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National Electricity (Binding Rate of Return Instrument) Amendment Rule 2018

under section 90BA of the *National Electricity Law*

Preamble

This Rule revokes and amends Rules in the National Electricity Rules consequential on the enactment of the *Statutes Amendment (National Energy Laws) (Binding Rate of Return Instrument) Act 2018*.

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Part 1—Preliminary

1 Name of Rule

This Rule is the *National Electricity (Binding Rate of Return Instrument) Amendment Rule 2018*.

2 Commencement

This Rule commences on the day on which section 9 of the *Statutes Amendment (National Energy Laws) (Binding Rate of Return Instrument) Act 2018* comes into operation.

3 Amendment of National Electricity Rules

The *National Electricity Rules* are amended as set out in Part 2.

Part 2—Amendment of National Electricity Rules

4 Amendment of clause 6.2.8 (Guidelines)

Clause 6.2.8(a)(1)—omit “the *Rate of Return Guidelines*,”

5 Substitution of clauses 6.5.2 and 6.5.3

Clauses 6.5.2 and 6.5.3—omit the clauses and substitute:

6.5.2 Return on capital

The return on capital for a *Distribution Network Service Provider* for a *regulatory year* (RC_t) is to be calculated using the following formula:

$$RC_t = r_t \times v_t$$

where:

r_t is the *allowed rate of return* for the *Distribution Network Service Provider* for the *regulatory year*, and

v_t is the value, as at the beginning of the *regulatory year*, of the regulatory asset base for the *distribution system* owned by the *Distribution Network Service Provider* (as established in accordance with clause 6.5.1 and schedule 6.2).

6.5.3 Estimated cost of corporate income tax

The estimated cost of corporate income tax of a *Distribution Network Service Provider* for a *regulatory year* (ETC_t) is to be calculated using the following formula:

$$ETC_t = (ETI_t \times r_t)(1 - \gamma)$$

where:

ETI_t is an estimate of the taxable income of the *Distribution Network Service Provider* for the *regulatory year* determined in accordance with the *post-tax revenue model*; and

r_t is the expected statutory income tax rate for the *regulatory year* as determined by the *AER*; and

γ is the value of the imputation credits for the *regulatory year* stated, or calculated in the way stated, in the *applicable rate of return instrument* for the *Distribution Network Service Provider* for the *regulatory year*.

6 Amendment of clause 6.12.1 (Constituent decisions)

Clause 6.12.1(5), (5A) and (5B)—omit paragraphs (5), (5A) and (5B) and substitute:

- (5) a decision on the *allowed rate of return* for each *regulatory year* of the *regulatory control period*;
- (5A) a decision on the value of the imputation credits for each *regulatory year* of the *regulatory control period* for which such a value must be calculated;

7 Amendment of clause 6.18.6 (Side constraints on tariffs for standard control services)

Clause 6.18.6(d)—omit “; and” at the end of subparagraph (3) and omit subparagraph (4) and substitute a fullstop

8 Amendment of clause S6.1.3 (Additional information and matters)

Clause S6.1.3(9), (9A) and (9B)—omit paragraphs (9), (9A) and (9B) and substitute:

- (9) the *Distribution Network Service Provider's* calculation of the *allowed rate of return* for each *regulatory year* of the relevant *regulatory control period*;
- (9A) the *Distribution Network Service Provider's* calculation of the value of imputation credits for each *regulatory year* of the *regulatory control period* for which such a calculation is required;

9 Amendment of clause 6A.2.3 (Guidelines)

Clause 6A.2.3(a)(1)—omit “the *Rate of Return Guidelines*,”

10 Substitution of clause 6A.6.2

Clause 6A.6.2—omit the clause and substitute:

6A.6.2 Return on capital

The return on capital for a *Transmission Network Service Provider* for a *regulatory year* (RC_t) is to be calculated using the following formula:

$$RC_t = r_t \times v_t$$

where:

r_t is the *allowed rate of return* for the *Transmission Network Service Provider* for the *regulatory year*; and

v_t is the value, as at the beginning of the *regulatory year*, of the regulatory asset base for the *transmission system* owned by the *Transmission Network Service Provider* (as established in accordance with clause 6A.6.1 and schedule 6A.2).

11 Substitution of clause 6A.6.4

Clause 6A.6.4—omit the clause and substitute:

6A.6.4 Estimated cost of corporate income tax

The estimated cost of corporate income tax of a *Transmission Network Service Provider* for a *regulatory year* (ETC_t) is to be calculated using the following formula:

$$ETC_t = (ETI_t \times r_t)(1 - \gamma)$$

where:

ETI_t is an estimate of the taxable income of the *Transmission Network Service Provider* for the *regulatory year* determined in accordance with the *post-tax revenue model*; and

r_t is the expected statutory income tax rate for the *regulatory year* as determined by the *AER*; and

γ is the value of the imputation credits for the *regulatory year* stated, or calculated in the way stated, in the *applicable rate of return instrument* for the *Transmission Network Service Provider* for the *regulatory year*.

12 Amendment of clause 6A.14.1 (Contents of decisions)

Clause 6A.14.1(5C) and (5D)—omit paragraphs (5C) and (5D) and substitute:

(5C) on the value of imputation credits for each *regulatory year* of the *regulatory control period* for which such a value must be calculated;

13 Amendment of clause 6A.14.3 (Circumstances in which matters must be approved or accepted)

Clause 6A.14.3(b)—omit “require the *AER* to accept the *Transmission Network Service Provider’s allowed rate of return* or is to be taken to”

14 Amendment of clause 6A.23.3 (Principles for the allocation of the annual service revenue requirement to connection points)

Clause 6A.23.3(f)(3)—omit “as approved by the *AER* in the *relevant revenue determination*”

15 Amendment of clause S6A.1.3 (Additional information and matters)

(1) Clause S6A.1.3(4)(vi)—omit subparagraph (vi)

(2) Clause S6A.1.3(4A), (4B) and (4C)—omit paragraphs (4A), (4B) and (4C) and substitute:

(4A) the *Transmission Network Service Provider’s* calculation of the *allowed rate of return* for each *regulatory year* of the relevant *regulatory control period*;

(4B) the *Transmission Network Service Provider’s* calculation of the value of imputation credits for each *regulatory year* of the *regulatory control period* for which such a calculation is required;

16 Amendment of rule 10 (Glossary)

(1) Rule 10, definitions of ***allowed rate of return***, ***allowed rate of return objective*** and ***Rate of Return Guidelines***—omit the definitions

(2) Rule 10, insert in alphabetical order:

allowed rate of return for a *Network Service Provider* for a *regulatory year* means the rate of return calculated in the way stated in the *applicable rate of return instrument* for the *Network Service Provider* for the *regulatory year*.

applicable rate of return instrument for a *Network Service Provider* for a *regulatory year* means the rate of return instrument in force when the network revenue or pricing determination for the *Network Service Provider* for the *regulatory control period* to which the *regulatory year* belongs is made (disregarding any determination made in substitution for an earlier determination for the *Network Service Provider* for that *regulatory control period*).

Made by the South Australian Minister within the meaning of section 90BA of the *National Electricity Law* on the recommendation of the MCE

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