

13 December 2017

Ms Paula Conboy
Chair
Australian Energy Regulator
Melbourne

By email: paula.conboy@aer.gov.au

ECA qualified support for Ausgrid application for an extension to lodge initial regulatory proposal

Dear Paula,

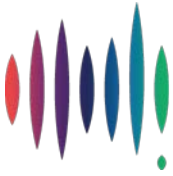
I write in relation to Ausgrid's application for an extension to the date it is required to submit its initial regulatory proposal for 2019-24 to the Australian Energy Regulator (AER). Ausgrid is seeking an extension from 30 January 2018 to 30 April 2018.

A core consideration for Energy Consumers Australia (ECA) in relation to this application is Ausgrid's commitment to keep price changes below inflation throughout 2019-24, following the price reductions achieved during 2014-19. It is on this basis that ECA supports the application for an extension, noting the concerns outlined below.

ECA has engaged with Ausgrid's senior management and considered its application letter to the AER of 7 December 2017 and Draft Stakeholder and Consumer Consultation Program of 13 December 2017. We note Ausgrid has committed to apply the AER's 2013 Rate of Return Guideline methodology, and agree to setting their base year operating expenditure for the next period below the level determined by the AER for 2018. These commitments should mean that the issues remaining 'on the table' can be resolved within the amended, shorter time frame.

Regarding Ausgrid's proposed capital expenditure, ECA has expressed (and we repeat here) our concerns about aspects of Ausgrid's current thinking, including the use of a 'long term historical average' that includes a period of gold plating. This issue is to be the primary focus of the additional consultation contemplated in the Draft Consumer Engagement Program Ausgrid circulated by email on 13 December 2017. ECA would welcome the opportunity to participate in this process to further scrutinise Ausgrid's capital expenditure program.

It is important however, to note the general concerns about whether Ausgrid will live up to its commitments given the way it has approached previous regulatory processes. Our support for the Ausgrid application for extension is based on the open and productive way Ausgrid has engaged with ECA in recent weeks, and the clear commitments it has made on key elements of the revised determination. It is critical that, should the AER grant the extension, that Ausgrid continues to work with



all stakeholders in a positive way that puts the interests of consumers first at a time when they are facing serious affordability challenges.

I look forward to our organisations continuing to work together to ensure consumers pay no more than is necessary for essential energy services. Please do not hesitate to contact me if you would like to discuss this matter further.

Yours sincerely,

Rosemary Sinclair
Chief Executive Officer
Energy Consumers Australia