



19 June 2023

Mr Gavin Fox  
(A/g) General Manager, Market Performance  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Via email: [AERpolicy@aer.gov.au](mailto:AERpolicy@aer.gov.au)

Dear Gavin

**Re: Review of the cost benefit analysis guidelines and RIT application guidelines – consultation paper**

CitiPower, Powercor and United Energy welcome the opportunity to respond to the Australian Energy Regulator's (AER) consultation paper on cost benefit analysis guidelines and regulatory investment test (RIT) application guidelines.

Undertaking cost benefit analysis is a daily activity for our networks, and our approach has been refined over time. This approach has been critical to supporting investment decisions that are in the long-term interests of consumers, and fundamental to supporting our ability to deliver among the lowest network charges in Australia.

The incentive framework also ensures we seek lower cost outcomes where these are in the long-term interests of consumers.

By way of example, in Powercor's largest RIT-D to date—the third tranche of our rapid earth fault current limiter (REFCL) program—actual costs were within 4% of forecast expenditure (of over \$180 million). These forecasts were based on detailed project scopes and assessed multiple options and scenarios to address the need.

United Energy was also the first distributor to successfully use the RIT-D process to deliver a non-network solution.

Consistent with the above, any additional AER guidance should be non-prescriptive and proportionate to the nature and magnitude of distribution investments, and/or specific network circumstances. More specifically:

- we support the role of transparency in ensuring stakeholder and community confidence in our investment decisions
- we already apply sensitivity analysis in RIT-Ds and do not explicitly include contingencies in cost estimates
- mandating a specific cost classification system for cost estimates used in RIT-D applications would be unlikely to materially improve customer outcomes, but would add additional time and costs to the process.

Should you have any queries please do not hesitate to contact Bel Matthews at [bemathews@powercor.com.au](mailto:bemathews@powercor.com.au).

Yours sincerely

Jeff Anderson  
Head of Regulatory Strategy  
**CitiPower, Powercor and United Energy**