

15 September 2016

Anne Pearson
Chief Executive
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By electronic submission: www.aemc.gov.au

Dear Ms Pearson

ENDEAVOUR ENERGY RESPONSE TO THE AEMC, RATE OF RETURN GUIDELINES REVIEW, CONSULTATION PAPER, 18 AUGUST 2016 (REFERENCE ERC0207 / GRC0038)

Endeavour Energy welcomes the opportunity to provide feedback on the AEMC's Consultation Paper—Rate of Return Guidelines Review (the Consultation Paper). We understand that the AER rule change request seeks to extend the deadline for the completion of the Rate of Return Guideline review from every three years, to every five years. In practicality, this means extending the completion deadline from 17 December 2016 to 17 December 2018.

We agree that the proposed December 2018 completion date coincides with the revised regulatory proposals for several regulated entities, including Endeavour Energy. This raises questions about the applicability of the new guideline to the 2019-24 Endeavour Energy regulatory process and places limits on the timeframe for Endeavour Energy to decide on whether and how to either incorporate, or depart from the Guideline in our revised regulatory proposal.

We support the AEMC's position to use transitional provisions to specify that the current 2013 Guideline would apply to the 2019-24 regulatory determination processes of the affected service providers (of which Endeavour Energy is one), rather than the revised Guideline published following the review process. We also agree with the transition provisions only applying in respect of the first review of the Guideline and not preventing affected service providers, or the AER, from being able to depart from the 2013 Guideline.

Notwithstanding above, we prefer the transition provisions to be coupled with a further postponement of the Rate of Return Guideline review to May/June 2019. This outcome ensures the disputed elements currently before the merits and judicial reviews are incorporated into the new Rate of Return review, without limiting Endeavour Energy's ability to engage in the Rate of Return consultation phase.

Endeavour Energy does however acknowledge the AEMC's concern that further postponing the Rate of Return Guideline review may impose the same timing issues mentioned above on other network service providers. It is noted that these issues will continue to apply to all rule changes as long as the timing of network service providers' regulatory processes are misaligned. As such, future consideration should be given to better aligning the timing of all network service providers' regulatory processes.

If you have any queries or wish to discuss this matter further please contact Jon Hocking, Manager Network Regulation on (02) 9583 4386 or alternatively via email at jon.hocking@endeavourenergy.com.au.

Yours sincerely



Rod Howard
Acting Chief Executive Officer