

6 April 2020

Ms Kami Kaur
Acting General Manager Distribution
Australian Energy Regulator

Dear Ms Kaur

Endeavour Energy's 2020-21 Pricing Proposal

I am pleased to submit Endeavour Energy's 2020-21 Pricing Proposal to the Australian Energy Regulator (AER).

Endeavour Energy's pricing proposal has been prepared in accordance with the AER's final decision for the 2019 to 2024 regulatory period. It is also in accordance with the requirements of Chapter 6 of the National Electricity Rules (Rules) which establishes a process of price notification and review by the AER for annual price changes.

The Rules allow for Endeavour Energy to indicate which parts of our pricing proposal that we claim as confidential. In the list below, we identify four attachments over which we are claiming confidentiality.

The document and models we submit as part of this proposal are:

DOCUMENT:

- Endeavour Energy's 2020-21 Pricing Proposal

ATTACHMENTS:

- Confidential Attachment A – Revenue Cap Compliance Model;
- Confidential Attachment B – TSS Principles Model;
- Confidential Attachment C – Small LV Tariff Relativity Model;
- Confidential Attachment D – Indicative Pricing Schedule;
- Attachment E – Indicative Pricing Schedule;
- Attachment F - ANS Price Cap Compliance Model & Indicative Pricing Schedule;
- Attachment G - Metering Services Price Cap Compliance Model & Indicative Pricing Schedule;
- Attachment H - Public Lighting Price Cap Compliance Model & Indicative Pricing Schedule; and
- Attachment I - Security Lighting Price Cap Compliance Model & Indicative Price Schedule

How has the COVID-19 pandemic impacted this proposal?

The current COVID-19 pandemic has had, and will continue to have, a profound impact on our economy, our communities and our customers for some time. Endeavor Energy is committed to playing its part as a responsible corporate citizen. For this reason, Endeavour Energy along with many other networks across the country made a number of commitments as set out in the recently announced ENA Relief Package that we believe will offer direct financial assistance to where it is needed most.

While there is uncertainty as to how long the current emergency will last, we note that the Federal Government expectations are that the event may last six months. A further uncertainty is the potential medium to long term impact on the economy noting the significant impact on global stock-markets observed to-date and the impact of the enforced shut-down on small to medium businesses.

Of relevance for this pricing proposal is the implication of what these impacts will have on energy consumption and therefore prices. We have been observing international experience that shows energy consumption reductions ranging from 10% to 20%.

In considering what, if any, action to take to account for the impacts of COVID-19 Endeavour Energy has reflected on:

- the need to provide early and direct support to impacted and vulnerable customers;
- our regulatory obligations, such as the requirement to undertake changes to enhance cost reflective pricing;
- the immediate needs of our customers for the cost to be contained; and
- the potential for future price volatility in the absence of any response to energy volumes.

Bearing these considerations in mind Endeavour Energy has made a modest post modelling adjustment to our energy forecast of 4% in FY21. This will allow Endeavour Energy to cap our distribution price change to the rate of inflation.

Endeavour Energy is concerned that making no allowance for the likely impact of the COVID-19 pandemic will leave our customers exposed to future price volatility should a significant revenue under-recovery occur in FY21. A 4% adjustment to our consumption forecast will serve as a 'hedge' against this risk that will be returned to customers (with interest) should our estimate of the adjustment be overstated (which we consider to be highly unlikely).

If you have any questions with respect to the pricing proposal, please do not hesitate to contact our Network Pricing Manager, Daniel Bubb, on 0410 625 358.

Yours sincerely



Leanne Pickering
Interim Chief Executive Officer