

7 August 2018

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

Dear Mr Roberts,

Re: Endeavour 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.

UDIA NSW supports Endeavour Energy's proposals that will result in a 1% decrease in network charges and will maintain reliability at 99.9% levels.

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. Endeavour Energy contributes 31% 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 critical to understand consumer concern about affordability within this context.

The housing affordability crisis in Sydney has been primarily driven by a lack of supply, therefore it is critical that Endeavour Energy contributes to easing the cumulative cost of living pressures faced by consumers, particularly through its growth policies.

We support the estimated customer numbers of growth of about 21,000 new customers per annum in the catchment, although we consider this number could be adjusted upward to accommodate the additional growth caused by the development of the aerotropolis.

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 the Sydney market) 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.

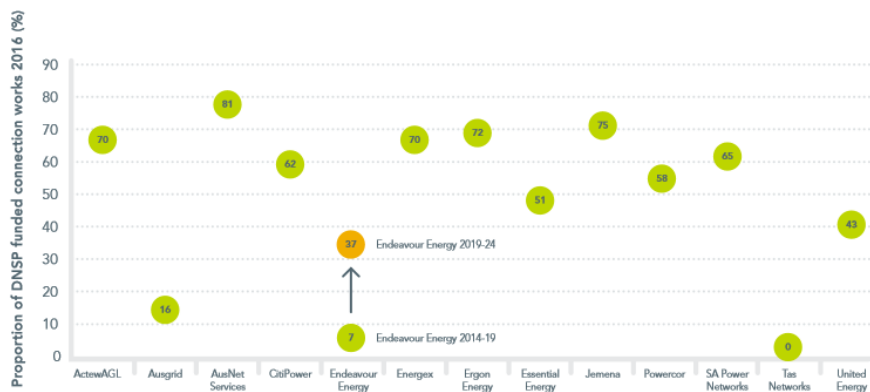
The underlying principle for growth infrastructure funding must be "beneficiary pays", whereby the beneficiary contributes to the network. Over the past decade the policy unintentionally shifted from beneficiary pays to 'causer pays' this has put undue pressure on housing supply in Sydney and the Illawarra and has led to cumulative cost of living pressures in these cities.

Due to Endeavour Energy's contribution towards growth of the network, savings for a standard subdivision will be in the order of \$1,000 - \$1,500 per lot. These costs are also subject to GST and Stamp Duty adding an extra approximate 15% to these costs already. Also, Endeavour Energy's funding of shared lead-in electrical works can often amount to many hundred thousand dollars, which removes first mover risk for developers who may otherwise not progress these projects.

The continued investment by Endeavour Energy in building its network is not only encouraged but it makes sense. 70% of Sydney's population growth over the next 20 years will be in Western Sydney and it is crucial that this growth is delivered in a timely and affordable fashion.

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". We echo Endeavour Energy's sentiment that it would bring Endeavour Energy in line with the NEM:

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



UDIA NSW has long enjoyed a good relationship with Endeavour Energy. Endeavour Energy representatives sit on our policy committees, speak at our industry events and UDIA has sat on Endeavour Energy's Customer Council for many years. We are keen to continue to work together to shape Sydney's future growth 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 9262 1214 or at sstone@udiansw.com.au to organise.

Yours sincerely

Steve Mann
Chief Executive