



2 August 2022

Warwick Anderson
General Manager – Network Pricing
Australian Energy Regulator
by email: AERPricing@aer.gov.au

Dear Warwick

Re: Annual pricing process review – position paper stage 2

CitiPower, Powercor and United Energy appreciate the opportunity to respond to the Australian Energy Regulator's position paper to initiate the second stage of the annual pricing process review.

Please see our feedback and suggestions below:

- The pre-lodgement process provided us with the added benefit of checking the data earlier and an opportunity to present our forecasts to the AER for review and discussion.
We are satisfied with the pricing proposal model outputs and the presentation of relevant data in it. We welcome the intention to revise the standardised pricing models to accommodate changes needed to produce data and outputs that would be relevant to a wider group of stakeholders.
- Overall, the development of standardised pricing proposal document templates allows for more transparency and accessibility. However, we firmly believe all documents with pricing information including the customer facing ones would need to be reviewed by the AER to ensure compliance. This would also benefit stakeholders with regards to the quality of the information and data presented.
In addition, to the AER reviewing our pricing proposals, the AER should also publish the proposals to ensure greater transparency.
- Additional model features put forward in the paper would be useful, though it might be practical to consider a separate model for the additional functionality outputs to reduce the complexity of the standardised pricing models.
- We support the AER with their proposal to introduce a formal pre-lodgement engagement process between the AER and electricity distributors to develop a better process for assessing initial pricing proposals for the first year of a regulatory control period and believe it is reasonable for the AER to provide us with final inputs including embargoed data ahead of the publication of the final determination. We are comfortable with the changes proposed provided they do not compress the timelines for submissions any further and agree that a rule change is not necessary to implement the proposed process.

- While we support the intention to revise side constraint mechanism on a high level, we would be in a better position to provide useful feedback when we are able to run our inputs through a draft version of the model with these changes applied.

We look forward to gaining further clarity at the workshops arranged and to getting an opportunity to work with the updated version of the standardised pricing models enabling us to provide more detailed feedback.

Should you have any queries about this response don't hesitate to contact Kate Jdanova on [REDACTED] or [REDACTED]

Yours sincerely,

[REDACTED]

Mark de Villiers
Head of Regulatory Finance, Modelling and Pricing
CitiPower, Powercor and United Energy