

3 December 2020

Ms Clare Savage
Chair
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Locked Bag 14051
Melbourne City Mail Centre
Victoria 8001 Australia
T: 1300 360 795
www.ausnetservices.com.au

Dear Clare

AusNet Services' Electricity Distribution Revised Price Review Proposal

Please find attached AusNet Services' Revised Price Review Proposal for the regulatory control period 1 July 2021 to 30 June 2026. This responds to the Australian Energy Regulator's (AER) Draft Decision in accordance with the National Electricity Rules. Our Revised Proposal and necessary supporting information have been provided to the AER via its secure website.

We welcomed the broad endorsement of the agreements we reached with the Customer Forum in the Draft Decision. Our Revised Proposal accepts material parts of the AER's Draft Decision, with departures largely limited to areas where we have been invited by the AER to update our forecasts, including to factor in the expected impact of COVID-19.

Where we have made further modifications to the AER's Draft Decision, these are driven by updated information, new externally driven cost imposts or stakeholder consultation. For example, despite taking significant steps to minimise recent increases in insurance premiums, costs will be significantly higher over the next regulatory period. Similarly, a material decline in the real rate of return has translated into reduced customer contributions, increasing net connections capex.

In developing our Revised Proposal, we have engaged with stakeholders and reflected their views. It also reflects the views of the Customer Forum, whom we re-engaged as part of our Revised Proposal development process. In particular, we have not included certain new expenditure in our Revised Proposal that is economically justified by higher demand over last summer. Instead, we will bear this risk (rather than our customers) and will look to deliver this work within the total allowance provided by the AER.

In applying the approach above, the Revised Proposal results in expected average annual bill reductions of \$138 per customer, in real terms, over the 2022-26 regulatory period, when compared to 2020. The application of the outcome of the AER's Inflation Review – which is required to mitigate financeability issues which would arise over the next regulatory period reduces expected bill reductions to \$116 per customer. This is consistent with the minimum \$110 per customer bill reduction originally agreed with the Customer Forum.

I look forward to discussing our Revised Proposal with your Board on 4 February 2021.

Sincerely



Tony Narvaez
Managing Director