

Department of Innovation,  
Industry and Regional Development

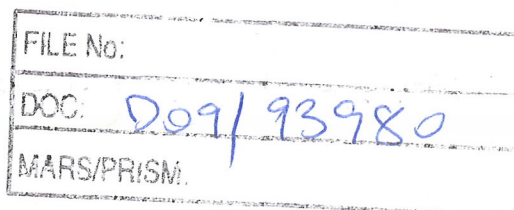
AUST. COMPETITION &  
CONSUMER COMMISSION  
MELBOURNE

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GPO Box 4509  
Melbourne Victoria 3001  
Australia

Mr Chris Pattas  
General Manager  
Network Regulation South  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001



Dear Mr Pattas

**FORMAL DECISION – CITIPOWER'S CURRENT APPROACH TO CHARGE  
NEW CUSTOMERS CAPITAL CONTRIBUTION FOR UPSTREAM NETWORK  
AUGMENTATION**

Thank you for the invitation to make a submission to the above formal decision.

***Introduction***

DIIRD endorses the legislative requirement that connection costs, for upgrades and new connections, should be fair and reasonable, consistent with the current Electricity Price Determination, and all relevant regulatory guidelines.

DIIRD would like the outcome of the AER decision paper to apply to all five of the distribution companies in Victoria.

In working with customers who have requested quotations for upgrades or new connections, DIIRD has noted that the AER guideline, *Provision of Services by Electricity Distributors (Guideline 14)*, is not interpreted consistently by the five distributors, and that it was not clear to DIIRD if any of the distributors had correctly interpreted the guideline.

***Customer issues***

DIIRD would like to see a system that is more transparent, and that customers are able to refer to information that reasonably clearly explains the various costs that make up a connection or upgrade quotation. In particular the brought forward cost component should be able to be understood by the customer.

In most instances the customers that have raised the issue of capital costs with DIIRD have indicated that they do not fully understand the quotations they have been provided, and in particular have found it difficult to understand the charges associated with upstream network augmentation. The quotations that have been sighted by DIIRD do not provide detailed information on the calculation of these charges.

***Diversity factor***

The main area of inconsistency appeared to be in the method for calculating capital contribution charges and DIIRD notes that the calculations in the latest paper do not take into account a diversity factor for the individual connections.


By including a diversity factor in the calculations DIIRD would assume that the connection contribution per connection could potentially be lower than that derived by the paper which has not included a diversity factor.

***Averaging approach***

DIIRD supports the use of an averaging approach for calculating the incremental cost of augmentation of the lower levels of the distribution network.

The use of an averaging approach however, requires that the costs charged are correctly estimated, and that these costs are not also partly recovered in the income generated through normal network charges which are established through the five yearly price determination process.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JR' with a long horizontal stroke extending to the right.

**JOHN ROBINSON**  
Deputy Secretary