Thank you for the opportunity to comment on the AER staff proposed shared asset cost reduction method.

CitiPower and Powercor are supportive of the shared asset cost reduction guideline setting out a relatively simple default method, but recognising that businesses can submit an alternative proposed method with their regulatory proposal.  Consideration should be given to a sharing factor of less than one third to encourage the provision of shared asset unregulated services (principle 1) recognising that O&M and/or tax costs will be incurred for these services and revenue is only a proxy for asset use, and to reduce the perverse incentive not to exceed the materiality threshold.  Step 4 might not be necessary because businesses can propose an alternative to the default method should the default method not be appropriate for their services.  Otherwise the AER staff proposal seems to be appropriate as a relatively simple default method.

Regards

Mark

Mark de Villiers

Manager Financial and Regulatory Planning

CitiPower and Powercor

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