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Mr Warwick Anderson
General Manager
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

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**DRAFT DECISION ESSENTIAL ENERGY DISTRIBUTION DETERMINATION
2015-16 TO 2018-19**

Dear Mr Anderson

I refer to the above and for the reasons set out in this submission, on behalf of communities in the Clarence electorate, oppose the Australian Energy Regulator (AER) draft determination.

My NSW Nationals parliamentary colleagues and I believe in equal social, economic and environmental opportunity for all Australians, regardless of where they live. I am proud to represent both the customers and workers within the Essential Energy distribution network, which covers the Clarence electorate.

Rural and regional families and businesses depend on Essential Energy for safe, reliable and affordable energy supply. Essential Energy is also a significant employer in the Clarence electorate, employing approximately 213 people across 6 depots which include; Casino depot, Grafton – Lawrence Road, Grafton depot, Grafton warehouse, Maclean depot and Woodburn depot, Essential Energy's staff members and their families play an important economic role in our region, particularly in smaller communities.

It is because of these crucial roles that I and my NSW Nationals colleagues worked so hard to ensure Essential Energy remains in 100% public ownership.

The AER draft determination foreshadows significant cuts to Essential Energy's revenue, opex and capex allowances, which will cripple the company and cause many detrimental impacts throughout the Clarence Electorate.

It is my view that the draft determination is flawed as it does not adequately address the current reform program, does not account for impacts on network reliability, uses inappropriate comparators and doesn't recognise the impact on regional apprenticeships. I will outline each concern briefly.



Current reform program

Essential Energy contends that it has worked hard to implement a reform package over the past two years that has already delivered \$2.8 billion of capital and operating savings, with a total of \$5.4 billion to be removed from capital and operating budgets through to June 2016.

These reforms mean the double digit annual increases in network charges evident from July 2009 to July 2012 have been contained at less than CPI for both July 2013 and July 2014. I do not believe that these efficiencies have been fully taken into account by the AER.

The AER final determination should take into account operational and industrial realities as they exist on the ground rather than seek to introduce back dated modelling from 1 July 2014.

Network reliability

As already noted, communities in the Clarence want safe, reliable energy at a fair and reasonable cost.

I wholeheartedly agree with the employees of Essential Energy that reliability and safety should not be jeopardised in rural and regional NSW. The network comprises physical assets located close to the customers so they can benefit from improved call out and repair times. By determining a punitive cost cutting regime and forcing the removal of staff and closure of small depots, would all have a deleterious effect on call out and critical repair response times.

Essential Energy services 95 per cent of the NSW landmass but only 24 per cent of NSW customers. Thus, the Essential Energy network faces proportionally more risk than most others on the eastern seaboard. In particular, vegetation management plays an important part in both ensuring reliable supply while minimising risk of bushfires and other unintended consequences.

AER must take into account the impact on network reliability in reaching its final determination. Importantly, emergency response benchmarks must remain at the current high standard.

Comparator

Additionally, in attempting to compare apples with apples, I am cognisant of the argument put forward by Essential Energy that its network size, scope and population base is vastly different to the smaller and more population dense networks the AER used to compare it with.

In comparing Essential Energy's costs – which I agree need to be reasonable and fair – with other networks, I request your attention to the comparators used to ensure that the AER is truly comparing like for like.

Failure to do so renders the AER comparative data completely invalid.

Apprenticeships and regional training

Ensuring our children have pathways to employment in the trades is of critical importance to rural communities. I am very concerned the significant impact the draft determination, if implemented in its current form, would have on the ability to train and employ apprentices in regional NSW.

Essential Energy has a proud history and reputation in training and in many rural and regional NSW communities, including the Clarence electorate, it is the only company that has taken on apprentices and undertakes training.

To help ensure safe and reliable network infrastructure and for the future of our local economies, it is vital this scheme be continued.

Conclusion

With regards to implementation of any price impacts on the network business I request that you consider phasing in the price changes to allow Essential Energy time to structurally adjust to a changes business environment.

Thank you for your consideration of the matters raised in this submission on behalf of the people of the Clarence electorate.

I understand that some of my colleagues will be writing to you with similar concerns.

Yours faithfully



CHRIS GULAPTIS, MP
Member for Clarence

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