

6 May 2016



Mr Warwick Anderson
General Manager – Network Financing and Reporting
Australian Energy Regulator

By email: warwick.anderson@ aer.gov.au

Dear Mr Anderson

AER proposal for changes to the National Electricity Rules and National Gas Rules regarding the review process of the Rate of Return Guideline

The Public Interest Advocacy Centre (PIAC) thanks the Australian Energy Regulator (AER) for the opportunity to provide comment on the AER's draft rule change proposal relating to the review requirement of the Rate of Return Guideline (the Guideline). The proposal covers both the National Electricity Rules and National Gas Rules.

PIAC understands that the AER is proposing to extend the timeframe for the completion of the next review of the Guideline from three to five years, which would effectively defer the required completion date from 17 December 2016 to 17 December 2018. The extension of time would apply to the next review only. We understand that the AER is making this proposal in light of the ongoing appeals process, including an impending judicial review, in relation to the AER's revenue determinations for the NSW distribution networks. The Australian Competition Tribunal's recent decision, which remitted the issue of debt and gamma to the AER, and the AER's application for judicial review of that decision, means that these two issues are still in contention. They are also key elements of the Guideline.

PIAC supports the AER's approach of reviewing the Guideline after the rate of return issues have been further clarified in the relevant appeals processes. We agree with the AER that there would be no value in commencing a review of the Guideline until the disputed issues are settled. This is a practical approach that ensures the next Guideline provides relevant and up-to-date guidance for stakeholders. We understand that the AER will look to the timetable of the next revenue determination resets and on that basis make best endeavours to ensure the timing of the review minimises any potential disruption.

PIAC agrees with the AER that the rule change proposal is unlikely significantly to impact on the energy market, and is unlikely materially to affect the regulation of gas and electricity network businesses as the current Guideline will remain in force. PIAC therefore agrees that this proposal should be treated as non-controversial and be expedited in accordance with section 96 of the *National Electricity Law* and section 304 of the *National Gas Law*.

Level 5, 175 Liverpool St
Sydney NSW 2000
Phone: 61 2 8898 6500
Fax: 61 2 8898 6555
www.piac.asn.au
ABN: 77 002 773 524

If you require any further information, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink that reads "Edward Santow". The signature is fluid and cursive, with the first name "Edward" and the last name "Santow" clearly legible.

Edward Santow

Chief Executive Officer

Public Interest Advocacy Centre

Direct phone: +61 2 8898 6508

E-mail: esantow@piac.asn.au