Customer Council AER2015 Working Group Meeting Notes

Meeting Held: 1.00pm, Monday, 19 May 2014

Chair: Malcolm Tadgell – Director Advisory, KPMG


Apologies: Carly Allen – QCOSS, Phil Barresi/Jeff Thong – Energy Users Association

MEETING ITEMS

Update on Latest Developments

The release of the AER’s final Framework and Approach paper, and the potential implications, were discussed. Specifically:

- the implications of the AER’s proposed approach to the classification of services for Ergon Energy’s services, summarised in the Customer Council Discussion Paper No.1 (including changes to metering services, small customer connections, large customer connections, emergency recoverable works, and the introduction of new Alternative Control Services).

- the AER’s decision to continue the current revenue cap as the control mechanisms for Standard Control Services (this is in line with the treatment applied to the NSW distributors, the first jurisdiction to be regulated under the new rules; NSW was previously under a weighted average price cap). This control mechanism is now set and not open for further consultation with the AER.

- for Alternative Control Services (ACS), the AER will continue to apply caps on certain services and use a cost build up approach to develop quoted charges for other services. The AER will confirm during the distribution determination process whether it will set prices using a building block approach or another method.

- the AER’s proposed approach to the application of a range of incentive schemes for the next regulatory control period. The proposed approach is to apply:
  - the current service target performance incentive scheme with a financial penalty or reward of ±2% revenue at risk. The Queensland Guaranteed Service Level scheme will continue to apply.
  - Version 2 of the efficiency benefit sharing scheme now in place
  - a new capital expenditure sharing scheme
  - the demand management incentive scheme comprising a demand management innovation allowance of $5 million in total over five years.
The AER proposes not to apply any small scale incentive scheme.
- the AER proposes using forecast depreciation to roll forward the regulatory asset base.

Discuss Members' Preliminary Responses on the Key Issues Raised in April Meeting

Since the last meeting, to support members in providing feedback, details of the following five key regulatory issues have been provided in the form of Discussion Papers:

- Classification of services
- Approach to metering charges
- Confidential material
- Carry forward of revenue under-recoveries in current period
- Treatment of feed-in-tariffs.

The discussion at this meeting was largely around the potential implications for Ergon Energy’s customer base from the reclassification of metering charges, and the future price impacts of carrying forward revenue under-recoveries and recovering solar feed-in-tariff revenue from the current period.

There was general support for carrying forward the under-recoveries in a way that helped smooth out volatility in customer prices in the next period. For the treatment of feed-in-tariff recoveries, there was general support expressed for delaying the recovering of the annual jurisdictional scheme amount by two years in order to deal with the lag in the current pass through scheme. There was also some discussion around the Queensland Government’s role in these matters.

Priority Matters Identified by Members / Next Agenda

There was interest in more detail on the approach to metering charges and the implications for retail tariffs, as well as the nature of the developing regulatory proposal. Members were invited to submit any matters for inclusion on the agenda of the next face to face meeting planned for June.

Action:

Coordinate an Agenda for circulation for a tentative meeting date of 18 June.

In April 2014 Ergon Energy established a new Customer Council working group, as an extension of our standing Customer Council (our peak body consultative forum, which brings together representatives from nine peak organisations across regional Queensland, established in 2011). The purpose of the smaller subgroup was to support the capacity of our key customer representative peak bodies to better understand and contribute to Ergon Energy’s developing expenditure proposal for the 2015 to 2020 regulatory control period.