



23 September 2021

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

Dear Warwick

Re: Annual pricing process review

CitiPower, Powercor and United Energy appreciate the opportunity to respond to the Australian Energy Regulator's (AER) review into the annual pricing process for electricity distributors.

Pre-lodgement

The AER is seeking pre-lodgement six weeks prior to final lodgement. This adds a further six weeks to the pricing proposal process which takes scarce resources away from other tasks for both the AER and distributors. We support a pre-lodgement process that appropriately balances thorough assessment of pricing proposals with the additional time and cost to the AER and distributors. We believe that this balance would be achieved if data that will not change is pre-lodged.

We propose that the following data is pre-lodged:

- year t-2 actual data
- year t-1 estimated data
- year t demand forecasts.

We don't propose that draft prices for year t are pre-lodged. Proposed draft prices are very likely to change because the following information will not be finalised at the time of pre-lodgement:

- WACC and X factor which rely on the AER to calculate debt rates and re-calculate X factors in the PTRMs
- S-factor may not have been finalised, although this is in the AER's control
- forecast designated pricing proposal costs which cannot be estimated with any accuracy until pricing information is provided by AEMO.

It would be inefficient for:

- the AER to assess TSS compliance based on draft proposed prices
- distributors to go through the complex process of goal seeking network tariff rates which requires balancing a number of compliance and other considerations
- distributors to go through an approval process twice for proposed prices.

Standardised model

We agree with the AER that the standardised Victorian pricing proposal template has delivered benefits to both the AER and distributors.

We agree with the development of a standardised calculation of cost movements. We suggest that the following be considered in the design of the calculation:

- cost movements for a distributor
- cost comparisons across distributors which will likely require using a common reference customer profile to be used across all distributors

- consistency with reference consumption used for default offers, for example, the Essential Services Commission of Victoria uses 4,000 kWh as a reference consumption for residential default offers.

Standardised templates for the main pricing proposal document

We are supportive of standardised templates for the main pricing proposal document if the document is structured to be accessible to stakeholders such as retailers and consultants. We believe that all the information that the AER requires to assess compliance can be included in the standardised model, and therefore the pricing proposal document can be focussed on clear communication to stakeholders.

We would be happy to meet to discuss this letter or should you have any queries you're welcome to contact Mark de Villiers on [REDACTED]

Yours sincerely

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