

Attachment A – Pre-lodgement engagement process

The following sets out a summary of the AER and distributors' agreed approach for the pre-lodgement process.

- Early February (or earlier) – the AER will initiate the pre-lodgement engagement phase by providing the distributors with pre-filled models, containing:
 - Actual inputs for – CPI, historical revenues, expenditures, and operational data from regulatory information notices (**RINs**), incentive scheme payments, cost pass-throughs (**CPTs**), and previous year prices; and
 - Relevant placeholders for inputs not yet available – weighted average cost of capital (**WACC**), X-factors, service target performance incentive scheme (**STPIS**) payments, forecast designated pricing proposal costs (**DPPC**) and jurisdictional scheme amounts (**JSA**), and any CPTs yet to be approved.
- The distributors will quality-assure the pre-filled information. Any concerns will be discussed with the AER.
- In mid-February, the distributors will submit preliminary models (updated models of the ones the AER provided them) that:
 - have not undergone internal governance processes (unless otherwise advised by the distributor)
 - include demand forecasts and current year demand/consumption estimates, and any other input that is unknown by the AER (e.g., proposed deliberate under-recoveries of revenue)
 - may contain preliminary prices or placeholder prices (from indicative schedules or previous year prices), but these prices are not to be considered indicative of final prices to be submitted
 - supporting material relevant for demand forecasts or other content.
- The AER will not publish the preliminary models or other content provided to us prior to receipt of formal pricing proposals by 1 April. Particularly, as the preliminary models will not have undergone any internal governance processes and will include information that is not indicative of final outcomes (e.g., prices). The AER will ensure all information received during the pre-lodgement engagement process is marked as preliminary and only for

internal use. Any formal submission begins the regulatory timeline for approval (within 30 business days).

- In the 2–3 weeks following receipt of the preliminary submissions the AER expects to:
 - engage with the distributor on their proposals, particularly on any material issues or potential material issues
 - review price-capped services where inputs are known
 - review the reasonableness of demand forecasts and raise any concerns of unreasonable forecasts
 - review unders/overs account and indicate compliance of t-2 actuals, t-1 estimates, and the adjustment to balance the accounts made in year t
 - consider any adjustments or drivers that may cause significant cost movements.
- For the avoidance of doubt, engagement in this pre-lodgement stage are the views of the AER staff and are subject to formal approval of the AER Board upon formal submission.
- By mid-March (or as soon as available), the AER will ensure relevant final inputs are provided to distributors for inclusion into the model, particularly in relation to the WACC, X-factors, STPIS, and any CPTs. Other components such as DPPC and JSA will also be updated by distributors.
- The AER expects that through this process, formal pricing proposal submissions due by 1 April will:
 - have no input or modelling errors
 - have no issues for consideration relating to price-capped services, or unders and overs accounts
 - have little or no issues for consideration relating to forecast demand and current year demand estimates (some further analysis will be required for revisions resulting from Summer peaks or other recently available data)
 - have no unexpected adjustments or other drivers of significant cost movements
 - more likely to be able to be approved without revision, engagement, or resubmission.

Pricing process timeline, including pre-lodgement engagement

