



17 September 2021

Warwick Anderson
General Manager – Network Pricing
Australian Energy Regulator
by email: AERpricing@aer.gov.au

Dear Warwick

Re: Standardised model for ancillary network services

CitiPower, Powercor and United Energy appreciate the opportunity to respond to the Australian Energy Regulator's (AER) issues paper and draft standardised model for ancillary network services.

We broadly support the AER's objective of standardising models across distributors to streamline the preparation of various models that present synergies in terms of preparation and AER reviews.

However, we consider the standardisation of the modelling for fixed charges of ancillary network services may not provide synergies in either the preparation, the AER review or interpretation of results, for the following reasons:

- benchmarking of ancillary network services across distributors would not result in reliable outcomes due to the highly variable nature of distribution networks, including size, topography and density. For example, rural networks typically require longer travel times between jobs, while densely populated urban networks typically experience higher traffic management costs. Further, jurisdictional safety regulations may stipulate certain requirements on distributors, such as a number of persons in a vehicle when attending a site
- distributors have varying service delivery models that cannot easily be translated into a standardised AER model. For example, an outsourced delivery model based on fixed fee arrangements would not provide insight into bottom-up cost structures
- distributors have different cost allocation methodologies that allow for different cost sharing between standard and alternative control services.

For these reasons a bottom-up build model may not be practical for all distributors. We propose the AER leave it optional for distributors to either:

- use the AER's proposed model if the distributor chooses a bottom-up build-up approach for ancillary network service charges and for quoted labour rates, *or*
- provide a simpler model that either escalates existing charges if there have been no material changes in the service provision or costs, or allows for a cost pass through of contracts where costs align with the charges.

We would be happy to meet to discuss this letter or should you have any queries you are welcome to contact Sonja Lekovic on [REDACTED]

Yours sincerely



Megan Willcox
Head of Regulatory Performance and Analysis
CitiPower, Powercor and United Energy