

8 August 2018

Mr Sebastian Roberts
General Manager, Networks
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Roberts,

Re: Ausgrid Energy Determination 2019-24

The Urban Development Institute of Australia (UDIA) NSW is the leading urban development industry group promoting the responsible growth of this State. Our members are responsible for a substantial portion of the growth in the Ausgrid Catchment.

UDIA NSW has some fundamental concerns about the Ausgrid proposal that we wish to raise. We recognise there is an increasing concern about the affordability of electricity among consumers, although we would contend this is part of a broader issue of affordability. Ausgrid contributes 33% of the average residential electricity bill, or about \$508 per annum.

The affordability issue comes about, because other expenses are increasingly unaffordable, for example housing. Sydney is the second least affordable city in the world for the third consecutive year (Demographia 2018). It is important to understand consumer concern about affordability within this context.

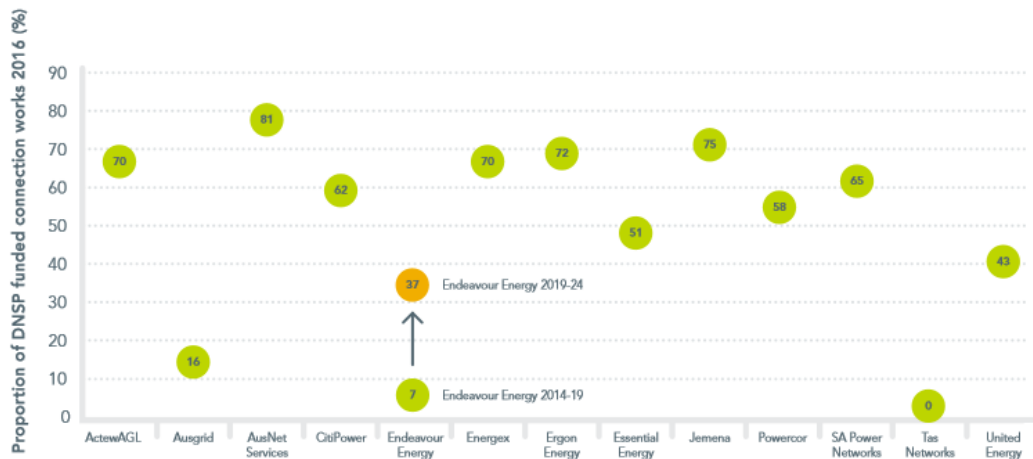
The housing affordability crisis in Sydney and the regions has been primarily driven by a lack of housing supply. It is critical that Ausgrid contributes to easing the cumulative cost of living pressures faced by consumers, by supporting housing delivery through its growth policies.

The time lag in a project start and completion for land and housing (currently around 7-10 years for land and house packages to reach NSW) and taxes & charges (responsible for 25% of the price of a new house) are two of the biggest challenges in addressing the housing affordability crisis. Any reduction in time and cost will go directly to improving affordability.

The underlying principle for growth infrastructure funding must be “beneficiary pays”, whereby the beneficiary contributes to the network.

The new energy ecosystem needs a new approach to pricing, as the benefits of the expanding network are spread more evenly, particularly as existing customers will now get access to new markets to sell electricity. This makes it more compelling that the underpinning principle for capital contributions is “beneficiary pays”. Since Endeavour Energy has already moved toward the beneficiary pays approach, particularly for Greenfield development, we note Ausgrid would be an outlier in the NEM if it did not also embrace this approach.

Figure 10.6 Proposed connections capex for FY20-FY24 as a proportion of capital contributions compared to NEM FY16 actuals



UDIA NSW makes further recommendations that for the cost share reimbursement scheme Subdivisions that the reimbursement goes to the Developer (not down to the individual home owner) to increase housing affordability and lots being developed per year.

We would also welcome greater collaboration in building lead-in infrastructure with industry in growth areas, where lead-in projects can be delivered with growth, for example in a designated urban renewal area. We recommend that Ausgrid participates in any Urban Development Program (UDP) being undertaken by the NSW Government. UDIA NSW is assisting the Department of Planning and Environment in its UDP efforts in the Hunter, Central Coast, Illawarra and Sydney. We would be happy to provide contact details for those endeavours.

UDIA NSW is working with Ausgrid to build a strong collaborative relationship to work together to shape the future growth of the franchise area, and make sure the infrastructure required to meet this growth is provided.

At your earliest convenience, we would be pleased to meet to discuss the relevant issues outlined above. Should you wish to take up this invitation, please contact Sam Stone, Manager, Policy on 0401 213 899 or at sstone@udiansw.com.au to organise a meeting time and place.

Yours sincerely

Steve Mann
Chief Executive