



Ref: AS:CB20220524

27 May 2022

Kami Kaur
General Manager, NSW REZ Branch
Australian Energy Regulator

Submitted electronically via REZ@aer.gov.au

Essential Energy – Draft revenue determination guideline for NSW contestable network projects – Submission

Essential Energy welcomes the opportunity to provide a submission to the Australian Energy Regulator (AER) on its consultation regarding its draft guideline on how it will undertake its regulatory role under the contestable process for new investments associated with the New South Wales (NSW) Roadmap (the Draft Guideline).

We broadly agree with the contents of the Draft Guideline and consider it represents a reasonable approach to determining whether the contestable process has been sufficiently competitive to largely rely on that process to determine network revenues. However, in our opinion, the Draft Guidelines could be improved by adding explicit examples of what the AER expects to see in the procurement strategy based on its procurement evaluation criteria.

By way of example, the procurement evaluation criteria include the 'procurement rules, processes and procedures (including submission evaluation criteria) provide transparency to potential proponents and reflect good industry practice'.¹ Similarly, the Infrastructure Planner's procurement strategy should include an overview of the proposed evaluation process to select the preferred proponent, including the evaluation criteria to be applied in selecting the successful proponent.²

One example that could be included here is how the Infrastructure Planner's evaluation criteria propose to trade-off the price and risk compositions of each bid. Essential Energy expects that a key differentiator between bids will be to the extent to which bids include a number of adjustment mechanisms – therefore enabling a low upfront price – or minimal adjustment mechanisms therefore necessitating a higher upfront price. Providing explicit examples in the AER's guidelines will promote transparency in the procurement process and add an additional layer of rigour to the undertaking of the contestable process in NSW.

More broadly, Essential Energy supports the AER's position that it has no role in reviewing the costs associated with development works, preparatory activities and project management undertaken by the Infrastructure Planner. This is because these costs represent a legally binding obligation to reimburse the Infrastructure Planner a certain amount under the Project Deed. However, in our submission to the draft Network Authorisation Guidelines, we have highlighted how transparency regarding expenditure by the Infrastructure Planner and the efficiency of that expenditure is imperative to prompting the long-term financial interests of consumers, particularly in light of land being able to be procured at above market value.

¹ AER, *Revenue determination guideline for NSW contestable network projects | Draft*, May 2022, p. 9.

² AER, *Revenue determination guideline for NSW contestable network projects | Draft*, May 2022, p. 10.

27 May 2022

Essential Energy – – Draft revenue determination guideline for NSW contestable network projects

If you have any questions in relation to this submission, please contact Mr Anders Sangkuhl, Regulatory Strategy Manager via anders.sangkuhl@essentialenergy.com.au or via phone on 0409 968 326.

Yours sincerely,

A handwritten signature in black ink that reads "Chantelle Bramley". The signature is written in a cursive style with a large initial 'C'.

Chantelle Bramley

Executive General Manager, Corporate Affairs