

Attention: Warwick Anderson, General Manager , Network Branch

Submission to ActewAGL's regulatory proposal

Thank you for your invitation to comment on ActewAGL's regulatory proposal. In the interest of ACT consumers, we urge the Australian Energy Regulator to scrutinise ActewAGL's efficiency, questionable business practices and other matters raised below:

- During recent years ActewAGL has embarked on \$50+ million information technology spending spree:
 - Without a transparent and objective selection of alternative systems;
 - Selecting service providers without transparent and open tender processes; and
 - Changing program managers 5 times in 3 years , causing confusion, de-scoping of projects and eventually cost blow outs and loss of functionality.

Is this consistent with a conduct of an efficient organisation ? Does this spending comply with ActewAGL's purchasing policy? Why in ActewAGL's proposal there are no savings or productivity improvements from these projects?

- ActewAGL embarked on \$60+ million of transmission substations and transmission lines expenditure spree :
 - Allocating almost all work to a related company;
 - No competitive tendering;
 - Creating huge cost blowouts for which customers will have to pay; and

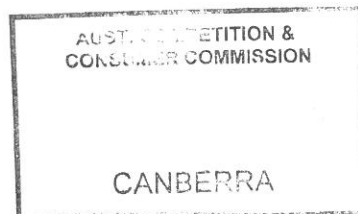
Is this a sound procurement practice for a monopoly company ? Is a so called "independent" consultant's report sufficient proof that customers receive value for money ?

- ActewAGL embarked on 3 expensive business restructures in 4 years , instead of better business practices the outcomes are:
 - Millions of dollars in costly redundancies;
 - Increase in electricity divisions from 1 to 2. Two group managers in charge of restructure appointed to general managers positions;
 - More middle and senior management positions with significantly increased individual salary levels . Blow out in electricity network overhead costs from \$13.6 million in 2008/09 to \$33 million in 2013/14;
 - Increase in overall employee numbers, 52 additional electricity employees between 2011/12 and 2012/13;
 - Blow out in costs of consultants and contractors to cover expertise lost in restructures; and
 - Blow out in operational costs which doubled from \$48 million in 2008/09 to \$89 million in 2013/14

Are ActewAGL's efficiency claims supported by facts ? Why the architects of high cost structure should make consumers to pay for mismanagement?

- ActewAGL's proposal also contains:
 - Stated forecast of productivity improvement during the next regulatory period is zero. How is it possible after huge investments?;
 - Stated asset disposals are zero. How is this possible considering equipment replacement budget ? Are all replaced assets fully depreciated ?;
 - Blow out in forecast metering costs at the time of falling demand. How is this possible ?; and
 - Stated forecasted future operational expenditure seems to be in line with the past expenditure , but changes likely obscured by shuffling money between operational and capital accounts ?.

All of the above facts can be confirmed by directing relevant questions to ActewAGL or through perusal of published ActewAGL's proposal and other documents.



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