



Gladys Berejiklian MP
Premier of New South Wales

Ref: A2886585

Dr Paul Paterson
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET NSW 1240

Dear Dr Paterson,

Thank you for your correspondence of 20 February 2019, regarding the revised terms of reference for an IPART investigation of electricity distribution reliability standards.

In December 2018, pursuant to section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992*, I referred the matter to the Tribunal for investigation. I note IPART gave notice of this referral and sought public comment on the draft terms of reference.

I have considered the revised terms of reference you provided and I am pleased to issue IPART with the attached final terms of reference.

Yours faithfully,

Gladys Berejiklian MP
Premier

CC: The Hon Don Harwin MLC, Minister for Energy and Utilities

Encl.

Terms of Reference for IPART to review electricity distribution reliability standards

I, Gladys Berejiklian, Premier of New South Wales, under section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992*, refer to the Independent Pricing and Regulatory Tribunal (IPART) for investigation and report the following matter.

IPART is to provide a report to the Premier and the Minister for Energy and Utilities recommending:

1. any changes to electricity distribution reliability standards for the NSW distribution network businesses that could deliver bill savings to NSW electricity customers; and
2. any other measures that could be imposed on or implemented by the NSW distribution network businesses within the current regulatory framework that would be likely to reduce network prices and are consistent with the National Electricity Objective.

In making recommendations as to electricity distribution reliability standards, IPART is to apply an economic assessment to evaluate how efficient network capital and operating costs would vary with different levels of reliability, and then compare the level of expected capital and operating expenditure against the value that customers place on reliability.

In undertaking the review, IPART is to have regard to:

1. the objective of the New South Wales Government to improve electricity affordability while maintaining a reliable and secure network;
2. the potential impact on customer bills, assuming current regulatory arrangements, from:
 - a) any change in the distribution network reliability standards;
 - b) any other measures that would reduce network prices and are in the long term interests of customers;
3. the value customers place on having a reliable and secure network including the AER's VCR estimates to be published by 31 December 2019 and any other published values;
4. changes that would assist the NSW distribution networks to evolve and take advantage of new technologies that may offer more cost-effective solutions than traditional network investment (such as stand-alone power systems);
5. the differences in the costs and benefits of delivering reliable network services to different networks and different parts of the network, including CBD, rural, and regional areas;
6. the NSW distribution network businesses' safety and security obligations;
7. a stable regulatory environment;
8. consistency with national incentives and obligations with respect to distribution reliability;
9. the AER's regulatory determinations for the 2019-24 regulatory period;

10. the relevant recommendations of the 2018 State Infrastructure Strategy and the Australian Competition and Consumer Commission's Retail Electricity Price Inquiry and reports which outline the pressures and experiences felt by NSW consumers such as Turning off the Lights: The Cost of Living in NSW by the NSW Council of Social Services and Close to the Edge by PIAC.

IPART is to undertake public consultation for the purposes of its investigation.

IPART is to release a draft report for consultation within 6 months of the publication of the AER's final VCRs and release a final report within four months of the draft report.



The Hon Gladys Berejiklian MP
Premier

Dated at Sydney 26/2/19