



# ELECTRICITY DISTRIBUTION (VARIATION) PRICE DETERMINATION

**Essential Services Commission Act 2002  
Electricity Act 1996**

**June 2005**





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# 1 ELECTRICITY DISTRIBUTION (VARIATION) PRICE DETERMINATION

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## 1.1 Statement of Reasons

- 1.1.1 On 31 May 2005, the *Commission* made a decision under Part 6 of the *ESC Act* on *ETSA Utilities' review application* in respect of the *Electricity Distribution Price Determination*.
- 1.1.2 The decision of the *Commission* was to confirm the *Electricity Distribution Price Determination*, except in respect of the value of the equity beta used for the purposes of the Capital Asset Pricing Model.
- 1.1.3 The *Commission's* decision in respect of the value of the equity beta was to change that value from 0.8 to 0.9 (at a gearing ratio of 60%). Consequently, the *Commission* also decided to:
- (a) change the value of the WACC for the purposes of the *Electricity Distribution Price Determination* from 6.85% to 7.13%; and
  - (b) change the value of the X-factor for the purposes of the *Electricity Distribution Price Determination* from 0 to -0.8%;
  - (c) change the value used in the re-balancing control for the purposes of the *Electricity Distribution Price Determination* from 2.5% to 3.5%.
- 1.1.4 Implementation of the *Commission's* decisions require variations to be made to the *Electricity Distribution Price Determination*. This Electricity Distribution (Variation) Price Determination gives effect to that decision by varying the *Electricity Distribution Price Determination* in accordance with the terms of the *Commission's* decision on *ETSA Utilities' review application*.
- 1.1.5 Separate to *ETSA Utilities' review application*, the *Commission* has decided that it is necessary to clarify the operation of the U-factor as set out in the Formula Schedule of the *Electricity Distribution Price Determination* by means of a variation to the *Electricity Distribution Price Determination*. *ETSA Utilities* has given the *Commission* its written agreement to that decision and variation.

## 1.2 Authority

- 1.2.1 This Electricity Distribution (Variation) Price Determination is made by the *Commission* pursuant to the powers of the *Commission* under sections 31(10) and 26(8) of the *ESC Act* and Part 3 of the *Electricity Act 1996*.



### **1.3 Commencement**

- 1.3.1 This Electricity Distribution (Variation) Price Determination has effect on 9 June 2005 and will be taken to vary the *Electricity Distribution Price Determination* on and from that date.

### **1.4 Definitions and interpretation**

- 1.4.1 In this Electricity Distribution (Variation) Price Determination:
- (a) *Commission* means the Essential Services Commission established under the *ESC Act*;
  - (b) *Electricity Distribution Price Determination* means the 2005-2010 Electricity Distribution Price Determination published by the *Commission* on 5 April 2005;
  - (c) *ESC Act* means the Essential Services Commission Act 2002
  - (d) *ETSA Utilities* has the same meaning as is given to that term in the *Electricity Distribution Price Determination*;
  - (e) *ETSA Utilities' review application* means the review application under Part 6 of the *ESC Act* lodged with the *Commission* by *ETSA Utilities* on 19 April 2005.

### **1.5 Variations to the 2005-2010 Electricity Distribution Price Determination – ETSA Utilities' review application**

- 1.5.1 Schedule 3 of the *Electricity Distribution Price Determination* is varied as follows:
- (a) Delete the formula " $ADR_{t,j} = ADR_{t-1,j} \times CPI_t$ " in paragraph 3.1(d) and replace that formula with the formula " $ADR_{t,j} = ADR_{t-1,j} \times CPI_t(1 - X)$ ";
  - (b) Insert the definition " $X = -0.8\%$ " after the definition of " $CPI_t$ " in paragraph 3.1(d);
  - (c) Delete the definition "*WACC is 6.85%*" in paragraph 3.1(f) and replace that definition with the definition "*WACC is 7.13%*";
  - (d) Delete the definition "*WACC is 6.85%*" in paragraph 3.1(g) and replace that definition with the definition "*WACC is 7.13%*";
  - (e) Delete the definition "*WACC is 6.85%*" in paragraph 3.1(i) and replace that definition with the definition "*WACC is 7.13%*";
  - (f) Delete the definition "*WACC is 6.85%*" in paragraph 3.1(j) and replace that definition with the definition "*WACC is 7.13%*";
  - (g) Delete the formula " $MPDC_t = DC_{t-1} \times (CPI_t + 2.5\%)$ " in paragraph 3.2(b)(i) and replace that formula with the formula " $MPDC_t = DC_{t-1} \times (CPI_t + 3.5\%)$ ".

## **1.6 Variation to the 2005-2010 Electricity Distribution Price Determination – U-factor**

1.6.1 Schedule 3 of the *Electricity Distribution Price Determination* is varied as follows:

(a) Delete paragraph 3.1(l) and replace it with the following paragraph 3.1(l):

“(l) *Undergrounding*

*$U_t$  (\$) is the expenditure above the prescribed amount for undergrounding work for regulatory year  $t$ , the prescribed amount being the amount calculated in accordance with Regulation 8A of Part 3A of the Electricity (General) Regulations 1997.”*