

17 September 2021

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Submitted via: AERPricing@aer.gov.au

Dear Warwick

Re: Annual Pricing Process Review Position Paper

AusNet is pleased to have the opportunity to make a response to the Australian Energy Regulator (AER) on the Annual Pricing Process Review position paper.

Pre-lodgement engagement

AusNet supports the pre-lodgement engagement process outlined in the position paper and agree that efficiencies can be gained through an early engagement process. For example, the AER and distributors (DNSPs) can address and resolve issues without the time pressures related to the legislated timelines, whilst facilitating timely and accurate pricing proposals for approval. We believe this process will help simplify the annual pricing proposal process (with the bulk of engagement done upfront) and assist the AER to meet its requirement of approving their expanding list of pricing proposals within the set timeframe.

AusNet also supports the proposed timelines in the pre-lodgement engagement process. We agree that these timelines are required as part of the pre-engagement process to ensure DNSPs have sufficient time to provide the required data and inputs¹, the AER having the time to review and engage with DNSPs on issues identified, and in turn, DNSPs having the time to respond to the AER's requests.

In relation to the submission of estimated year t-1 and forecasted year t data, the position paper has set an expectation that the data are to remain unchanged from the pre-lodgement engagement process². Given the early submission of estimated and forecast data, it needs to be noted that the data submitted at this stage may not reflect the most recent and fair representation of the data that will be used in the final pricing proposal. While we would expect that the data will not change between the pre-engagement and final pricing proposals the majority of the time, it is possible that there may be a need to update the data due to unforeseen material changes in circumstances. As a result of this, we ask the AER to allow flexibility for the data to be updated (if required) to ensure prices can be set based on the most relevant data available to the DNSPs. To assist the AER in the review process, if changes occur, DNSPs should explain the reasons for changing the data as part of the final pricing proposal submission. Due to early submission of data, and placeholder inputs for those not

¹ Placeholder inputs where inputs not known at preliminary submission.

² Data may be altered in response to AER's queries.

known at the time of the pre-engagement submission date, the prices derived from the pre-lodgement engagement process should be treated as indicative only.

We would like additional information to understand what will be included in the AER's proposed guideline for estimating year t-1 data. We do not believe a guideline should prescribe the approach taken to estimate the data. AusNet has a well developed internal forecasting capability and would not support a guideline that specified a particular forecasting approach which could limit continuous improvement in forecasting techniques over time.

Standardised Model Template

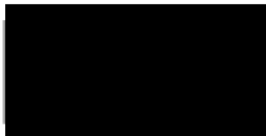
AusNet supports the introduction of standardised pricing model templates. We agree that standardised model templates will reduce the risk of input and modelling errors, whilst the automation of compliance checks within the model itself will be a useful feature. Our experience with AER's standardised model templates has been positive, and benefits have been realised as a result of using it. The layout of the proposed model – whilst very different to previous standardised models – is appropriate given it will be used by all DNSPs, and the inputs and outputs are consistent with previous standardised model templates. AusNet also supports the pre-filling of inputs. Based on our previous experience using AER standardised model templates with pre-filled inputs, it helped us to expediate our price setting process and streamlined the AER's review.

AusNet also supports the indicative timeline and two stage process proposed for the development of the standardise model template. We agree that the approach to develop a fit-for-purpose standardised model template for the 2022/23 pricing process is a logical approach. The learnings that could be gain through a live trial would be invaluable and feedback provided will play a key role in the development of the model in the second stage of the process.

We look forward to having the opportunity to work with the AER and other stakeholders to develop a standardised model template, as well as the future engagement to develop standardised templates for the main pricing proposal document.

If you have any queries on our submission, please do not hesitate to contact Edwin Chan, Pricing Manager, on [REDACTED].

Your sincerely,



Charlotte Eddy
Manager Economic Regulation
AusNet Services