



22 Dec 2020

Kami Kaur  
General Manager Network Distribution  
Australian Energy Regulator  
Level 16, 2 Lonsdale Street  
Melbourne, 3000

Dear Kami

**Re: Amendments to our 2021–2026 revised regulatory proposals**

CitiPower, Powercor and United Energy are writing to the Australian Energy Regulator (AER) to advise of amendments to our 2021–2026 revised regulatory proposals.

Our 2021–2026 revised proposals, as submitted on 3 December 2020, were based on information available in October 2020. Since then the following information has become available:

- on 16 November 2020, the Essential Services Commission (ESC) finalised the details for customer service standards in the Distribution Code covering Guaranteed Service Levels (GSL)<sup>1</sup>
- on 25 November 2020, Yarra Trams confirmed the volume and location of its pole relocation works
- on 18 December 2020, Deloitte provided an audit assurance opinion on our methodology for reclassifying repair works from capital to operating expenditure.

We have assessed the impact of these changes and have consequently made the following amendments to our revised proposals:

- reduced the GSL category specific operating expenditure forecasts—for CitiPower, Powercor and United Energy
- included a category specific operating expenditure forecast for the relocation of our pole top assets due to Yarra trams pole relocation program—for CitiPower
- submitted Deloitte audit assurance opinion and basis of preparation methodology in relation to the reclassification of repairs from capital to operating expenditure—for CitiPower and Powercor.

**1 GSL category specific adjustments to the operating expenditure program — CitiPower, Powercor and United Energy**

The ESC's final decision on the Distribution Code review makes the following adjustments related to GSLs:

- slight increase to payment levels
- slight reduction to payment thresholds
- introduction of single interruption payments threshold to the major event day (MED)
- exclusion of MEDs from annual duration and interruption threshold

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<sup>1</sup> ESC, Electricity Distribution Code review – customer service standards, Final decision, 16 November 2020.

- updated definitions of sustained and momentary interruptions to align with the AER’s distribution reliability measures guideline.

To forecast the impact of these changes on our GSL expenditure for the 2021–2026 regulatory period, we have applied the ESC’s final decision to our historical data from 2015 to 2019. We have added the annual average value to our base operating expenditure and removed actual GSL payments incurred in 2019.

Table 1 shows the GSL forecast in draft determination, our revised proposal and our updated forecast based on ESC’s final decision. As shown, our updated forecast GSL expenditure is lower than the estimated placeholder submitted in our revised proposal.

Table 1 Forecast GSL expenditure in the draft determination, our revised proposal and updated for the final Distribution Code decision (\$ million, 2021)

GSL Forecast	Powercor	CitiPower	United Energy
Draft determination	13.0	0.3	3.3
Revised proposal - as submitted on 3 December 2020 (placeholder estimate)	19.5	0.4	4.9
Updated forecast - based on ESC’s final decision	14.5	0.1	4.1

Source: CitiPower, Powercor, United Energy

Please refer to attached supporting materials:

- CP/PAL/UE RRP MOD 9.03 - Category specific forecasts - Dec2020 - Public
- CP/PAL/UE RRP MOD 10.06 - Opex - 20201221 update - Dec2020 updated - Public
- CP/PAL/UE RRP MOD 10.02 - PTRM 2021-26 - 20201221 update - Dec2020 - Public.

## 2 Category specific forecast for Yarra trams pole relocation program — CitiPower

On 25 November 2020 we received an official letter from Yarra Trams confirming the volume and location of planned pole works over the 2021–2026 regulatory period (and beyond). Due to the late receipt of the letter, we were not able to include the updated forecast incremental operating expenditure in our revised proposal.

We propose to treat this incremental operating expenditure as a category specific forecast, rather than a step change. This addresses the AER’s and stakeholders’ concerns that the cost of the program may be locked into the base year expenditure for the 2026–2031 regulatory period.

Table 2 shows the value of the incremental operating expenditure in our original and updated revised proposals. The updated revised proposal costs include lower volumes and a lower unit rate compared to our original proposal.

Table 2 Category specific forecasts for Yarra Trams pole relocation, CitiPower (\$ million, 2021)

	2021–2026 original regulatory proposal, January 2020	2021–2026 updated revised regulatory proposal, December 2020
Yarra trams pole relocations	12.7	4.8

Source: CitiPower

Please refer to attached supporting materials:

- CP RRP BUS 9.02 - Yarra Trams - Dec2020 - Public

- CP RRP ATT53 - Yarra Trams CitiPower letter - Nov2020 – Public
- CP RRP MOD 9.03 - Category specific forecasts - Dec2020 - Public
- CP RRP MOD 10.06 - Opex - 20201221 update - Dec2020 updated - Public
- CP RRP MOD 10.02 - PTRM 2021-26 - 20201221 update - Dec2020 - Public.

### **3 Reclassification of repair works — CitiPower and Powercor**

For our revised regulatory proposals, we analysed close to 6,000 repair jobs to provide detailed volumes and unit rates. To provide assurance to the AER regarding our approach we engaged Deloitte to provide an audit opinion. The audit was completed on 18 December 2020.

Please refer to attached supporting materials:

- CP RRP ATT55 and PAL RRP ATT64 - Deloitte audit assurance opinions
- CP RRP ATT54 and PAL RRP ATT63 - Basis of preparations which set out our methodology
- CP RRP BUS 9.07 updated to correct for a typo—the typo does not impact the models or calculations.

Should you have any queries about this letter please do not hesitate to contact [REDACTED] on [REDACTED] or [REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]  
**General Manager Regulation**  
**CitiPower, Powercor and United Energy**