



AER draft decision delivers the lowest network charges in NSW

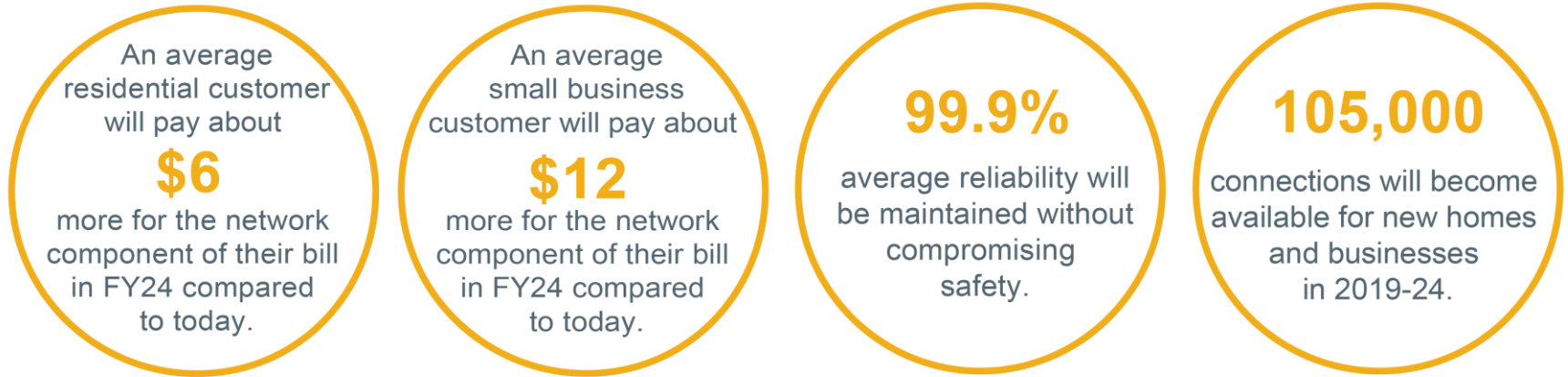


KEY POINTS

- AER draft decision is a positive outcome for the 1 million customers across the Endeavour Energy network.
- Decision was made possible due to the collaborative and respectful relationship developed between the AER, Endeavour Energy and its many stakeholders and consumers. This lead to significant changes to our plans.
- We accept the bulk of the AER's draft decision.
- Remaining issues: TSS, contingent project, WACC, tax and productivity reviews.



CUSTOMER OUTCOMES



Pricing movements compared to CPI

	FY20	FY21	FY22	FY23	FY24
CPI	-3.7%	-2.3%	-2.0%	-2.2%	-2.8%

TSS

- The AER is seeking a more aggressive transition to cost-reflective pricing than proposed by Endeavour Energy.
- The AER's draft decision:
 - mandates cost-reflective pricing following a meter change
 - prohibits the use of transitional tariffs as the default
 - prohibits opt-out of cost-reflective pricing to a flat energy tariff
 - requires an optional time of use energy tariff.

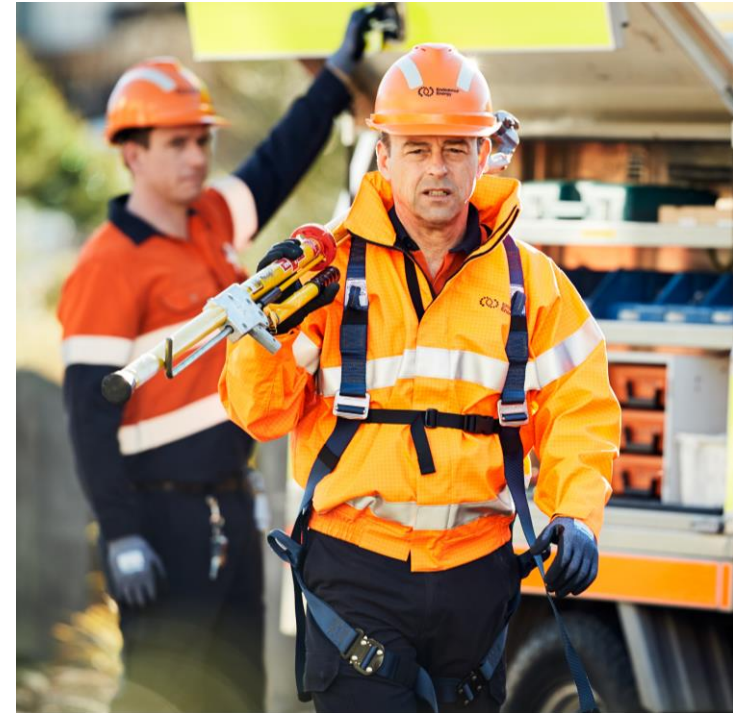


- We will be guided by stakeholder feedback with respect to adoption of the AER's draft decision but believe the decision de-emphasises the consumer impact principle and puts at risk valuable tariff and metering reforms.



WACC TAX & PRODUCTIVITY

- **WACC:** The AER is in the process of finalising the 2018 Rate of Return guideline by December; we will apply the prevailing guideline.
- **Tax:** The AER is reviewing the regulatory approach to tax. A final decision and the modelling changes to give effect to any potential changes is not expected until April 2018.
- **Productivity:** The AER accepted the efficiency of our base opex and have made amendments to the assumed price and output growth. The outstanding issue is whether a productivity factor should be applied. The AER has just commenced a process to review its approach to productivity. A final decision is not expected until April 2018.



CONTIGENT PROJECT

- AER rejected the Western Sydney Airport project as a contingent project on the basis that some investment will most likely be required and a lower cost alternative may be available through staging the solution.
- We will review the AER's feedback and develop a number of investment solutions. We will present the total cost of each option, which may run over multiple periods, to the key stakeholders and will present a preferred option following their input.
- A lower cost option may be below the contingent project threshold. If this is the case and it is the preferred option we may revise our capex forecast to include it.



ENGAGEMENT

- ✓ 22 Aug: Distribution Annual Planning Report presentation to CCC.
- ✓ 31 Oct: feedback to UDIA and developers on capital contributions.
- ✓ Early Nov: Department of Planning and Environment.
- ✓ 8-12 Nov: retailer engagement.
- Mid Nov: state and federal MP engagement.
- 4 Dec: CCC meeting.
- Targeted one-on-one discussions e.g. Western Sydney Airport.
- Customer engagement on tariff options.

