

21 February 2012

Mr Warwick Anderson
General Manager
Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Email: AERInquiry@aer.gov.au



positive energy

Dear Mr Anderson,

Response to AER – Powerlink Revised Revenue Proposal

ENERGEX welcomes the opportunity to provide comment on the Australian Energy Regulator's (AER) draft decision and Powerlink's revised revenue proposal. ENERGEX provides this response as a Distribution Network Service Provider (DNSP) operating in Queensland.

ENERGEX has concerns with the apparent lack of transparency of the AER's methodology adopted in determining the real labour cost escalation rates and demand forecasts to be applied to the Powerlink revenue proposal assessment.

ENERGEX believes the alternative demand forecast prepared by EMCa does not meet the AER's own forecasting best practice principles as described to an industry working group specifically established to enhance industry forecasting practice, which includes the transparency and repeatability of forecasting models. ENERGEX supports the principles of transparency and repeatability and believes they are in the best interests of customers.

ENERGEX has been unable to replicate the alternative demand forecast prepared by EMCa for the AER based on the public information available from the AER website.

In relation to the real labour cost escalation rates, ENERGEX's concern is with the lack of transparency of the calculation methodology and data employed by Deloitte Access Economics (DAE). ENERGEX notes that this forecast underpins the productivity adjustment, which has been accepted without change by the AER, despite not being substantiated as required under section 6A.14.2 of the National Electricity Rules (NER).

ENERGEX would also like to correct an assumption made by EMCa regarding the use of the NIEIR demand forecast. The NIEIR demand forecast is used by ENERGEX as a holistic check for the overall forecast but not as an explicit parameter in the capital planning process or the annual Network Management Plan as suggested in EMCa's report.

Enquiries
Kevin Kehl
Telephone
(07) 3664 4006
Facsimile
(07) 3664 9805
Email
kevinkehl@energex.com.au

Corporate Office
26 Reddacliff Street
Newstead Qld 4006
GPO Box 1461
Brisbane Qld 4001
Telephone (07) 3664 4000
Facsimile (07) 3664 9805
www.energex.com.au

ENERGEX Limited
ABN 40 078 849 055

Should you wish to discuss these matters further, please contact Sue Lee, Revenue Strategy Manager - Regulation, on (07) 3664 4055 or suelee@energex.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kevin Kehl', written in a cursive style.

Kevin Kehl
Executive General Manager Strategy and Regulation