



**Gladys Berejiklian MP**  
Premier of New South Wales

Ref: A2682972

Dr Peter Boxall AO  
Chair  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
HAYMARKET POST SHOP NSW 1240

Dear Dr Boxall,

Pursuant to section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992*, I am referring the following matter to the Tribunal for investigation and report: electricity distribution reliability standards. The draft Terms of Reference are enclosed.

This investigation will assist NSW electricity consumers by ensuring electricity distribution reliability standards balance consumer expectations of cost and reliability.

I look forward to your advice on these draft Terms of Reference following public notice and consultation.

Yours faithfully,

**Gladys Berejiklian MP**  
**Premier**

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

Encl.

# Draft Terms of Reference for IPART to review electricity distribution reliability standards

I, Gladys Berejiklian, Premier of New South Wales, under section 12 A 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 electricity 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 importance customers place on having a reliable and secure electricity network;
4. published values of customer reliability (VCRs), including the AER's VCR estimates to be published by 31 December 2019;
5. the NSW distribution network businesses' safety and security obligations;
6. a stable regulatory environment;
7. the relevant recommendations of the 2018 State Infrastructure Strategy and the Australian Competition and Consumer Commission's Retail Electricity Price Inquiry.

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

IPART is to release a draft report for consultation by the end of March 2020 and release a final report by end June 2020.

## Definitions

**National Electricity Objective** is as stated in the *National Electricity Law*: 'to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- price, quality, safety and reliability and security of supply of electricity
- the reliability, safety and security of the national electricity system'.

**NSW distribution network businesses** means the businesses known as AusGrid, Endeavour and Essential Energy.



The Hon Gladys Berejiklian MP  
Premier

Dated at Sydney 19/12/18