

16 February 2010

Mr Chris Pattas
General Manager
Network Regulation South
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Pattas,

Victorian electricity distribution network service providers' regulatory proposals

VCOSS welcomes the opportunity to comment on the Victorian distribution network service providers' regulatory proposals for the 2011 to 2015 period.

VCOSS is the peak organisation of the social and community services sector in Victoria. VCOSS raises awareness of the existence, causes and effects of poverty and inequality and advocates for the development of a sustainable, fair and equitable society.

Reporting

Consistent with our submission to the framework and approach paper of March 2009, VCOSS believes that the AER must publish a range of information to assist consumers in assessing the distribution businesses' proposals, the AER's draft decision and its impact on customers.

We fully support the recommendation of the Consumer Action Law Centre that a full set of data should be published as soon as possible by the AER in clearly marked tabular form for both the 2006-10 period and the 2011-15 period, all in consistent 2010 prices, to assist consumers in assessing the each distributor's proposal. This data should include:

- benchmark revenue and actual revenue for 2006-10, and forecasts for 2010-15
- benchmark net capital expenditure (excluding consumer contributions and disposals) and actuals 2006-10, and forecasts for 2010-15
- benchmark operational expenditure and actuals 2006-10, and forecasts for 2010-15
- benchmark customer contributions and actuals 2006-10, and forecasts for 2010-15
- average customer numbers for 2006-10, and forecasts for 2010-15

- electricity consumption 2006-10 and forecasts for 2010-15, and
- asset values 2009-10 and forecasts for 2010 -15.

In addition to this information we believe that the AER should also provide a supplementary report to its draft decision which includes information on:

- average proposed price change for each business
- the number of domestic customers above and below average price
- the types of customers above and below average price, and
- service performance targets by geographic area.

Smart meters

To ensure that consumers start to see the benefits of interval metering within this regulatory period, the draft decision should give particular consideration to the avoided costs as outlined in the AER's final decision on the *Victorian advanced metering infrastructure review 2009–11, AMI budget and charges applications*.

This review highlighted key areas that would be taken into consideration in the 2011-15 regulatory period, such as: avoided meter reading costs, remote connect and disconnect functions, load management at the meter and towards the end of the regulatory period, reduced costs for supply and outage detection and quality of supply and event recording. The draft decision should reflect this.,.

It is also unclear why SPAusnet has requested increased operating expenditure due to a forecast increase in quality of supply queries following the introduction of smart metering infrastructure. One of the benefits of smart metering is said to be improved quality of supply monitoring, resulting in improved complaints resolution.

Demand forecasting

All distributions businesses have forecast a decrease in customer energy use due to factors such as: the introduction of interval meters, a Carbon Pollution Reduction Scheme (CPRS), decreased industrial use, and decreased residential dwelling growth due to a slowing economy. Given that domestic energy use has consistently increased in recent years these claims should be reviewed, particularly in light of the Victorian economic recovery and the delayed implementation of a CPRS.

Similarly, both Jemena and Citipower have forecast population growth figures lower than the official average projected population growth for the State. Population projections from the Department of Planning and Community Development have identified both of these distribution areas as high growth areas within metropolitan Melbourne.

Given the significant price increases proposed by all distribution businesses, adequate scrutiny must be given to the assumptions underlying these proposals.

For any queries about VCOSS' submission, please contact Sarah Toohey, Energy Policy Officer on (03) 9654 5050 or sarah.toohey@vocss.org.au .

Yours sincerely



Cath Smith
Chief Executive Officer