24 September 2021

Attn: Warwick Anderson
General Manager – Network Pricing
Australian Energy Regulator
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Dear Mr Anderson,

Ausgrid is pleased to provide this submission to the Australian Energy Regulator's (**AER**) consultation paper on developing a Standardised Ancillary Network Services (**ANS**) Model.

Ausgrid owns and operates an electricity distribution grid that is shared by approximately 4 million Australians living and working across an area stretching from southern Sydney to the Upper Hunter Valley, including the Sydney CBD. Ausgrid provides ANS across our distribution network on an 'as needs' basis to customers.

Ausgrid supports the introduction of the proposed standardised model because it will provide networks, customers and stakeholders a clear and transparent mechanism to develop pricing for ANS. Our comments focus on the following points of clarification that might be addressed in the final Model:

- confirmation that networks will be able to input their respective labour classifications and labour rates (including over-time);
- confirmation on whether the X-factor will be calculated in the model, or whether the X-factor will be an input;
- scope to input cost escalation for non-labour inputs, consistent with the propose-respond regulatory framework.

We also wish to make the following suggestions to improve the functionality of the model:

- revising the colour coding for input and formula cells in order to clearly demarcate between them, noting that several cells indicated as inputs contain formulas or lookups;
- checking lookup references, noting that several inputs for on-costs and margins do not appear to link between sheets;[1] and
- where appropriate, lock formulas in the model to limit the potential for user error.

We thank the AER for the opportunity to comment on a draft version of the ANS model. Should you wish to discuss any of the issues raised in this submission further, please contact Gareth Downing, Senior Regulatory Economist at ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮

Regards,

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Alex McPherson
Head of Regulation

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[1] For example, various inputs in rows 8 to 16 of the Input | Indirect Cost Rates tab do not flow through to model calculations.

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