

17 August 2012

Australian Energy Regulator
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Thank you for the opportunity to comment on the *Preliminary positions, Framework and approach paper, Ausgrid, Endeavour Energy and Essential Energy, Regulatory control period commencing 1 July 2014.*

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

NSW consumers have seen a considerable increase in electricity costs over the last three years. This has been driven primarily by increases in network costs.

EWON welcomes the range of proposals in the framework and approach paper which will bring closer scrutiny and control to the pricing determination process. Equally we welcome proposed rule changes and the review of network standards which may address some of the concerns about network over-expenditure.

However, EWON notes that network security and supply without interruption are also valued highly by consumers. Any overreaction in response to concerns about 'gold-plating' may result in future price shock if there is an under spending in needed capital expenditure to ensure essential energy security.

Even with the proposed reforms under consideration in both the proposed framework and in the proposed rule changes, network pricing appears likely to remain the main driver of increasing electricity price rises.

In the retail electricity Pricing Determination process conducted in NSW by IPART, the impact of the Determination on customers was examined. This examination was not done in the context of the actual Determination which was based on the economic terms of reference, but as an addition to the final report to highlight the consequences of the Determination.



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This approach allowed organisations such as EWON to highlight the need for appropriate and relevant responses by both the retailers and by Government. EWON would encourage the AER to consider providing a similar process to allow some commentary on the affordability implications of the Determination and thus allow for a discussion around affordability and how the community needs to respond to the impact of rising energy costs. This discussion could include consideration of the contribution of network operators to assist customers impacted by rising energy prices where network costs are a primary driver.

If you would like to discuss this matter further, please contact me or Chris Dodds, Senior Policy Officer on (02) 82185250.

Yours sincerely

A handwritten signature in black ink that reads "Clare Petre".

Clare Petre
Energy & Water Ombudsman NSW