

4 July 2013

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



positive energy

Dear Mr Pierce

**Consultation Paper: National Electricity Amendment (Annual Network Pricing Arrangements) Rule 2013 (ERC0149)**

Energex Limited (Energex) appreciates the opportunity to provide a submission on the Independent Pricing and Regulatory Tribunal's rule change proposal (proposal) relating to the annual network pricing arrangements for electricity network service providers

Energex supports the intention behind the proposal and believes, subject to addressing three important issues, the Rule change would enhance customer understanding of network tariffs and tariff structures.

Firstly, Energex notes that the proposal requires the Australian Energy Regulator to approve the distributor's network pricing proposal if the proposal is consistent with the statement of expected price trends. The statement of expected price trends is based on forecast information and expected outcomes for a range of variables. Flexibility to depart from the statement may be unavoidable and might also be the best interests of customers to take into account changing circumstances. For these reasons, Energex believes that this requirement should not be adopted. A better approach would be to include a requirement, perhaps in clause 6.18.2(b) of the Rules, for distributors to explain departures from the statement of expected price trends.

Second, the proposal would require that distributors submit their pricing proposals by 31 March each year. However, many distributors (including Energex) are required by their Distribution Determination to apply the March-to-March Consumer Price Index (CPI) in their control mechanism. This CPI figure is not released by the Australian Bureau of Statistics until the end of April. As such, the proposed timings should not apply to DNSPs with Distribution Determinations which stipulate the application of March-to-March CPI in annual prices.

Third, retailers should be actively involved in customer consultation on annual network prices. In some instances, retailers have not reflected the network's proposed tariffs structures in retail prices, resulting in a loss of any potential customer benefits from the network tariff structure. This deficiency would undo many of the benefits resulting from engagement with customers on network tariff structures. Energex believes that the AEMC should consider options to remove these deficiencies, in consultation with jurisdictional regulators.

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Should you have any enquiries regarding this report please contact Neil Andersen,  
Group Manager Revenue Strategy on (07) 3664 4009.

Yours sincerely

A handwritten signature in black ink, appearing to read "Kevin Kehl". The signature is written in a cursive style with a large, stylized 'K'.

Kevin Kehl  
Executive General Manager  
Customer and Corporate Relations