



**Economic and Financial Group
Chief Minister, Treasury and Economic Development Directorate
GPO Box 158
CANBERRA CITY ACT 2601**

8 February 2016

Dear Panel

ActewAGL Distribution comments on the ACT Energy Industry Levy discussion paper

ActewAGL Distribution welcomes the opportunity to comment on the discussion paper and asks that this late submission be considered by the panel. ActewAGL Distribution personnel have reviewed the paper and provide the following comments and responses to the questions posed in the paper:

1. Has the basis for the determination of the EIL been well understood by operators?

No. Although the levy has been operating since 2007, apart from any preliminary discussion prior to the introduction of the levy, the Levy Administrator has not communicated with industry. The only written communications are the Notifiable Instruments (NI) and their explanatory statements released annually. These contain minimal information.

2. Is the range of regulatory costs covered by the EIL understood by operators?

No. The NIs contain dollar values for the estimated year and the previous actual year only. It is understood that other agencies contribute to the costs borne by the Independent Competition and Regulatory Commission (ICRC), notably the Utilities Technical Regulation team at Access Canberra; and the ACT Civil and Administrative Tribunal (ACAT), but the separate costs for each agency are not provided to utilities. The NIs should provide the detail for local regulatory costs by agency.

3. Volatility of regulatory costs - Table 1.

Table 1 is limited in how it presents total costs. The total costs shown in this table are those that are recoverable from utilities and cover local and national regulatory costs. As identified in the previous comment above, individual local agency costs are not presented in a transparent manner. For local costs, the growth in staffing levels in the Technical Regulator's team may account for the largest proportion of cost.

Whilst that growth has occurred, there is no empirical evidence around utilities failing to meet performance standards that can support the growth; i.e. by way of example, if the number of breaches of law; or the number of consumer complaints has risen through the years, then evidence of that trend would support the expansion of regulatory staff. ActewAGL Distribution has not seen nor been presented with evidence of such.

Table 1 – Actual total regulatory costs from 2008-09 to 2014-15 as determined by the levy administrator, (\$, dollars)

Industry Sector	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Electricity Distribution	736,046	801,707	1,001,838	999,909	867,556	786,119
Electricity Supply	855,967	728,567	738,178	723,457	770,388	715,635
Gas Distribution	316,204	574,735	584,629	460,692	406,238	451,061
Gas Supply	340,092	441,472	472,568	356,115	292,465	305,837
Total	2,248,309	2,546,481	2,797,213	2,540,173	2,336,647	2,258,652

4. *The national and local costs for a financial year depend on the amount of regulatory activities undertaken by a regulator, the number of complaints received and/or how a regulator or arbiter classifies its regulatory costs in the year.*

This statement in the paper is commented on above in item 3.

5. *Does the volatility of the total regulatory costs (or the components thereof) make the predictability of your annual levy difficult?*

ActewAGL Distribution is concerned with:

- The way the levy is charged – a forecast and actual with last year’s payment subtracted (this creates volatility when the forecast is significantly wrong).
- The lack of transparency in the costs included and how they are allocated.

ActewAGL Distribution has improved cost recovery and limited exposure to unexpected cost movements through the jurisdictional scheme mechanism (for electricity networks) and the automatic adjustment factor (for gas networks – although the latter years of the regulatory period are uncertain). Additionally, the paper states that the variable component generally has no effect upon the distribution operators but analysis of the financial figures contradicts that claim.

Table 2 displays the volatility in the yearly charge for the distribution network operator/s.

Table 2 – ActewAGL Distribution table showing volatility of levy

Electricity	Total (Estimated)	Total (Actual)	Variance
2007/08	\$ -	\$ 162,978	
2008/09		\$ 492,412	
2009/10	\$ 1,108,994	\$ 1,079,376	-3%
2010/11	\$ 1,168,205	\$ 1,228,198	5%
2011/12	\$ 1,810,897	\$ 1,463,510	-19%
2012/13	\$ 1,403,123	\$ 1,511,915	8%
2013/14	\$ 1,789,932	\$ 1,362,793	-24%
2014/15	\$ 1,795,310	\$ 1,035,770	-42%
2015/16		-	
Gas	Total (Estimated)	Total (Actual)	Variance
2007/08	\$ -	\$ 21,874	
2008/09	\$ 655,703	\$ 249,332	-62%
2009/10	\$ 728,706	\$ 537,313	-26%
2010/11	\$ 971,806	\$ 989,840	2%
2011/12	\$ 1,353,280	\$ 981,785	-27%
2012/13	\$ 995,859	\$ 842,214	-15%
2013/14	\$ 849,024	\$ 689,395	-19%
2014/15	\$ 835,868	\$ 713,174	-15%
2015/16		0	

ActewAGL Distribution trusts that the information provided in this submission will provide the Directorate with levy issues to consider.

If you have any enquiries in relation to this submission, please contact Robert Walker, Senior Regulatory Officer on [redacted]

Yours sincerely



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 ActewAGL Distribution

