

28 August 2017



Mr Warwick Anderson
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Email: rateofreturn@aer.gov.au

Dear Mr Anderson

Process for Reviewing the Rate of Return Guidelines – Consultation Paper

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex) welcome the opportunity to provide comment to the Australian Energy Regulator (AER) regarding its *Process for Reviewing the Rate of Return Guidelines – Consultation Paper* (Consultation Paper).

This submission, which is available for publication, is provided by Energex and Ergon Energy as distribution network service providers (DNSPs) operating in Queensland.

Ergon Energy and Energex are committed to providing:

- safe, reliable and affordable electricity supply;
- a great customer service experience;
- customers greater control over their energy consumption;
- efficient and sustainable energy solutions; and
- access to the next wave of energy linked innovative technologies and renewables.

Ergon Energy and Energex are members of the Energy Networks Australia (ENA), the peak national body for Australia's energy networks. The ENA has prepared a comprehensive submission addressing the AER's Consultation Paper. We are fully supportive of the arguments contained in their submission.

Ergon Energy and Energex welcome the AER's approach to consultation on its review of the rate of return guidelines, and in particular commend the AER on the proposed consumer engagement processes.

We note the rate of return is a significant driver of regulated revenue, and as such welcome an approach to the review which is transparent, rigorous and open. However, we support the concerns raised in the ENA submission, that there is a risk that the role

of the independent panel could be limited to a review of the consultation process alone in isolation from stakeholder outcomes – a role which could be conducted without specific industry expertise or regulatory background. As such, we consider that the value provided by the independent panel could be substantially improved by the following amendments:

1. To enable the panel the benefit of the expert advisor input, the independent panel should be appointed prior to the expert advisor 'hot tub', such that they can observe the 'hot tub' proceedings;
2. To give the independent panel freedom to meaningfully engage with expert material, the panel should be given a limited opportunity for written clarifications (such as one round of questions) to clarify issues raised by the draft guidelines; and
3. To balance the risk of duplicating the AER's role or impinging on the AER's regulatory judgement, with providing stronger assurance to stakeholders of a thorough independent review, any constraints prescribed on the Independent Panel's review should focus on whether or not the likely outcomes for stakeholders are unreasonable.

This approach is more aligned to the AER's increasing focus on consumer 'outcomes' in place of the 'correctness of DNSP's processes'. Further, as a result of these changes, the independent panel would be suitably qualified and appropriately informed to make an assessment of whether the likely outcomes of the guideline are 'unreasonable'.

Finally, we note that publication of the final Guidelines by 17 December 2018 provides a very short timeframe before Ergon Energy and Energex's submission of our initial regulatory proposals, which are due by 31 January 2019. However, we welcome the early publication of the draft Guidelines in May 2018 and the extended consultation period on the same. Given the AER's objective of increased engagement with stakeholders, we expect that there will be sufficient time to develop our proposals and appropriately engage with our customers.

Ergon Energy and Energex look forward to working with the AER throughout the review process.

Should you require additional information or wish to discuss any aspect of Energy Queensland's submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours Sincerely



Jenny Doyle
General Manager – Regulation and Pricing
Telephone: (07) 3851 6416
Email: jenny.doyle@energyq.com.au