

## **Minutes of the December 2009 Public Forum on the Victorian Electricity Distribution Network Service Providers' regulated revenue proposals for 2011-2015**

**Location:** Rendezvous Hotel, Flinders St, Melbourne

**Date:** Thursday, 17 December 2009

**Forum Chair:** Steve Edwell, Australian Energy Regulator

**Attendees:** Refer to Appendix 1

### **Summary of discussions**

#### **1. Opening remarks by Steve Edwell – Chairman, AER**

Steve Edwell opened the forum and outlined:

- the agenda, and noted that a record of the meeting will be made available following the forum;
- that the forum is intended to be an opportunity for the Distribution Network Service Providers (DNSPs) to outline their regulatory proposals;
- that questions from interested parties should be targeted towards the proposals, or the AER's assessment process; and
- that the AER would not be providing its assessment of the proposals until the draft decision is released in May 2010.

A copy of Steve Edwell's presentation is available on the AER's website at: <http://www.aer.gov.au>

#### **2. Presentations by Victorian DNSPs**

Jemena Limited – Shaun Reardon, Executive General Manager Infrastructure Investments and Sandra Gamble, Group Manager Regulatory

CitiPower and Powercor Australia – Shane Breheny, CEO, and Neil Watt, Manager Asset Strategy and Performance

SP AusNet – Charles Poppo, Group General Manager, Network Strategy and Development

United Energy – Hugh Gleeson, CEO, and Mike Fajdiga, Chief Operating Officer

- A copy of the PowerPoint presentations from each of the DNSPs are available on the AER's website at: <http://www.aer.gov.au>

### **3. Comments and questions on presentations**

The following is a summary of the questions and comments raised in response to the DNSPs presentations.

#### **David Prins – Etrog Consulting Pty Ltd**

Given the promulgation of AMI and the associated ability of DNSPs to develop tariff structures reflecting peak demand periods, Mr Prins questioned the DNSPs as to whether they have assumed electricity retailers will directly pass through any tariff increases to consumers

#### **Hugh Gleeson – United Energy**

- Responded that United Energy assumed electricity retailers will pass through such tariff changes.

#### **Steve Edwell**

- Mr Edwell noted that negative growth in overall energy consumption had been forecast by the DNSPs, but conversely, positive growth in peak demand was forecast to continue.

#### **Richard Gross – CitiPower and Powercor**

- In response to Mr Edwell's comments, Mr Gross stated that the negative energy growth forecasts in the DNSPs regulatory proposals are consistent with a report provided by the National Institute of Economic and Industry Research (NIEIR).
- Mr Gross elaborated further, stating that the assumptions in the NIEIR report are based upon forecast impacts of a possible CPRS and the expected behavioural responses of customers.

#### **Mike Fajdiga – United Energy**

- Added that customer behaviour generally differs between peak and shoulder periods. Specifically, Mr Fajdiga commented that customers typically act to minimise their energy usage, though show less consideration for such measures during periods of extreme weather.
- Mr Fajdiga also noted the difficulties inherent in Victoria, as opposed to NSW, whereby DNSPs have a greater ability to control energy usage during periods of peak demand.

### **Ariel Liebman – EUAA**

Mr Liebman highlighted that demand management presents considerable opportunities to distribution businesses. He questioned whether any regulatory impediments exist that restrict the ability of DNSPs to develop these opportunities.

### **Charles Popple – SP AusNet**

- No regulatory impediments were identified, and conversely, it was noted that incentives do exist within the current framework.
- Furthermore, the advent of new tariffs associated with the AMI roll-out should provide customers with incentives to reduce electricity usage during peak periods.
- Mr Popple added that given demand management initiatives are largely dependent on smart networks, SP AusNet considers demand management to be a medium term proposition.

### **Mike Fajdiga – United Energy**

- Noted that load control in Victoria is very inflexible, and as such, demand management in Victoria is starting from a low base.
- However, Mr Fajdiga reiterated that the AMI roll-out will provide increased levels of data, which should facilitate further research and develop of demand management initiatives.

### **John Dick – Energy Action Group**

Mr Dick questioned whether the DNSPs maintain any data regarding the size and types of air-conditioning units used by customers, and whether they utilise such information in developing their regulatory proposals.

### **Shaun Reardon – Jemena Limited**

- Jemena have not sought data regarding customer air-conditioning units, but intend on using AMI data to better understand customer usage profiles.

### **Richard Gross – CitiPower and Powercor**

- Mr Gross commented that while CitiPower and Powercor have no access to air-conditioning data, the demand forecasts provided in the NIEIR report do include assumptions incorporating such information.

**Chris Dunstan – Institute for Sustainable Futures, University of Technology, Sydney**

Mr Dunstan highlighted the difficulties with predicting future developments in carbon reduction policies, and the associated impacts on forecasting electricity demand. As such, Mr Dunstan asked whether the AER would adopt similar assumptions to those proposed in documents such as the NIEIR reports, or treat any future policy changes as a pass-through event.

**Steve Edwell**

- Mr Edwell highlighted that in order to enact the pass-through provisions, any regulatory change must be legislated, and not just be subject to parliamentary debate.

**Shaun Reardon – Jemena Limited**

- Jemena anticipates a CPRS, but had made this assumption prior to recent parliamentary decisions.
- Mr Reardon agreed that the outcomes of such parliamentary decisions, and the introduction of a CPRS in some form, are difficult to predict. Given this, Mr Reardon considers the scenario is suited to the pass-through provisions within the NER.

**Sandra Gamble – Jemena Limited**

- Ms Gamble added that a change in regulatory policy constitutes a pass-through event under the NER.

**Pat Farrell – Energy Action**

Mr Farrell questioned whether the AER promotes consistent tariffs amongst DNSPs.

**Steve Edwell**

- The AER's role in the specific structure of distribution tariffs is somewhat limited, and focuses on certain principles such as ensuring a fair allocation of costs.

**Chris Pattas - AER**

- Mr Pattas added that the NER encourages cost reflectivity in tariffs.

### **Ariel Liebman – EUAA**

Mr Liebman supported the use of operating expenditure benchmarking processes such as those undertaken by the AER in recent draft determinations for other jurisdictions. That said, Mr Liebman sought clarification on how DNSPs allocate costs between capital and operating expenditure.

### **Mike Fajdiga – United Energy**

- Mr Fajdiga noted that decisions related to replacing an asset versus increased maintenance will be largely dependent on asset profiles.

### **Shaun Reardon – Jemena Limited**

- Mr Reardon commented that accounting standards would dictate whether expenditure incurred is reflected as operating expenditure or capital investment.

### **Anton Murashev – Jemena Limited**

- Mr Murashev added that a DNSPs cost allocation policy is required to be provided to the AER along with their regulatory proposal, and that these policies will be publically available.
- Mr Murashev also noted that the difference between recovery of capital and operating expenditure is primarily a time difference for the recovery of costs.

### **Steve Edwell**

- Mr Edwell noted that the trade-off between capital and operating expenditure is an issue the AER reviews in its assessment of forecast expenditures.

### **Hugo Armstrong – CitiPower and Powercor**

Mr Armstrong directed a question to the AER as to what they have learnt from recent reset processes undertaken in other jurisdictions.

### **Steve Edwell**

- Mr Edwell noted the increased level of familiarity with the main capital and operating expenditure drivers that can be expected to be reasonably generic across each business.
- A greater understanding of the distribution businesses in general was also highlighted, as well as the ability to compare businesses across jurisdictions.

### **David Prins – Etrog Consulting Pty Ltd**

Notwithstanding that electricity retailers and DNSPs may have conflicting objectives during periods of peak demand, Mr Prins enquired as to whether DNSPs have considered retail demand response management.

### **Sandra Gamble – Jemena Limited**

- Retail demand responses have not been considered by Jemena.

### **John Pollock – Mount Alexander Shire**

Mr Pollock encouraged DNSPs to consult more closely with customers, and specifically, asked whether the AER considers any consultation processes undertaken by the businesses when making regulatory assessments.

### **Steve Edwell**

- Mr Edwell encouraged all DNSPs to consult with customers and flagged improving such engagement as an ongoing challenge for both regulators and DNSPs alike.
- Mr Edwell noted that the AER's draft decision is an important opportunity for stakeholders to provide input into the determination process.

## **4. Closing remarks by Steve Edwell**

Steve Edwell closed the public forum by thanking the speakers and reiterating a few points regarding public submissions, including:

- interested parties are advised to take note of the deadlines for submissions and the decision dates; and
- submissions need to be presented clearly, with supporting arguments, and can be general or targeted to particular aspects of the regulatory proposal or determination.

## Appendix 1: List of attendees

Name	Company
Donna Lorenz	AECOM
Lotte Hoeksta	AECOM
Avi Weil	AEMO
Elizabeth O'Brien	AEMO
Nadesan Pushparaj	AEMO
Kong Min Yep	AGL Energy Limited
Stephanie Bashir	AGL Energy Limited
Bruce Amor	Aurora Energy
Mark Lister	Australian Alliance
Robert Lorenzon	Australian Industry Group
John Harvey	Central Victorian Greenhouse Alliance
Brent Cleeve	CitiPower and Powercor
Garry Audley	CitiPower and Powercor
Hugo Armstrong	CitiPower and Powercor
Mark de Villiers	CitiPower and Powercor
Matthew Serpell	CitiPower and Powercor
May Liao	CitiPower and Powercor
Neil Watt	CitiPower and Powercor
Renate Tripcou	CitiPower and Powercor
Richard Gross	CitiPower and Powercor
Shane Breheny	CitiPower and Powercor
Stephanie McDougall	CitiPower and Powercor
Jeff Bothe	City of Greater Bendigo
Bruce Mountain	CME
Janine Rayner	Consumer Action Law Centre
David Stanford	Consumer Utilities Advocacy Centre
Jason Cooke	Country Energy
Jamie Catt	Creative Energy Solutions Pty Ltd
Jasper Noort	Creative Energy Solutions Pty Ltd
Mayir Bajaj	Creative Energy Solutions Pty Ltd
Steve Rodgers	Department of Resources, Energy and Tourism
Pat Farrell	Energy Action
John Dick	Energy Action Group
Jorge Orjuela	Energy Advice
David Guthrie-Jones	Energy Safe Victoria

Mike Ebdon	Energy Safe Victoria
Paul Fearon	Energy Safe Victoria
Robert Skene	Energy Safe Victoria
David Prins	Etrog Consulting Pty Ltd
Ariel Liebman	EUAA
Joh Pilb	EUAA
Nathan Donnelly	EUAA
Robert McMillan	Farrier Swier Consulting
Bret McKenzie	FOPC
Jermine Clement	FOPC
Don Vincent	GHD
Hugh Tunnecliff	Hume City Council
Peter O'Keefe	IBM Global Business Services
Scott Young	Infrastructure & Regulation Services
Chris Dunstan	Institute of Sustainable Futures, University of Technology Sydney
Paul Brown	Ironbark Group Pty Ltd
Andrew Bianchin	JAM Limited
Bill Parkin	JAM Limited
Catherine Lee	JAM Limited
Christopher Roberts	JAM Limited
David Spears	JAM Limited
Gabriel Wan	JAM Limited
Peter Wong	JAM Limited
Robert Simpkin	JAM Limited
Sue Jackman	JAM Limited
Utku Ay	JAM Limited
Anton Murashev	Jemena Limited
Craig Savage	Jemena Limited
Sandra Gamble	Jemena Limited
Shaun Reardon	Jemena Limited
Neil O'Sullivan	MARS Petcare Australia
Phil Stowe	MARS Snackfood Australia
John Pollock	Mount Alexander Shire
Brian Nuttall	Nuttall Consulting
David Calder	Origin
Geoff Towns	Orion Economic Services
Victor Petrovski	PB
Alister Parker	SP AusNet
Anh Mai	SP AusNet



Charles Popple	SP AusNet
Derek Postlethwaite	SP AusNet
Fiona Mendes	SP AusNet
Gary Towns	SP AusNet
Kate Jdanova	SP AusNet
Luke Russell	SP AusNet
Rohan Harris	SP AusNet
Tom Hallam	SP AusNet
Prem Fanickar	Sustainability Victoria
Pauline Crichton	Telstra Corporation Limited
Maria Cugnetto	UMA
Andrew Schille	United Energy
Hugh Gleeson	United Energy
Jeremy Rothfield	United Energy
Mike Fajdiga	United Energy
Verity Watson	United Energy
Jonathon Prendergast	VicUrban
Sarah Iwaniw	VicUrban
Tom Graze	VicUrban