

## Consumer advocacy for the 2021 EDPR

### Consumer input into the 2021 regulatory reset for Victorian electricity networks

BSL, Renew and VCOSS have been funded through a grant from Energy Consumers Australia (ECA) to lead a consumer input process into the 2021 Victorian reset.

The Electricity Distribution Price Review (EDPR) determines the prices charged by distributors for the upcoming 5 year period – locking in the rate that makes up ~45% of electricity bills.

Distributors will run their own consumer consultation processes, but it's also important for consumers to be represented by independent and informed advocacy. An aim of the project is to increase the capacity of community organisations to engage with the energy market on behalf of consumers.

David Headberry, who has represented consumers through past resets, has been engaged to inform this with an analysis of the distributors' proposals and the AER's response.

The EDPR will now run through until mid 2021, with key submissions due in May 2020 and January 2021.

### Early consumer gains for 2021 electricity prices

The EDPR project team delivered successful advocacy for consumers regarding prices through the gap period created by a decision to delay the next regulatory period start date by 6 months; taking it from January to July 2021.

The timing of the upcoming period has been changed by the Victorian Government to align with the start of the financial year, in line with the Victorian Default Offer price-setting period. The delay caused by this change might have meant higher prices for consumers through the first 6 months of 2021 - because we know key fixed costs, most notably the cost of capital, will reduce in the next regulatory period.

Our modelling showed a difference of \$80 million in total revenue between the BAU option of applying the current pricing approach to this gap period, and adopting the approach for the upcoming period (based on the current approach to calculating the WACC, current financial inputs to the WACC, and factors flagged by the distributors' draft proposals.)

The consumer team made the case separately to DELWP, and the AER that consumers should not miss out on this benefit during the 6 month delay. We argued the benefit should be allocated to consumers between January and July – and that as far as possible, the lower costs should be charged on the same timeframe as they otherwise DELWP and the AER discussed pricing aspects with BSL, Renew and VCOSS – in terms of the approach for establishing the WACC through this period, as well as applying capex and opex aspects indicated in the draft proposals.

The legislation to address prices through the “gap” is not yet completed. However, proactive advocacy on behalf of consumers in response to this issue is a positive outcome – and a demonstration of the value of participating in this process.

We expect that some aspects contributing to lower prices through the upcoming period will be passed on to consumers in 2021.



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*The content of this newsletter does not necessarily represent the complete view of each individual participating organisation, or the community sector as a whole.*

## June Capacity Building Session

In June 2019, the Consumer team held a capacity building session for consumer advocates, to get across the basics of the reset process, and the components of network revenue.

We covered:

- The process of a revenue reset for an electricity distribution network
- The revenue – Return on capital, depreciation, opex, incentives and tax
- Financial elements of the return on assets
- Capex and opex - reopex, opex, IT capex – opex and opex productivity
- Incentives
- Reliability
- Tariffs
- A summary of the draft proposals from distributors

***PLEASE GET IN TOUCH*** if you would be interested in a copy of the slides from this presentation, or a summary report on the 5 networks' draft proposals.

## For further information

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## New EDPR timeline

As noted above, the original EDPR timeline has been pushed forward by the AER by 6 months, due to a decision to change the start of the next price period to start in mid 2021.

This now means that many of the key dates for engagement have been delayed until the second half of 2020.

### Key dates for engagement:

Submissions on networks initial regulatory proposals – May 2020

Submissions on the AER's draft decisions and revised regulatory proposals – Jan 2021

### EDPR timeline:

<b>Reset process steps</b>	<b>Original date</b>	<b>Expected Revised date</b>
AER published preliminary Framework and approach for DBs	18-Sep-18	
Stakeholder forum	25-Oct-18	
Submissions on preliminary Framework and approach closed	9-Nov-18	
AER to publish final F&A	31-Jan-19	
Consultation on draft proposal		
Vic distributors submit regulatory proposals to AER	31-Jul-19	31 Jan-20
AER publishes issues paper and holds public forum	Oct-19	Apr-20
<b>Submissions on regulatory proposal close</b>	Nov-19	May-20
AER to publish <b>draft decisions</b>	Mar-20	Sep-20
AER to hold a predetermination conference	Apr-20	Oct-20
Vic distributors submit regulatory proposals to AER	Jun-20	Dec-20
<b>Submissions on revised regulatory proposals and draft decisions close</b>	Jul-20	Jan-21
AER to publish distribution determinations for regulatory control period	31-Oct-20	30 Apr-21