



Ms Paula Conboy
Chair
Australian Energy Regulator (AER)
Level 35 360 Elizabeth Street
Melbourne VIC 3000

By email: VICElectricity2016@aer.gov.au

6th January 2016

Dear Ms Conboy,

**Re: Victorian Electricity Distribution Price Review 2016-20
Preliminary Decision October 2015**

On behalf of the Victorian Greenhouse Alliances and their member councils, the Eastern and Northern Greenhouse Alliances are pleased to provide this formal letter of response to the AER's Preliminary Decision for the 2016-20 regulatory period. This letter follows from our detailed response to the price proposals submitted by Victorian electricity distribution network service providers (DNSPs) in June 2015 on behalf of the local government sector.¹

The Greenhouse Alliances are formal partnerships of varying numbers of councils (and other organisations) driving climate change action across 70 of Victoria's 79 municipalities. The Alliances work across their networks, communities and partners to deliver regional mitigation and adaptation programs. This includes the implementation of joint initiatives that provide economies of scale and enable projects typically beyond the reach of individual councils. Our project work is complemented by targeted advocacy, capacity building activities and regional partnerships. The Alliances include:

- South East Councils Climate Change Alliance (SECCCA)
- Northern Alliance for Greenhouse Action (NAGA)
- Central Victoria Greenhouse Alliance (CVGA)
- North East Greenhouse Alliance (NEGA)
- Western Alliance for Greenhouse Action (WAGA)

¹ Local Government's Response to the Victorian Electricity Distribution Price Review (EDPR) 2016-20 ([link](#))

- Eastern Alliance for Greenhouse Action (EAGA)
- Gippsland Climate Change Network (GCCN)
- Goulburn Broken Greenhouse Alliance (GBGA)
- Wimmera Mallee Sustainability Alliance (WMSA)
- South West Sustainability Partnership (SWSP)

We urge the AER to consider the following in formulating their final determination:

Public lighting

We support the AER's preliminary decision to adopt nearly all of the recommendations provided in our previous detailed submission, however we would like to draw the AER's attention to a small number of irregularities in the public lighting cost build up model that may have been overlooked. These costs are summarised in the attached confidential excel file (**see attachment**).

Demand Management

Ensuring that regulatory decision-making reflects the current context of the transitioning energy market is central to the long-term interest of consumers, particularly with respect to demand management. Councils share a number of concerns in relation to the role of the AER in this process, including (but not limited to):

- the lack of support for demand management initiatives within the preliminary decision
- the small allowances provided to network businesses to pilot and trial projects to fully assess the costs and benefits of network innovations via the Demand Management Incentive Scheme. On average, allowances under the scheme equate to just 0.09% of the total revenue allowances for each DNSP. This amount is clearly insignificant when compared with other industrialised businesses where expenditure on research and development is often higher by several orders of magnitude²
- stalling the implementation of the DMIS rule change until 2020, rather than establishing transitional arrangements - another example of a failure in meeting the needs of a dynamic market, resulting in productivity loss.

We recommend that the capacity and capability of the AER be enhanced to consider demand management and innovation in regulatory processes in a more robust manner. This includes more active and broad engagement with consumers on decisions that don't rely on the exclusive input of a few specialists within complex consultation mechanisms.

Stakeholder Engagement

Councils welcome the requirement on DNSPs to engage with their customers and congratulate Ausnet Services, United Energy and Jemena for undertaking genuine and meaningful engagement with councils leading into this regulatory process. However, there appears to be a disconnect between the requirement for this engagement and the treatment of its outcomes within the AER's preliminary decision.

² 2014 EU Industrial R&D Investment Scoreboard ([link](#))

A prime example is the proposal by United Energy to undertake a three-year trial of dedicated vegetation management crews to work with councils in its network area (\$3M). This proposal was collaboratively identified and developed through extensive discussions between the Municipal Associations of Victoria (MAV) and United Energy and was formally supported by councils in our previous submission.³

Given it is reasonable to conclude that fostering engagement between stakeholders will result in the identification of initiatives that meet the long term needs of all parties, there should be some mechanism in which the AER can support and acknowledge this within the determination process. It is concerning that the preliminary decision does not provide this recognition, even when evidence of stakeholder support is provided and made explicit within consultation submissions.

The Victorian Greenhouse Alliances are willing to work with AER to ensure that equitable and consistent approaches to pricing which represent the best value proposition for the community, industry and all levels of Government.

Should you have queries or questions relating to this letter, please contact Scott McKenry, EAGA Regional Coordinator on scott.mckenry@maroonodah.vic.gov.au or 03 9298 4250.

Kind regards,



Scott McKenry
Regional Coordinator
EAGA



Robert Law
Executive Officer
(Acting) NAGA

³ Page 20, Local Government's Response to the Victorian Electricity Distribution Price Review (EDPR) 2016-20 ([link](#))