

Contact Officer: Evan Lutton
Contact Phone: (03) 9290 1833

7 March 2019

Andrew Schille
General Manager, Regulation and Corporate Affairs
Endeavour Energy
51 Huntingwood Drive
HUNTINGWOOD NSW 2148

Dear Mr. Schille,

Re: The AER's operating expenditure productivity growth forecast for the 2019–24 distribution determination

We will soon publish the final decision paper for our operating expenditure (opex) productivity growth forecast review. Based on the available evidence, we are satisfied that a 0.5 per cent annual opex productivity growth forecast reflects a reasonable expectation of the opex productivity growth that an efficient and prudent distributor can achieve. Our reasons for this decision are set out in our final decision paper, an embargoed copy of which is attached.

We noted in our draft decision for Endeavour Energy's 2019–24 distribution determination that we would adopt the productivity growth forecast decided in this review in our final determination. Given this, we propose to adopt the 0.5 per cent annual opex productivity growth forecast to develop our alternative estimate in our final decision for Endeavour Energy's 2019–24 distribution determination due on 30 April 2019. Consequently, we are likely to reject Endeavour Energy's revised opex forecast as we no longer consider its opex forecast reasonably reflects the opex criteria. The opex productivity growth forecast is the driver of the material difference between Endeavour Energy's revised opex forecast and our alternative estimate.

Endeavour Energy made a comprehensive submission to our opex productivity growth forecast review. We have taken that submission, and all other submissions, into account in determining our annual opex productivity growth forecast of 0.5 per cent. If Endeavour Energy considers the final decision on productivity growth raises additional issues, and would like to make a submission, please do so before 5:00pm, Friday 22 March 2019. We request that any submission you make be limited to the application of the productivity growth forecast to Endeavour Energy's revised proposal.

Please contact Evan Lutton on (03) 9290 1833 if you have questions.

Yours sincerely,

Sebastian Roberts
General Manager, Transmission and Gas
Australian Energy Regulator

Sent by email on 7 March 2019.