

16 March 2018

Mr Sebastian Roberts  
General Manager – Network Expenditure  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Via email: [Electranet2018@aer.gov.au](mailto:Electranet2018@aer.gov.au)

Dear Sebastian

**re: AER Draft Decision & ElectraNet Revised Revenue Proposal – Public Submissions**

The AER received public submissions from the following organisations in response to its Draft Decision and ElectraNet's revised Revenue Proposal for the 2018-19 to 2022-23 regulatory period:

- City of Port Lincoln
- Consumer Challenge Panel
- Government of South Australia (Department of Premier and Cabinet)
- South Australian Chamber of Mines and Energy (SACOME)
- South Australian Council of Social Service (SACOSS)
- Uniting Communities

As with earlier submissions, ElectraNet has carefully reviewed these submissions in consultation with its Consumer Advisory Panel, and provides the enclosed summary of key issues raised and responses to those issues to assist the AER in its considerations.

ElectraNet would be happy to provide any further information or clarification required. Should you wish to discuss any aspects, please contact Simon Appleby on (08) 8404 7324.

Yours sincerely



Rainer Korte  
**Executive Manager Asset Management**

<b>1. City of Port Lincoln</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p1	Eyre Peninsula supply options	<ul style="list-style-type: none"> <li>City of Port Lincoln Council supports a more expanded solution for future transmission supply to the Eyre Peninsula to more fully capitalise on wind power opportunities.</li> </ul>	Noted. ElectraNet continues to progress the Eyre Peninsula Electricity Supply Options RIT-T assessment with input from stakeholders, and is working towards a Project Assessment Conclusions Report to conclude this process, currently expected by May 2018.

<b>2. Consumer Challenge Panel</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p4	Consumer Engagement	<ul style="list-style-type: none"> <li>CCP9 has been impressed with the ongoing commitment of ElectraNet to applying best practice customer engagement principles and processes throughout its two years of consumer engagement. It has been a journey that both informs and is informed by its consumer base and in particular, consumer representatives. As a result, ElectraNet has delivered a proposal that meets its criteria of 'no surprises' and 'capable of being accepted' and has done so in a period of unprecedented turbulence and uncertainty in the SA energy market.</li> </ul>	Noted.
p5	Consumer Engagement	a) The AER should take account of the extensive customer engagement program that has been undertaken by ElectraNet over the last two years. <sup>1</sup>	Noted.

<sup>1</sup> The numbering of recommendations quoted here follows that of the CCP submission.

<b>2. Consumer Challenge Panel</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p5	Consumer Engagement	b) ElectraNet should establish a formal, principle based process for consumer engagement during RIT-T reviews, consistent with but going well beyond the current regulatory requirements for consultation and noting that this engagement must be tailored to some extent for individual projects.	ElectraNet maintains its commitment to full and open consultation on major RIT-T assessments beyond the minimum requirements of the Rules, including for example holding regional and metropolitan public forums, publishing additional consultation material, and meeting with stakeholders as required. More broadly ElectraNet will continue its consumer engagement approach based on its established principles and as a focal point for this will continue to engage across these individual projects with the Consumer Advisory Panel to provide for information sharing and feedback.
p5	Consumer Engagement	c) ElectraNet should clarify if it intends to progress engaging with relevant customers in relation to the development of more efficient and transparent pricing as set out in its 2016 Network Vision statement.	As a priority identified in its Network Vision, ElectraNet maintains its commitment to explore more efficient and transparent pricing arrangements to promote clarity and stability as opportunities allow, and will monitor and contribute to industry-wide tariff reform efforts.
p5	Consumer Engagement	d) ElectraNet should review the appropriate response consistent with its values for openness and transparency in response to the issues raised about data sharing by SACOSS.	The issues raised by SACOSS in its submission on the AER's Draft Decision are addressed separately below.
p5	Consumer Engagement	e) ElectraNet should work with its colleagues and the CAP to consider ways in which the industry can assist in addressing the issue of resourcing for consumer representatives to ensure their capacity to provide an ongoing commitment to the engagement process.	ElectraNet remains committed to genuine and effective engagement methods and recognises the varied resource and time constraints that consumer representative organisations face. The holding of 'deep dive' sessions for those organisations equipped to engage in detail on specific issues, which can then be reported back to wider stakeholders, is one such method to help address this imbalance.  ElectraNet also supports targeted funding to support consumer advocacy from sources such as Energy Consumers Australia, and is open to ongoing improvements to develop the capacity of consumer representatives to engage effectively. <sup>2</sup>

<sup>2</sup> Noting this issue has been recognised more broadly, and is currently under consideration by the COAG Energy Council with the release in October 2017 of the paper "Consumer participation in revenue determinations and associated regulatory processes – Consultation Paper on Consumer Resourcing" for consultation.

<b>2. Consumer Challenge Panel</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p5	Revenue	f) The AER should accept ElectraNet's total revenue forecast, subject to updating relevant parameters such as interest rates and to consideration of CCP's proposal to include at least one pending and reasonably certain contingent project in the ex-ante capex allowance.	Noted. The AER will update the rate of return in its Final Decision based on prevailing market rates. Contingent projects are addressed further below.
p6	Capex	g) The AER should reconsider the inclusion of \$80m in the ex-ante allowance for the Eyre Peninsula line replacement project and include this expenditure in the scope of the Eyre Peninsula Contingent Project.	ElectraNet has established the need to replace sections of deteriorating conductor on the Eyre Peninsula transmission line in the coming regulatory period through detailed asset condition assessment, risk analysis and economic evaluation of alternative options (including the option of delaying works into the following regulatory period) as reviewed and accepted by the AER.  As the line refurbishment capex of \$80m is the minimum level of investment that will be required in the coming regulatory period to address the condition of the line, this should be retained in the ex ante allowance in the interests of transparency to customers.  ElectraNet continues to work with stakeholders to explore through the RIT-T process the scope for greater net benefits to be delivered through options to fully rebuild the line. If found to be economic, the differential cost would be sought separately as a contingent project.
p6	Capex	h) The AER should consider if and to what extent the costs of the Main Grid System Strength Contingent Project should be included in the Final Decision given the timetable for the project.	ElectraNet is currently assessing short and long term options to address the gap in system strength services that has been formally declared by AEMO in the South Australian region on a reasonable endeavours basis.  While short term contracting options are being investigated for end March 2018, it is unlikely that the investigations into longer term solutions would be concluded in time for inclusion of this project in the ex-ante capex allowance that is to be approved by end April 2018 for the coming regulatory period.

<b>2. Consumer Challenge Panel</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p6	Capex	i) The AER should continue to include the successful completion of a RIT-T as a mandatory contingent project trigger (as per the Draft Decision) and not accept ElectraNet's proposed changes.	<p>Given the urgency of the system strength gap that has been declared in South Australia, ElectraNet is formally exempt under the National Electricity Rules from applying the RIT-T process to the main grid system strength project. Retaining the RIT-T as a mandatory trigger for this project would be inconsistent with the Rules. However, ElectraNet will undertake an equivalent economic evaluation of the options to address this need in consultation with the AER.</p> <p>In relation to the separate refinements to the contingent project triggers proposed by ElectraNet to recognise the possibility of an alternative transmission investment approval process being developed in the near future as recommended in recent national reviews, this is a 'no regrets' measure because should such a new process not eventuate, the trigger would have no effect in any event. If such a process does eventuate, then the proposed refinements to contingent project triggers would allow recommended projects to be appropriately considered by the AER.</p>
p7	Opex	j) The AER should accept ElectraNet's proposed opex, subject to the update of the rate of change measures (price and productivity) arising from the November 2017 Economic Insight's report updating productivity trends from 2006 to 2016.	Noted. If adopted, these updates would result in a small increase in opex, however the forecast would remain well below the AER's assessment of efficient operating costs.
p7	Opex	k) The AER should accept ElectraNet's proposed allocation of new regulatory costs between existing expenditure forecast and step changes, given the particular circumstances of these new regulatory requirements and ElectraNet's overall restraint on the base opex forecast.	Noted.
p7	Opex	l) In assessing future contingent projects under the RIT-T process (or agreed alternative), the AER should make a parallel assessment on the changes in opex, including the likelihood of reduced maintenance costs and GSL payments.	<p>The Rules require the impact of a contingent project on the approved allowances for both capital and operating expenditure to be considered at the time of a contingent project application.</p> <p>ElectraNet is not subject to or funded for GSL payments under the transmission regulatory framework.</p>

<b>2. Consumer Challenge Panel</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p7	Opex	m) The AER should undertake further investigation of the partial and total productivity trends as measured in the Economic Insights study, to consider if the incentives are driving the expected cost reductions.	ElectraNet has commented previously to the AER that the apparent decline in productivity across the sector largely reflects declining energy consumption as one of the key inputs to the total factor productivity measure. However, the volume of energy throughput has no direct relationship to the services provided by the transmission network or costs incurred by the business. ElectraNet supports refinement of this measure over time to provide more meaningful information on productivity trends.
p7	Opex	n) In its final decision, the AER should indicate how the proposed expenditures (including the contingent projects) will impact not only on revenues and prices but also on productivity outcomes.	The revised Revenue Proposal provides indicative customer price impacts of the more advanced contingent projects for transparency. Any forecasts of productivity outcomes should be approached with caution given the limitations of the total factor productivity measure noted above.
p8	Rate of Return	o) CCP9 accepts the proposed WACC of 5.7% (nominal, vanilla) and recommends that in its final decision the AER updates the proposed WACC for changes in interest rates and expected inflation (using the AER's current estimation process for expected inflation), but does not suggest any other change to the AER's Draft Decision on WACC.	Noted. The AER will update the rate of return and expected inflation in its Final Decision based on prevailing market rates.
p8	Incentive Schemes	p) The AER should accept the three incentive schemes as modified by ElectraNet in its revised proposal.	Noted.

<b>3. Government of South Australia - Department of the Premier and Cabinet</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p2	Contingent projects	<ul style="list-style-type: none"> <li>The Revised Proposal is seeking refinements to the AER's triggers for the identified contingent projects based on changes to the evaluation framework to enable development of potential priority projects under AEMOs developing Integrated System Plan.</li> <li>The SA Government believes it would be premature and inconsistent with the current assessment process to introduce expectations of trigger alternatives in ElectraNet's contingent projects.</li> </ul>	<p>As noted above, in relation to the refinements to the contingent project triggers proposed by ElectraNet to recognise the possibility of an alternative transmission investment approval process being developed in the near future, this is a 'no regrets' measure as:</p> <ul style="list-style-type: none"> <li>a contingent project trigger can only be established by the AER at the time of a revenue determination and cannot be introduced subsequently under the Rules if later required;</li> <li>should such a new process not eventuate, the trigger would have no effect.</li> </ul>
p2	Operating expenditure	<ul style="list-style-type: none"> <li>The AER should not accept the proposed step change to operating expenditure arising from recent rule changes and reviews.</li> <li>Specialist resource requirements deployed within an organisation are within the control of the business and the Division considers that the base opex, escalated by the rate of change as estimated by the AER is sufficient for the resource requirement identified by ElectraNet.</li> <li>Should additional service delivery costs be required, separate mechanisms under the Rules allow the network service operator to seek cost pass through.</li> </ul>	<p>A number of new obligations have recently been imposed on the business. In a number of instances, ElectraNet will absorb the upfront establishment costs in the current year, rather than passing these costs to customers. In total, ElectraNet will absorb upfront costs of \$2.2 million. ElectraNet is also absorbing the ongoing costs of the new obligations to the extent possible.</p> <p>The updated operating expenditure forecast (which has increased around 4%) remains well below (around \$21m) the efficient benchmark forecast estimated by the AER.</p> <p>The cost pass through provisions of the Rules are intended to address material unforeseen cost events that arise during a regulatory period, not costs that are known at the time of a revenue determination.</p>

<b>4. South Australian Chamber of Mines and Energy (SACOME)</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p1	Contingent Projects	<ul style="list-style-type: none"> <li>The incorporation of contingent projects that can respond to certain development triggers is supported. The minor variations to the trigger events proposed by the AER are supported.</li> </ul>	Noted.

<b>5. South Australian Council of Social Service (SACOSS)</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
1-4	Eyre Peninsula Conductor Replacement Project	<ul style="list-style-type: none"> <li>• The AER has erred in approving expenditure of around \$80m to replace the conductors and earth wire at four sections along the 132 kV line that extends from Cultana near Port Augusta to Port Lincoln on the Eyre Peninsula.</li> <li>• The Draft Decision provides insufficient justification for this, and the revised Revenue Proposal does not address the issues SACOSS has raised.</li> <li>• SACOSS has not been presented with any evidence of the history of outages attributable to conductor failure, and the AER has failed to prove it has received and analysed such evidence. SACOSS has sought this information but not received answers from ElectraNet or the AER. In particular:               <ul style="list-style-type: none"> <li>○ What conductor tests were undertaken and how has this been used to assess failure?</li> <li>○ What are the consequences of failure, having regard to the network support agreement with Synergen, plausible estimates of the frequency and duration of outages, the value of lost load and public safety?</li> <li>○ Is there evidence to-date of failure attributable to the conductor deterioration at the four sections that ElectraNet proposes to replace?</li> </ul> </li> <li>• The risk analysis memorandum prepared by ElectraNet has not been made available to SACOSS on the AER website.</li> <li>• There is insufficient evidence to support the proposed expenditure on reconductoring sections of the existing line and accordingly, the AER should disallow this proposed expenditure in its Final Decision.</li> <li>• At best, the AER has reviewed the available evidence around failure but not referred to it adequately in the Draft Decision. At worst, the AER has not sought the evidence.</li> </ul>	<p>As noted previously in ElectraNet's response of 14 September 2017 to submissions lodged on the Revenue Proposal in July 2017, these factors have been assessed in detail through the course of the condition assessment, risk analysis and economic evaluation of options underlying this project, as reviewed and assessed by the AER.</p> <p>In summary:</p> <ul style="list-style-type: none"> <li>• Sample testing and analysis of conductor condition was undertaken by an independent laboratory to assess projected failure rates.</li> <li>• Line failure results in loss of supply impacts for customers (both short term for those able to be supplied by the network support service at Port Lincoln and more extended outages for those that cannot), escalating maintenance costs in repairing assets, and public safety risks of conductors falling to the ground. These factors have been considered in detail through the risk assessment and economic evaluation.</li> <li>• ElectraNet has experienced failures to date in the deteriorated sections of conductor.</li> <li>• The driver of the reconductoring project is to maintain prescribed reliability standards on Eyre Peninsula, and not to improve reliability or reduce minutes off supply.</li> <li>• A RIT-T process is currently underway to assess alternative options to reconductoring involving full line replacement that may deliver improved reliability and greater net benefits to customers.</li> <li>• ElectraNet also modelled the option of deferring this project to the following regulatory period, which was found to provide lower net benefits to customers because of escalating line outages and maintenance costs.</li> </ul> <p>ElectraNet has received no further requests for information in relation to this project from either SACOSS or its consultant since the lodgement of its initial submission of 13 July 2017.</p>

<b>5. South Australian Council of Social Service (SACOSS)</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p4	Early Engagement Approach	<ul style="list-style-type: none"> <li>The Early Engagement Approach (EEA) placed significant additional expectation on consumer representatives. Arguably already stretched consumer representative resources were requested to extend to numerous meetings with the business and independent facilitator, in addition to participation on the ElectraNet Consumer Advisory Panel which also met regularly over the consultation period.</li> <li>The current submission provides evidence of where the consumer engagement has not been of benefit to a participating organisation. Despite the information requests detailed in this submission, ElectraNet has failed to provide the answers to our questions or the information we have sought.</li> </ul>	<p>As noted previously in ElectraNet’s submission response document of 14 September 2017:</p> <ul style="list-style-type: none"> <li>The early engagement approach was intended to provide opportunities for meaningful engagement with consumer representatives and stakeholders on ElectraNet’s plans and proposals prior to finalisation and lodgement with the AER.</li> <li>The focus was to better inform customer representatives and adopt a more collaborative approach to develop understanding and test elements of the proposal, noting that each stakeholder organisation was free to commit to the appropriate level of engagement for its individual circumstances.</li> </ul> <p>More broadly, ElectraNet supports targeted funding to support consumer advocacy from sources such as Energy Consumers Australia, and is open to ongoing improvements to develop the capacity of consumer representatives to engage effectively.</p> <p>The questions raised in relation to the Eyre Peninsula Conductor Replacement Project were addressed in ElectraNet’s submission response document of 14 September 2017, as detailed above.</p> <p>As noted above, ElectraNet has received no further requests for information in relation to this project from SACOSS or its consultant since the lodgement of its submission of 13 July 2017.</p>

<b>5. South Australian Council of Social Service (SACOSS)</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p5	Deep Dive Workshops	<ul style="list-style-type: none"> <li>An invitation to participate in the deep dive meetings was extended to all members of the ElectraNet Consumer Advisory Panel. The expectation was that there would be a limited number of participants. SACOSS elected not to nominate due to resource limitations.</li> <li>While not a party to the deep dive process, SACOSS has sought responses and information from ElectraNet which have not been provided to SACOSS to date. SACOSS believes this information is important not just for participants in the deep dive process but also to participants involved in the revenue determination more generally. SACOSS believes this is a reflection of a shortcoming of the consumer engagement process.</li> <li>Therefore, the caution about interpreting results given limited participation remains. Furthermore, insights and critiques of the ElectraNet proposals post the consultation process are still valid and in this context SACOSS makes its submission.</li> <li>The EEA also presupposes adequate technical and economic capacity, detailed understanding of the industry and transmission and in particular understanding of the unique and particular circumstances of the transmission business – all of these cannot be guaranteed in any given revenue determination. It is therefore foreseeable that an EEA type approach will place consumer representatives in an untenable role in current future scenarios, and particularly in jurisdictions with multiple networks.</li> </ul>	<p>As noted previously in ElectraNet’s submission response document of 14 September 2017:</p> <ul style="list-style-type: none"> <li>Deep dive technical workshops were held to provide members of the Consumer Advisory Panel an opportunity to explore in detail specific issues and areas of interest in relation to ElectraNet’s expenditure programs and broader proposals.</li> <li>These sessions were also attended by AER senior technical advisors, an independent facilitator and members of the AER’s Consumer Challenge Panel.</li> <li>The outcomes of the deep dive workshops were shared with the wider Consumer Advisory Panel and a detailed briefing was provided to the full Panel by participants without ElectraNet present.</li> <li>The deep dive sessions were one element of a broader engagement process, which provided numerous opportunities for stakeholders to engage through the Preliminary Revenue Proposal, written feedback, individual telephone surveys, public forums and full Panel meetings.</li> <li>The overall purpose of the early engagement program was to better inform and improve the revenue determination process and provide stakeholders with greater opportunities to participate, and not to replace any aspects of the formal process.</li> </ul> <p>The questions raised in relation to the Eyre Peninsula Conductor Replacement Project were addressed in ElectraNet’s submission response document of 14 September 2017, as detailed above.</p> <p>As noted above, ElectraNet has received no further requests for information in relation to this project from SACOSS or its consultant since the lodgement of its submission of 13 July 2017.</p>

<b>5. South Australian Council of Social Service (SACOSS)</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p6	Fast Tracking	<ul style="list-style-type: none"> <li>SACOSS understood that one aim of the Early Engagement Approach was to have the Proposal fast tracked through the AER processes, so that the Draft Decision was as close to a Final Decision as possible. SACOSS is not supportive of fast tracking as we believe that a revenue determination requires a consultation process of dialogue and discussion and as a deliberative process, it needs to run its course.</li> </ul>	<p>As noted previously in ElectraNet’s submission response document of 14 September 2017:</p> <ul style="list-style-type: none"> <li>The early engagement approach does not replace or circumvent any aspect of the formal revenue determination process, which is not possible under the National Electricity Rules. The formal process and full role of the AER still applies, with the benefit of more extensive pre-lodgement engagement.</li> </ul>
p6	ESCRI Battery	<ul style="list-style-type: none"> <li>SACOSS does not support ElectraNet adding \$6m to the regulated asset base for the 30 MW, 8 MWh battery project its it developing as part of a consortium (with AGL and Advisian). SACOSS considers it is not appropriate for this expenditure to be included within ElectraNet’s RAB since this establishes a conflict of interest. SACOSS believes that it should be expensed in the same way as the network service agreements ElectraNet has with generators.</li> </ul>	<p>As noted previously in ElectraNet’s submission response document of 14 September 2017:</p> <ul style="list-style-type: none"> <li>With the support of the AER, the regulatory treatment of the ESCRI project involves the inclusion of that portion of the asset providing a prescribed service in the RAB, with non-regulated competitive services provided by an independent third party as a licensed and registered generator and operator of the battery. This removes any potential or perceived conflict of interest.</li> <li>This arrangement is equivalent to a network support agreement in delivering the same service outcome for customers, irrespective of asset ownership.</li> </ul>

5. South Australian Council of Social Service (SACOSS)			
Ref.	Subject	Issues Raised	Comment
Att A & Att B	Consumer Engagement <ul style="list-style-type: none"> <li>Notes of meeting dated 3 March 2016</li> <li>Letter to the AER dated 5 May 2016</li> </ul>	<ul style="list-style-type: none"> <li>Broad consultation is required beyond the customer panel including a public consultation process.</li> <li>The time for the consultation needs to allow for both upskilling and conversation, allowing at least a year.</li> <li>How would the regulator make its draft and final decision – would there be a light weight approach to regulation because of the consumer consultations?</li> <li>The representativeness of the consumers consulted needs to be considered.</li> <li>While there needs to be a good process, there also needs to be a right of appeal and reply for all consumers.</li> <li>The AER needs to ensure procedural fairness and transparency. Strong concerns were raised that the ElectraNet approach (of seeking to maximise agreement before a proposal is lodged with the AER) removes this.</li> <li>The AER needs to be transparent about what its evaluation process will be if it decides to engage in the ElectraNet approach, and to engage with consumers about what the evaluation process looks like.</li> <li>The AER needs to provide guidance about its expectations of the conversation. The AER needs to provide strong guidance to ensure “negative” cultures in other network businesses didn’t game this approach.</li> <li>Who is the facilitator of the conversation? Is it the AER or the business? This needs to be made clear.</li> <li>Concern over the AER’s commitment to participation in the Early Engagement Process particularly how this will relate to other network revenue determinations.</li> </ul>	<p>ElectraNet responded to these concerns and other feedback from consumer representatives in detail at the time the Early Engagement Approach was agreed with the AER on 2 May 2016, with the support of the Consumer Advisory Panel.</p> <p>Specifically, ElectraNet’s open letter of 26 April 2016 explained that the Early Engagement Approach:</p> <ul style="list-style-type: none"> <li>Will allow for public consultation in the engagement program to ensure an inclusive process, in addition to consultation with the organisations represented on the Consumer Advisory Panel.</li> <li>Will provide for ‘deep dive’ reviews into key issues by a sub group of Panel Members in a position to engage in depth, reported back to the full Panel.</li> <li>Will allow for in depth technical review of ElectraNet’s proposals by the AER, reported back to the Panel.</li> <li>Will be informative not determinative. The AER can choose to place more weight on proposals well supported by consumers, but the formal AER determination process and assessment requirements of the Rules will still apply.</li> <li>Will be fully disclosed in advance, and the results reported on in ElectraNet’s formal Revenue Proposal (<i>refer to the Customer Engagement Outcomes Report, March 2018</i>).</li> <li>Is a non-binding, collaborative process intended to result in a more fully tested and understood set of proposals.</li> <li>Maintains the full right of reply and appeal by consumer representatives through the formal process.</li> <li>Is designed to improve rather than replace the existing formal determination process. The uncertain nature of the current environment requires a more fulsome engagement process to ensure all issues are adequately considered.</li> </ul>

<b>6. Uniting Communities</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p 2-3	Consumer Engagement	<ul style="list-style-type: none"> <li>Uniting Communities remain very supportive of the ElectraNet revised Revenue Proposal and are very satisfied with the engagement that ElectraNet has maintained with us since the initial regulatory proposal was lodged.</li> <li>We suggest that this range of consumer and consumer related engagement indicates a continuing commitment to informed and proactive engagement with consumer interests and other stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Noted.</li> </ul>
p 4	Consumer Engagement	<ul style="list-style-type: none"> <li>Uniting Communities remains convinced that ElectraNet has undertaken high quality consumer engagement in the lead up to lodging their regulatory proposal and that this has continued since lodgement. ElectraNet has communicated regularly with consumer interests and has demonstrated their willingness to adjust their thinking in response to consumer engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Noted.</li> </ul>
p6	Operating expenditure	<ul style="list-style-type: none"> <li>We note that operating expenditure is marginally higher than the ElectraNet proposal, which suggests to us that the proposal was reasonable and reinforces the value of frank and respectful engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Noted.</li> </ul>
p 6, 7	Revenue	<ul style="list-style-type: none"> <li>The three areas of major change from the initial proposal are “Return on Capital,” “Regulatory Depreciation” and “Net Tax Allowance” which are generally subject to external factors including guidelines and decisions by the Federal Court (gamma and tax allowance implications). Therefore we suggest that the AER has largely accepted aspects of the proposal over which ElectraNet has most control.</li> <li>We are satisfied that ElectraNet’s revised Revenue Proposal is reasonable and in line with the AER’s draft decision.</li> </ul>	<ul style="list-style-type: none"> <li>Noted.</li> </ul>

<b>6. Uniting Communities</b>			
<b>Ref.</b>	<b>Subject</b>	<b>Issues Raised</b>	<b>Comment</b>
p7,8	Contingent Projects	<ul style="list-style-type: none"> <li>We think that contingent projects should be subject to the sort of consumer engagement that has been demonstrated in the development of this proposal. The impact of contingent projects on revenue determinations is an important regulatory question, particularly in a rapidly changing world. We do not want to see consumers required to pay higher future prices because return on Regulated Asset Bases has escalated due to contingent projects.</li> </ul>	<ul style="list-style-type: none"> <li>ElectraNet maintains its commitment to full and open consultation on major RIT-T assessments beyond the minimum requirements of the Rules, including for example holding regional and metropolitan public forums, publishing additional consultation material, and meeting with stakeholders as required.</li> <li>More broadly ElectraNet will continue its consumer engagement approach based on its established principles and as a focal point for this will continue to engage across these individual projects with the Consumer Advisory Panel to provide for information sharing and feedback.</li> </ul>
p8	Energy Security	<ul style="list-style-type: none"> <li>We recognise that the creation of the Energy Security Board and their decisions may have implications for ElectraNet, including opex for compliance with new requirements including the emergent National Energy Guarantee.</li> </ul>	<ul style="list-style-type: none"> <li>Noted. The revised opex forecast contained in the revised Revenue Proposal captures the impact of new obligations imposed on ElectraNet to date, not potential future obligations which would place further cost pressures on the business.</li> </ul>
p8	SA Energy Market	<ul style="list-style-type: none"> <li>South Australia is ahead of much of the rest of the world in managing the challenges of new markets, particularly the shifting mix of renewables. We remain optimistic that with further embedding of consumer and other stakeholder engagement, ElectraNet will be able to meet the challenges of an extremely dynamic market over the next 5 years, providing national and even international leadership.</li> </ul>	<ul style="list-style-type: none"> <li>Noted. ElectraNet maintains its commitment to genuine and ongoing engagement with consumer representatives and other stakeholders in working through the challenges of the energy transformation in South Australia.</li> </ul>