

24 September 2021



Warwick Anderson
General Manager – Network Pricing
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Email: AERPricing@aer.gov.au

Dear Mr Anderson

Energy Queensland Limited (Energy Queensland), on behalf of its distribution businesses, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy), welcomes the opportunity to comment on the Australian Energy Regulator's (AER's) Position paper on the annual pricing process review and preliminary version of the standardised model template. The standardised model template will be used for the 2022-23 pricing proposal and will replace the distributor specific models currently in use.

Energy Queensland broadly supports the AER's introduction of a formal pre-lodgement engagement and the development of a standardised model for the annual pricing proposal. We agree that pre-lodgement engagement and a standardised model will potentially assist in streamlining the formal pricing proposal approval process.

In response to the AER's invitation to provide comments on the AER Position paper, Energy Queensland has provided responses to the questions raised in the Position paper below.

Position paper feedback question	Energy Queensland response
Proposed timelines for pre-lodgement engagement	<p>Energy Queensland supports the introduction of pre-lodgement engagement provided the process and key dates are determined and agreed in advance. While we have no concerns with the dates proposed in the AER's Position paper, it should be noted that the information submitted as part of the pre-lodgement engagement will not yet have been approved by the Energy Queensland board.</p> <p>We also seek clarity from the AER about the process to follow should distributors be unable to meet those agreed timeframes. For example, the AER may wish to confirm that late submission would be acceptable upon some conditions being met (e.g. if an unexpected issue</p>

Position paper feedback question	Energy Queensland response
	<p>has been communicated to the AER ahead of the due date and new timeframes agreed upon).</p> <p>Finally, we wish to emphasise that, if too early, the pre-lodgement timeframes may impact the accuracy of the data provided to the AER. In considering mutually suitable timeframes, the AER and distributors need to be mindful of the trade-off between striving towards a more streamlined process and being given sufficient time to provide quality data.</p>
The availability of data at the proposed preliminary pricing proposal submission date	While Energy Queensland considers that the data required for the preliminary pricing proposal will be available by the proposed submission dates, we caution that the data will be indicative and may be subject to changes.
How much (and what) data could be expected to change between preliminary and final pricing proposal submissions	<p>In our view both estimate (year t-1) and forecast (year t) data could potentially change between preliminary and final pricing proposal submissions.</p> <p>With respect to the estimate data we caution that changes between preliminary and final pricing proposal submissions could be material due to the variations in summer season usage which have a significant impact on Ergon Energy's estimated revenue data. In addition, potential impacts of broader economic conditions, such as the COVID-19 pandemic, could have a material impact on the recovery of our estimated network revenue.</p> <p>In relation to the forecast data, we note that while energy consumption, customer numbers and demand could change between preliminary and final pricing proposal submissions, changes are not expected to be material.</p> <p>We seek clarity from the AER about the process it wishes distributors to follow to communicate any potential changes to the data and what the AER's expectations are about the level of information required in support of these changes.</p>
Whether a guideline should be in place for estimating year t-1 demand and revenues	<p>Energy Queensland does not consider that there is a need to introduce a guideline for estimating year t-1 demand and revenue.</p> <p>We consider that distributors are best placed to make the decisions about the methodology to estimate year t-1 demand and revenues based on their individual circumstances. We also believe that the cost and effort in developing and implementing such a guideline would outweigh the benefits.</p>
Whether the pre-filling of inputs would be beneficial to distributors or cause additional burden	<p>Energy Queensland supports the pre-filling of some inputs which are known in advance such as the RIN data for year t-2.</p> <p>We are seeking clarity of how changes to the inputs populated in the model by the AER will be managed, specifically will the distributors be responsible for</p>

Position paper feedback question	Energy Queensland response
	<p>modifying these inputs if there are errors and/or changes required, or alternatively will the AER be responsible for managing such changes.</p> <p>We are also seeking clarity as to whether the AER is proposing to prefill the standardised model to reflect the distributors' tariffs and charging parameters.</p>
Other suggestions that could improve the pre-lodgement process	Energy Queensland recommends adopting a consistent approach for the pre-lodgement process in each year and ensuring the key dates for subsequent years are determined and agreed to with the distributors well in advance.
Preliminary thoughts on options for pre-lodgement processes in the first year of the regulatory control period	We welcome the proposal to shift the regulatory determination timelines forward by 1-2 months to improve the timing of first year pricing approvals. In addition to potentially improving the first year pricing approval process, this change would provide distributors and retailers with more time to update their billing systems in preparation for the new regulatory period.

In response to the AER's invitation to provide comments on the preliminary standardised model we are supportive of the proposal however have some concerns and suggestions which are provided below.

1. **Treatment of confidential prices:** Energy Queensland note that Energex and Ergon Energy have site-specific prices for major industrial customers. These prices are NMI specific and confidential. We suggest a macro is added to the standardised model to enable easy marking of such confidential information, in line with the current approach adopted in the Regulatory Information Notices.
2. **Accommodation of tariff identifiers:** While we note the standardised model allows input of the distributor specific tariffs and charging components, additional flexibility should be provided to accommodate further distributor specific tariff elements and identifiers (such as the pricing zone, transmission zones and tariff codes). This allows easier identification of tariffs and provides transparency about the corresponding quantities. For example, three pricing zones have been delineated in Ergon Energy's distribution area broadly based on Queensland's local government areas. Prices for each of the charging components typically differ in each pricing zone (e.g. the fixed charge (\$/day) for the Residential Inclining Block Tariff varies in each pricing region).
3. **ACS - Security lighting services:** We suggest adding an additional table in the input 'ACS Prices' and 'ACS Price caps' sheets to reflect the fact that Security lighting services have a unique x-factor and set of tariffs.
4. **Proposed Outputs sheets:** While we note that the Output sheets are yet to be developed in the standardised model, Energy Queensland consider that structuring the Output sheets in a way that demonstrates compliance with the AER's Control mechanisms and the Pricing Principle requirements in the NER would further streamline the pricing approval process. Specifically, we suggest the addition of

tables that demonstrate compliance with the revenue cap formula, the unders/overs accounts and the application of LRMC to cost-reflective tariffs.

- 5. Documenting changes to the standardised model:** We note that a version control table has been included in the preliminary standardised model and suggest expanding this table to ensure any changes between the preliminary submission and final approvals are clearly documented by both the AER and the distributors. This will assist the distributors in avoiding confusing.

We would welcome further engagement with the AER as it progresses with the development of the standardised pricing proposal model.

Should you wish to discuss any aspect of this matter further, please feel free to contact me on [REDACTED]

Yours sincerely

[REDACTED]

Michelle Edwards
A/Manager Network Pricing and Tariffs

Telephone: [REDACTED]

Email: [REDACTED]