

16 April 2018

Mr Slavko Jovanoski
Assistant Director
Australian Energy Regulator

By email: Slavko.jovanoski@aer.gov.au

SUPPORT FOR ENDEAVOUR ENERGY'S 2014-19 REMITTAL PROPOSAL

Dear Mr Jovanoski

Thank you for the opportunity to comment on Endeavour Energy's proposal for the remaking of its 2014-19 revenue determination (the proposal), following the remittal of that decision to the Australian Energy Regulator (AER) from the Australian Competition Tribunal and the Federal Court.

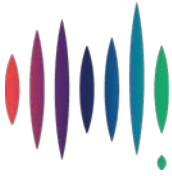
Having considered the proposal, Energy Consumers Australia (ECA) accepts the proposal is in the long-term interest of consumers, as it will mean consumers do not pay any more than is necessary for the energy network services they require from Endeavour during 2014-2019.¹ People expect energy to be supplied at a cost that allows them to have comfortable homes and for their businesses to be competitive. From where we find ourselves today, achieving that outcome will require sustained effort from electricity networks, retailers and producers. There will need to be continued commitment by Endeavour to further real reductions in the prices for network services.

Endeavour is proposing to retain \$110 million in additional revenue above the AER's original 2015 determination. In our view, the proposed increase in allowed revenue represents a reasonable decision, in the long-term interests of consumers, to allow compensation for the costs Endeavour has incurred in its progress to achieve the AER's benchmark expenditure levels by the final year of the current determination period.

Following engagement with Endeavour at senior levels, we are also aware of its expectation that when \$239.6 million of revenue over-recovered in the current period is returned between financial years 2020 and 2024, Endeavour's consumers will see real network price decreases of 1% per year, for five years.² ECA supports this approach because of consumers' preference for price stability. However, we expect that better price outcomes through 2020-24 will be achieved through further effort by Endeavour in managing opex and capex, as well as achieving incentive-based outcomes, and not just reflecting return of consumer over-recoveries.

¹ As outlined in letter from Tony Narvaez to Paula Conboy, *Proposal for the remittal of the Endeavour Energy 2014-19 determination*, 5 April 2018.

² Endeavour Energy, *Customer Fact Sheet: 2014-19 remittal proposal*, April 2018.



Our view is that Endeavour Energy has engaged in a positive and open way in developing its proposal for the re-making of the 2014-19 revenue determination decision. We also welcome Endeavour's position that networks must operate their businesses "through the constraints of affordability".³ Accordingly, ECA will continue to work with Endeavour, and the AER, to examine whether further price decreases are achievable in the 2020-24 period, in particular by focusing on better risk management in capex decisions.

ECA now looks forward to further productive engagement, to achieve the best possible outcomes for energy consumers and the delivery of electricity network services that are affordable, individualised and optimised.

If you would like to discuss anything related to this issue further, please do not hesitate to contact me, or Oliver Derum, Associate Director of Advocacy and Communications, on (02) 9220 5514.

Yours sincerely,

Rosemary Sinclair
CEO
Energy Consumers Australia

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