



02/10/2012

Australian Energy Regulator

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AERInquiry@aer.gov.au

RE: Draft Decision - SP Ausnet Bushfire Insurance Pass-Through Event

Thank you for the opportunity to make a submission on the AER's Draft Determination on this matter.

Amcor is concerned that the draft decision does not sufficiently obligate the DNSP to properly administer and manage its business risks. Before declaring an "insurance event" the AER must be satisfied that the DNSP has had sufficient insurance and undertaken a robust process to identify and manage risks with particular attention relating to the provision of adequate resources to the management of the risk.

In case of bushfires, were adequate resources applied to the maintenance regime to prevent the bushfire? If the AER or other independent Authority or Inquiry finds that the DNSP did not adequately or reasonably identify or manage risk, then an insurance event should not be declared and no additional compensation or recovery of costs above that allowed by their insurer should be permitted.

Amcor's comments regarding the draft determination are as follows:

- Firstly, it is very difficult to make any substantial comments in relation to the AER's draft determination as most of the facts relating to the details and quantum of the pass-through cost to end users have not been disclosed.
- Secondly, the AER has not provided any end user impact assessment on its determination so that consumers could understand what the cost impact of the AER's draft determination is on their electricity bills.
- Thirdly, consumers have to take it as a given that the impact on SP Ausnet's revenue will be > 1% and no evidence has been provided to suggest that this is the case. If it is the case then only the amount > the sum of the insurance payout plus 1% of SPAusnet's revenue should be passed through to consumers.
- Finally, by implication this draft determination by the AER has just confirmed that electricity network businesses are risk free businesses. They can easily recover any unforeseen cost by applying to the AER for consideration as a pass-through event; even if it happened in an earlier revenue determination period.

This draft determination by the AER does not mirror commercial reality and in-fact quarantines the shareholders of DNSPs from any risk what-so-ever.

Changing the National Electricity Rules (NER) retrospectively makes a mockery of the NER and the whole process of regulation of monopoly businesses.

The only conclusion that can be drawn from this draft determination is that regulated monopoly DNSP businesses are risk free and therefore Amcor respectfully suggests that the Debt Risk Premium for all regulated of the network businesses should be eliminated as in reality NSPs bear no risks at all.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Peter Dobney', with a stylized, flowing script.

Peter Dobney

Group Manager, Resources and Energy, Amcor