

12 February 2015

Paul Conboy
Chair
Australian Energy Regulator
GPO Box 520
Melbourne Victoria 3001

Submitted via email to: nswactelectricity@aer.gov.au

Dear Paul

I am submitting this letter as a member of Essential Energy's Customer Council. The Customer Council comprises of six members who represent a broad range of community groups across the Essential Energy network area. The Customer Council has had a long standing relationship with Essential Energy over ten years, providing feedback and advice with regards to network management from the customers and communities the Council represents.

Essential Energy recently submitted their revised regulatory proposal in response to the Australian Energy Regulator's (AER) draft determination as published in November 2014. As representatives of customers in regional NSW, the Customer Council has strong views on both the potential impacts of the AER's draft determination if it were implemented in full, and the proposed approach from Essential Energy.

Essential Energy's network is very different to other networks because of the geographic area it services, the terrain it traverses, the vegetation that grows within it and the diversity of weather that passes over it. The network covers an area three times the size of Victoria and has only 4.42 customers per kilometre of power line to pay for the cost of the network. It appears these distinct facts were ignored when the AER conducted benchmarking analysis of Essential Energy's operations. It is unreasonable to use a blanket approach in regard to the operations of all networks.

As members of Essential Energy's Customer Council, we have witnessed an organisation that prides itself of safety first, followed by service and productivity. It is important to recognise that providing a safe network for employees and the customers comes at a financial cost. However what price does an organisation put on an employee or customer's life? Cuts to operating and capital expenditure allowances proposed by the AER compromises the safe operation of the network and the customers it serves. It is also important to acknowledge those less fortunate in the community. There are members of the community that rely on a reliable electricity service to keep them alive. The cost cutting proposed by the AER is unrealistic and puts the service provided to these vulnerable customers at risk. If Essential Energy is forced to change their priorities, communities will suffer and irreparable damage will be done.

Small businesses are the life blood of rural and regional NSW. Providing a reliable electricity supply is central to their livelihood for a number of reasons such as ensuring equipment can be utilised to generate income on a daily basis and food needs to remain fresh for sale in fridges and freezers. Having employees located close to regional and rural towns is important to ensure the electricity supply can be restored quickly in the event of a blackout. The AER's proposal would place this at risk, changing service levels and having major flow on impacts to business owners in rural and regional NSW.

Essential Energy have made significant gains in the 2009-14 regulatory period with their efforts to "belt tightening," saving \$634 million dollars through increased efficiency and reassessment of capital programs. Essential energy proposes further productivity gains at 22.6 per cent by the end of the 2014-19 regulatory period.

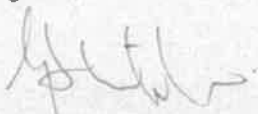
This result can be achieved through further job cuts at a rate of 200 employees per annum occurring through natural attrition. Should the AER's draft decision be implemented the job losses in rural and regional communities would have a significant impact on those communities. To expect 1,500 job

losses by July 1 out of a team of 4,000 is totally unreasonable, not only to the employees and their families, but also to the communities in which they live. There is a significant divide between the economic value that working people contribute to their communities versus non - working people. These contributions in regional NSW should be recognised and considered by the AER. The community welfare costs of high unemployment surely far outweigh the costs of gainful employment providing an essential service to rural and regional communities in NSW.

Recommendations of such proportions, particularly at a time when people are moving out of cities and moving into coastal towns and villages poses great uncertainty and should not come at such a cost to those communities, who are assisting to reduce the government burden on city infrastructure. Whilst affordability is a key issue it should not be the number one priority.

Safety should remain the number one priority followed by providing a reliable service to customers that is affordable for most.

Kind regards,



Essential Energy's Customer Council Member

Gary Shipp