

19 January 2015

Mr Warwick Anderson
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

RE: Draft decision Essential Energy distribution determination 2015-16 to 2018-19

Dear Mr Anderson,

The NSW Nationals Parliamentary Party refers to the above and for the reasons set out in this submission opposes the draft determination.

The NSW Nationals are the only political party exclusively representing regional New South Wales. We believe in equal social, economic and environmental opportunity for all Australians, regardless of where they live.

Our communities stretch the length and breadth of New South Wales and therefore fall within the distribution network of Essential Energy and ActewAGL. We are proud to represent both the customers and workers within the Essential Energy distribution network.

At the outset, the NSW Nationals Parliamentary Party make it clear that we support measures that reduce the cost of living and the cost of doing business in regional NSW. We believe regional NSW is a great place to live, work and raise a family and strongly support initiatives to improve regional economies, societies and local environments.

Regional families and businesses depend on Essential Energy for safe, reliable and affordable energy supplies. And, as the table below shows, Essential Energy is also a significant employer across regional NSW, meaning that its workforce plays an important economic role in our communities.

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Electorate*	Estimated number of employees
Albury	118
Ballina	113
Barwon	205
Bathurst	270
Bega	121
Burrinjuck	130
Clarence	213
Coffs Harbour	99
Dubbo	278
Goulburn	67
Lismore	125
Monaro	268
Murray Darling	346
Murrumbidgee	193
Myall Lakes	109
Northern Tablelands	158
Orange	178
Oxley	78
Port Macquarie	823
Tamworth	173
Tweed	79
Upper Hunter	54
Wagga Wagga	176
TOTAL	4374

It is because of these important roles in regional areas that the NSW Nationals worked in Government to ensure Essential Energy remains 100% in public ownership.

The NSW Nationals also ensured that regional NSW will benefit from the once-in-a-generation opportunity to transform NSW, unlocking \$20 billion – \$6 billion for regional NSW – for critically needed infrastructure projects through the 49% long term lease of the other network businesses.

The AER draft determination has foreshadowed significant changes to Essential Energy's revenue, opex and capex allowances.

In the view of the NSW Nationals Parliamentary Party, the draft determination does not adequately address the current reform program and industrial arrangements, does not adequately address network reliability, the comparators used or the impact on regional apprenticeships. We will outline each concern briefly.

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Current reform program

Essential Energy contends that they have worked hard to implement a reform package over the past two years that has already delivered \$2.8bn of capital and operating savings, with a total of \$5.4bn to be removed from capital and operating budgets through to June 2016.

These reforms mean the double digit annual increases in network charges evident from July 2009 to July 2012 have been contained at less than CPI for both July 2013 and July 2014.

It is the view of the NSW Nationals that these efficiencies have not been fully taken into account and neither has the current operating environment which is constrained with existing Enterprise Agreements that make it difficult to progress further reform.

The AER final determination should take into account operational and industrial realities as they exist on the ground rather than seek to introduce back dated modelling from 1st July 2014.

Network reliability

As already noted, our communities want safe, reliable energy at a fair and reasonable cost. That is why the NSW Nationals strongly opposed the now repealed Carbon Tax as it placed unnecessary costs on families and businesses throughout regional NSW, which they are still dealing with today.

We also agree with the workers of Essential Energy that reliability and safety should not be jeopardised in regional NSW. The network comprises physical assets located close to the customers so they can get improved call out and repair times.

Essential Energy services 95 per cent of the NSW landmass but only 24 per cent of NSW customers. Thus, the Essential Energy network faces proportionally more risk than most others on the eastern seaboard. In particular vegetation management plays an important part in both ensuring reliable supply while minimising risk of bushfires and other unintended consequences.

AER must take into account the impact on network reliability in reaching its final determination. Importantly, emergency response benchmarks must remain at their current high standard.

Comparator

Additionally, in attempting to compare like with like, the NSW Nationals are cognisant of the argument put forward by Essential Energy that its network size, scope and population base is vastly different to the smaller and more populous networks the AER used to compare it with.

In comparing Essential Energy's costs, which need to be reasonable and fair, with other networks, the NSW Nationals request your attention to the comparators used to ensure that the AER is truly comparing like for like.

Apprenticeships and regional training

Ensuring our children have pathways to employment in the trades is of critical importance to rural communities. The NSW Nationals are concerned about the significant impact the draft determination, if implemented in its current form, would have on the ability to train and employ apprentices in regional NSW.

Essential Energy has a proud history and reputation in training and in many rural and regional NSW communities it is the only company that has taken on apprentices and undertakes training.

To help ensure safe and reliable network infrastructure and for the future of our local economies, it is vital this scheme be continued.

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Conclusion

With regards implementation of any price impacts on the network business we request that you consider phasing in the price changes to allow Essential Energy time to structurally adjust to a changing business environment.

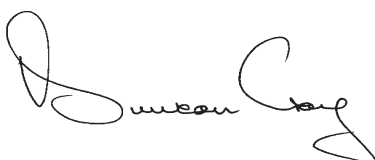
Noting that submissions close on 13th February, the NSW Nationals reserve the right to make a further submission before that time should we deem it necessary.

Thank you for your consideration of the matters raised in this submission.

Respectfully,



Hon Troy Grant MP
Leader of the NSW Nationals



Hon Duncan Gay MP
Leader of the NSW Nationals in the Legislative Council



Kevin Anderson MP
Member for Tamworth



John Barilaro MP
Member for Monaro



Hon Niall Blair MLC
Member of the Legislative Council



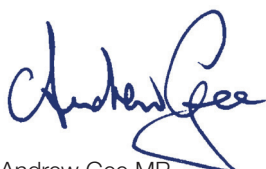
Stephen Bromhead MP
Member for Myall Lakes



Hon Rick Colless MLC
Member of the Legislative Council



Andrew Fraser MP
Member for Coffs Harbour



Andrew Gee MP
Member for Orange



Hon Jenny Gardiner MLC
Member of the Legislative Council



Hon Thomas George MP
Member for Lismore



Chris Gulaptis MP
Member for Clarence



Hon Katrina Hodgkinson MP
Member for Burrinjuck



Hon Kevin Humphries MP
Member for Barwon

cont...



Hon Trevor Khan MLC
Member of the Legislative Council



Adam Marshall MP
Member for Northern Tablelands



Hon Sarah Mitchell MLC
Member of the Legislative Council



Don Page MP
Member for Ballina



Hon Melinda Pavey MLC
Member of the Legislative Council



Hon Adrian Piccoli MP
Member for Murrumbidgee



Geoff Provest MP
Member for Tweed



Andrew Stoner MP
Member for Oxley



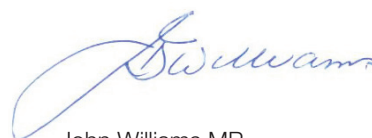
George Souris MP
Member for Upper Hunter



Hon Paul Toole MP
Member for Bathurst



Leslie Williams MP
Member for Port Macquarie



John Williams MP
Member for Murray-Darling