

24 July 2013



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

Dear Mr Anderson

Queensland Electricity Distribution Businesses Framework and Approach

Energex Limited (Energex) welcomes the opportunity to respond to the AER's notice inviting submissions on whether it is necessary or desirable to amend the current Framework and Approach (F&A) papers in relation to the upcoming Distribution Determinations for Queensland and South Australian electricity Distribution Network Service Providers (DNSPs). The F & A paper is an important document as it aims to provide information to the DNSPs on the AER's likely approach so that DNSPs are able to prepare their regulatory proposals with certainty.

While there are a number of matters in the current F & A that Energex believes remain applicable, it is expected that the AER will deem it necessary as well as desirable to undertake a comprehensive review of the existing F & A to accommodate the recent amendments to Chapter 6 of the National Electricity Rules (Rules) and the development of the Better Regulation Program Guidelines (Guidelines). Considering the overlap between the Guidelines and the F & A, Energex requests that the AER delay publishing the F & A position paper until after the release of the final Guidelines.

There are also additional matters, not currently considered in the existing F & A, which Energex believes that the AER should address in the upcoming F & A position paper. These matters generally relate to the control mechanism formulae and include the implications arising from:

- The expected new rate of return provisions and Rate of Return Guideline. In particular, the control mechanism applicable to direct control services may need to take into account the new return on debt provisions in clause 6.5.2 of the Rules. These provisions would allow for the return on debt to differ in different regulatory years, and require that the resulting change to annual revenue requirements to be effected via a formula. Energex supports the ability to annually update the return on debt

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- through appropriate adjustments to control mechanisms for direct control services;
- The adjustments to revenue and pricing controls as a result of the expiry of the following transitional arrangements:
 - The treatment of capital contributions in calculating the Annual Revenue Requirement;
 - The treatment of solar feed-in tariffs; and
 - Revenue adjustments for the carry forward of over-recovery or under-recovery of revenue for this period.

Clauses 6.8.1 and 6.12.3 of the Rules provides that the F&A establishes the AER's proposed approach to the control mechanism formulae, which can only be departed from if justified by unforeseen circumstances. This creates a strong incumbency on the control mechanism positions set out in the F & A, and therefore, Energex requests that the AER's F & A position paper should include all matters relevant to the control mechanism under the new Rules framework.

Energex is keen to work closely with the AER on exploring and implementing appropriate amendments via the F & A in a robust and transparent manner, and in accordance with the requirements of the Rules. Should the AER have any questions in relation to this response, please feel free to contact Ms Rachel Leaver, Network Regulation Manager on (07) 3664 4115.

Yours sincerely



Kevin Kehl
Executive General Manager
Customer and Corporate Relations