

Minutes of Country Energy and ActewAGL’s

Draft distribution determinations (1 July 2009 to 30 June 2014)

Pre-Determination Conference

Location: AER office

23 Marcus Clarke Street, Canberra

Date: 8 December 2008

Forum Chair: Mr Steve Edwell, Australian Energy Regulator

Attendees: the conference commenced with 25 registered attendees and 12 AER staff

Organisation	Attendees
Riverina Eastern Regional Organisation of Councils	Ms Julie Briggs
Ergon Energy	Mr Tony Pfeiffer, Mr Troy Mckay-Lowndes
Tumut Shire Council	Mr John Maxwell
Independent Competition and Regulatory Commission (ICRC)	Mr Paul Baxter, Mr Stephen Paterson, Mr Peter Sydney
Country Energy	Mr Ken Stonestreet, Mr Col Ussher, Mr Bill Frewen, Mr Jason Cooke, Ms Natalie Lindsay
Wagga Wagga City Council	Mr Lindsay Tanner
McConnell Dowell	Mr John Van der Merwe
ActewAGL Distribution	Mr Michael Charlton, Mr David Graham, Mr Christopher Walker, Mr Janusz Worony, Ms Leanne Holmes, Mr Silvano Forlin, Ms Alexandra Curran, Mr Alexander McPherson
NSW Treasury	Mr Yogi Savania
Cootamundra Shire	Mr Gary Arthur

Wilson Cook and Co. Pty Ltd	Mr Jeffrey Wilson
Australian Energy Regulator (AER)	Mr Steve Edwell (Chair), Mr Andrew Reeves, Mr Mike Buckley, Ms Donella Greer, Mr Scott Haig, Mr Kenny Yap, Ms Danielle Staltari, Ms Anita Bryant, Mr Dan Barclay, Mr Kurt Stevens, Ms Jess Gordon, Ms Robyn Le

Summary of forum

A summary of the discussions from the conference is set out below.

1. Opening remarks by the Chair

Steve Edwell (Chair) opened the conference at 1.35pm and made some introductory comments. The Chair outlined the following:

- The forum was a formal conference, as required under the National Electricity Rules (NER), and officially launched the public consultation process for the AER’s draft determinations for ActewAGL and Country Energy. A record of the meeting is to be made available on the AER website.
- Written submissions are required by 16 February 2009 and that any oral submissions made at the forum are to be provided, in writing to the AER, by this date.
- Key aspects of the transitional arrangements for Country Energy and ActewAGL and common elements of the AER’s draft determinations across the businesses for the 2009–14 regulatory control period.
- Key components of the AER’s draft decision for Country Energy for the 2009–14 regulatory control period. The AER’s presentation slides are available on the AER website at <http://www.aer.gov.au/content/index.phtml?itemId=723183>
- Key components of the AER’s draft decision for ActewAGL for the 2009–14 regulatory control period. The AER’s presentation slides are available on the AER website at <http://www.aer.gov.au/content/index.phtml?itemId=723183>

2. Comments and questions on Country Energy’s draft decision presentation

Julie Briggs acknowledged the AER’s engagement on public lighting issues and indicated that Sydney-based council representatives would be commenting on this matter at the Sydney pre-determination conference held on Tuesday, 9 December 2008.

Ms Briggs noted that the forecast capital expenditure allowances are significant and asked if the AER had considered the business' capacity to deliver these investment programs and asked what would happen if Country Energy failed to achieve the projected capital expenditure. Ms Briggs asked how the AER would treat actual capital expenditure incurred by a business during a regulatory control period, where the actual expenditure is higher or lower than the AER's forecast allowance.

Steve Edwell noted that deliverability of the forecast capex program has been considered by the AER and is of particular interest to the Board. The AER's engineering consultants were also asked to assess the program deliverability.

Mr Edwell said that, when determining a capital expenditure allowance, the AER assesses whether the business can deliver on its capital investment program going forward. As part of this assessment, the AER considers a range of factors including internal management and corporate governance procedures, as well as staffing capacity and future resourcing requirements. Mr Edwell said the AER has looked closely at these issues and is satisfied there are no grounds to conclude that the proposed capital programs cannot be delivered by the businesses. Mr Edwell advised that further detail on capex deliverability can be found in the AER's draft decisions.

Mr Edwell said that if the business underspends on its capital allowance, it may retain the return on and return of capital for the unspent allowance for the remainder of the regulatory control period. However, only the written down actual amount incurred is rolled into the regulatory asset base at the start of the next regulatory control period and not what was approved at the beginning of the period.

Bill Frewen noted that Country Energy has undertaken a two year preparatory process for its regulatory proposal. Mr Frewen noted that both Country Energy and the AER have faced strict deadlines during the determination process, however, all deadlines have been successfully met.

Mr Frewen said that while Country Energy was satisfied that the regulatory determination process has run smoothly to date, Country Energy will engage in further discussion with the AER on certain aspects of the draft decision including:

- updated WACC parameters
- provision of revised energy and customer forecasts to ensure the very latest data would be reflected in the final decision
- providing further context regarding Country Energy's historical opex, particularly deferred vegetation maintenance expenditure and the implications for network reliability
- cost escalation methodologies used to develop the forecast opex and capex allowances.

Mr Frewen acknowledged that the AER will conduct a separate consultation process for alternative control/public lighting proposals. Mr Frewen welcomed the approach

put forward by the AER in the draft decision and said that Country Energy will engage further with the AER in this process.

Mr Frewen clarified that the estimated increase in the average weekly customer bill of \$1.96 in 2009–10 quoted by the AER is based on Country Energy’s initial regulatory proposal allowance, not the AER’s draft decision allowances. Mr Frewen said that the estimated increase may now be lower, as a result of the AER’s adjustments to Country Energy’s proposed allowances.

Mr Edwell agreed with Mr Frewen and said that price impact estimates would change once all adjustments to the proposed expenditure forecasts have been finalised. Mr Edwell advised that final pricing outcomes will only be known after the release of the AER’s final decision, and approval of pricing proposals.

3. Comments and questions on ActewAGL Distribution draft decision presentation

David Graham said that the regulatory process for the 2009–14 determination conducted by the AER has been comprehensive. ActewAGL was pleased with the process and noted that the AER has sought to understand ActewAGL’s network business. Mr Graham said that ActewAGL intends to make further comments on the AER’s draft decision, and referred to Leanne Holmes to outline the key issues.

Leanne Holmes said that ActewAGL intends to comment on the following aspects of the draft decision:

- cost escalation rates applied by the AER
- treatment of the Utilities Network Facilities Tax
- AER adjustments to self insurance allowances
- relevance of the AER’s process for assigning customers to tariff classes for ActewAGL.

4. Concluding comments

Steve Edwell reminded the attendees of the next steps of the regulatory determination process, noting that Country Energy and ActewAGL are entitled, under the NER, to resubmit a revised regulatory proposal by 16 January 2009. Interested parties are able to make written submissions concerning the revised proposal by 16 February 2009.

Mr Edwell expressed his appreciation to the presenters and attendees for their participation and closed the conference at 3:40 pm.
