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19 February 2014

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

Email: QLDelectricity2015@aer.gov.au

Dear Mr Anderson

SUBMISSION ON THE FRAMEWORK AND APPROACH PRELIMINARY POSITIONS PAPER

Ergon Energy Corporation Limited (Ergon Energy), in its capacity as a Distribution Network Service Provider in Queensland, welcomes the opportunity to respond to the Australian Energy Regulator (AER) on its *Preliminary positions paper – Framework and Approach for Energex and Ergon Energy – Regulatory control period commencing 1 July 2015*.

Ergon Energy accepts and supports many of the AER's preliminary positions. However, some improvements are necessary. For example, we believe the AER should take a more customer-focused and flexible approach to the layout of the proposed classification of distribution services. We also seek better direction on a number of matters, including the basis of the control mechanisms to apply to Alternative Control Services and the future treatment of costs associated with various transitional and revenue issues.

Additionally, we consider that the AER should explain to customers and Ergon Energy the reasons behind any departures from the current arrangements and why they were necessary. For some matters, it is presently not clear whether the AER's proposed approach will allow us to continue current arrangements or whether changes are required. This will assist stakeholders identify and understand the scope of changes.

Our submission provides detailed comments on the AER's preliminary positions and the proposed classification of distribution services. It also sets out our proposed initial averaging period, which will be used in determining the nominal return on debt in 2015–16, and our proposed approach to nominating the remaining annual averaging periods for the next regulatory control period. In accordance with the AER's Rate of Return

Guideline, the averaging periods we propose are the only element of the response that is confidential.

Ergon Energy is committed to delivering the outcomes our customers want. Therefore, over the coming weeks, Ergon Energy intends to engage with our customers on the AER's preliminary positions. We will provide any feedback received to the AER.

We appreciate the AER's engagement on a number of matters to date and look forward to these discussions continuing prior to the finalisation of the Framework and Approach paper.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact Jenny Doyle, Group Manager Regulatory Affairs, on (07) 3851 6416.

Yours sincerely



Graeme Finlayson
Company Secretary and General Counsel
Ergon Energy

Encl: Ergon Energy's submission