

3 July 2015

Mr Sebastian Roberts
General Manager - Networks Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Email: SAelectricity2015@aer.gov.au

Dear Mr Roberts,

RE: Preliminary Decision SA Power Networks determination 2015-16 to 2019-20

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Australian Energy Regulator's (AER) Preliminary Decision on SA Power Networks (SAPN) determination 2015-16 to 2019-20 (the **Preliminary Decision**).

The ERAA represents the organisations providing electricity and gas to over 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

The ERAA welcomes the AER's Preliminary Decision as it establishes appropriate incentive structures for SAPN to improve its capital allocation and drive operational efficiencies, through the proposed reductions to augmentation and replacement capital expenditure. The ERAA considers further efficiencies in unit costs could be achieved by moving SAPN further towards the upper quartile of the AER's benchmark efficient unit costs. In addition, the ERAA considers SAPN's augmentation program should be adjusted to reflect its conservative risk and cost benefit forecasting as the AER has done in previous distribution decisions.

The ERAA supports the AER's decision not to include SAPN's step change costs in their operating expenditure allowance. The ERAA however considers that the AER has not sufficiently evidenced how it arrived at the conclusion that SAPN's base operating expenditure is not materially inefficient.

The ERAA also supports the AER's proposed methodology and determination in relation to the Weighted Average Cost of Capital (WACC). The ERAA believes the Preliminary Decision on the WACC better reflects the efficient financing costs of SAPN with respect to the level of and exposure to risk that applies to an Australian regulated DNSP and should be preferred over the estimate provided by SAPN.

The ERAA welcomes the removal of exit fees as it is necessary to promote effective competition in metering and related services and to allow customers to compare the costs and benefits of different metering service options. The ERAA does not support the AER's revised methodology on the calculation of metering charges as the AER has not undertaken sufficient and robust analysis to fully understand the long-term implications of its decision on metering contestability or if there is a more preferable approach to determining the



methodology. Clearly defined and efficiently set metering charges are necessary for the expansion and development of competition in metering.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Alex Fraser', with a horizontal line underneath.

Alex Fraser
Interim CEO
Energy Retailers Association of Australia