Demand management innovation allowance guideline

Decision

14 September 2021

Economic Regulation Authority

WESTERN AUSTRALIA

D238369

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1. Introduction

On 18 September 2020, the *Electricity Networks Access Code 2004* was amended to support the delivery of the State Government's Energy Transformation Strategy.[1]

The changes include a requirement that an access arrangement must contain a demand management innovation allowance mechanism.

The objective of the demand management innovation allowance mechanism as set out in section 6.32C of the Access Code is to:

> Provide service providers with funding for research and development in demand management projects that have the potential to reduce long term network costs.

Projects eligible for the mechanism must be innovative and not otherwise efficient and prudent demand management options that the service provider should have provided for in its proposed access arrangement.

The ERA must publish a guideline on the demand management allowance mechanism, including the criteria for projects that will be eligible for the allowance. The guideline must also set out the information that Western Power is required to submit in a compliance report to the ERA for publication.

1.1 Regulatory requirements

As required by section 6.32G of the Access Code, when developing and applying any demand management innovation allowance mechanism, the ERA must take the following into account:

> 6.32G In developing and applying any demand management innovation allowance mechanism, the *Authority* must take into account the following:
>
> (a) the mechanism should be applied in a manner that contributes to the achievement of the demand management innovation allowance objective;
>
> (b) projects the subject of the allowance should:
>
> (i) have the potential to reduce long term network costs; and
>
> (ii) be innovative and not otherwise efficient and prudent alternative options that a service provider should have provided for in its proposed access arrangement; and
>
> (iii) comply with the demand management innovation allowance guidelines.
>
> (c) the level of the allowance:
>
> (i) should be reasonable, considering the long term benefit to consumers; and
>
> (ii) should only provide funding that is not available from any other source; and

[1] On 6 March 2019, the Minister for Energy announced the Energy Transformation Strategy, which is the State Government's plan to respond to the technological change and evolving consumer preferences that are rapidly transforming the energy sector and to plan for the future of the power system. The delivery of the Strategy was overseen by the Energy Transformation Taskforce, supported by the Energy Transformation Implementation Unit, a dedicated unit within Energy Policy WA.

(iii) may vary over time; and

(d) the allowance may fund projects which occur over a period longer than an access arrangement period.

Section 6.32D of the Access Code requires the ERA to publish a guideline on the demand management innovation allowance mechanism:

> 6.32D The *Authority* must make and publish guidelines which must include a demand management innovation allowance mechanism consistent with the demand management innovation allowance objective and the information specified in section 6.32J.

Section 6.32J of the Access Code requires that the guideline includes the following:

> 6.32J The demand management innovation allowance guidelines must include the following:
>
> (a) the eligibility criteria to be applied by the *Authority* in determining whether a project is entitled to receive the allowance;
>
> (b) the process, manner and form by which a service provider may apply to the Authority for up-front consideration of a project;
>
> (c) the information required to be included in a compliance report which must include:
>
> (i) the amount of the allowance:
>
> A. incurred by the service provider to date as at the end of that pricing year;
>
> B. incurred by the service provider in that pricing year; and
>
> C. expected to be incurred by the service provider in total over the duration of the eligible project;
>
> (ii) a list and description of each project on which the allowance was spent;
>
> (iii) a summary of how and why each project complies with the eligibility criteria;
>
> (iv) the results of each project; and
>
> (d) any requirements for the preparation, lodgement and form of a compliance report.

1.2 Decision

On 6 July 2021, the ERA published a consultation paper setting out a proposed guideline. The ERA received submissions from:

- the Australian Energy Council
- Perth Energy
- Synergy
- Western Power.

The level of the demand management innovation allowance for Western Power was set in the decision on the framework and approach for Western Power's fifth access arrangement review published on 9 August 2021.[2]

The guideline sets out the form of the allowance and the compliance and reporting requirements.

The ERA has taken account of matters raised in submissions to make a decision on the proposed guideline. The decision is structured in line with the guideline as follows:

- form of the mechanism
- eligibility criteria
- process for up-front consideration of a project
- information that must be included in a compliance report
- preparation, lodgement and form of compliance report.

[2] The allowance was set at 0.08 per cent of target revenue. Based on the AA4 target revenue, this equates to approximately $7 million over the five-year regulatory period, or $1.4 million each year, which is about $1.17 for each customer each year. See https://www.erawa.com.au/electricity/electricity-access/western-power-network/western-powers-network-access-arrangements/framework-and-approach-2022-to-2027

2. Form of the mechanism

Section 6.32B of the Access Code specifies that the allowance is:

> An annual, *ex-ante* allowance provided to *service providers* in the form of a fixed amount of additional revenue at the commencement of each *pricing year* of an *access arrangement period*.

Section 6.32E of the Access Code requires:

> The *Authority* must determine the maximum amount of the allowance under the *demand management innovation allowance mechanism* for an *access arrangement period*, which must be calculated for each *pricing year* in the *access arrangement period*.

As specified in section 6.32F, the allowance can be spent only on eligible projects and any allowance that is not used during the access arrangement period must be returned to users:

> Any amount of allowance not used by the *service provider* or not approved by the *Authority* over the *access arrangement period* must not be carried over into the subsequent *access arrangement period* or reduce the amount of the allowance for the subsequent *access arrangement period*.

Section 6.32G(d) permits the allowance to be used to fund projects that occur over a period longer than an access arrangement period.

Section 4.A2(d) of the Access Code requires the ERA to determine the demand management innovation allowance mechanism in the framework and approach for the access arrangement.

The Access Code requires the allowance to be set in the form of an annual allowance. The only requirement for actual expenditure is that total expenditure during the access arrangement period does not exceed the total allowance.

2.1 Proposed guideline

The consultation paper included the following proposal:

> **Form of the mechanism**
>
> The demand management innovation allowance mechanism is an annual, ex-ante allowance in the form of a fixed amount of additional revenue at the commencement of each pricing year for an access arrangement period.
>
> The ERA will determine the level of the demand management innovation allowance in the framework and approach that applies to the access arrangement period.
>
> The demand management innovation allowance determined in the framework and approach will be included in the target revenue approved for the relevant access arrangement period.
>
> During the access arrangement period to which the demand management innovation allowance applies, the service provider may spend the allowance on demand management innovation projects that meet the eligibility criteria set out in this guideline. The allowance may be used to fund projects which occur over a period longer than the access arrangement period.
>
> At the next access arrangement review, the ERA will review the expenditure claimed by the service provider against the demand management innovation allowance to determine whether the claimed expenditure meets the eligibility criteria.

> The ERA will make an adjustment to target revenue for the next access arrangement period to recover the amount of any allowance that was not spent, or any expenditure claimed that did not meet the eligibility criteria. This will include an adjustment for the time value of money.

Stakeholders were generally supportive of the proposed guideline set out in the consultation paper.

The Australian Energy Council submitted that the guideline should specify that the ERA determines the maximum allowance amount. The allowance set by the ERA is the maximum amount Western Power can claim. Western Power is not required to use the whole allowance.

The Australian Energy Council considered that, in circumstances where the ERA does not permit claimed expenditure because it did not meet the eligibility criteria, the guideline should clarify if the ERA is required to determine whether the initiative should have been provided as an efficient and prudent alternative option that the network operator should have provided for in its proposed access arrangement. If relevant, this would be considered in the access arrangement review and does not need to be included in the demand management innovation allowance mechanism guidelines.

2.2 Decision

The ERA's decision is to retain the proposed guideline as set out in the consultation paper:

Guideline
Form of the mechanism

The demand management innovation allowance mechanism is an annual, *ex-ante* allowance in the form of a fixed amount of additional revenue at the commencement of each pricing year for an access arrangement period.

The ERA will determine the level of the demand management innovation allowance in the framework and approach that applies to the access arrangement period.

The demand management innovation allowance determined in the framework and approach will be included in the target revenue approved for the relevant access arrangement period.

During the access arrangement period to which the demand management innovation allowance applies, the service provider may spend the allowance on demand management innovation projects that meet the eligibility criteria set out in this guideline. The allowance may be used to fund projects which occur over a period longer than the access arrangement period.

At the next access arrangement review, the ERA will review the expenditure claimed by the service provider against the demand management innovation allowance to determine whether the claimed expenditure meets the eligibility criteria.

The ERA will make an adjustment to target revenue for the next access arrangement period to recover the amount of any allowance that was not spent, or any expenditure claimed that did not meet the eligibility criteria. This will include an adjustment for the time value of money.

3. Eligibility requirements

The guidelines must set out the eligibility criteria the ERA will apply to determine whether a project is entitled to receive the demand management innovation allowance.[3]

The Access Code includes the following provisions relevant to eligibility requirements:

- The project must be research and development in a demand management project.[4]
- The project must have the potential to reduce long-term network costs.[5]
- The project should be innovative and not otherwise efficient and prudent alternative options that the service provider should have provided for in its proposed access arrangement.[6]
- Funding for the project is not available from any other source.[7]

A project must meet all the above criteria to be eligible for the allowance.

3.1 Proposed guideline

The consultation paper included the following proposal:

> **Eligibility requirements**
>
> To determine whether a project is eligible for the demand management innovation allowance, the service provider must demonstrate each of the following:
>
> - The project consists of research and development. The service provider must demonstrate that the project is for experimental activities whose outcome cannot be known or determined in advance using current knowledge, information or experience and that the activities are conducted for the purpose of generating new knowledge.
> - The project is for demand management. The service provider must provide details of the effect the project, if proved viable, will have on network demand usage patterns.
> - The project has the potential, if proved viable, to reduce long term network costs. The service provider must provide a description and estimation of the costs that can be reduced. Any additional costs that may arise in total electricity costs as a result of the demand management project (for example, effects on power system security, power system reliability or other aspects of the wholesale electricity market) should be taken into account when estimating the reduction in costs.
> - The project is innovative and not an otherwise efficient and prudent alternative option that a service provider should have provided for in its proposed access arrangement. The service provider will need to describe and demonstrate that the project is innovative in terms of one or more of the following:
>   - It is based on new or original concepts.
>   - It involves technology or techniques or concepts that differ from those previously implemented or used in the relevant market.

[3] Section 6.32J(a) of the Access Code.

[4] Section 6.32C of the Access Code.

[5] Section 6.32G(b)(i) of the Access Code.

[6] Section 6.32G(b)(ii) of the Access Code.

[7] Section 6.32G(c)(ii) of the Access Code.

  - It is focused on customers in a market segment that significantly differs from those previously targeted by implementations of the relevant technology, in relevant geographic or demographic characteristics that are likely to affect demand.

- The service provider must identify all potential sources of funding for the project with an explanation of why it was not able to obtain funding for the project from those sources. This should include sources such as the Australian Renewable Energy Agency, and federal or state government schemes.
- The costs were not included in the forecast capital expenditure or operating expenditure approved in the ERA's determination for the access arrangement period under which the demand management innovation mechanism applies, or under any other incentive scheme in the access arrangement determination.

Submissions on the consultation paper were generally supportive. Matters raised in submissions are discussed below under the following headings:

- types of project
- funding
- innovation.

3.1.1 Types of project

Western Power restated the view expressed in its submission on the consultation paper that it was important the guideline does not overly restrict the concept of demand management innovation:

> Western Power considers that the definition of demand management should be sufficiently broad to encompass a range of applications and incorporate cutting edge technology and emerging concepts. For example, the DMIA has the potential to help and protect vulnerable and remote customers in the community from impacts arising from the energy transition.
>
> It is also important that projects under the DMIA are not necessarily linked directly to a technology or technique. The scope of DMIA should be broad enough to enable innovation in areas such as tariff studies, commercial arrangements with third party providers and customer engagement expenditure.

Western Power considered that the eligibility criteria in the guideline should clarify that the allowance may be used to fund both network and non-network demand management research and development projects including, but not limited to:

- Price, quality, safety, reliability and security of supply of electricity.
- Safety, reliability and security of covered networks.
- Environmental consequences of energy supply and consumption, including reducing greenhouse gas emissions, efficiencies in the handling and disposal of waste and other products, considering land use and biodiversity impacts, and encouraging energy efficiency and demand management.

There is no restriction in the proposed guideline on whether the mechanism funds network or non-network demand management research and development projects, or what parameters the projects involve. The proposed guideline requires only that Western Power must demonstrate that the project is related to demand management and that it could reduce long-term network costs to be consistent with the objective of the mechanism.[8]

Perth Energy endorsed the approach in the proposed guideline:

> We note that both Western Power and AEMO support the consideration of projects that support other factors such as network reliability, safety, stability, supply quality, visibility or forecasting. We agree that the mechanism objective contained in the Access Code refers only to the potential to reduce network costs and that this must be the driving objective of the DMIA. Certainly these other factors cannot be compromised but the prime focus must be on reducing long term network costs to deliver financial returns to customers

The Australian Energy Council agreed it was a reasonable objective that eligible projects must have the potential to reduce long-term network costs, but restated concerns it had expressed in its submission on the consultation paper:

> The network operator could still leverage demand management projects to develop services to compete with third-parties.
>
> Oakley Greenwood also made this observation in a report that considered the impact of network operator ownership of grid-connected batteries on competition in the Wholesale Electricity Market:
>
> > "The potential problem [with the DMIA] is that it could possibly provide a means for Western Power to develop products and services that could be leveraged off grid-side batteries, which in turn would put the provision of those services by Western Power in competition with products and services that could otherwise be developed by parties operating in the competitive market. Yet:
> >
> > - For Western Power, this R&D expenditure is a "riskless" exercise, in that it is fully recoverable from regulated customers under the DMIA, hence its shareholder is not actually putting any of its funds 'at risk'; compared with
> > - Third party providers operating in the competitive market, whose investment in the same type of R&D would involve them putting their shareholders' funds 'at risk'.
> >
> > This situation could lead to competitive market providers who may have otherwise undertaken R&D in order to expand their capabilities to provide demand management services that leverage off gridside batteries, to be crowded out of the market (i.e., to elect NOT to put their shareholder funds at risk, due to the perceived unequal playing field)."[9]
>
> The above scenario would have an adverse impact on competition, leading to less innovation and diminished economic efficiency in the long-term.
>
> To this end, the proposed guideline should make clear that any project that is directly or indirectly related to the development of products that are likely to otherwise be utilised to provide unregulated services, via the development or utilisation of multi-function assets, will not be considered for funding. "The rationale for this is, amongst other things, to better meet the overarching objective of the Access Code (via reducing the risk that inappropriate funding of R&D will have a chilling effect on investments made by the broader competitive market), and because funding is available from another source (i.e., shareholders), which means it does not comply with the requirement in Clause 6.32G (c) (ii) that the allowance "should only provide funding that is not available from any other source."

8 The objective of the mechanism is to provide funding for research and development in demand management projects that could reduce long-term network costs.

9 See page 21, Implications of network ownership of gird-side battery assets on competition in the Wholesale Electricity Market.

The ERA must follow the requirements for the allowance as set out in the Access Code. Although the allowance is funded by users, eligible projects must have the potential to reduce long-term network costs and, if successful, offset the costs incurred by users through lower network charges. If Western Power subsequently chooses to develop a project further as a non-regulated business, additional costs would not be funded by network users.

The guidelines require Western Power to publish annual compliance reports. The compliance report should also provide useful information to stakeholders on the nature of the projects that may ultimately become operating activities or more mature investments. The information may also facilitate the participation of non-network providers for those projects that go beyond the research or testing phase.

3.1.2 Funding

Western Power considered that the requirement to identify "all sources of funding" was too broad and should be limited to "existing Federal and State funding schemes".

The Access Code requirement in section 6.23G(c)(ii) is that the mechanism should only provide funding that is not available from any other source. The ERA expects Western Power to provide reasonable evidence that it was not able to obtain funding for the project from other sources. As the proposed level of the allowance is small, the ERA considers it unlikely that Western Power would use it for projects that could have been funded by other sources.

3.1.3 Innovation

Western Power considered that "relevant market" should be replaced with "by the network operator". The ERA accepts "relevant market" may be too broad but "the network operator" is too narrow. The ERA considers that "relevant market" should be amended to "network operators in Australia", reflecting the high level of co-operation and collaboration across the industry, including through the Energy Networks Association.

Western Power considered that the guideline should contemplate known or established technologies which may be new to or not previously used by Western Power. It noted:

- Many technologies and practices may not be new or original in concept but need to be explored and trialled by Western Power in order to understand how to apply them efficiently and prudently in the South West Interconnected System.
- Technologies and practices which may not have been deemed as applicable to the South West Interconnected System in the past could become viable or attractive as circumstances, pricing and commercial positions change.

The ERA considers that the critical determination of whether research and development is innovative, is that the outcome cannot be known or determined in advance using current knowledge, information or experience and that the activities undertaken in the project are conducted for the purpose of generating new knowledge.

As set out in the guideline, innovation can be demonstrated if there are significant differences from previous implementations of the relevant technology that may affect the outcome.

As the proposed level of the allowance is small, Western Power should be incentivised to use it effectively and less likely to select projects that have already been considered or undertaken by other parties.

3.2 Decision

The ERA's decision is to modify the proposed guideline set out in the consultation paper as discussed above. The amendments are marked in red.

Guideline
Eligibility requirements

To determine whether a project is eligible for the demand management innovation allowance, the service provider must demonstrate each of the following:

- The project consists of research and development. The service provider must demonstrate that the project is for experimental activities whose outcome cannot be known or determined in advance using current knowledge, information or experience and that the activities are conducted for the purpose of generating new knowledge.
- The project is for demand management. The service provider must provide details of the effect the project, if proved viable, will have on network demand usage patterns.
- The project has the potential, if proved viable, to reduce long term network costs. The service provider must provide a description and estimation of the costs that can be reduced. Any additional costs that may arise in total electricity costs as a result of the demand management project (for example, effects on power system security, power system reliability or other aspects of the wholesale electricity market) should be taken into account when estimating the reduction in costs.
- The project is innovative and not an otherwise efficient and prudent alternative option that a service provider should have provided for in its proposed access arrangement. The service provider will need to describe and demonstrate that the project is innovative in terms of one or more of the following:
    - It is based on new or original concepts.
    - It involves technology or techniques or concepts that differ from those previously implemented or used by network operators in Australia ~~in the relevant market~~.
    - It is focused on customers in a market segment that significantly differs from those previously targeted by implementations of the relevant technology, in relevant geographic or demographic characteristics that are likely to affect demand.
- The service provider must identify all potential sources of funding for the project with an explanation of why it was not able to obtain funding for the project from those sources. This should include sources such as the Australian Renewable Energy Agency, and federal or state government schemes.
- The costs were not included in the forecast capital expenditure or operating expenditure approved in the ERA's determination for the access arrangement period under which the demand management innovation mechanism applies, or under any other incentive scheme in the access arrangement determination.

4. Process for up-front consideration of a project

The guidelines are required to include the process, manner and form by which a service provider may apply to the ERA for up-front consideration of a project.[10]

4.1 Proposed guideline

As set out in the consultation paper, the ERA proposed to not include a process for upfront consideration of a project.

Undertaking a pre-approval process would incur costs for both the ERA and Western Power. Given the likely level of the total allowance, the ERA considers that the costs incurred would outweigh any benefits from a pre-approval process. The ERA considers it would be more cost-effective to conduct a single review at the end of the access arrangement period to confirm that the total expenditure claimed by the service provider over the access arrangement period meets the eligibility requirements.

Submissions on the consultation paper agreed with this approach, given the level of the allowance.

4.2 Decision

The ERA's decision is to retain the proposal in the consultation paper to not include a process for upfront consideration of a project.

10 Section 6.32J(b) of the Access Code.

5. Information that must be included in a compliance report

The Access Code requires the following information to be included in a compliance report:[11]

- The amount of the allowance:
  - Incurred by the service provider to date as at the end of that pricing year.
  - Incurred by the service provider in that pricing year.
  - Expected to be incurred by the service provider in total over the duration of the eligible project.
- A list and description of each project on which the allowance was spent.
- A summary of how and why each project complies with the eligibility criteria.
- The results of each project.

5.1 Proposed guideline

The consultation paper included the following proposal:

> **Information that must be included in a compliance report**
>
> The compliance report must include the following information for each project:
>
> - The nature and scope of the project.
> - The aims and expectations of the project.
> - The outcomes if the project is successful. This should include quantifying the potential to reduce long-term network costs, taking account of any additional costs that may arise in total electricity costs as a result of the demand management (for example, additional essential system services that may be required).
> - The amount of the allowance:
>   - Incurred by the service provider to date as at the end of that pricing year.
>   - Incurred by the service provider in that pricing year.
>   - Expected to be incurred by the service provider in total over the duration of the project.
> - Details of how and why the project meets the eligibility criteria specified in this guideline.
> - For projects that have not been completed during the year, the report should include:
>   - A summary of the project activity to date.
>   - An update on any material changes to the project in that regulatory year.
>   - Any preliminary results.
>   - A summary of planned future activity.

[11] Section 6.32J(c) of the Access Code.

- For projects completed during the year, the report should include:
  - The quantitative results of the project.
  - Analysis of the results.
  - A description of how the results of the project will inform future demand management projects, including any lessons learnt about what demand management projects or techniques (either generally or in specific circumstances) are unlikely to form technically or economically viable non network options.
  - Any other information required to enable an informed reader to understand and evaluate the project.

Submissions on the consultation paper were generally supportive.

Perth Energy noted that the proposed guideline required information on “outcomes if the project is successful”. It suggested the outcomes of unsuccessful projects should also be required.

The ERA has amended the wording to make clearer it was intended that the guideline was referring to an initial assessment of the project prior to commencement. It was not intended to mean that outcomes of completed projects were only required for successful projects. The ERA agrees that the outcomes of unsuccessful projects are also informative.

Western Power was concerned that the quantification of benefits could require a significant investment in time and resources and may not be prudent or practical to undertake as part of an innovation project’s outcome assessment. Western Power was also concerned about the information requirements for quantifying the potential to reduce long-term network costs and any other information required to enable an informed reader to understand and evaluate the project.

As the allowance can only be used for research and development in demand management projects that have the potential to reduce long term network costs, an initial assessment is needed of that potential prior to embarking on the project under the allowance. The ERA understands these can only be estimates, particularly as the purpose of the project is to find out something that is unknown and has amended the wording to make this clearer.

The reference in the proposed guideline to “any other information required to enable an informed reader to understand and evaluate the project” was intended to capture information already available to Western Power about the project. It was not intended to suggest that Western Power would need to prepare any additional information. The wording has been amended to make this clearer.

5.2 Decision

The ERA's decision is to modify the proposed guideline set out in the consultation paper as discussed above. The amendments are marked in red.

Guideline
Information that must be included in a compliance report

The compliance report must include the following information for each project:

- The nature and scope of the project.
- The aims and expectations of the project.
- The anticipated outcomes if the project proves viable ~~is successful~~. This should include an estimate of ~~quantifying~~ the potential to reduce long-term network costs, taking account of any additional costs that may arise in total electricity costs as a result of the demand management (for example, additional essential system services that may be required).
- The amount of the allowance:
  - Incurred by the service provider to date as at the end of that pricing year.
  - Incurred by the service provider in that pricing year.
  - Expected to be incurred by the service provider in total over the duration of the project.
- Details of how and why the project meets the eligibility criteria specified in this guideline.
- For projects that have not been completed during the year, the report should include:
  - A summary of the project activity to date.
  - An update on any material changes to the project in that regulatory year.
  - Any preliminary results.
  - A summary of planned future activity.
- For projects completed during the year, the report should include:
  - The quantitative results of the project.
  - Analysis of the results.
  - A description of how the results of the project will inform future demand management projects, including any lessons learnt about what demand management projects or techniques (either generally or in specific circumstances) are unlikely to form technically or economically viable non-network options.
  - Any other information available to the service provider required to enable an informed reader to understand and evaluate the project.

6. Preparation, lodgement and form of compliance report

Section 6.32J(d) of the Access Code requires the guideline to include any requirements for the preparation, lodgement and form of the compliance report.

Section 6.32H of the Access Code requires the service provider to submit a compliance report to the ERA in accordance with the guidelines.

Section 6.32I of the Access Code requires the ERA to publish the compliance report.

6.1 Proposed guideline

The consultation paper included the following proposal:

> **Preparation, lodgement and form of compliance report**
>
> A service provider must submit a compliance report each year to the ERA, no later than four months after the end of the pricing year.
>
> The report must be in an electronic form suitable for publishing on the ERA's website.
>
> If the service provider's compliance report contains confidential information, the service provider must also provide a non-confidential version of the report in a form suitable for publication. The service provider must also provide reasons and evidence to support any claim of confidentiality.
>
> The ERA will assess confidentiality claims against the requirements in section 14.12 to 14.15 of the *Electricity Networks Access Code 2004*. The ERA can publish confidential information if the public benefit in disclosing the information outweighs the detriment to the affected parties.

Submissions on the proposed guideline were generally supportive.

The Australian Energy Council suggested that the report should be provided no later than two months, rather than four months, after the end of the pricing year. It noted that retailer's annual compliance reports under the licencing regime are required no later than two months after the end of the pricing year.

The ERA has allowed four months so that the report can be completed after the financial accounts are finalised to ensure the allowance has been properly accounted for. Although it is important to provide timely information on the allowance to stakeholders, information on the allowance does not affect and is not time critical to any other processes.

6.2 Decision

The ERA's decision is to retain the proposed guideline as set out in the consultation paper.

Guideline
Preparation, lodgement and form of compliance report

A service provider must submit a compliance report each year to the ERA, no later than four months after the end of the pricing year.

The report must be in an electronic form suitable for publishing on the ERA's website.

If the service provider's compliance report contains confidential information, the service provider must also provide a non-confidential version of the report in a form suitable for publication. The service provider must also provide reasons and evidence to support any claim of confidentiality.

The ERA will assess confidentiality claims against the requirements in section 14.12 to 14.15 of the *Electricity Networks Access Code 2004*. The ERA can publish confidential information if the public benefit in disclosing the information outweighs the detriment to the affected parties.