



November 21, 2012

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Presiding Commissioner
Productivity Commission
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Dear Philip,

Response to Productivity Commission Draft Report – Electricity Network Regulatory Frameworks

United Energy (UE) welcomes the opportunity to provide a submission in response to your draft report. By way of background UE distributes electricity to more than 640,000 customers across east and south east Melbourne and the Mornington Peninsula. Ninety per cent of our customers are residential. We manage a network of 209,000 poles, over 13,000 kilometres of wires and 46 zone stations.

UE acknowledges that electricity prices have risen in recent years however, disagrees that (for UE customers) these are due to “spiralling network costs”. In real terms, the distribution component of a UE customer’s electricity invoice is lower now than when the industry was privatised in 1995. Other factors such as solar rebates, higher generation and retail costs are a greater contributor to higher energy charges.

UE largely supports the Draft Recommendations with the exception of those that in UE’s view does not support a stable and predictable regulatory environment. These are:

- 11.2 – This recommendation goes to additional licensing conditions for businesses. It is not clear what benefits this would generate. A better alternative would be the implementation of the National Energy Customer Framework that is currently delayed with no timeframe published for its implementation.
- 21.4 – This recommendation goes to the fast tracking of revised laws following a SCER review. The AEMC is the responsible body for rule making. They are accountable for the performance of the rules and have been given necessary capability to manage rule development. They ensure that any changes to the rules are subject to consistent analytical framework and are consistent with the national objectives. Allowing the fast tracking of proposed law changes recommended by other bodies effectively dilutes the law making process and will ultimately erode investor confidence with the potential for multiple law changes made in an ad-hoc manner.

UE also notes that there has been a considerable number of reviews in addition to the Productivity Commission review. The major one of these is the AEMC’s rule changes to chapter 6. These rule changes go a long way to addressing a number of concerns in the Productivity Commission report.



UE also supports the proposal submitted by the Energy Networks Association.

Yours sincerely,

Andrew Schille
General Manager Regulation.