

→ *Time Tower*
27 July 2005

C/05/8033



URF Pricing Principles Discussion Paper
C/O Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290,
QVB Post Office NSW 1230

REVIEW OF NATIONALLY CONSISTENT PRICING PRINCIPLES

This letter is provided in response to the Utility Regulators Forum (URF) review of nationally consistent pricing principles. The Essential Services Commission (the Commission) endorses the proposed set of high level pricing principles and has adopted this approach in its draft decision on the price controls to apply to the five Victorian electricity distribution businesses during the 2006-10 regulatory period.

The Commission views the adoption of a set of nationally consistent pricing principles as an important step, particularly in light of current National Energy Reforms. The identified high level principles build on the common elements of existing principles in the various Australian jurisdictions ensuring that electricity network pricing across jurisdictions has a common basis in efficient economic principles. Reaching agreement on consistent pricing principles through the public forum currently provided through the URF should assist to facilitate the move to a common national framework for regulation of distribution services.

The 2006-10 Electricity Distribution Price Review Draft Decision introduced an additional pricing principle consistent with the high level national pricing principles presented in the URF Pricing Principles Discussion Paper. While Victorian electricity distribution businesses are currently required to price between the upper and lower bounds of avoidable cost and stand alone cost of servicing a given distribution customer, the new principle requires that each distribution tariff should also signal the impact of additional (peak) usage on future investment costs of serving distribution customers assigned to that distribution tariff.

Yours sincerely,



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Director Regulation