

Victorian Electricity Distribution Network Service Providers' regulated revenue proposals for 2011-2015

**Public Forum – Melbourne
17 December 2009**

Mr Steve Edwell, Chairman

Agenda

- 9.30 – 10.00 Forum opening and the AER's process
- 10.00 – 10.30 Jemena presentation
- 10.30 – 10.45 Coffee break
- 10.45 – 11.15 CitiPower presentation
- 11.15 – 11.45 Powercor presentation
- 11.45 – 12.45 Lunch
- 12.45 – 1.15 SP AusNet presentation
- 1.15 – 1.45 United Energy presentation
- 1.45 – 2.30 Questions from the floor
- 2.30 Forum closes

Introduction

- Compliance of regulatory proposals with AER's regulatory information notices
- Once deemed compliant, the AER will publish the compliant regulatory proposals on its website and will seek submissions.
- Stakeholders submissions due mid/late February 2010 – final date to be announced

Forum purpose / procedures

- The purpose of this forum is to allow the DNSPs to present their regulatory proposals.
- After the DNSP presentations, interested parties are invited to raise any issues regarding the regulatory proposals
- AER process questions can be asked at the end of this presentation.
- A record of this meeting will be made but the AER's consultation period does not officially begin until after the regulatory proposals have been deemed compliant – any issues should therefore be submitted to the AER in writing as part of the formal consultation arrangements.

Submissions

- The AER considers all information provided in submissions when making its distribution determinations.
- Submissions that provide clear analysis and arguments against (or in support) of contentions are preferred.
- Submission should focus on the matters that the AER must review and decide upon.

AER appointed consultants

- Nutall Consulting: Technical consultant – capex and opex.
- ACIL Tasman: demand forecasts.
- Access Economics: labour cost growth forecasts.

Timeline - indicative

- Submissions close on the regulatory proposal (**February 2010**)
- Release of the AER's draft determinations and consultants' reports (**May 2010**)
- Public forum on AER draft determinations (**June 2010**)
- Revised proposals (if any) submitted (**July 2010**)
- Submissions close on revised proposals and draft determination (**August 2010**)
- Release of the AER's final determinations (**by 31 October 2010**).

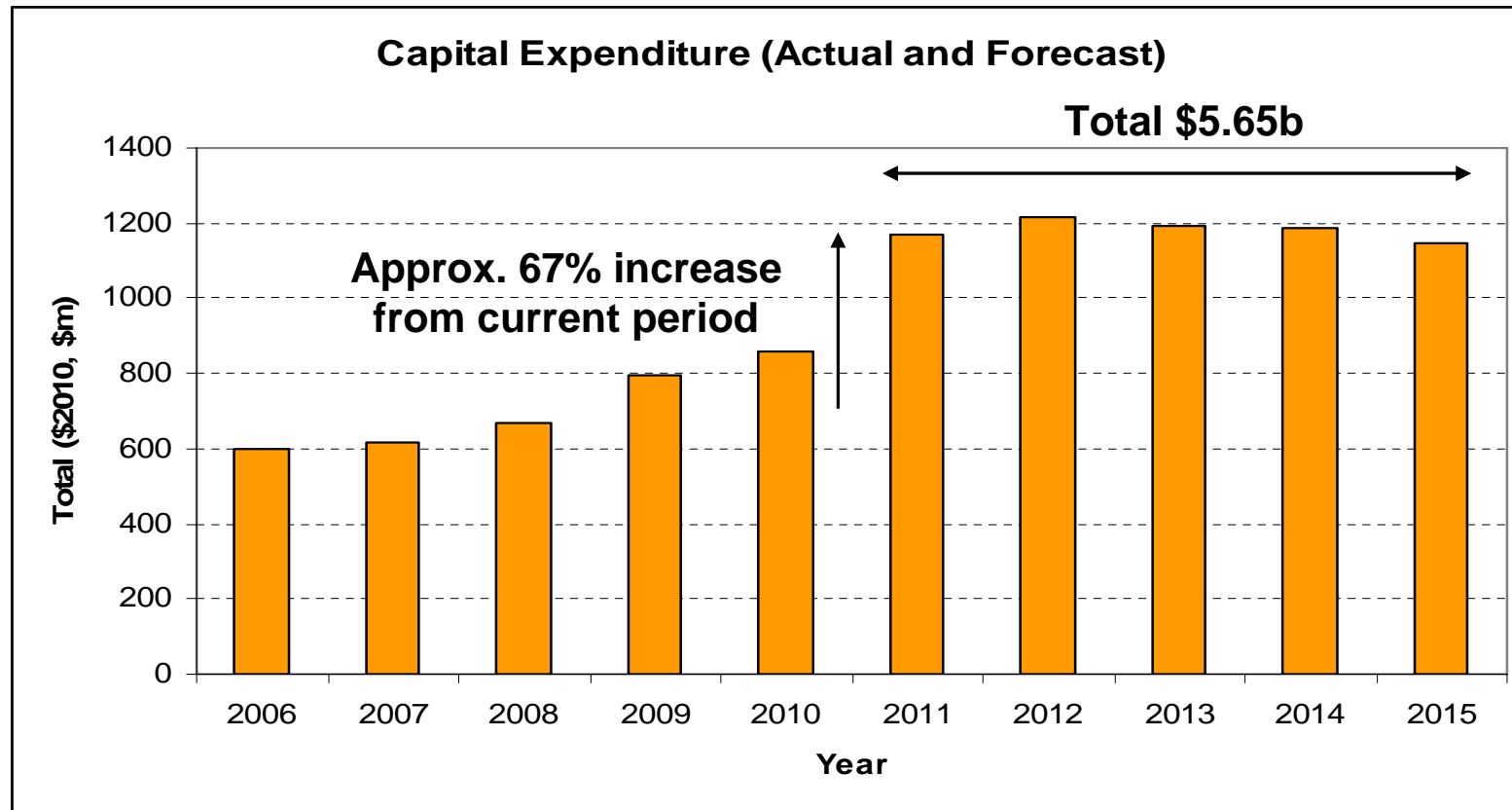
Preparatory consultation

- Framework and approach paper – May 2009
- DNSP regulatory information notices

AER assessment

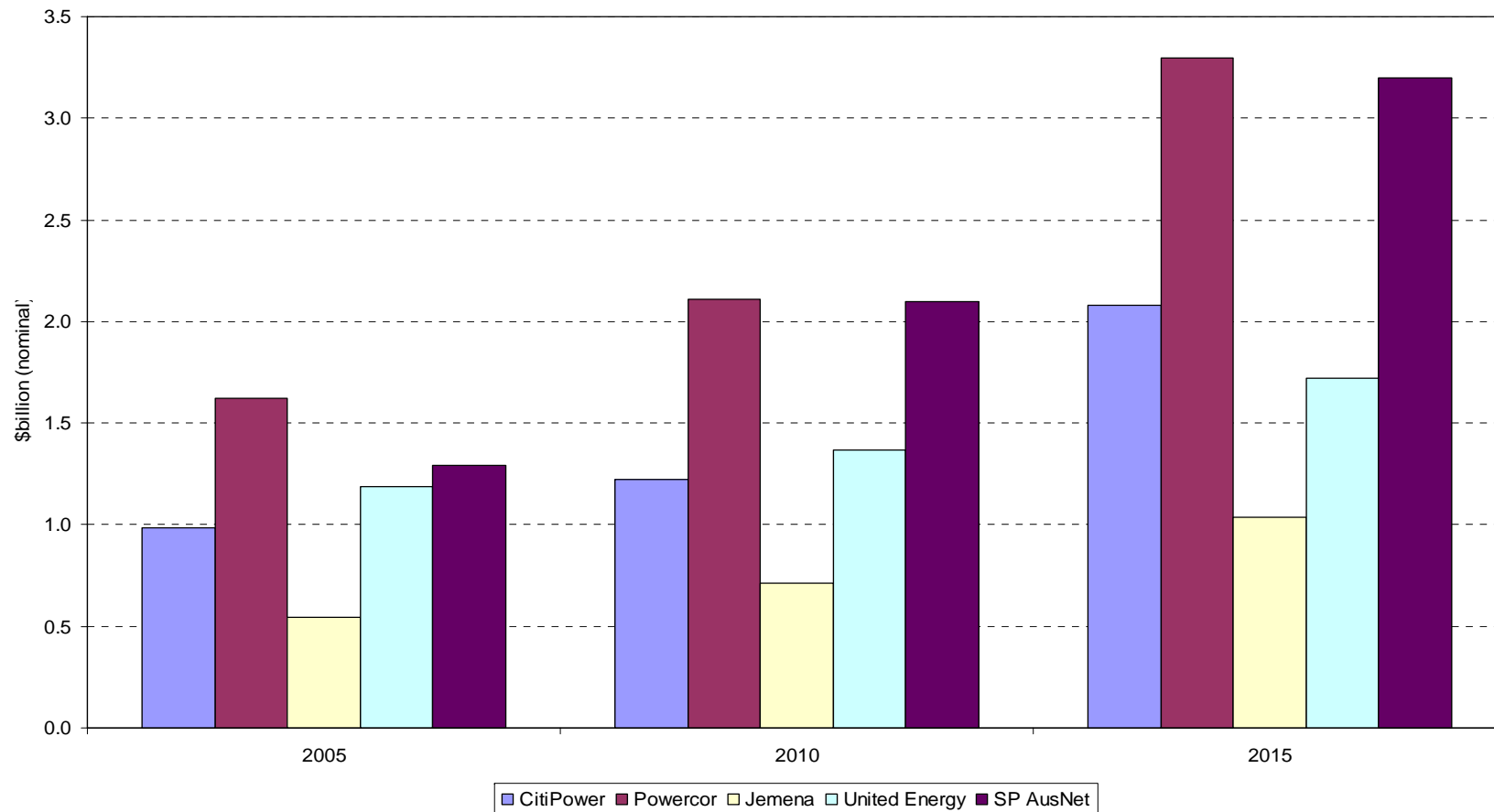
- The AER will comprehensively assess all elements of the proposals
- The AER's review of forecast expenditure will include:
 - historical demand and expenditure trend patterns
 - application of cost allocation methods and allocation of corporate group-wide costs
 - demand forecasting methods and assumptions
 - asset management policies, procedures and application
 - new reliability / safety obligations and solutions chosen to address them
 - use of non-network alternatives
 - labour and materials cost forecasting methods, assumptions and application
 - related-party transactions
 - self-insurance and general insurance premiums
 - benchmark debt and equity raising costs
 - alternative control service costs

Preliminary observations – capex



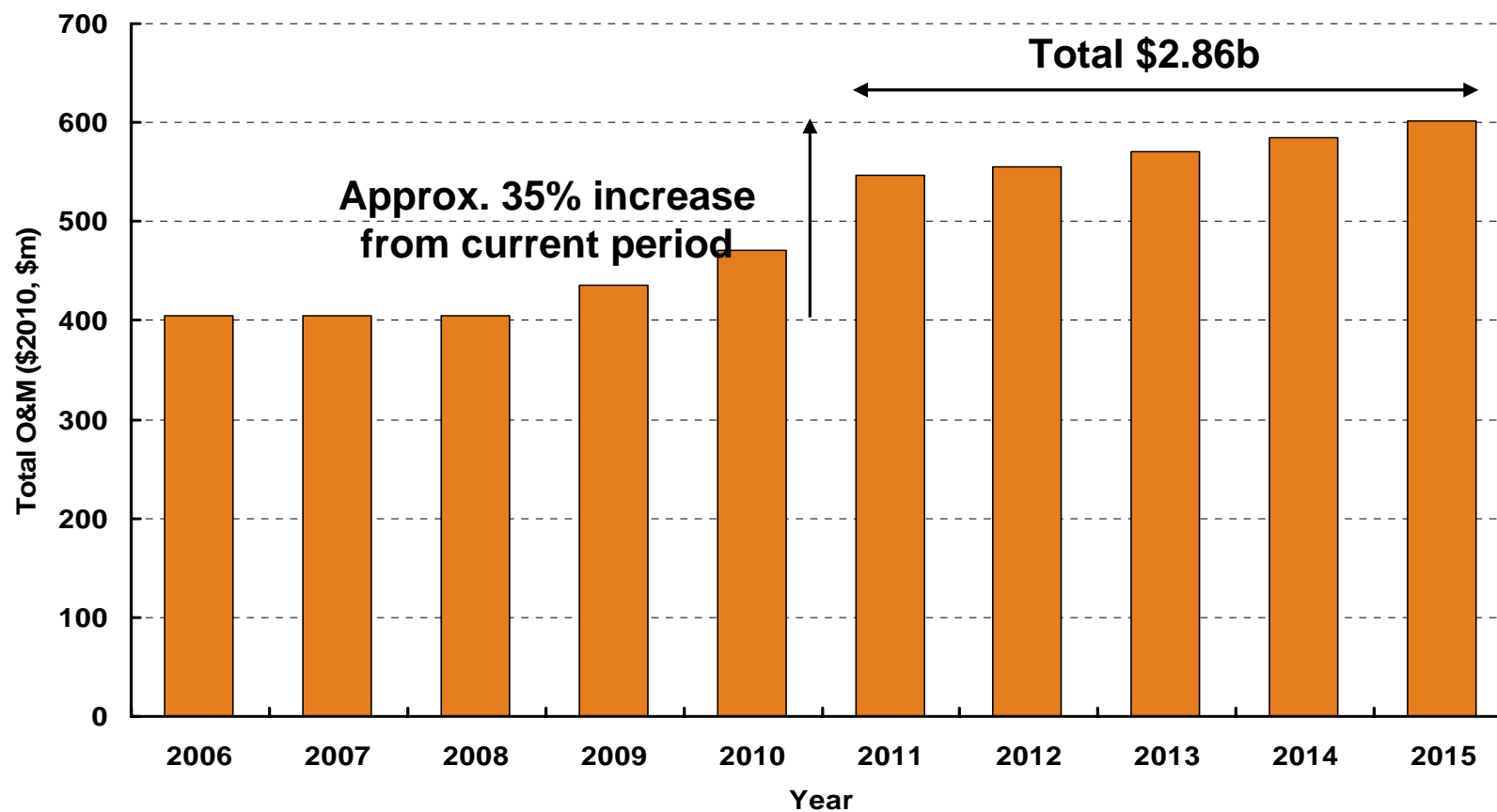
Preliminary observations – RAB

RAB (actual and forecast)



Preliminary observations – opex

Operating & maintenance expenditure (actual and forecast)



Indicative network prices

The Victorian DNSPs have proposed X factor (i.e. real network price) increases of:

- **CitiPower:** 10.1% in the first year and 8% in the remaining years
- **Jemena:** 39.6% in the first year and 3% in the remaining years
- **Powercor:** 22.3% in the first year and 5% in the remaining years
- **SP AusNet:** 46.2% in the first year and 5.5% in the remaining years
- **United Energy:** 16.8% in the first year and 4% in the remaining years.

Indicative retail price impact

On the basis that distribution charges represent around 40% of typical residential customer bills:

- the proposed X factors result in 2011 retail price increases ranging from 4% for CitiPower customers and nearly 20% for SPAusNet customers.

Questions

Questions on the AER's review process?