

# Public Forum

**Regulatory proposal**

**ETSA Utilities**

**1 July 2010 to 30 June 2015**

Mr Steve Edwell, Chairman



# Agenda

- **9.00 – 9.30**                    **Forum opening and the AER's process**  
Steve Edwell, Chairman
- **9.30 – 9.45**                    **Questions on process**
- **9.45 – 10.45**                   **ETSA Utilities presentation**  
Lew Owens (Chief Executive Officer)  
Eric Lindner (General Manager,  
Regulation & Company Secretary)
- **10.45 – 11.15**                   **Questions from interested parties**
- **11.15 – 11.45**                   **Energy Consumers Coalition**  
David Headberry
- **11.45 – 12.00**                   **Concluding comments**  
Steve Edwell
- **12.00**                                **Forum closes**

# Introduction

- Forum held to assist AER in making distribution determination for DNSPs under chapter 6 of NER.
- ESCoSA made a determination for ETSA utilities for a 5 year period to 30 June 2010.

# Introduction

- AER preliminary examination found the regulatory proposal satisfied the NER and the AER's regulatory information notices.
- The regulatory proposal is available on the AER website.
- Submissions are invited by 28 August 2008.

# Submissions

- The AER considers all information provided in submissions when making its distribution determinations.
- Submissions that provide clear analysis and arguments in support of contentions are preferred.
- Submissions should focus on the matters that the AER must review and decide upon.

# Consultants

- PB Strategic Consulting: opex forecasts, capex forecasts, service targets.
- AEMO: demand forecasts.
- Access Economics: labour cost growth forecasts.

# Timeline

- Submissions close on the regulatory proposal (**28 August 2009**)
- Release AER draft determination and consultants' reports (**November 2009**)
- Public forum on AER draft determination (**9 December 2009**)
- Revised proposal (if any) submitted (**January 2010**)
- Submissions close on revised proposals, draft determination (**February 2010**)
- Release AER final determination (**April 2010**)

# Preparatory consultation

- The AER published its framework and approach paper on the classification of services, control mechanism and relevant schemes in November 2008.
- The AER also consulted extensively with the DNSPs to finalise their respective regulatory information notices.



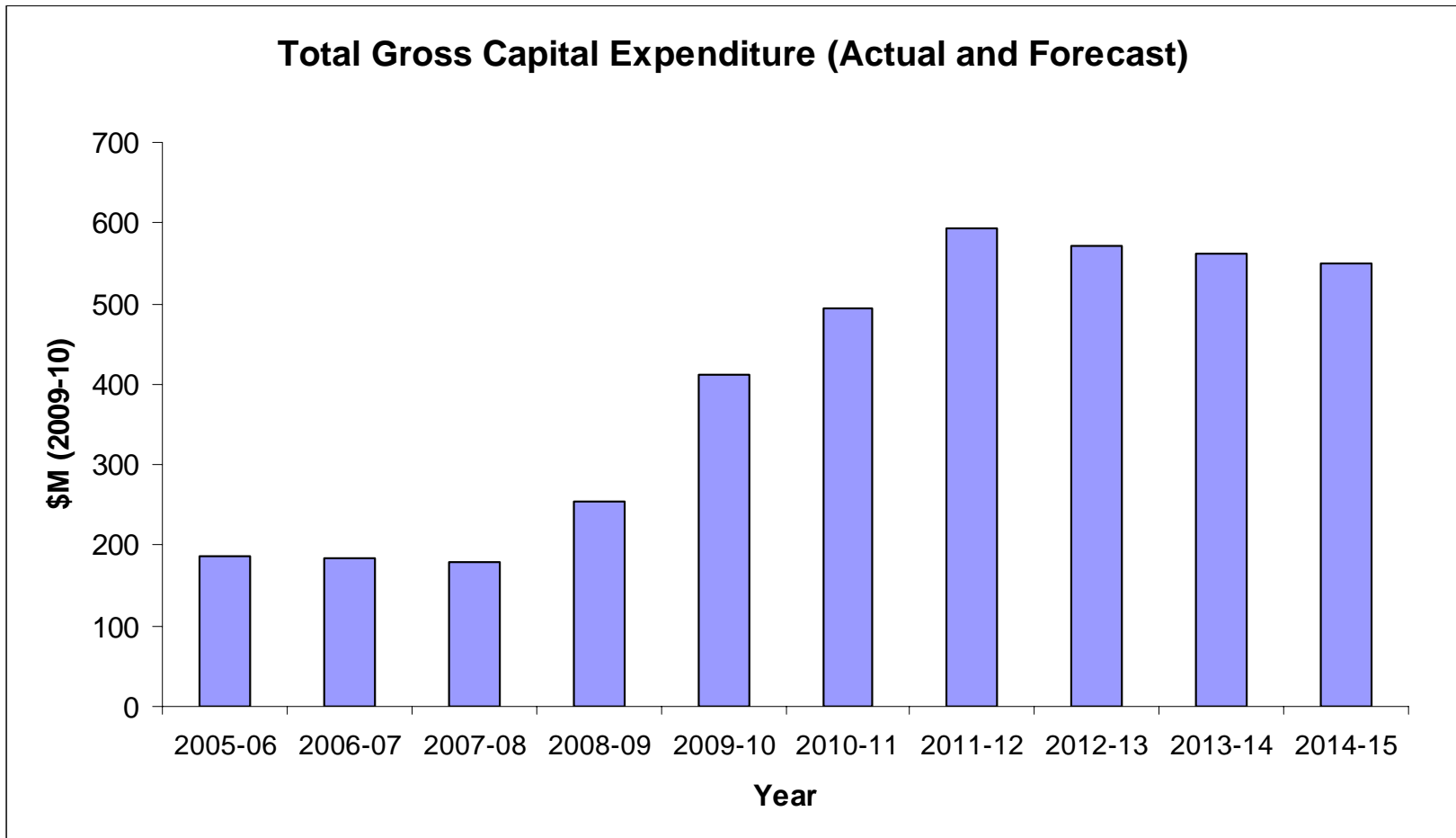
# Preliminary observations

- AER will assess all elements of the proposals including classification of services, control mechanisms, demand forecasts and revenue requirements.
- AER review of forecast expenditures will encompass:
  - methodologies used to develop forecasts
  - cost categories and drivers:
    - benchmark debt and equity raising costs
    - self insurance
    - input costs growth for labour and/or materials
- AER will also review alternative control services.

# Preliminary observations – capex

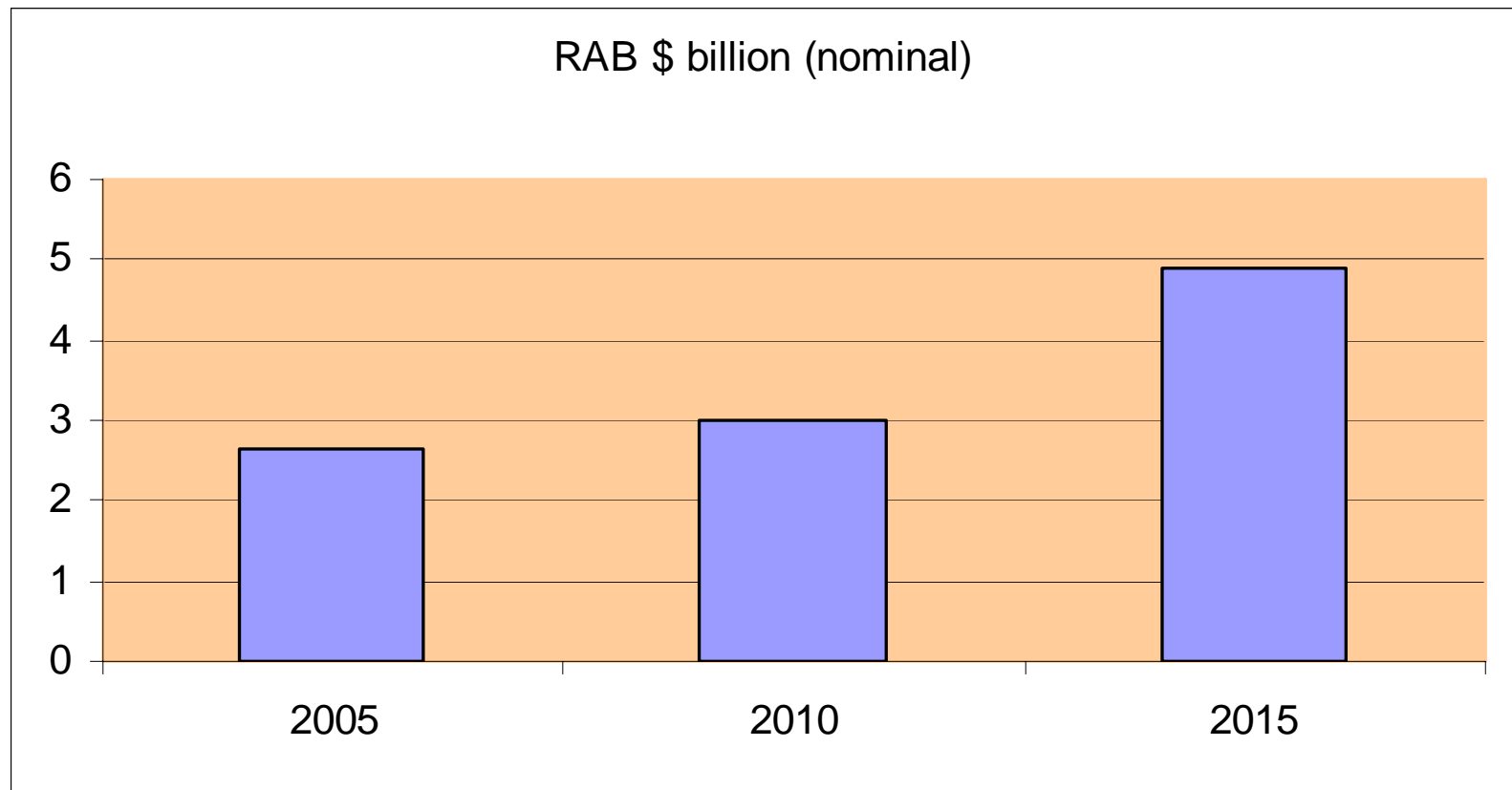
- All ETSA Utilities figures are in real terms (\$2009-10) unless stated otherwise.
- Forecast capex: \$2.8 bn in the next regulatory control period (\$1.2 bn spent in the current period):
  - increase in network capacity due to Electricity Transmission Code changes, peak demand growth, network utilisation and planning criteria
  - asset replacement to mitigate aged asset risk
  - security of supply

# Preliminary observations – capex



# Preliminary observations – RAB

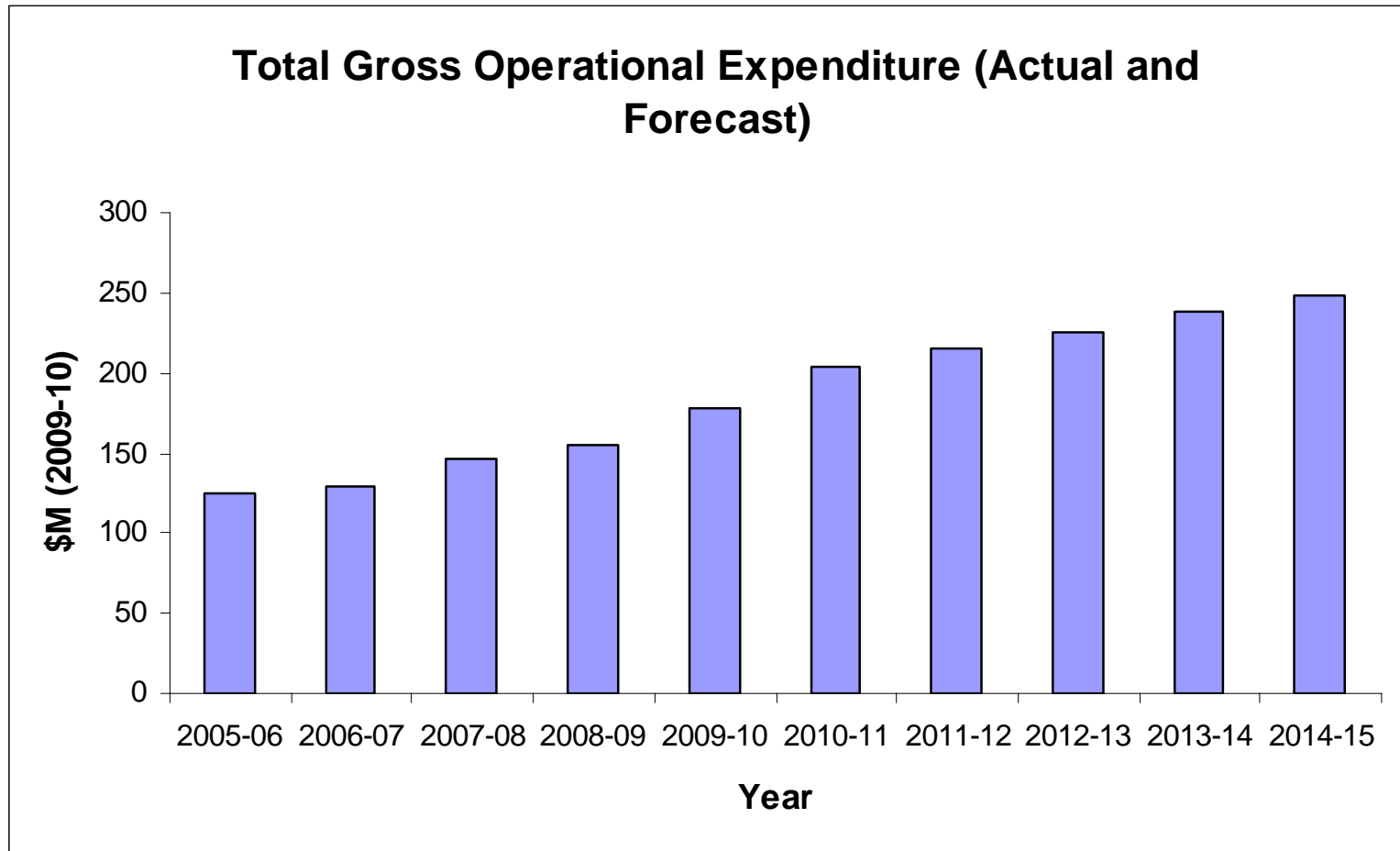
## Regulated asset base



# Preliminary observations – Opex

- Forecast Opex: \$1.1bn (\$0.6 bn spent in the current regulatory control period)
- AER will review:
  - Base year costs and adjustments
  - appropriateness of increases for specific categories.

# Preliminary observations – Opex



# Indicative prices

- ETSA has proposed real X factor increases of 10 per cent per annum throughout the next regulatory control period.
- ETSA has noted that the typical small customer bill will increase by around 6.7 per cent in the first year of the next regulatory control period, and by around 6 per cent in the remaining years.
- ETSA has noted that for typical small business customers the expected price increases are of the order of 10 per cent per annum.

# Forum procedures

- Purpose is to allow the business to present their regulatory proposal.
- After presentations, interested parties are invited to raise any issues with the regulatory proposal or the AER's assessment process.
- A record of this meeting will be made.