

Ref: NB/TF/JD



20 September 2013

Mr Sebastian Roberts  
General Manager  
Australian Energy Regulator  
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Dear Mr Roberts

### **Re: Draft Revised Efficiency Benefit Sharing Scheme**

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity to provide comment to the Australian Energy Regulator (AER) on its *Better Regulation: Draft Revised Efficiency Benefit Sharing Scheme for Electricity Distribution and Transmission* (Draft EBSS) and associated Explanatory Statement. This submission, which is available for publication, is made by Ergon Energy in its capacity as a Distribution Network Service Provider operating in Queensland. Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AER require.

Finalisation of the revised EBSS and understanding its application is particularly important for Ergon Energy as we work toward the submission of our Regulatory Proposal in 2014. As a member of the Energy Networks Association (ENA), the peak national body for Australia's energy networks, Ergon Energy has contributed to and supports the ENA's submission on the Draft EBSS and associated Explanatory Statement. In particular, Ergon Energy broadly supports the objectives of the Draft EBSS proposed by the AER. However, like the ENA Ergon Energy has some concerns regarding certain aspects of the structure and operation of the proposed modified scheme, which are explained in further detail below.

#### **Treatment of EBSS exclusions**

Ergon Energy is generally supportive of provisions which permit the AER to make exclusions from the EBSS. However, Ergon Energy considers that such provisions should not be overly restrictive. Ergon Energy also considers that Network Service Providers (NSPs) should be able to propose exclusions for consideration by the AER in certain circumstances.

In particular, Ergon Energy believes NSPs should be able to propose the following exclusions:

- Uncontrollable costs (i.e. licence fees, easement taxes);
- "Neutral incentive" costs (e.g. demand management expenditure); and
- Any costs incurred which may qualify for a pass-through, but an application has not been made, or where an application has been made but fails on materiality grounds.

Ergon Energy recommends that a preferred process would be to allow NSPs to propose additional exclusions either during consultation on their Framework and Approach paper or as part of their Regulatory Proposal.

#### **Duration of regulatory control period**

Currently the EBSS is structured to align with a 5 year regulatory control period. This affords NSPs with six years of benefits from a marginal efficiency gain, irrespective of when the gain was achieved, and six years of costs from a marginal efficiency loss, regardless of the timing of that loss.

Ergon Energy notes that the current EBSS does not contemplate how it would operate in circumstances where the regulatory control period extends beyond a five year period. Ergon Energy therefore recommends that the AER give consideration to aligning the application of the EBSS with the regulatory control period in circumstances where that period extends beyond five years.

Ergon Energy looks forward to providing continued assistance to the AER in the development of the revised EBSS. Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 4092 9813, or Brendon Crown on (07) 3851 6785.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jenny Doyle', with a stylized flourish at the end.

**Jenny Doyle**  
Group Manager Regulatory Affairs

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