

21 December 2018

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

[AERinquiry@aer.gov.au](mailto:AERinquiry@ aer.gov.au)

Dear Mr Roberts,

**Re: Draft Decision Paper – Forecasting productivity growth for electricity distributors**

The Energy Users Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries.

Combined our members employ over 1 million Australians, pay billions in energy bills every year and are desperate to see all parts of the energy supply chain making their contribution to the National Electricity and Gas Objectives.

We welcome the AER review of the opex productivity factor that it is proposing to apply to network revenue decisions from April 2019. Opex is a significant factor in network pricing, making up around 30% of network revenue. AER's network regulation is designed to reflect what would be the outcome in a workably competitive market.

Therefore, our members find it difficult to believe that the AER's assumption that zero productivity improvement is an accurate reflection of what occurs in a competitive market. I can assure you that our members operating in these competitive markets, outside the protection of a virtually guaranteed rate of return, are expected to continuously improve their productivity and cost performance. If not, they could quickly go out of business.

In order to achieve this, they expect that their suppliers also show the same focus on productivity and cost reduction.

We are continually told by networks that they are putting the "customer at the centre" and we do see some positive signs so we look forward to their response to this review providing concrete evidence of that.

Given the evidence on productivity performance since 2012 from the AER's annual productivity analysis, the EUAA believes that the AER's proposed opex productivity growth forecast of 1.0 per cent is too low. We would support the submissions from PIAC and the Consumer Challenge Panel – in particular the strong evidence provided in the CCP paper supporting an annual factor of at least 1.5-2.0%.

Kind regards



Andrew Richards  
Chief Executive Officer  
Energy Users Association of Australia