

Opening question

134. Do you agree with the contents of this paper? If not, what aspects do you not agree with?

At the highest level, I do not agree with the direction of the paper. Primarily this is because:

- 1. The Problem Definition in regard to emerging technologies has not been defined with sufficient breadth and ignores conditions required for economic contestability at a consumer level.*
- 2. Emerging Technologies will best develop in a highly contestable environment (by definition)*
- 3. The market for such contestability requires a level playing field such that a monopoly provider does not control the business model and the economic conditions and pricing structures (as is the case currently, and as indicated by the discussion paper irrespective of whether they form regulated or non-regulated revenues).*
- 4. The environment under which emerging technologies would most robustly develop would be one where the value of consumer solutions are defined by pricing conditions that are consistent with market economics, not by pricing of line services at a consumer level that is set by a monopoly (i.e. average consumer pricing based on a regulated revenue base for residential consumers is NOT the same as pricing levels and structures for individual households; leading to significant price averaging and therefore mis-pricing of services to individual consumers and therefore incorrect valuation of alternative consumer solutions)*
- 5. Monopoly line services should require a transparent and cost reflective pricing (both level and structure) of line services to individual consumers (not allowing averaging under a total revenue model).*
 - 1. This would lead to \$/kVA pricing replacing some of the fixed \$/day and c/kWh charges that are currently used in almost all distribution pricing for small consumers, but that generally do not reflect the cost of providing individual consumer services.)*
 - 2. Without an individual consumer model with these correct economic structures, monopoly line companies have an advantaged position in arbitraging their regulated revenue base with non-regulated services (e.g. Solar, battery etc.)*
 - 3. A line company knows where it can position consumer solutions to reduce its cost base, irrespective of its pricing (or regulatory) structures.*
 - 4. A competitor does not have this information, nor can it realise the commercial benefits from deploying alternative technology to achieve consumer and ultimately public benefits in competition with line services.*

In summary emerging technologies offer significant potential public benefits. To realise these benefits at a consumer level, there needs to be transparent cost based pricing made available by line companies that create the incentives for competing providers to provide alternate solutions to individual consumers in competition to full or partial line services.

These measures already exist at the large commercial and industrial level (where \$/kVA pricing has been the norm for decades) but do not exist at residential and commercial levels.

The discussion paper does not address these fundamental issues in establishing pricing of monopoly line services to enable emerging technologies to develop in a robust manner to not only offer lower cost solutions to consumers but to drive down the cost of line services without compromising overall network reliability.

For additional responses please see highlighted CAPS below:

Questions on the current IMs and approach

135. Do you think the current approach of relying on EDBs to determine if what they are doing is part of the electricity lines services is appropriate? **NO FOR THE REASONS SET OUT ABOVE. AS A RESULT I DISAGREE WITH THE INHERENT CONCLUSION IN THE NEXT SENTENCE.**

In practice this means determining whether:

135.1 an asset is used to provide the service; or

135.2 operating costs are attributable in whole or in part to provision of the service?

136. Do you think that the flexibility provided by the availability of three different cost allocation methodologies is appropriate?

137. Do you think that the materiality thresholds for determining which cost allocation methodology should be employed are appropriate?

138. Do you think that the rules and processes for determining the circumstance in which OVABAA can be employed are appropriate?

139. Do you think that the definition of capital contributions is appropriate?

Other questions

140. Are you aware of any revenues/costs that are currently treated as regulated (unregulated) when they may not and/or should not be? **ITS MORE THAN JUST THE TREATMENT. IT IS ALSO IMPORTANT TO IDENTIFY THE WAY IN WHICH THESE COSTS ARE STRUCTURED TO ALLOW FOR COMPETITION**

141. Are you aware of any EDB prices that bundle charges for both regulated and unregulated services, or reasons why such bundled charges might be offered in future?

142. Are you aware of any arrangement where revenue from the supply of electricity lines services would be best treated as capital contributions?

143. Do you think that additional R&D or innovation incentives are needed? And if so, what?