12 November 2021

Warwick Anderson
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Australian Energy Regulator
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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) updated version of the standardised pricing model.

We are supportive of the AER's proposal to separate the price-capped Alternative Control Services from the revenue capped services, thereby introducing two standardised pricing models which will be used for the 2022-23 pricing proposal. In response to the AER's invitation to provide comments on the revised standardised models, we have provided our feedback and suggestions below.

Revenue capped services model:

1. **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 quantifies. 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).

2. **Calculation of estimated revenue for t-1:** The standardised model assumes estimated revenue for t-1 (in the Accounts sheets) is derived by multiplying prices by quantities. However, in practice there are several methodologies which could be applied to derive these estimates. Distributors are best placed to make the decisions about their preferred methodology to estimate year t-1 revenues. On this basis, the t-1 revenue estimate in the unders/overs account should be decoupled from the prices and quantities, and flexibility provided to allow input of the estimated revenue data.

3. **Accommodation of adjustments to forecast (year t) quantities for DPPC:** The standardised model assumes that the same quantities can be used to derive both forecast DUOS and DPPC revenue (by multiplying the quantity by the relevant price). Energex and Ergon Energy currently apply the Distribution Loss Factors (DLF) to customers' metered energy usage for the calculation of DPPC volume charges. That is, the customers actual consumption is 'uplifted' by the DLF value, then the resulting consumption value is multiplied by the published DPPC volume rate ($/kWh) for the relevant tariff. The adjustment allows application of the DLF for charging TUOS volume at the NMI level, rather than at a standardised tariff level. This methodology requires the volume quantities used to derive the forecast DPPC revenue for the pricing proposal to be adjusted by the DFL. The standardised model should include a separate table for the input of volume quantities which are used to derive the DPPC revenue or alternatively a column added where the DLF value can be an input used to uplift the DPPC volume quantity.

Price-capped Alternative Control Services model:

4. **Accommodation of multiple service permutations:** While we note the standardised price-capped services model allows the distributors to input the individual service descriptions, additional flexibility should be provided to distinguish between the business hours/after-hours permutations and to accommodate further distributor specific service permutations (such as the feeder type, traffic control and the addition of a Current Transformer (CT)).

5. **Application of service specific X factors:** The standardised model assumes the same X factor is applied to all Ancillary Network Services (ANS). Ergon Energy currently has multiple X factors for ANS services. The general labour escalator is applied as the X factor for services that typically have a very high share of labour. Separate X factors are used for services relating to the installation of type 6 meters for the Mt Isa-Cloncurry network based on whether the services are urban/short rural or long rural/isolated. Further, a separate X factor is used for security lighting services. The standardised model should include the flexibility to add service specific X factors.

We look forward to working 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

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Manager Network Pricing and Tariffs

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