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Our Ref: D17-178346
Your Ref: -
Contact Officer: Slavko Jovanoski
Contact Phone: (02) 9230 3899

15 December 2017

Richard Gross
Chief Executive Officer
Ausgrid
Level 22, 570 George Street
SYDNEY NSW 2000

Dear Mr Gross

Re: Date for submission of Ausgrid's 2019 to 2024 regulatory proposal

Thank you for your letter dated 7 December 2017 seeking the AER's agreement to submit Ausgrid's 2019 to 2024 regulatory period proposal by 30 April 2018. This is three months after the current submission date under Chapter 6 of the National Electricity Rules.

The AER has considered your request and is amenable to the revised submission date.

Based on our discussions with you and other stakeholders to date and the information presented in your letter, we understand the delay will enable Ausgrid to undertake more extensive customer and stakeholder engagement, especially in relation to its proposed capex program, to formulate a better informed regulatory proposal for the benefit of consumers.

We understand that prior to seeking a time extension, Ausgrid has consulted with key stakeholders, including Energy Consumers Australia (ECA), the AER's Customer Challenge Panel (CCP) and the Public Interest Advocacy Centre (PIAC).

Further we consider that Ausgrid's upcoming proposal can be assessed within the shorter timeframe, consistent with an open, transparent and consultative process.

Supporting our decision to agree to a time extension are the following key elements:

- Ausgrid will submit a proposed rate of return for the 2019-24 regulatory control period consistent with the AER's 2013 Rate of Return Guideline and proposed value for gamma consistent with recent AER decisions (that is, a value of 0.4).
- Ausgrid will propose to use of the AER's base-step-trend approach to forecasting opex for 2019-24 with base opex at, or below, the AER's forecast for 2017-18 as in the AER's 2015 Determination. The efficiency benefit sharing scheme (EBSS) will be applied by the AER.

- Ausgrid's proposal to engage interested stakeholders in scoping out a series of detailed investigations into its 2019-24 capex investment plans prior to lodgement of its proposal, including a commitment to make available the relevant underlying information, assumptions and models that support the capex proposal as part of this engagement process
- Ausgrid's acceptance of stakeholder feedback in framing the stakeholder engagement plan included as part of its extension request.

We acknowledge that Ausgrid's proposed approach to issues for the 2019-24 regulatory control period is without prejudice to its approach to resolving the re-determination of the 2014-19 regulatory control period.

Should you have any questions, please do not hesitate to contact either Slavko Jovanoski on (02) 9230 3899 (slavko.jovanoski@aer.gov.au), or myself on (03) 9290 1834 (mark.mcleish@aer.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to be 'Mark McLeish', with a long horizontal flourish extending to the right.

Mark McLeish
A/g General Manager
Network Expenditure