

30 June 2017

Mr Warwick Anderson
General Manager, Network Finance and Reporting
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted electronically via rateofreturn@aer.gov.au

Dear Warwick

REVIEW OF EXPECTED INFLATION

Thank you for the opportunity for Endeavour Energy to provide written comment to the AER regarding its review of expected inflation. Endeavour Energy appreciates the AER's responsiveness to issues raised by several businesses regarding this issue and the open and consultative approach adopted.

Endeavour Energy supports the submission made by Energy Networks Australia (ENA) on this matter and the work undertaken by CEPA. While Endeavour Energy supports the approach of using the break-even method for determining expected inflation, we are of the view that improvements in the forecast of inflation are not sufficient to address the issues raised by stakeholders and that a review of how inflation is forecast and applied in the PTRM, RFM and annual pricing process is required.

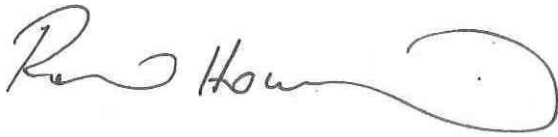
In addition to the issues and recommendations made in the ENA submission, Endeavour Energy supports the observations and remarks made by Mr Jim Cox in closing at the public forum held in Sydney by the AER. To paraphrase, that comments were that the discussion during the public forum highlighted that not only is the issue of significant interest to stakeholders, but that the understanding of the issues do not appear to be commonly held. Therefore, it would appear appropriate to try to develop a common understanding of the issue.

Endeavour Energy would strongly support the AER taking sufficient time at this point to consult directly with stakeholders to understand their various perspectives. Further we would support any investment made by the AER to develop a package of information in collaboration with all stakeholders to clearly define and explain the issues being raised. As a matter of principle, we are of the view that confidence in, and understanding of, the regulatory tools and the relevant inputs is essential. Without such confidence, our regulatory framework will be unable achieve its mandate.

The feedback I have received regarding the public forum held in Sydney is that it was well attended by a broad range of stakeholders and industry experts, and that the approach taken to hosting the forum fostered engaged and respectful debate. Endeavour Energy appreciated the opportunity that the forum provided to hear directly the views of other stakeholders and be able to participate in positive and energetic discussion in the breakout session.

Endeavour Energy is keen to continue to engage with the AER and other stakeholders on this issue and would be willing to engage with you and your staff on any detail review or analysis that may be relevant to building our common understanding of this topical issue. If you have any queries or wish to discuss this matter further please contact Mr Jon Hocking, Manager Network Regulation on (02) 9583 4386 or alternatively via email at jon.hocking@endeavourenergy.com.au.

Yours sincerely



Rod Howard
Chief Operating Officer