

15 March 2022

John Cleland
Chief Executive Officer
Essential Energy

Dear Mr Cleland

Re: Expression of Interest – Better Resets Handbook Early Signal Pathway

Thank you for your expression of interest (EOI) of 28 January 2022 for participation in the Better Resets Handbook early signal pathway. I am pleased to inform you that we have accepted your application.

We consider Essential Energy's application satisfies all six of the EOI requirements and demonstrates a credible and genuine commitment to the early signal pathway process. In particular, we note the following commitments Essential Energy has made in its application:

- commitment of its CEO and its Executive team that its regulatory proposal reflects the views and expectations of its customers
- commitment to publish a draft regulatory proposal for consultation in September 2022
- Essential Energy's application sets out its customer engagement program, which has been approved by its Stakeholder Collaborative Collective (SCC)
- provision of opex, capex and some benchmarking information by April 2022, and further information by August 2022
- commitment to the development of independent reports prepared by its SCC on its engagement programs which will accompany Essential Energy's draft regulatory proposal and regulatory proposal
- commitment to implementing analytical methods and techniques consistent with the Better Resets Handbook, and not deviating from these without first seeking the input of consumers and feedback from AER staff.

In accepting Essential Energy's application, the AER confirms its commitment to participating in the pre-lodgement engagement phase.

As noted in the Better Resets Handbook, AER staff's involvement in this pre-lodgement phase will be to primarily support the engagement process between Essential Energy and its consumers. This will include:

- providing support to consumers where appropriate to ensure they can meaningfully participate
- outlining potential concerns on consumer engagement processes at the earliest possible stage
- providing feedback, at the AER staff level, including "red flags" – where development of the capital expenditure, operating expenditure, depreciation and tariff structure statement proposals appears to deviate from, or be substantially inconsistent with, the expectations set out in the Better Resets Handbook. Any feedback or guidance provided to Essential Energy will also be shared with consumers participating in the engagement process
- providing feedback or guidance on the nature or type of information Essential Energy could provide to support a particular aspect of its proposal.

The level of feedback AER staff can provide will be dependent on the models, information and data available to the AER staff and consumers during the pre-lodgement process.

Importantly, for the sake of clarity, at the pre-lodgement phase AER staff will not provide advice or guidance on:

- whether an aspect of a draft proposal is likely to meet our expectations and/or qualify for targeted review
- upper and lower bounds estimates of total and/or category-level expenditure which was proposed by Essential Energy
- how the AER Board would likely substantively decide on an issue.

We also confirm the Consumer Challenge Panel's (CCP) involvement in the pre-lodgement engagement phase. We see the primary role of the CCP in the pre-lodgement phase as assessing the quality and robustness of Essential Energy's engagement processes and outcomes.

As a next step, we will be in touch to organise an initial meeting to clarify aspects of our engagement on the early signal pathway, including:

- the type of information and data the AER seeks in its preliminary assessment of the Better Resets Handbook topics. This may assist Essential Energy in developing its draft regulatory proposal
- how Essential Energy considers the check-in sessions will operate
- the CCP's role and how it can constructively engage at the pre-lodgement phase.

We note that our engagement with Essential Energy has been very constructive to date. We consider that its commitment to the early signal pathway is a further demonstration of a genuine willingness to work collaboratively with stakeholders to achieve a well-supported, customer-centric proposal, in line with the Better Resets Handbook.

If you have any questions about this letter, please contact Kris Funston on [REDACTED] or [REDACTED]

Yours sincerely

A handwritten signature in black ink, appearing to be 'CS', with a long horizontal flourish extending to the right.

Clare Savage
AER Chair