



Ref: 20200406:CW:JC

6 April 2020

Mrs Kami Kaur
Acting General Manager Distribution
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mrs Kaur

Essential Energy's 2020-21 Pricing Proposal

I am pleased to provide Essential Energy's 2020-21 Pricing Proposal (pricing proposal) to the Australian Energy Regulator (AER) and advise that it complies with the terms of the AER's 2019-24 Final Determination for Essential Energy ("the Determination").

The pricing proposal has been prepared in accordance with the requirements of Chapter 6 of the National Electricity Rules (the Rules) which establishes a process of price notification and review by the AER for annual price changes. The pricing proposal also follows the structures detailed in the Determination – Tariff Structure Statement (TSS). The pricing proposal adheres to the Indicative Pricing Schedule contained in the TSS for 2020-21 and has only been updated for:

- CPI;
- cost of debt and resulting change to Weighted Average Cost of Capital;
- Pass through of transmission use of system charges advised by TransGrid, Powerlink and various distributors; and
- Adjustments to revenue as required under the Rules.

In preparing this Proposal, Essential Energy has had to consider a number of significant challenges currently facing the business. These include:

- **Impact of bushfires:** Between September 2019 and February 2020, Essential Energy's network and operations were severely impacted by unprecedented multiple bushfires across the North and South Coast of NSW. More than 3,200 poles were destroyed across more than 3 million hectares of firegrounds, and while all customers, who can be, have had their power restored, there is still significant restoration work to be undertaken. The impacts of these fires have not been included in this proposal.
- **Impact of Covid-19:** While it is understood that the Covid-19 pandemic will lead to reduced electricity consumption, the extent of that impact is not known at this time. Essential Energy is also cognisant that any reduction in forecast consumption would lead to higher prices under the current regulatory control mechanism. This pricing proposal does not include any reduction in forecast electricity consumption related to the pandemic for these reasons. Any shortfall in revenue will therefore need to be dealt with in future years via the unders and overs account, or by alternative mechanisms that may be developed between regulatory bodies, government and Essential Energy.

The table below contains a list of the required documents as part of this pricing proposal. We have also indicated which of these items are confidential, as allowed under the NER.

Attachment	Description	Public/Confidential
1	Network price change model for 2020-21 in the form of a revenue cap	Confidential – this includes cost reflective network prices for individual large customers
2	Proposed Public Lighting prices for 2020-21	Public
2a	Public Lighting pricing model	Public
3	Proposed schedule of Ancillary Network Services for 2020-21	Public
3a	Ancillary Network Services pricing model	Public
4	Proposed schedule of Metering Services for 2020-24	Public
4a	Metering Services pricing model	Public
5	2020-21 Pricelist and explanatory notes for distribution charges, TUoS, CCF and Queensland Solar Scheme – a similar pricelist for network charges will be notified to retailers and customers once approved	Public
6	2020-21 Annual Network Pricing Report	Public
7	Indicative Pricing Schedule for 2020-24	Public
8	Briefing on Retailer of Last Resort amounts	Commercial in Confidence
9	Stand alone and avoidable cost model	Confidential – this includes cost reflective network prices for individual large customers

We would be pleased to meet with the AER to discuss this pricing proposal in more detail, if required. If any further information in relation to this submission, please contact Natalie Lindsay on (02) 6589 8419 or Catherine Waddell on (02) 6338 3553. Alternatively, please do not hesitate to contact me on 0419 912 720.

Yours sincerely



John Cleland
Chief Executive Officer