



15 March 2013

By email: expenditure@aer.gov.au

Chris Pattas
General Manager – Network Operations and Development
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Pattas

AER Expenditure forecast assessment guidelines for electricity distribution and transmission

The five Victorian Distributors—CitiPower, Jemena Electricity Networks, Powercor Australia, SP AusNet and United Energy Distribution (**the Distributors**) welcome the opportunity to provide comments on the Australian Energy Regulator’s (AER) *Expenditure forecast assessment guidelines for electricity distribution and transmission – issues paper*.

Please find attached a report on the role of the *Expenditure forecast assessment guidelines for electricity distribution and transmission (Guideline)* prepared by Castalia Strategic Advisors. This report was commissioned by the Distributors.

The Distributors consider that the Guideline should primarily focus on the process and methods that will be applied by the AER in the forthcoming round of price reviews.

To ensure that the Guideline meets its intended purpose of providing certainty to stakeholders on the approach the AER will take to assess forecast expenditure, the Distributors consider that the Guideline should describe:

- each assessment method that will be used, including setting out the data required and models employed
- the decision making criteria that the AER will use to determine how and when each method will be applied, including the relative weights that would be placed on each of the different assessment methods.

The Distributors recommend that the AER develop the Guideline on the basis of existing assessment methods employed in previous price reviews.

Importantly, the Guideline should not prescribe a list of potential untried and untested assessment methods that the AER would ideally like to employ for future price reviews.

Should you have any further questions in relation to the above please do not hesitate to contact me on (03) 9683 4465 or bcleeve@powercor.com.au.

Yours sincerely



Brent Cleeve
Manger Price Review
CitiPower Pty and Powercor Australia Ltd
On behalf of the 5 Victorian Distributors