

18 October 2019



Mr Mark Feather
General Manager, Policy and Performance
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Feather

Value of Customer Reliability Draft Decision

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex) welcome the opportunity to provide comment to the Australian Energy Regulator (AER) on its Value of Customer Reliability (VCR) Draft Decision (Draft Decision).

This submission, which is available for publication, is provided by Ergon Energy and Energex as distribution network service providers (DNSPs) operating in Queensland.

Ergon Energy and Energex are both members of Energy Networks Australia (ENA), the national industry body representing businesses operating Australia's electricity transmission and distribution, and gas distribution networks. The ENA have prepared a response to the AER's Draft Decision to which we have contributed and are supportive of the positions presented in their response.

The AER has recently published draft decisions for both Ergon Energy and Energex on our 2020-25 revenue proposals, and we are due to submit revised proposals by 10 December 2019. Given that a final determination on new VCR values is due to be released by 31 December 2019, there will be no opportunity for Ergon Energy or Energex to incorporate these new values into our revenue proposals. As such, it would be prudent that existing Australian Energy Market Operator (AEMO) determined VCR values continue to be used as appropriate in Ergon Energy's and Energex's final revenue determinations, and in the AER's assessment of the Energex and Ergon Energy capital expenditure programs for the next regulatory control period.

Similarly, it is our position that any Regulatory Investment Tests (RIT) which have commenced public consultation (through publication of a Non-network Options Report or Notice of No Non-network Options) should continue and use the existing AEMO VCR values. Any new RITs commenced after 1 January 2020 would then use the new VCR values.

Notwithstanding, we suggest that DNSPs should have the discretion to reapply a RIT where the application of the new VCR would constitute a material change in the underlying assumptions and therefore change the preferred option, in accordance with clauses 5.17.4(t)-(v) of the National Electricity Rules. We anticipate that a change in

the VCR value could change potential credible options, however, it is unclear to what extent this would be material until the final VCR values are known.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact myself or Barbara Neil on (07) 4432 8464.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'a wold', is centered on a light gray, textured rectangular background.

Andrea Wold
Acting Manager Policy and Regulatory Reform

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