

Department of State Development, Business and Innovation

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Ref: D2014/32152

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

Dear Chris,

Preliminary positions on a replacement framework and approach for the Victorian electricity distributors

The Victorian Department of State Development, Business and Innovation (DSDBI) on behalf of the Victorian Minister for Energy and Resources welcomes the opportunity to respond to the Australian Energy Regulator's (AER's) preliminary positions on a replacement framework and approach for the Victorian electricity distributors' revenue determination for the regulatory control period commencing 1 January 2016.

DSDBI notes that this paper is the first step in the process of determining prices for electricity distribution network services and presents an opportunity for the Government to present a view on what and how electricity distribution network services should be regulated.

The Victorian Government has a well-established tradition of leadership in driving energy market reform. Privatisation and deregulation of Victoria's electricity markets has resulted in a productive and efficient energy sector that delivers reliable, secure, safe and competitively priced electricity. This is an important foundation for Victoria's economic and social prosperity.

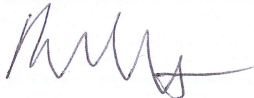
DSDBI's primary concern throughout the revenue determination process is to ensure that the regulatory regime builds on these reforms and delivers efficient, well-functioning, productive and competitive markets that serve the long term interests of the Victorian community through continued efficient access to secure, safe and reliable energy.

DSDBI has specific comments in regards to certain positions in the proposed framework and approach. These are set out under the following headings:

- Form of price control for standard control services
- Control mechanism and formulae for alternative control services
- Classification of connection services
- Metering services
- Public lighting
- Incentive schemes
- Expenditure forecast assessment guidelines
- Depreciation
- F-factor scheme.

If you would like to discuss any of the matters set out in the submission, please contact Raif Sarcich, Director – National Energy Market Development, on (03) 9092 1902.

Yours sincerely



Benjamin Ferguson
Acting Executive Director
Energy Sector Development Branch
Department of State Development, Business and Innovation

30 / 8 / 2014