

A few
words.

7 January 2016

Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001



By email: VICElectricity2016@aer.gov.au

Attention: Mr Chris Pattas, General Manager

**Re: AER Preliminary Decision on the Victorian electricity distribution network
Regulatory Proposals**

AGL Energy (AGL) would like to take this opportunity to comment on the AER's Preliminary Decisions for the Victorian electricity distribution networks Regulatory Proposals.

AGL is one of Australia's largest energy utilities, operating across the supply chain with investments in coal-fired, gas-fired, and renewable electricity generation and upstream gas exploration and production projects. AGL is Australia's largest private owner, operator and developer of renewable generation. It is also a significant retailer of energy, providing energy services and solutions to over 3.7 million customers in Australia including over 650,000 electricity customers spread across the five distribution network areas in Victoria.

The cost of electricity is a key budgetary item for our customers, and AGL is very aware of the need to manage changes in this cost to ensure that customers can predict their bill and manage their payments without duress.

In general, AGL supports the AER's preliminary decisions and believes they provide a reasonable balance between positive outcomes for Victorian consumers and rewarding the distribution networks for historical efficiencies.

More specifically, AGL supports the AER's:

- use of benchmarking processes for determining efficient operating and capital expenditure allowances;
- plan to use the final AEMO forecasts when setting maximum demand and energy forecasts, at base or low scenario levels;
- reductions in capital and operating expenditure allowances for metering (given the rollout is largely complete) and consequently, reduced metering charges for consumers and
- treatment of metering as an Alternate Control Service in line with its decisions in other jurisdictions (apart from the use of exit fees in Victoria) and its expectations of metering competition from the end of 2017.

AGL recognises that the AER's principled approach to metering in its preliminary decision is reliant on the Victorian Government and its preferred regulatory framework.

Advanced metering technology can provide significant benefits to consumers however the exclusive mandate of Victorian Distribution Businesses in the rollout of these devices means that other market participants encounter substantial difficulties when trying to build up product and service offerings which leverage their advanced capabilities. This limitation is hampering the growth of the new technology sector in Victoria.



AGL strongly supports the recent AEMC Final Determination on Metering Competition and Related Services, including the transitional arrangements for Victoria.

AGL therefore encourage the Victorian Government to review its approach to the AMI program and implement the AEMC's transitional arrangements from 1 December 2017. Any further extension to the exclusivity arrangements is likely to act as an impediment to competition in other segments of the market where effective competition could reasonably be expected to evolve. For example, the Victorian Government could immediately open up metering competition for new connections or Greenfield development sites which would be a positive step forward.

AGL's looks forward to reviewing the revised Victorian network proposals.

Should you have any questions with regard to this submission or in relation to AGL's position on other aspects of the Victorian networks' Regulatory Proposals then please contact me on (03) 8633 6207 or Patrick Whish-Wilson on (07) 3023 2426.

Yours sincerely



Elizabeth Molyneux
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Energy Markets