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Your Ref:

In reply quote: NW#-30647457

20 June 2014

Mr Chris Pattas  
General Manager, Networks  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Attention: Mr John Skinner

Dear Mr Pattas

## **DRAFT DETERMINATION – ACTEWAGL COST PASS THROUGH APPLICATION**

Thank-you for the opportunity to provide comment on the Draft Determination, ActewAGL Distribution cost pass through application, Vegetation management costs for the 2012-13 regulatory year, released on 10 June 2014 (Draft Determination).

Aurora Energy Pty Ltd (Aurora) is an incorporated State Government owned fully integrated energy and network business, with complementary activities in telecommunications and energy-related technologies. Aurora provides electricity retail and distribution services to more than 270,000 customers in the Tasmanian jurisdiction. In this document, reference to Aurora should be taken as reference to Aurora in its capacity as the provider of distribution network services licensed by the Regulator under the Electricity Supply Industry Act 1995 (Tas).

Aurora is concerned that the AER has utilised the vegetation report prepared by GHD for Aurora (GHD Report), for a purpose that was not the intention of the original report. Whilst the AER acknowledges that the report was prepared by GHD, for Aurora's individual circumstances, the AER have further determined that the outcomes of that report are typical of general vegetation management practices and therefore applicable to the circumstances surrounding ActewAGL's vegetation management practices.

Aurora sought the assistance of GHD to review the vegetation management practices and contracting model that was specific to Aurora at that time. The purpose of the GHD work was to evaluate the options available to Aurora at that time and the outcomes that could be achieved by Aurora should its circumstances change.

This work was predicated on the journey that Aurora had undertaken over a number of years regarding the strategy that was required to manage vegetation and the resourcing (including the mix of internal and external resources) that was appropriate to achieve that strategy. At no time was the intention to provide generic contracting options that could be applied in all circumstances for all vegetation strategies.



The GHD work was a key component of the Aurora vegetation strategy and the practices and resultant costs that were proposed by Aurora at the time of its regulatory proposal. This strategy was influenced by the mixture of internal and external (contract) resources that would be utilised by Aurora and how those contracting models would be achieved. It is important to note that Aurora has utilised a number of the contracting models discussed in the GHD report to achieve its vegetation outcomes. The choice of model is influenced by the strategy that is to be achieved and the maturity of the parties within the chosen model.

Aurora considers that the AER has taken this work completely out of context and that any reliance on the GHD Report cannot be extended to the Draft Determination without GHD understanding the particular circumstances of ActewAGL. GHD would then need to account for those circumstances and address those outcomes as a component of any final recommendations. This step was not pursued by the AER and the AER have determined that the circumstances of Aurora and ActewAGL are therefore alike in regard to contracting models and the maturity of those models.

Aurora also considers that the AER are setting a dangerous precedent for all NSPs whereby the circumstances of a particular NSP can be generally applied to any other NSP without fully understanding the circumstances that were applicable to the original NSP and accounting for any particular differences. The AER have not demonstrated that any differences between Aurora and ActewAGL have been considered, or accounted for in the Draft Determination, and simply applied the Aurora outcomes to ActewAGL.

Aurora considers that any reliance on the GHD Report is not applicable to ActewAGL and that should the AER wish to fully understand the contracting model that is adopted by ActewAGL that an independent review, taking into account the circumstances of ActewAGL and not Aurora, should be undertaken.

Please contact Leigh Mayne on 0419 369 394 or via e-mail at [leigh.mayne@auroraenergy.com.au](mailto:leigh.mayne@auroraenergy.com.au) if you have any further queries regarding this matter.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Warren Batchelor".

Warren Batchelor  
Chief Operation Officer – Distribution Business  
Aurora Energy