

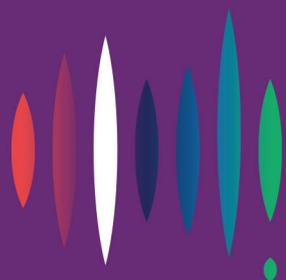
**AusNet Services**

**Draft Electricity Distribution  
Regulatory Proposal**

**1 January 2021 to 31 December 2025**

Submission

July 2019



**ENERGY  
CONSUMERS  
AUSTRALIA**

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## Version history

VERSION	DATE	COMMENTS
1	17 July 2019	Final

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## Summary

Affordability continues to be the primary concern for consumers. Consumer contributions to fund business improvements, including customer service provision, must be clear, transparent, and reflect what the consumer is willing to pay.

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments Energy Council in 2015, our objective is to promote the long-term interests of consumers with respect to price, quality, reliability, safety and security of supply.

We appreciate the opportunity provided by AusNet Services (AusNet) to respond to its *Draft Electricity Distribution Regulatory Proposal, 1 January 2021 to 31 December 2025* (the Draft Proposal). The six-month delay to the commencement of the new regulatory period has provided us with the opportunity to make a submission to this process.

AusNet is to be commended for stepping forward to trial a new approach to consumer engagement – the ‘New Reg’ process – developed together by Energy Networks Australia, the Australian Energy Regulator (AER), and Energy Consumers Australia. The ‘New Reg’ process aims to provide networks with a model for ensuring that consumer preferences shape their future regulatory proposals.

The Draft Proposal reflects that affordability continues to be consumers’ number one priority. The Draft Proposal also reflects support for the uptake of distributed energy resources (DER) and, to a lesser extent, improving reliability for some consumers.<sup>1</sup>

Our view is that great care needs to be taken to ensure that policies to shore-up the reliability of the system do not lead to overinvestment in the network and further price rises for consumers, who, according to the Energy Consumer Sentiment Survey, are more satisfied with reliability (65 per cent<sup>2</sup>) than value for money (46 per cent<sup>3</sup>).

Our thinking about striking the right balance is informed by our strategic framework for the transformation of the energy system and market:

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<sup>1</sup> AusNet, *Draft Electricity Distribution Regulatory Proposal, 1 January 2021 to 31 December 2025*, page 5.

<sup>2</sup> Energy Consumers Australia, June 2019, Energy Consumer Sentiment Survey, page 74.

<sup>3</sup> Ibid.

- *Affordability* must be a constraint on investment and decisions about energy – an explicit criterion in decision making up and down the supply chain.
- Energy services must be built around *individuals* to reflect their own use and costs – whether that is consumers who are innovating and engaged; or the majority of consumers who are focused on affordability and costs; or consumers with vulnerabilities.
- Investment in the power system – networks, generation and retail – must be *optimised* based on consumers' demands that not a dollar more is spent than is necessary and not one day earlier than needed.

AusNet's Draft Proposal will see consumers bills fall by nearly 4.5 per cent (\$38) in 2021, followed by increases in line with the consumer price index each year until 2025. Overall, AusNet consumers would expect to see bill increases of \$52 (5.7 per cent) over the 2021-2025 regulatory period.<sup>4</sup> While a price reduction in the first year would be a welcome relief for consumers, increasing prices in subsequent years would be inconsistent with consumers' general preference for price stability. Price stability allows consumers to plan and manage their own energy use.

Figure 1 below from the ACCC Retail Electricity Price Inquiry Report suggests that Victorian consumers could see average annual network savings of \$39 from the network component of their bill, not increases over the next regulatory period.

**Figure 1:** Achievable average annual residential bill savings by 2020-21<sup>5</sup>

Region	Achievable savings (\$ per annum)						2020-21 Bill	% Reduction
	2017-18 Bill	Networks	Wholesale	Enviro	Retail	Reduction		
Victoria	1457	39	192	34	26	291	1166	20
NSW	1697	174	155	43	37	409	1288	24
South east Queensland	1703	147	192	18	62	419	1284	25
South Australia	1727	13	227	89	42	371	1356	21
Tasmania	1979	113	226	75	–	414	1490	21

Affordability is a priority for households and small businesses and is Energy Consumers Australia's focus in applying the long-term interests of consumers test when engaging with regulated revenue setting processes.

Absent from the Draft Proposal is information on key components of the network cost stack such as productivity and tax outcomes. We would suggest that there are further savings to consumers that could be made

<sup>4</sup> AusNet, *Draft Electricity Distribution Proposal, 1 January 2021 to 31 December 2025*, page 49.

<sup>5</sup> Australian Competition and Consumer Commission (ACCC), *Restoring electricity affordability and Australia's competitive advantage*, 2018. Table A, page xv. Accessed from <https://www.accc.gov.au/publications/restoring-electricity-affordability-australias-competitive-advantage>

through these cost components given recent changes to the regulatory framework.

While customer service standards are important and expected, we seek greater clarity and transparency on the services consumers receive now and proposed services. Using the affordability test, we can see a risk that consumers may potentially end up paying twice for improved customer service (through funding business, infrastructure and incentive costs). We encourage AusNet to demonstrate that the net outcome of the proposed incentive is positive for consumers.

We understand the AER will be separately consulting on the Small Scale Incentive Scheme designed around customer service parameters. In our consideration of the proposal we will focus on ensuring consumers are not paying twice for improved service outcomes.

### **Our framework and approach**

Our approach to engaging in the Victorian distribution networks' regulated revenue processes is set out in [our submission](#) to the AER's preliminary framework and approach consultation.

Our analysis is informed by advice from Spencer&Co, who we engaged to provide a technical perspective on the Draft Proposal. Spencer&Co's analysis (Attachment A) notes that there is insufficient data to make definitive statements and highlights areas for further exploration. This includes questions around:

- forecasting credibility given significant underspend in the current period and how this may link to the Capital Efficiency Sharing Scheme (CESS);
- proposed step-changes and how to account for unknown costs;
- the need and design of the proposed Customer Service Incentive Scheme (CSIS); and
- metering – the costs and the benefits.

We have made Spencer&Co's assessment publicly available to help build national and jurisdictional expertise and capacity through knowledge development. We use the assessment provided by our experts to help inform our thinking and highlight areas for further exploration. The expert assessment informs our position. We ask that network businesses consider the questions posed and issues raised in the advice to help further public understanding of its strategy and reasoning for the revenue claim.

### **What Victorian consumers are telling us**

Residential Victorian consumers are telling us that their level of satisfaction with their energy supply is similar when compared to 12 months ago. Our June 2019 [Energy Consumer Sentiment Survey](#) tells us that 69 per cent of respondents are satisfied with their electricity and gas services, which is unchanged since last year's survey.

Respondents were more satisfied with the value for money of electricity services since June 2018, with 46 per cent satisfied with the overall value for money of their electricity service (an increase of six per cent). Where

consumers reported changes in their levels of satisfaction with the value for money of electricity services, these were:

- 63 per cent were satisfied with their fault resolution (a decrease of three per cent); and
- 58 per cent were happy with their customer service (a decrease of five per cent).<sup>6</sup>

Customer confidence that the energy market will deliver better long-term outcomes has charged marginally:

- value for money has increased by four per cent to 30 per cent;
- technological advances to manage energy supply and cost remained unchanged at 40 per cent; and
- reliability of energy supply will improve in the future fell marginally to 40 per cent.<sup>7</sup>

## Our response

The AER is responsible for setting the maximum revenues that networks can recover from consumers through network tariffs over the five-year regulatory period. We understand that the AER must base its assessment on efficient costs and an informed view of expected electricity demand.

The Draft Proposal is the first, informal step in the revenue determination process, reflecting and gathering stakeholder feedback to inform both the Customer Forum and AusNet's revenue proposal to the AER.

Through five-yearly determination processes, the AER authorises the transfer of dollars from the consumer's pocket to the distribution network. This is money that the consumer would otherwise have been able to spend at their own discretion. Instead, it is turned into a guaranteed income for the distribution network in exchange for the affordable, safe and reliable delivery of electricity.

This means that consumers need to be confident that the decisions driving network investment are in their long-term interest.

We are participating in this process with a view to finding alignment between AusNet's strategy and the long-term interests of consumers with respect to price, quality, safety, reliability and security. We bring insights from participating in network determination processes across the National Electricity Market (NEM), as well as information about Victorian consumers gleaned from our Energy Consumer Sentiment Survey.

### Engaging with consumers

#### A new informal step – the Draft Plan

There are differing levels of information in the Draft Proposals published by the Victorian distribution businesses. Approaches range from higher level

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<sup>6</sup> Energy Consumers Australia, June 2019, Energy Consumer Sentiment Survey, page 74.

<sup>7</sup> Ibid, page 78.

slide packs aimed at reaching a broader audience to AusNet's Draft Proposal which contains more detail.

We appreciate being engaged early in the revenue setting process and being provided with an early snapshot of what will become the regulatory proposal. The value of early consultation is that advocates have the opportunity to influence and shape the actual regulatory proposal. Without this potential to influence, the value of this step is lost.

### Approach

As mentioned previously, AusNet took the brave step to trial 'New Reg' – a model full of unknowns and new pathways, that opens the business up to feedback and challenges directly from its Customer Forum.

By design, AusNet's application of the 'New Reg' model puts boundaries on which areas of the regulatory proposal the Customer Forum will be engaged on. AusNet has also undertaken online and telephone surveys, interviews, focus groups and 'deep dive' sessions with stakeholders to focus on areas of interest.

The impact of the Customer Forum is in the clear ways that AusNet has articulated the benefits to consumers stemming from current and future investment. It has helped AusNet to improve customer pain points and challenged certain areas of AusNet's proposal. However, the Customer Forum has also reserved its position on a number of issues, including solar integration expenditure.<sup>8</sup>

The Customer Forum has provided an additional source of evidence of consumer expectations. When combined with other established evidence bases, AusNet has provided valuable information and outcomes for meeting the long-term interests of consumers.

Broadly speaking, we believe that the long-term interests of consumers are served when current and future consumers pay no more than they need to for the quality of service they require, not one dollar more than necessary; not one day earlier than needed. Our view is that the following factors should be considered when assessing the long-term interest of consumers:

- what AusNet has heard from consumers through its own engagement and that of the Customer Forum;
- what consumer organisations have heard from consumers directly;
- what experts engaged by consumer organisations have said about the Draft Proposal and the proposal AusNet services will submit to the AER; and
- detailed analysis undertaken by the AER of the formal proposal that AusNet will submit. This acknowledges the skills and resources possessed by the AER in undertaking detailed analysis and its statutory responsibility to ensure that it assesses the long-term interests of consumers. We have observed that the AER continues to give weight to

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<sup>8</sup> AusNet, *Draft Electricity Distribution Proposal, 1 January 2021 to 31 December 2025*, page 49.

consumer voices and how consumer needs have been considered in the regulated revenue processes.

**Regulated Asset Base (RAB)**

The RAB is a significant factor in the affordability of the network. In simple terms, the higher the RAB per customer, the greater the overheads the network will recover, and the greater the pressure on bills.

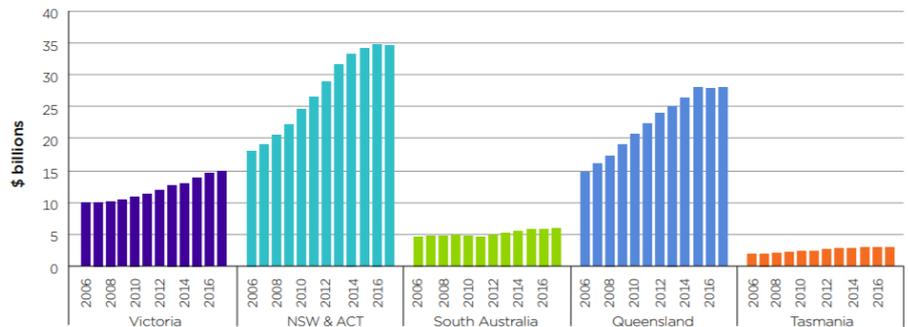
Figure 2 below shows anticipated growth in the RAB over the period. While RAB per customer may be decreasing, the RAB itself will be increasing from \$4.6 billion to \$4.9 billion (real \$2020). We understand that savings on a per customer basis will only be realised **if the expected growth in consumer numbers occurs**.

The rising RAB trend was identified by the ACCC (see Figure 3) as a major problem and contributor to increases in consumer bills from 2008.

**Figure 2: RAB value for 2021-25<sup>9</sup>**

NOMINAL \$ MILLION UNLESS STATED OTHERWISE	2021	2022	2023	2024	2025
RAB (start period)	\$4,512.9	\$4,755.9	\$4,957.6	\$5,142.4	\$5,315.4
Capital expenditure	\$337.7	\$313.9	\$307.1	\$302.0	\$319.2
Inflation on opening nominal RAB	\$110.6	\$116.5	\$121.5	\$126.0	\$130.2
Straight-line depreciation	(\$205.3)	(\$228.7)	(\$243.8)	(\$254.9)	(\$270.2)
RAB (end period)	\$4,755.9	\$4,957.6	\$5,142.4	\$5,315.4	\$5,494.6
RAB (end period) – real \$M 2020	\$4,642.2	\$4,723.3	\$4,782.2	\$4,824.9	\$4,868.3

**Figure 3: RAB from 2006 to 2017, by NEM region, real \$2016-17<sup>10</sup>**



**Capital expenditure (capex)**

The proposal reflects an 18 per cent reduction in capex forecasts. Spencer&Co indicates this represents a more ‘normal’ state of expenditure

<sup>9</sup> Ibid, page 90.

<sup>10</sup> ACCC, *Restoring electricity affordability and Australia’s competitive advantage*, 2018. Figure 7.1, page 159. Accessed from <https://www.accc.gov.au/publications/restoring-electricity-affordability-australias-competitive-advantage>

following ten years of higher expenditure largely driven by bushfire safety concerns (Attachment A, page 8).

Spencer&Co's report at Attachment A also seeks more information and explanation of the proposed capex program. Highlights of these questions are outlined below.

#### Forecast credibility

Even though AusNet is forecasting an 18 per cent reduction in capex, Spencer&Co's assessment has identified that replacement expenditure (repex) is forecast to be 21 per cent higher than in the current period.

While AusNet attributes this to the recategorization of safety programs as repex, it doesn't explain the significant underspend in replacement and safety programs seen in the current period; leading to questions about the accuracy of the repex forecasts which is key given it contributes to nearly 50 per cent of the capital program.

The accuracy of forecasts plays a big role in the affordability of network investment. It is also important for building and maintaining consumer trust. This is because businesses receive a reward for efficient underspending. However, due to the lack of transparency, it is difficult to know for sure whether any underspend was efficient or whether the original over-forecast was as a means to seek an incentive reward.

#### Repex

We seek greater technical information to support the major projects (including individual reliability and cost impacts); failure rates and trends underpinning the pole replacement program; how the conductor replacement program aligns with the AER's Repex Model; and more explanation about the smart meter communication equipment replacement.

#### Growth and future grid

Further evidence is requested, to justify and support projects that aim to address voltage constraints on the low voltage lines, solar exports and future grid options.

We note that the Victorian Government's Solar Homes programs will see 49,000 solar installations being rolled out this year, and is offering rebates for the uptake of batteries and solar hot water.<sup>11</sup> Given the interest in a lower carbon Victoria, we would like to see AusNet outline what its future grid strategy is for the longer-term and how the proposed expenditure fits into this strategy.

#### Reliability

AusNet is seeking adjustments to the Service Target Performance Incentive Scheme (STPIS). Since 2010, AusNet has been awarded \$189 million from STPIS. The adjustments to the STPIS being sought by AusNet are to reflect

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<sup>11</sup> <https://www.premier.vic.gov.au/victorias-rooftop-solar-revolution-kicks-off-today/>

a higher likelihood of failure should the major projects negotiated with the Customer Forum be delayed compared to AusNet's original timing.

Given the quantum of STPIS payments AusNet has been awarded over the years, and the importance of affordability to its consumers, we suggest that AusNet reconsider these changes. In effect, this appears to be a consumer-funded insurance policy.

#### Information and communication technology (ICT)

We seek greater transparency for the total metering costs as there appear to be metering related costs dispersed throughout the Draft Proposal.

Given the opacity of ICT related expenditure in the NEM generally, we also seek more information about the drivers of ICT project expenditure as well as what the benefits to consumers are from this investment. We acknowledge that AusNet has attempted to outline the benefits however, these appear more as benefits to the business rather than consumers.

#### Fleet and property

We seek greater transparency around these costs including quantum and type of expenditure.

#### Innovation

While the Customer Forum and AusNet continue to negotiate investment in electric vehicle related matters, Spencer&Co raises questions about the classification of some proposed expenditure and whether they could be classified as core business rather than innovation.

We also seek confirmation that the innovation projects being considered are truly innovative. We have observed in other parts of the NEM that businesses have been called on to use their innovation allowances for projects that have not been tested already. This is so that consumers are not paying for multiple trials of the same project, and to bring new learnings to the NEM so that all consumers can benefit.

#### Operating expenditure (opex)

Key questions from Spencer&Co's assessment at Attachment A are outlined below.

#### Base year

In light of the availability of more information and the extended time period for AusNet to form its regulatory proposal, we suggest that AusNet uses the latest data for its base year. At this stage, that would be 2019, which would be the latest full year of data available to the AER.

Spencer&Co notes that the base year amount does not appear to include the allocation of costs from smart meters that AusNet intends to allocate into the distribution system. Nor do the costs appear to be in the metering business forecasts. We seek transparency around the cost allocation and amounts of all metering related expenditure.

### Step changes

Step changes are important to long-term affordability outcomes because they often result in incremental increases to opex that compound each year. If these costs are mitigated by ongoing savings elsewhere, we would like to see these savings quantified for consumers.

Spencer&Co's analysis indicates that AusNet is seeking \$20 million in step changes. These relate to:

- Rapid Earth Fault Current Limiter (REFCL) (\$8.6 million): we seek more information on this proposed step change as limited information has been provided to date and it is one of the largest step changes being sought.
- IT Cloud (\$8.0 million): moving to cloud based systems is something that many businesses are doing, however not all are claiming step changes for this. This is because they may be seeing savings in software leasing and annual upgrade costs that offset any costs associated with moving to the cloud. At its deep dive, AusNet outlined areas of benefits that we would expect to be associated with savings. We encourage AusNet to review this step change proposal.
- IT security (\$1.0 million): this is another cost that all businesses are facing, but where we can see different approaches being taken. We ask AusNet to consider whether the \$1 million is material enough to constitute a step change.
- 5-minute meter data (\$2.6 million): this relates to regulatory changes around the time intervals for collecting meter data. Given that the implementation plans and therefore costs associated with the change are still being developed, we are concerned that these are uncertain costs and query whether they should be included as a step change in the next period.

### Incentives (current and proposed)

Spencer&Co's analysis of incentives indicates that Victorian network businesses intend to claim around \$605 million of incentive benefits from the current period through prices in the 2021-25 period.

In the last ten years, \$2 billion of incentive payments have been recovered from consumers across the NEM.

AusNet is one of two Victorian businesses (Jemena Electricity Networks (JEN) is the other) that is proposing to add another incentive to the current suite of six incentive schemes. The proposed incentive is the Customer Service Incentive Scheme (CSIS).

As part of its engagement for its *Draft 2021-25 Plan*, JEN invited us to observe a meeting of its People's Panel. At this meeting, JEN sought feedback from its consumers about the proposed CSIS. In [our submission](#) to Jemena Electricity Networks' *Draft 2021-25 Plan*, we noted some observations from this meeting.

We observed that consumers expected JEN to provide a certain level of good customer service as a business as usual activity. If there was to be CSIS incentive, this should only be allowed if JEN met a stretch target – that is, provide service above and beyond general expectations.

It is unclear what need the proposed CSIS would be filling.

Our current thinking is being informed by Spencer&Co's assessment at Attachment A. One of the issues that we are thinking about is the risk that consumers could pay more than once for good customer service. This risk could potentially occur in two ways:

1. Through both ICT expenditure and again when outcomes improve above target levels (see discussion in Attachment A).
2. Through guaranteed service level (GSL) payments, which networks incur for consumer service-related issues such as late appointments with consumers and delays in connecting supply. The risk in this instance is that consumers would pay for both the poor consumer service (if AusNet passes through the costs of the GSL scheme to consumers) as well as the improvement action. If there is any interaction between the proposed CSIS and the existing GSL scheme, we would appreciate AusNet clarifying that interaction. For context, Figure 4 outlines the total Victorian GSL payments (for all five distributors) between 2013 and 2017.

**Figure 4:** Electricity GSL payments, by type<sup>12</sup>

Reasons for payment	2013	2014	2015	2016	2017
Late appointments with customers	1,207	1,138	49	101	45
Delay in connecting supply	590	407	317	1,479	4,982
Repeated or lengthy power outages (low reliability of supply)	67,149	92,052	79,991	135,110	46,913
Faulty streetlights not repaired in time	118	302	211	648	182
<b>Total number of payments made</b>	<b>69,064</b>	<b>93,898</b>	<b>80,568</b>	<b>137,338</b>	<b>52,122</b>
<b>Total payments (\$)</b>	<b>\$6,193,930</b>	<b>\$9,272,677</b>	<b>\$8,192,650</b>	<b>\$22,281,980</b>	<b>\$6,455,490</b>

Distribution results are reported on a calendar year with 2017 data being the most recent audited data available.<sup>2</sup>

We currently have a regulatory framework which has seen consumers fund more than \$2 billion of incentives schemes over the past ten years across the NEM. Consumers must be assured that businesses are being rewarded for genuine efficiencies (which should subsequently result in benefits for consumers), rather than for taking the 'low-hanging fruit' approach.

### Productivity

Our view is aligned with that of the Customer Forum, which is that AusNet should be subject to the same productivity measures as many consumers and businesses are subject to in daily life.

<sup>12</sup> Essential Services Commission, *Victorian Energy Market Report 2017-18*, Table 3.3, page 35. Accessed from <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/victorian-energy-market-report>.

Once AusNet has applied the AER's productivity factor, we would expect the efficiencies to be passed through to consumers via a lower overall revenue amount.

### Metering

As flagged earlier in this submission, metering-related costs are seen throughout the Draft Proposal.

At a time when consumer trust and confidence is low, transparency is key to re-building trust with consumers.

Victorian consumers have been paying for smart meters for more than ten years. The ACCC's analysis indicates that Victorian consumers have experienced effective price increases of 48 per cent between 2007/08 to 2017/18. Metering costs represented 27 per cent of this increase.<sup>13</sup> Table 5.2 of AusNet's Draft Proposal identifies six services that have provided benefits to consumers through smart meters over that ten-year period.

Given the limited functionality consumers have received over this period, it is encouraging that AusNet are thinking about ways to improve the delivered benefits to consumers, listed at Table 5.3 of its Draft Proposal. To ensure the transparency of costs, we seek assurance from AusNet that the proposed new benefits and initiatives are not already covered by existing initiatives or regulatory requirements. For example:

- "Prioritising life-support customers in an outage": AusNet services currently has obligations around unplanned interruptions, planned interruptions and life support customers. This includes using its best endeavours to restore the customer's supply as soon as possible, making allowance for reasonable priorities; and help life support customers to prepare an action plan in case of an unplanned interruption.<sup>14</sup>

We seek assurance that consumers would not be paying twice for activities related to existing regulatory obligations (that is, once in a regulatory cost component and again in the metering cost component).

- "Enabling our call centre staff to better answer customer queries": the description for this initiative appears to be very similar to an existing benefit outlined in Table 5.2.

We seek assurance that the benefits to consumers would be materially

<sup>13</sup> ACCC, *Restoring electricity affordability and Australia's competitive advantage. Retail Electricity Pricing Inquiry – Final Report*, page 9. Accessed from <https://www.accc.gov.au/publications/restoring-electricity-affordability-australias-competitive-advantage>[https://www.accc.gov.au/system/files/Retail+Electricity+Pricing+Inquiry%E2%80%94Final+Report+June+2018\\_0.pdf](https://www.accc.gov.au/system/files/Retail+Electricity+Pricing+Inquiry%E2%80%94Final+Report+June+2018_0.pdf)

<sup>14</sup> Essential Services Commission, *Electricity Distribution Code – August 2018*, sections 5.4 to 5.6. Accessed from [https://www.esc.vic.gov.au/sites/default/files/documents/Electricity-Distribution-Code-version-9A-August-2018\\_0.pdf](https://www.esc.vic.gov.au/sites/default/files/documents/Electricity-Distribution-Code-version-9A-August-2018_0.pdf)

different for consumers to pay more than already do, to realise the full benefits of their decade-long investment in smart meters.

Spencer&Co has identified further areas for review including the impacts of transfer of costs from metering to distribution opex and the need and timing of moving from Telstra’s 3G to 4G system (see Attachment A).

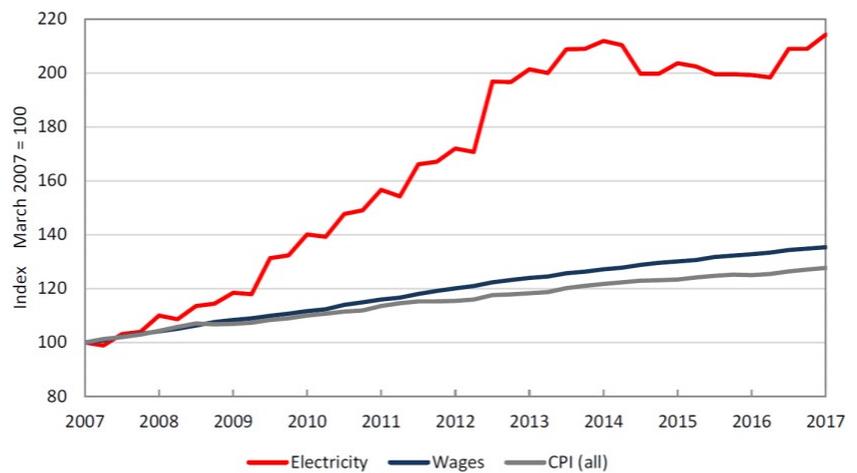
**Tax**

The Draft Proposal does not include any changes stemming from the AER’s recent tax review.

Tax is another area that lends itself to opacity. While it may be something that all businesses are subject to, the approach to tax can change from business to business and from Draft Proposal stage to proposal stage, without clear explanations why.

We ask AusNet to consider its approach to tax through an affordability lens. While the AER’s tax changes lead consumers to expect price relief, this has proven not to be the case across some businesses in the NEM. While businesses must operate in an ever-changing regulatory environment, consumer wage growth continues to stagnate, as illustrated in Figure 5.

**Figure 5:** CPI for electricity compared with other sectors and wage growth



Source: ABS, Consumer Price Index 6401.0 and ABS, Wages Price index 6345.0, Australia.

**Depreciation**

Depreciation and its connection with the RAB is important, and is key to our position that not one more dollar is spent a day earlier than necessary.

Key issues raised by Spencer&Co at Attachment A include:

- Why are short five-year lives given to lease-land and buildings?
- Given the overall cost impact of ICT investment, consideration should be given to whether ICT asset actually have longer lives and therefore depreciated over a longer period.

In our submission to the AER's Issues Paper on the Ausgrid 2019-24 regulatory proposal, we questioned the value of the year-on-year methodology (which AusNet intends to apply) over the Weighted Average Life (WARL) methodology. In that submission, we noted that the year-on-year approach increases the amount of revenue collected from today's consumers, raising a question of intergenerational equity between today's and tomorrow's consumers.

## Conclusion

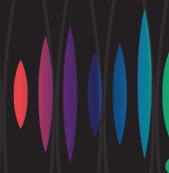
We look forward to continuing to engage with AusNet on the development of its revenue proposal; and with AusNet and the other Victorian network businesses on their tariff design.

If you have any questions about this submission, please contact Shelley Ashe, Associate Director – Networks, Advocacy and Communications on 02 9220 5514 or by email at [shelley.ashe@energyconsumersaustralia.com.au](mailto:shelley.ashe@energyconsumersaustralia.com.au).

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