

5 October 2018

Mr Sebastian Roberts
General Manager, Transmission & Gas
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Roberts

Response to AER draft decision on Evoenergy 2014-19 electricity distribution determination

Evoenergy welcomes the Australian Energy Regulator's (AER's) draft decision to accept Evoenergy's proposal for the remittal of its 2014-19 electricity distribution determination. Evoenergy's proposal limits the revenue recovered under the remade determination as compared to the 2015 determination to \$26 million¹ and ensures no increase in prices for standard control services (SCS) in the 2019-24 regulatory control period.

The AER's draft decision recognises that Evoenergy's proposal will deliver a range of benefits including price certainty and stability for consumers, and business certainty for Evoenergy. The AER's draft decision confirms that Evoenergy's proposal is supported by key consumer groups, is likely to contribute to the achievement of the National Electricity Objective (NEO) to the greatest degree and is in the long-term interests of consumers.

Return of over recovery of 2014-19 revenues

The AER's draft decision will lead to an estimated \$1 million being returned to consumers in the 2019-24 regulatory control period so as to ensure Evoenergy does not recover additional revenue in excess of \$26 million. This is comprised of an estimated \$4.7 million over-recovery of distribution SCS revenues and an estimated \$3.8 million under-recovery of transmission SCS revenues.

While the AER's draft decision appears to contemplate that these amounts will be returned to distribution users and recovered from transmission users respectively, the mechanics of how this will be achieved are unclear.

In particular, the estimated under-recovery of transmission SCS revenues associated with the 2014-19 remittal decision is unclear. This under-recovery of transmission SCS revenues could be provided for by establishing a control mechanism for the determination of Evoenergy's transmission SCS revenue cap in the 2019-24 determination and including in the formulae for this control mechanism a term or terms that operate to include the estimated under-recovery of 2014-19 transmission SCS revenues in the revenue cap for 2019/20, and a true-up of the difference between the estimated and actual transmission SCS under-recovery in the revenue cap for 2020/21².

¹ This and all other amounts in this letter are expressed in terms of 2018/19 dollars.

² As Evoenergy's transmission SCS revenue cap and TUoS charges for 2019-20 will be determined prior to the end of the 2014-19 regulatory period, the precise amount of the transmission under-recovery associated with the 2014-19 remittal decision won't be known at the time of determining the revenue cap and charges. As a consequence,

Evoenergy invites the AER to consider this proposal. Evoenergy requests that the AER include details of how it proposes to return the estimated \$1 million to consumers in the 2019-24 regulatory control period in its final remittal decision, and provide Evoenergy with an opportunity to comment on the AER's proposed approach before the final determination for 2019-24 is made.

ECPC proposed 'Consumer Interest Fund'

Evoenergy notes that, in its letter on Evoenergy's proposal, the Energy Consumers Policy Consortium (ECPC) suggested putting the estimated \$1 million over-recovery in relation to SCS into a 'Consumer Interest Fund', with the interest used to fund consumer engagement, and domestic community organisations and small business programmes that have the objective of reducing network charges, rather than using it to directly reduce future network prices³. In its draft decision, the AER noted that under the National Electricity Rules (NER), it does not have the power to require that additional revenues be allocated in this manner⁴.

Evoenergy agrees with the AER. As the AER suggests, the NER do not provide the AER with power to establish a mechanism for the funding of consumer activities via Evoenergy's regulated revenues or otherwise authorise the use of the estimated \$1 million revenue over-recovered during the 2014-19 period in the manner proposed by the ECPC⁵. The \$1 million that is collected during 2014-19 under the undertakings and that is above the AER's remade determination in the draft decision, if also reflected in the final decision, must be returned to retail customers through 2019-24 network tariffs.

Evoenergy remains fully committed to continue working with the ECPC and other consumer groups to extend and improve its consumer engagement program and to work collaboratively on projects that can deliver long-term benefits to consumers.

Evoenergy looks forward to the finalisation of the remittal, as attention now turns to the significant challenges that lie ahead, including meeting operational safety requirements and reliability performance over the medium to long term with a significantly reduced operating expenditure allowance. Evoenergy officers are available to discuss the determination mechanisms that will give effect to the final decision for the 2014-19 remittal and any other aspects of the response. For further information, please do not hesitate to contact Alexis Hardin, Manager Regulatory Finance and Strategy on 02 6248 3033 or alexis.hardin@actewagl.com.au.

Yours sincerely



David Graham
Director Regulatory Affairs and Pricing

a true-up between the estimated and actual transmission SCS under-recovery will be required in determining the transmission SCS revenue cap and TUoS charges for 2020-21.

³ ECPC 2018, Response from ACT Energy Consumers Policy Consortium to Evoenergy Proposal Regarding Resolution of 2014-2019 Regulatory Determination, p 2.

⁴ AER 2018, Draft decision – Evoenergy 2014-19 electricity distribution determination, p.17.

⁵ See in particular NER, clauses 6.4.3, 6.5.6, 6.5.7, 6.18.5(g) and 8A.15.5.