

13 September 2013

Mr Chris Pattas
General Manager
Network Operations and Development
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001



Dear Mr Pattas *Chris.*

Draft Shared Assets Guidelines

Energex Limited (Energex) welcomes the opportunity to comment on the Draft Shared Asset Guidelines (Draft Guidelines) published by the Australian Energy Regulator (AER). The Energy Networks Association (ENA) will be making a submission on behalf of its members. As a member of the ENA, Energex supports the ENA's submission.

Energex acknowledges the AER's preference for simplicity in developing a guideline that allows electricity customers to benefit where regulated assets funded by electricity customers are used to earn unregulated revenues. The AER's proposed approach to making cost reductions as set out in the Draft Guidelines while being arbitrary is relatively simple to apply and consequently minimises administrative costs for Network Service Providers (NSPs) and the AER.

Energex however is concerned that the Draft Guidelines restrict the ability of NSPs to propose alternative cost reduction methods. The Draft Guidelines state that NSPs can only use alternative methods where consumers would be no worse off than if the AER's method is adopted. It appears the AER would only consider an alternative cost reduction method if, the method results in a higher cost reduction than that determined from the AER's preferred approach. Energex considers that with the guidelines being non-binding, this requirement is unnecessary and NSPs should have sufficient flexibility to propose alternative methods as long as they can demonstrate that they are consistent with National Electricity Rules.

Energex considers that there is no "one size fits all" approach in the treatment of shared assets. Given the nature of some unregulated services provided by NSPs, the proposed 10 per cent reduction to unregulated revenues will impact the viability of continuing to provide some of those services.

Energex's preferred approach is that the guidelines should set out a 'default approach' but allow NSPs to propose alternative methods that they consider to more accurately reflect their circumstances at the time of the determination consistent with the propose-respond model.

If you require further information please do not hesitate to contact Guy Mutasa on (07) 3664 4459.

Yours sincerely

A handwritten signature in black ink, appearing to read "Kevin Kehl".

Kevin Kehl
Executive General Manager - Customer and Corporate Relations

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