

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

7 March 2019

David Graham
Director, Regulatory Affairs and Pricing
Evoenergy
40 Bunda Street
CANBERRA ACT 2601

Dear Mr. Graham,

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 Evoenergy'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 Evoenergy's 2019–24 distribution determination due on 30 April 2019. Consequently, we are likely to reject Evoenergy'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 Evoenergy's revised opex forecast and our alternative estimate.

Evoenergy 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 Evoenergy 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 Evoenergy'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.