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Dr Kris Funston
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Dear Dr Kris

Draft Better Resets Handbook – Towards Consumer Centric Network Proposals

Energy Queensland Limited (Energy Queensland), on behalf of its distribution businesses, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy), welcomes the opportunity to comment on the Australian Energy Regulator's (AER's) Draft Better Resets Handbook – Towards Consumer Centric Network Proposals (the Handbook).

Energy Queensland welcomes the AER's initiative in developing the Handbook, which seeks to incentivise network businesses to better engage and have consumer preferences drive the development of regulatory proposals, thereby facilitating a more efficient regulatory process. We consider the final Handbook should allow for flexibility of approach to maintain a fit-for-purpose application into the future, in the long-term interests of consumers. This is imperative in the context of an energy system that is in transition due in a large part to changing consumer preferences.

Energy Queensland appreciates that the development of the Handbook is not motivated by a diminishing commitment to consumer engagement by network businesses. Rather, the AER is building on the significant progress in consumer engagement made by network businesses since initiation of the Better Regulation program in 2012. In recent years, there has been a step change in consumer engagement, with network businesses increasingly innovating to enhance their consumer engagement activities. We agree with the AER's assertion that consumers have gone from being outsiders to being an integral part of the regulatory process. This should continue.

The AER's expectations for capital expenditure, operating expenditure, regulatory depreciation, and tariff structure statements outlined in the Handbook are generally reasonable. Importantly, we note that these expectations are not new. They are derived from the requirements in National Energy Laws and Rules and have been set out in a series of published AER guidelines, guidance notes and revenue or price determinations. The Handbook draws out and summarises these expectations for the benefit of all stakeholders in the development and justification of regulatory proposals.

We consider that the Handbook as drafted incentivises network businesses to prepare quality regulatory proposals. We particularly welcome the procedural incentives. The potential for the AER to undertake a targeted and proportionate review of regulatory proposals and for the AER to accept the proposals at the draft decision stage, will most certainly lead to an efficient regulatory process. In particular, lowering the effort and expense associated with the post-lodgement phase of the reset process.

Nevertheless, Energy Queensland is concerned about the AER's reference in the Handbook to its preference for the targeted review stream to only be applied to a limited number of network businesses, at least in the early stages of the new process. The AER notes that this would allow it to better manage the risks of introducing a new process, maximise learnings and manage resourcing constraints.

The AER's commitment to resourcing its involvement, and in particular its support for consumers, during the pre-lodgement phase, is one of the central benefits of the Handbook. Importantly, consumers and network businesses will benefit immensely from AER staff being available to assist consumers and provide ongoing feedback to network businesses throughout the pre-lodgement phase of the regulatory reset process. Given this, Energy Queensland considers that businesses who elect to participate should be given the opportunity to do so. However, notwithstanding, where this is not possible in the introductory phase, access to the targeted and proportionate review stream should be guaranteed for all business with regulatory proposals due from 2024.

Relatedly, where a business either elects to not access the targeted review stream, or is not successful in its application to participate during the introductory phase, its consumer engagement initiatives should not be undervalued, particularly where, consistent with the Handbook there is clear evidence of those activities reflected in the business' regulatory proposal. The AER should apply consistent expectations and approach to its assessment of all regulatory proposals, irrespective of a formal commitment by the parties to the application of the Handbook.

Energy Queensland looks forward to continuing to work with the AER in relation to this issue, and in particular to working with the AER as part of our genuine approach to consumer engagement in the development of Energex's and Ergon Energy's regulatory proposals for the 2025-30 regulatory control period.

Should you wish to discuss any aspect of this matter further, please contact me on 0467 782 350.

Yours sincerely



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