient investment signals and minimising regulatory costs, where circumstances justify it.

The ENA further supports the proposed deferral through the mechanism of an expedited rule change process. Approval of this rule change under the expedited process would provide timely clarity for all stakeholders on the review timing.

If further information is sought on this matter, please contact Garth Crawford, Executive Director, Economic Regulation, on 02 6272 1555.

Yours sincerely



John Bradley
Chief Executive Officer