

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

Email: aerinqury@er.gov.au

14th February 2012

Dear Mr Pattas

**RE: DRAFT CONNECTION CHARGES GUIDELINES FOR ELECTRICITY
RETAIL CUSTOMERS**

1. Introduction

CitiPower and Powercor Australia (**the Businesses**) welcome the opportunity to comment on the following Australian Energy Regulator's (**AER**) documents issued on 22 December 2011:

- "Draft connection charges guideline for electricity retail customers" (**Draft Customer Connection Guideline**) and
- "Explanatory Statement Proposed Connection charge guideline: under chapter 5A of National Electricity Rules for retail customers accessing the electricity distribution network" (**Explanatory Statement**).

The Businesses note that the AER has developed its Draft Customer Connection Guideline having regard for the views put forward by distribution network service providers (**DNSP**) including the Businesses in response to the its "Issues and AER's preliminary positions, Connection charge guidelines: for accessing the electricity distribution network" (**Consultation Paper**).

The Businesses wish to make the following comments on the Draft Customer Connection Guideline:

- The Consultation Paper states that the real pre-tax weighted average cost of capital (**WACC**) (as per each DNSPs Final Determination) is the appropriate discount rate for calculating the net present value (**NPV**) of future revenue stream. The Businesses request that the AER reflect this in its Draft Customer Connection Guideline;
- The proposed pioneer scheme should not be applied to developers due to the administrative complexity and cost that this would introduce; and
- The proposed pioneer scheme threshold of \$500 should be increased to at least \$1,000 and should be indexed for CPI. This will assist in minimising undue administrative costs.

Closing

The Businesses would welcome the opportunity to further discuss the issues raised in this submission with the AER.

Should you have any further questions in relation to this submission, please do not hesitate to contact Stephanie McDougall on 9683 4518 or at smcdougall@powercor.com.au.

Yours sincerely



Brent Cleave

MANAGER REGULATION