

30 November 2017

Mr Sebastian Roberts
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Dear Mr Roberts,

ENDEAVOUR ENERGY – DETERMINATION 2014-19 REMITTAL

Endeavour Energy welcomes the opportunity to provide feedback on the AER's issues paper regarding the remittal of the opex component of the 2014-19 determination.

Recently, an Australian-led consortium of long-term investors with significant global experience in managing energy infrastructure, acquired a 50.4% ownership of the rights to manage Endeavour Energy's network assets under a 99-year lease. A priority of our new management is to continue to improve our efficiency while delivering strong network service outcomes for our customers. We wish to resolve the outstanding remittal issues in a collaborative and timely manner so we can continue to focus on providing an affordable, safe and reliable service to our customers while servicing the significant growth in our network area.

In accordance with the National Electricity Objective, our objective is to recover an efficient level of costs. In our view, the incentive based regulatory framework is the fairest, simplest and most reliable way of doing so. We have, and will continue to, respond efficiently to the Efficiency Benet Sharing Scheme (EBSS) in reducing our operating costs in a sustainable manner for the long term benefit of our customers.

We have publically committed in several forums over the past several months to be at or below the operating expenditure allowance set by the AER by the conclusion of the 2014-19 period. We strongly believe that the EBSS can be relied upon to provide a fair sharing of the costs associated with our transition to the AER's operating expenditure allowance.

We have been constructively engaging with AER staff and customer representatives in recent months on the remittal process and potential resolutions with a particular focus on how to utilise the existing incentive framework. This issues paper is a continuation of this discussion which provides opportunity for broader stakeholder comment and input.

I understand that following the conclusion of the Victorian appeals process that the remaking of the cost of debt can now be considered in more detail. I have requested that our staff continue to work towards a resolution on both matters to support a holistic outcome that promotes the long term interests of consumers.

If you wish to explore these issues further, please do not hesitate to contact me on (02) 9853 68628 alternatively your staff can contact our Manager Network Regulation Mr Jon Hocking on (02) 9853 4386.

Yours faithfully, ⁷



Andrew Schille

General Manager Regulation & Corporate Affairs
Endeavour Energy