

ACCC ElectraNet Predetermination Conference EAG's position on ElectraNet

1 The EAG believes that the ACCC ElectraNet draft Determination paper fails to meet simple benchmarks of clarity, rigor, transparency and detail set by the set by the Victorian Essential Services Commission.

How many \$ have been allocated for regulatory expenses in Opex?

What Capex cost for the Eyre Peninsular is going to be allocated to consumers over the regulatory cycle?

2 There is a clear demonstrated need for a set of National Regulatory Accounts and performance standards for regulated NSP's. The ACCC draft Decision relating to ElectraNet refurbishment proposal with the changes from Opex to Capex [\$77m.] provides a useful example of confusion that can occur if the issue accounting standards isn't addressed.

3 The regulated entities are behaving to try and maximize revenue under the light handed regulatory rules. The current regulatory approach to efficiency gains encourages high Capex & Opex bids by applicants. Allowing a NSP to carry forward uncompleted Capex as an efficiency gain has a strong element of obscenity about it. Particularly if the project is rolled into the asset base in some future regulatory period.

4 A similar comment can be passed in relation to rolling easements into the asset base. EAG supports the position of the other end-users on this issue.

5 There is little age difference, given the lower line loadings between ElectraNet system and the Victorian system. Why is the Victorian capex needs significantly lower than ElectraNet's.

6 No consideration or evidence has been given by ElectraNet to trying to show they were trying to optimize their system. Why are some intervals of constraint on the SA/Vic interconnector in SA when the operating conditions in Victoria and South Australia are the same? This provides the largest Settlement Residue in the NEM. (Has been up to \$60m/a. The total value SRA's since market start is of the order of \$160m)

ESIPC states "***given the limited project information available at this time, the Planning Council has made no attempt to determine if the proposal by ElectraNet SA is an optimal solution to the network deficiency.***"

This view takes on a more perverse perspective when "***the Planning Council notes that in any event, the NEC requires projects in excess of \$1m to undergo a public consultative process***" There is the strong possibility of an outcome where the project can be rejected for an alternative approach not employing ElectraNet investment. ElectraNet can get financial credit for the efficiency gain.

What has become of the "***Causer pay principle***"? The draft Decision provides \$ m for system augmentation to cater for the Eyre Peninsular wind farm.

7 The draft Determination provides a **very high equity** WACC of 11.4%. The Commission's logic and justification for this number is far from being clear or transparent. It is difficult to impossible to reproduce the results.

A regulated NSP's is a unique business with comparable market bases comparisons. There are 2 significant risks

1 Acts of god etc. *covered by insurance arrangement.*

2 Retailer failure. Most regulated NSP's have access to prudential arrangements. One estimate is around \$ 700 m across the NEM.

Asset stranding only becomes an issue in radial system when a significant load is lost.

8 The Commission's rough calculation of incremental cost of \$1000/MWh would suggest that there are some alternative measures to summer peak load growth as the major driver of network investment. What has happened to the SA Demand Management Taskforce report that the Minister is sitting on!

9 EAG supports the Commission's position on Interest During Construction. Most engineering evaluation do not include IDC & financial costs.

10 ElectraNet concerns EAG with lack of any commitment to developing a skills base. Meritec's comments on ElectraNet's ability to manage the [proposed/approved in the Determination] Capex. expenditure.