

Additional points relevant to Endeavour Energy

Endeavour's revised proposal

The operating expenditures contained in Endeavour's revised proposal represent a 3% increase (\$2013-14) in the five year forecast operating expenditures relative to those that were approved by the AER in respect of the 2009-14 regulatory period and a 6% increase compared to Endeavour Energy's initial proposal.

These real increases in the operating program are due principally to additional vegetation management costs to manage bushfire, public safety and reliability risk.

Consumer surveys

- Customer surveys undertaken by Endeavour Energy have shown that customers have an overwhelming preference for steady, stable prices.
- Many consumers were also concerned about the sustainability of cost reductions and the possible risk this presented to reliability and security of supply
- Reliability ranked as the second highest customer priority. Businesses particularly, and most residents were happy with the level of reliability they receive from Endeavour Energy. Most were not willing to accept a less reliable service in exchange for a lower bill.
- Unplanned outages directly affect customer satisfaction.
- Customers believed safety should be factored into our designs and into our maintenance plans. There was little support for paying less for lesser safety standards.

Legal issues

The proposed operating and capital expenditure allowed for in the draft determination run the serious risk of precluding Endeavour Energy from complying with its obligations under the WHS Act.

We are also of the opinion that if the AER is aware of the safety impacts of the proposed operating and capital expenditure allowed for in the draft determination and it makes its final determination allowing for these same levels irrespective of these safety impacts, it will be in breach of its primary duty of care under the Commonwealth WHS Act.

Of particular concern is the reduction in Endeavour Energy's vegetation control program implied by the AER's 23% aggregate reduction in operating expenditure. The Commissioners of NSW Fire and Rescue and NSW Rural Fire Service have both expressed to Endeavour in writing a concern over proposals to substantially reduce this operating expenditure and the possible impact on vegetation management in bushfire-prone areas of NSW. Serious concerns remain about whether any detailed risk assessments of the broader impacts of the AER's draft determination have or will be conducted by the AER.