

Level 17, Casselden
2 Lonsdale Street
Melbourne Vic 3000
GPO Box 520
Melbourne Vic 3001
tel: (03) 9290 1800
www.aer.gov.au

Our Ref: D19/16583
Your Ref: EPR0068
Contact Officer: Kevin Fincham
Contact Phone: 07 3835 4677

Mr John Pierce
Chair - Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

The 2019 Electricity Network Economic Regulatory Framework Approach Paper

The Australian Energy Regulator (AER) welcomes the opportunity to comment on the AEMC's 2019 electricity network economic regulatory framework (ENERF) approach paper.

As highlighted in the AEMC's approach paper, the ongoing energy transformation will have implications for the regulatory framework across all aspects of network services. In response, the regulatory framework must adapt and maintain flexibility so that regulation can accommodate these changes in a timely way in order to deliver a safe, reliable, affordable and secure service for customers.

We support the overarching themes identified by the AEMC in its approach paper, including the parallel consultation process to consider the introduction of a regulatory sandbox mechanism. In particular, we note the Commission's identification of:

- options to address potential bias for capital expenditure over operating expenditure
- developments in potential models for customer engagement

We support further consideration of a simplified expenditure framework both as a standalone option, and alongside consultation on the pros and cons of a total expenditure model in which a set proportion of total expenditure is rolled into the RAB irrespective of whether it is capital expenditure or operating expenditure.

Our experience also suggests that the role of customer engagement in network regulation is growing and evolving. Network businesses are engaging more deeply with their customers to develop their regulatory proposals so that they focus on delivering services valued by customers. We can expect that customers will continue to play a growing role in shaping regulatory proposals. We have observed this both in supporting the 'NewReg' trial and more widely across our recent regulatory determination processes, where networks are increasingly involving consumers in the development of their proposals.

We support further consultation with sector participants on potential models for consumer engagement and on how these might be incorporated in the network regulatory framework.

Finally, we look forward to continued engagement with the AEMC and other stakeholders across the AEMC's 2019 work program and beyond.

Yours sincerely



14/2/19

Mark Feather
General Manager— Policy and performance
Australian Energy Regulator