

30th January 2020

Ms Clare Savage
Chair
Australian Energy Regulator
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Dear Ms Savage,

AusNet Services Electricity Distribution Price Review Proposal

Please find attached AusNet Services' Regulatory Proposal for the regulatory control period 1 July 2021 to 30 June 2026 which has been prepared in accordance with the National Electricity Rules and the AER's Regulatory Information Notice. Our Proposal and necessary information have been provided to the AER via its secure website.

The regulatory proposal reflects the outcomes of our Australian-first trial of the 'NewReg' process. The process has had many positive outcomes for our business, and most importantly, for customers. The extensive support and guidance that the AER's staff have provided during the process has been very much appreciated.

By engaging more extensively than ever before with our customers, and working with the Customer Forum, we have reflected the needs and expectations of customers by:

- Making services more affordable: Revenue per customer will fall by \$110 or 12% from December 2020 to July 2021, and then will only increase in line with inflation;
- Making our service provision more customer friendly: This is improving customer communication and customer-facing processes. There is also broad support for the Customer Satisfaction Incentive Scheme developed with the Customer Forum;
- Maintaining reliability and safety: Customers have made it clear that they don't want this compromised;
- Supporting customers' rooftop solar investments: We are proposing modest investment to allow more solar exports onto the network in line with customer expectations – but using technology and targeted investment to keep the costs down;
- Innovation to support the energy future: Modest innovation expenditure is proposed to support the energy transition, and ensure future benefits are shared across the customer base; and
- Using the smart meters to benefit customers: Working with the Customer Forum we have identified more ways to use this existing technology to benefit customers.

The positive impact of these substantial agreements, if implemented, would be felt by our customers for years to come. The Customer Forum has also brought genuine and lasting cultural change to our business.

Given the transparency and robustness of the 'NewReg' process, we expect that, subject to review, the AER can endorse the negotiated aspects of our Proposal.

Finally, we recognise that there will be elements of our proposal that have changed since we consulted on our Draft Proposal was published. For example, interest rates and debt costs have continued to fall, and we have fully depreciated assets which are either no longer in service or have inappropriately long lives assigned to them. Collectively, these changes have allowed us to increase price cuts since the Draft Proposal and benefit future customers by stabilising prices in the longer term, when interest rates inevitably rise. For our investors, these actions manage cashflows at a time when the regulatory regime is delivering negative profits in the short term.

I look forward to discussing the proposal and the successful outcomes of the 'NewReg' process more generally with your Board at our 5 March meeting.

Sincerely,



Tony Narvaez
Managing Director