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Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear Mr Gulbenkogl

### **Submission on the impact of capitalisation on the AER's benchmarking**

Energy Queensland Limited (Energy Queensland), on behalf of its distribution businesses, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy), welcomes the opportunity to comment on the Australian Energy Regulator's (AER's) Guidance Note on how the AER will assess the impact of capitalisation differences in its benchmarking.

Energy Queensland considers that capitalisation practices differ materially amongst distribution network service providers (DNSPs) and this materially impacts on the AER's benchmarking results. We welcome the AER seeking options to address the issue. We strongly agree that benchmarking must be undertaken using comparable and consistent data in order to properly reflect differences in how DNSPs are efficiently delivering network services. This is critically important in a context where the AER's benchmarking plays a determinative role in setting operating expenditure (opex) allowances.

The Energy Queensland response in Attachment 1 includes:

- A recommendation that the AER fully explore the viability of the econometric option (Option 2). A key advantage of this option is to directly incorporate differences in capitalisation into the models, rather than as OEF adjustments.
- Specific comments regarding the implementation issues outlined in the Guidance Note in relation to the AER's preferred option (Option 5).

Should you wish to discuss any aspect of this matter further, please contact me on

[REDACTED]

Yours sincerely

[REDACTED]

Email: [REDACTED]  
Telephone: [REDACTED]