

21 February 2013

Mr Chris Pattas  
General Manager  
Network Operations and Development  
Australian Energy Regulator  
Level 35, The Tower  
360 Elizabeth Street  
Melbourne Victoria 3000

Dear Mr Pattas

## **Issues Paper – Regulatory Investment Test for Distribution (RIT-D) Application Guidelines**

ActewAGL Distribution welcomes the opportunity to provide this submission in response to the Australian Energy Regulator's Issues Paper on the Regulatory Investment Test for Distribution (RIT-D) application guidelines.

ActewAGL Distribution is a member of the Energy Networks Association (ENA) and has contributed to and supports the ENA's comprehensive submission in response to the AER's RIT-D Application Guidelines paper. ActewAGL Distribution would like to note the following:

- A key matter for ActewAGL Distribution is that while the RIT-T is a reasonable process on which to base the RIT-D process there are several components of the RIT-T that should not apply to the RIT-D as they introduce degrees of complexity for a DNSP that are unnecessary. An example would be RIT-T market benefit calculation which we consider is not necessary for a DNSP calculation as a DNSP will have no impact on the many market parameters that need to be considered for that analysis. The future guidelines should provide simple methodologies for the quantification of market benefits and deemed values where appropriate. The RIT-D should be commensurate with the value and electricity market impact of distribution projects in order to ensure that the regulatory and administrative burden is proportionate.
- ActewAGL Distribution also supports in principle the removal of the base case (the case where no credible option is implemented) as it makes for a more efficient and cost effective RIT-D assessment process as it will not alter the RIT-D ranking of possible credible options relative to each other. A base case analysis may be extremely difficult to estimate particularly when estimating forced outage costs or the costs associated with a system failure.
- ActewAGL Distribution considers that in order to allow full Demand Side Participation (DSP) options to be evaluated accurately and consistently then the future Guidelines

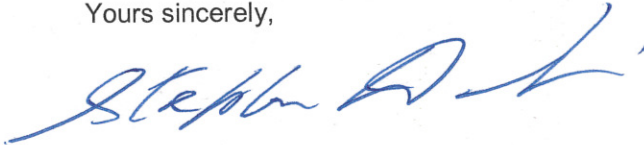
should specify values or methodologies for evaluating the market value of demand reductions or DSP strategies.

- ActewAGL Distribution supports the AER's change in terminology of "interested parties" on the presumption that the intention is to prevent disputes or objections on the RIT-D outcome being raised with the AER by third parties for reasons which are not in accordance with the Rule CI 5.17.5(a).

Once the AER develops their draft RIT-D guidelines later this year ActewAGL Distribution would be pleased to provide more substantive comments.

Should you require any further information please contact Peter Cunningham, Senior Networks Regulatory Manager on (02) 6248 5108.

Yours sincerely,



Stephen Devlin

General Manager Asset Management