



Mr Sebastian Roberts
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Roberts

Draft Decision Evoenergy (ActewAGL) Distribution Determination 2019-24

I am writing to you in response to the Australian Energy Regulator's (AER) draft determination for the ACT Electricity Distribution Network service provider Evoenergy, published September 2018.

As Delegate of the Technical Regulator, I am responsible for the technical regulation of licensed and unlicensed regulated utilities within the ACT. I welcome this opportunity to engage in the Distribution Determination consultation process, raising the following matters for your consideration.

Rate of Return

The AER has applied a lower rate of return of 5.50 per cent, compared to Evoenergy's proposed 6.42 per cent. I understand the rate of return is based on complex economic analysis and provide the following for your consideration.

Vegetation Management

In 2018 the ACT Government amended legislation to transfer responsibility for powerline clearance of vegetation on public land from the Territory to Evoenergy (formerly ActewAGL Distribution).

Vegetation management near powerlines is a key component of the *ACT Strategic Bushfire Management Plan 2014-2019*, and necessary to the ongoing safety of ACT residents. The *Electricity Powerline Vegetation Management Code* requires work to be undertaken by a qualified arborist, which may result in different unit costs to comparative network businesses.

As of 1 July 2018 Evoenergy is required to bring vegetation on unleased Territory land in the urban area back into a manageable state, as a significant number of trees are illegally encroaching minimum prescribed clearance distances. A cost estimate of \$3.5 million - \$4 million per year for the period of three to five years was provided to the Technical Regulator. The Technical Regulator is supportive of Evoenergy's submission to the AER in order for the new expenditure to be incorporated into its

operational budgets for recovery in its tariffs.

I note the AER has determined that Evoenergy has overestimated its proposed vegetation management expenditure and has provided an alternative forecast opex \$6.8 million lower than Evoenergy's proposed \$18.8 million. Further commentary is required from the AER surrounding the assessment of public safety issues that could arise from insufficient funding for vegetation management, particularly where that work relates to mitigating the risk of bushfire.

Safety Performance

Evoenergy's performance in delivering services during 2017-18 was largely satisfactory, however some aspects of the utility's performance have raised concern, including a recent pattern of serious HV incidents. These incidents include a single incident in 2017, and three serious incidents in 2018.

The Technical Regulator has raised concerns with Evoenergy regarding declining safety performance and is working with Evoenergy regarding ongoing issues.

If you would like further information regarding these incidents, or any of the other information contained within this submission, which would support your determination and consideration of ongoing operating expenditure, please contact Simon Grice, Senior Manager Utilities Technical Regulation on 02 6205 3078.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Peffer', written in a cursive style.

Mr Dave Peffer
Technical Regulator Delegate
Access Canberra

15 January 2019