



22 October 2018

Mr Sebastian Roberts
General Manager, Transmission and Gas
Australian Energy Regulator
GPO Box 520
Melbourne, Victoria 3001

Dear Sebastian

Re: INDUSTRY PRACTICE APPLICATION NOTE FOR ASSET REPLACEMENT PLANNING

CitiPower, Powercor and United Energy welcome the opportunity to comment on the Australian Energy Regulator's (AER) draft industry practice note for asset replacement planning. This follows our participation in the AER's recent workshops on asset replacement planning.

We are broadly supportive of the AER's approach to assessing asset replacement decisions. This includes the monetisation of risk, and the application of the AER's practice note as a non-binding approach (recognising that a range of asset management approaches may be equally prudent and efficient).

The monetisation of risk, for example, is consistent with our internal asset management practices that have allowed us to deliver some of the lowest distribution charges in Australia. We have recently demonstrated the monetisation of risk in our regulatory investment test for distribution (RIT-D) for the Brunswick supply area.

We are also committed to providing our customers with a safe, reliable and affordable supply of electricity through the application of an effective asset management framework. Our asset replacement decisions, therefore, are supported by a range of internal governance practices consistent with international best practice. This includes alignment with the principles ISO 55000 for asset management.

Our internal asset management policies are designed to benefit the current and future needs of all customers, stakeholders and employees by adopting the following principles:

- minimise safety risks as far as practicable
- enhance our reputation as a trusted service provider through active industry leadership and the delivery of safe and reliable services that meet the needs and expectations of our customers and communities
- focus on maintaining a safe, affordable (least long term cost) and reliable network when devising our plans for the development of our network
- adopt a risk-based approach to managing our network
- invest in programs that optimise total lifecycle management
- comply with as a minimum all relevant legislative and regulatory requirements as well as Australian, international and industry standards
- develop high performance operations by engaging with our employees and ensuring that they have the right skills and capabilities
- embrace innovation and technology to continuously improve our asset management framework and activities consistent with recognised asset management standards for the long term benefit of our employees, shareholders, customers and other stakeholders

- monitor and evaluate appropriate metrics to effectively manage the network and customer service performance.

We look forward to continuing to work with the AER as industry and regulatory practices evolve.

Should you have any queries about our submission please do not hesitate to contact Jeff Anderson on (03) 9683 4809 or janderson@powercor.com.au.

Yours sincerely,



Brent Cleeve

Head of Regulation, CitiPower, Powercor and United Energy