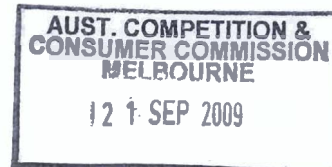


The Hon Patrick Conlon MP
Member for Elder



Government
of South Australia

09MEN/0440

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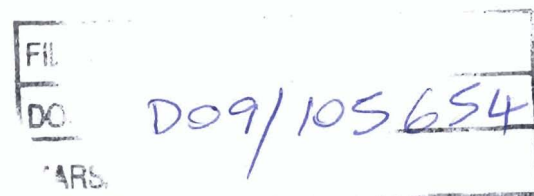
Dear Mr Pattas

Thank you for the opportunity to provide a submission about ETSA Utilities' (ETSA) Regulatory Proposal for the period 2010 to 2015.

The South Australian Government understands the Australian Energy Regulator's (AER) review of ETSA's regulatory proposal will require quantitative assessment of costs and consumer benefits. It will also have regard to the National Electricity Market objective to promote efficient investment in and efficient use of electricity services for the long term interests of consumers with respect to price, quality, reliability and security of supply of electricity and the reliability, safety and security of the national electricity system.

The Government appreciates that ETSA must be allowed adequate expenditure to ensure that the distribution network is able to meet expected demand and ETSA's proposed increases in capital and operating expenditure over the upcoming regulatory period are substantial. The AER must ensure all expenditure is fully justified in light of the financial impact its decision will have on South Australian consumers. ETSA's expenditure should be assessed across a range of benchmarks with other utilities.

The Government supports the proposed augmentation of the Kangaroo Island supply. Augmentation to this iconic tourist destination will support its further development and an additional undersea supply cable will maintain security and reliability to this region. The Government provided assistance to the Kangaroo Island Regional Development Board to conduct a survey of non-grid generation and the report is attached for your information. It highlights that current demand on the island is significantly underestimated due to the extensive use of high cost diesel generators, indicating the pressing need for further network development on the island.



We also support the ETSA works at the new City West substation and the aged assets replacement program for the Central Business District. In order to maintain Adelaide's commercial competitiveness it is essential that the city's distribution network delivers energy security consistent with the level specified by the transmission standards.

There are several aspects of the regulatory proposal that require detailed review. ETSA forecasts energy sales to decline one per cent per year over the regulatory period. Other forecasts and the historical record suggest a consistent trend of increasing sales, for example those of the 2009 Annual Planning Review and Statement of Opportunities.

The Government supports ETSA's proposed pass through events for undergrounding of 66 kV power lines, noting that it is consistent with current practice for cost recovery for mandated undergrounding projects.

In its proposed negotiating framework ETSA has provided that if any dispute relating to the cost of connecting to its network cannot be resolved through its internal dispute resolution process it will be taken to the AER. Under the current South Australian regulatory regime network users are able to have a disputed offer to connect assessed at no cost by the Essential Services Commission of South Australia to determine if the offer is fair and reasonable. I expect this important service to continue to be available to customers at no cost. The negotiating framework must not classify this form of dispute as an access dispute.

Should you require clarification on matters raised in this submission please contact Mr Sean Kelly, Executive Director Energy Division of the South Australian Department for Transport, Energy and Infrastructure on telephone (08) 8204 1715.

Thank you for seeking my views on the ETSA Utilities Regulatory Proposal for 2010 to 2015 and I look forward to received AER's draft decision on ETSA's proposal.

Yours sincerely



HON PATRICK CONLON MP
MINISTER FOR ENERGY

14 September 2009