

Level 35, The Tower
360 Elizabeth Street
Melbourne Central
Melbourne Vic 3000

GPO Box 520
Melbourne Vic 3001

tel: (03) 9290 1444
fax: (03) 9290 1457

www.aer.gov.au

Our Ref: D17/134715
Your Ref: fC117732
Contact Officer: Slavko Jovanoski
Contact Phone: (02) 9230 3899

3 October 2017

John Cleland
Chief Executive Officer
Essential Energy
PO Box 5730
PORT MACQUARIE, NSW, 2444

Dear Mr Cleland

Re: Essential Energy 2019 to 2024 regulatory period price review process

Thank you for your letter dated 14 September 2017 seeking the AER's agreement to submit Essential Energy'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 Essential Energy to formulate a better informed regulatory proposal for the benefit of consumers, particularly in light of 2014 to 2019 regulatory period remittal related matters which are currently outstanding.

Further we consider that Essential Energy'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:

- The constructive and well received stakeholder consultation process Essential Energy is undertaking in developing its 2019 to 2024 regulatory period proposal.
- Essential Energy's ongoing work towards an expedited resolution to the remittal process for the 2014 to 2019 regulatory control period in consultation with the AER and stakeholder groups.
- Essential Energy's progress in reducing costs and improving productivity. Essential Energy has achieved the operational efficiency targets set by the AER in its 2015

determination and has confirmed that it will use the improved efficiency outcomes as the basis for its 2019 to 2024 regulatory period proposal. This should form the basis for a return to revealed costs as the basis for setting opex forecasts along with re-instatement of the efficiency benefit sharing scheme (EBSS).

- Essential Energy has confirmed it will apply the AER's Rate of Return Guideline in its proposal on the basis it forms part of an overall package to determine the revenue allowance for both the 2014 to 2019 and 2019 to 2024 regulatory periods.

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 1895 (sebastian.roberts@aer.gov.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'S. Roberts', with a horizontal line extending to the right.

Sebastian Roberts
General Manager
Network Expenditure