

7 December 2017



Mr Sebastian Roberts
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Australian Energy Regulator
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Chief Executive Officer

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Dear Mr Roberts

Re: Date for submission of Ausgrid's 2019-2024 Regulatory Proposal

Ausgrid is continuing to finalise its regulatory proposal for the 2019-24 regulatory control period (2019-24 Regulatory Proposal), for submission to the Australian Energy Regulator (AER).

Ausgrid had been planning to submit its 2019-24 Regulatory Proposal to the AER by 31 January 2018. This is the date by which Ausgrid would have been required to submit, had the AER's distribution determination for the 2014-19 regulatory control period continued to be in force.

However, the AER's determination for the 2014-19 regulatory control period has been set aside by the Australian Competition Tribunal, and the AER is yet to remake this determination. Therefore there is currently no distribution determination that applies to Ausgrid.

Accordingly, it is open to the AER to effectively set a date for submission of Ausgrid's 2019-24 Regulatory Proposal, pursuant to cl 6.8.2(b)(2) of the National Electricity Rules. Ausgrid will comply with the AER's required submission date.

For reasons set out below, Ausgrid requests that the AER require it to submit its 2019-24 Regulatory Proposal by 30 April 2018. This could be done by issuing a notice to Ausgrid on 31 January 2018, requiring submission of its 2019-24 Regulatory Proposal within three months of that date. Ausgrid requests that the AER notify it as soon as possible whether the AER agrees to adopt this course, so that Ausgrid can plan for submission within the required timeframe.

The main reason for Ausgrid's request is to allow sufficient time for effective stakeholder consultation. Ausgrid is highly conscious of the importance of ensuring effective and comprehensive stakeholder consultation, which we have readily engaged in over the past 12 months.

After deeper engagement with our customers, Ausgrid now considers that its 2019-24 Regulatory Proposal would benefit substantially from further consultation before submission to the AER. Accordingly, Ausgrid is proposing to undertake an additional consultation and engagement program that will allow customers the opportunity to influence the finalisation of its Proposal. In order to effect this additional period of consultation, Ausgrid is requesting that it be required to submit its Regulatory Proposal to the AER by 30 April 2018 – three months later than Ausgrid had originally planned to submit.

In support of this request, Ausgrid notes that the additional time would be used to accomplish:

- a round of pre-submission consultations with stakeholders, including the release of an "Early Consultation Document", setting out our plans and resulting prices; and
- direct engagement with interested stakeholders to ensure our proposed capital expenditure program will deliver on stakeholder feedback – to commence in January 2018.

We understand that this would also align our submission date with the submission date for Essential Energy.

We recognise that Ausgrid submitting later than originally planned will impose additional time and resource constraints on the AER in its review of our submission and in making its determinations. In recognition, we are offering the following undertakings to the AER – that our submission will be clearer and better incorporate stakeholder feedback – enabling the AER a more streamlined and efficient review process.

Specifically, Ausgrid's proposal will reflect the following elements which can provide comfort that the key areas of debate will be sufficiently narrow to allow for more condensed assessment time frames.

- Ausgrid will submit a proposed rate of return for the 2019-24 regulatory control period consistent with the 2013 Rate of Return Guideline and proposed value for gamma consistent with recent AER decisions (i.e. a value of 0.4);
- Ausgrid will propose to use the AER's standard approach to forecasting opex (base, step, trend) and the base will be at, or below \$426m, the allowance set by the AER for FY18 in its original distribution determination for the 2014-19 regulatory control period;
- The EBSS will be applied by the AER; and
- Capex will be consistent with both the long term historical average and the discussions held with stakeholder groups over the last 6 months.

Ausgrid's preparedness to adopt these positions for the 2019-24 regulatory control period is without prejudice to its approach to resolving the redetermination of the 2014-19 regulatory control period where Ausgrid may wish to take different positions.

Ausgrid's 2019-24 Regulatory Proposal will also seek to deliver on customer expectations in relation to Affordable, Reliable and Sustainable; and is designed to keep price changes below inflation.

Attached is Ausgrid's high level plan for consultation before 30 April 2018. This includes a specific capital expenditure consultation path, which is designed to ensure our proposal is informed, as best it can be, by customer and stakeholder feedback.

We look forward to your favourable consideration of this request which we believe will ultimately benefit customers and other stakeholders.

Should you have any questions or require additional information please contact Simon Camroux, Head of Regulation on 0477 707 536.

Yours sincerely



RICHARD GROSS

Chief Executive Officer