

18 November 2016

Mr Neil Howes  
Senior Adviser  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235



**energy & water  
OMBUDSMAN SA**

ABN 11 089 791 604  
GPO Box 2947  
Adelaide SA 5001

Free call 1800 665 565  
Free fax 1800 665 165  
contact@ewosa.com.au  
www.ewosa.com.au

Dear Mr Howes

**Submission on the Consultation Paper:  
Replacement Expenditure Planning Arrangements**

The Energy and Water Ombudsman (SA) Limited ("EWOSA") welcomes the opportunity to comment on the Australian Energy Market Commission's Consultation Paper on the *Replacement Expenditure Planning Arrangements* rule change request.

In this submission, the EWOSA primarily addresses matters that are specifically of interest to the EWOSA Scheme.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

We support expanding the annual planning reporting requirements of network service providers (NSPs) to include planned asset retirements and de-ratings, as well as consideration of the options to address any resulting network limitations. We also support extending the regulatory investment test to replacement projects of a material size for both transmission and distribution.

In circumstances where like-for-like replacement is expected to be the only viable option, we agree that NSPs should have the reduced reporting and regulatory burdens proposed in the rule change request associated with the Australian Energy Regulator guideline on reportable asset types and an "exemption report" for regulatory investments tests.

We believe that including maintenance and refurbishment expenditure in the regulatory investment test for replacement projects is appropriate, considering the importance of this category of expenditure to regulatory determinations and ultimately electricity prices for customers. The additional burden this is likely to impose on NSPs would be mitigated somewhat by the proposed thresholds of \$6 million for transmission projects and \$5 million for distribution projects.

Such requirements are likely to result in more efficient investment in and use of electricity infrastructure and services – including networks, generation (including distributed), demand management and also possibly battery storage – thereby promoting the National Electricity Objective.

Costs associated with the transmission and distribution of electricity account for around 40 per cent of the average electricity bill in South Australia. More efficient expenditure in networks regarding asset replacements, as well as the utilisation of non-network alternatives to provide equivalent services, will therefore likely reduce the cost of electricity to small customers.

However, it is also likely that expanded reporting and regulatory investment test requirements on NSPs will add to their costs, which will ultimately be passed on to customers.

Reflecting this, we support the Australian Energy Market Commission considering other related rule change requests that are being assessed – such as *Local Generation Network Credits* and *Transmission Connection and Planning Arrangements* – to ensure that any proposed rules do not result in inefficiencies, particularly those associated with duplicated regulatory and reporting burdens, for NSPs, as well as for the electricity market as a whole.

Should you require further information or have any enquiries in relation to this submission, please email me at [antony.clarke@ewosa.com.au](mailto:antony.clarke@ewosa.com.au) or telephone me on (08) 8216 1851.

Yours faithfully



Antony Clarke  
Policy and Research Officer  
Energy and Water Ombudsman SA