

24 September 2021



Warwick Anderson
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Australian Energy Regulator
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Dear Mr Anderson

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) Issues paper on a standardised model for ancillary network services (ANS). The standardised ANS model will be used in future distribution determinations and will replace the distributor specific models currently in use.

Energy Queensland broadly supports the AER's development of a standardised ANS model. We agree that the model will potentially streamline resources and increase consistency across determinations. While a move towards a standardised approach is desirable, we also have some concerns with the limited level of flexibility adopted in the preliminary standardised ANS model. These include:

- 1. Accommodation of multiple service permutations:** While we note the standardised model allows the distributors to input the individual service descriptions and distinguishes between the business hours/after hours permutations, additional flexibility should be provided to accommodate further distributor specific service permutations (such as the feeder type, traffic control and the addition of a current transformer). For example, for Ergon Energy, the travel time for crews is a significant cost driver given the vast extent of its network. Feeder type is therefore used to differentiate the estimated travel time required for a majority of services. We consider that accommodating more distributor specific permutations would provide more transparency in the cost build up for ANS.
- 2. The calculation of after hours labour rates:** The standardised model includes the assumption that after hours rates are capped at 1.5 times the relevant ordinary hours rate in the Input|Labour rates sheet and at 1.69 times in the Output|Quoted 'AER maximum rates' table. The labour rates are distribution determination specific issues which can vary between distributors; therefore, the model should retain flexibility for the distributors to propose and apply the maximum ordinary and after hours labour rates.

3. **The real cost escalation approach:** While we note that the standardised model contains the real cost escalations for internal labour, the model should retain flexibility for the distributors to propose and apply real cost escalations to materials and contract services.
4. **Application of a mixture of internal labour and contractor services:** The standardised model does not allow for transparent build-up of costs for services that are priced based on a weighted average blend of contractor services and internal labour. Ergon Energy currently has multiple metering services that are predominantly provided by contractors and with internal labour used as required during the peak periods and in geographic regions where contract services are not available. The addition of a column in the Input\Fee based sheet to indicate the percentage split between the labour and contract services would increase transparency and model usability.
5. **Treatment of confidential information:** Energy Queensland note that commercially sensitive information such as contractor costs, material costs and traffic control costs are required as inputs to the ANS model. We suggest a macro is added to the ANS model to enable easy marking of such confidential information, in line with the current approach adopted in the Regulatory Information Notices.

We would welcome further engagement with the AER as it progresses with the development of the model.

Should you wish to discuss any aspect of this matter further, please contact Guy Mutasa on [REDACTED]

Yours sincerely

[REDACTED]

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