



Media Release

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UNITED ENERGY DISTRIBUTION RESPONDS TO AER DRAFT DETERMINATION

United Energy Distribution (UED) notes the Australian Energy Regulator's (AER) draft distribution determination released on Friday 4 June 2010. UED will engage with the AER in response to the draft and provide further information and submissions over the coming months. The AER's final determination is due to be released at the end of October 2010.

The draft determination, which is subject to further public and industry review, indicates capital expenditure 33% below the levels UED has proposed. The AER has acknowledged that Victoria's electricity network is mature, but the draft has not provided for the capital required to fund the ongoing investment in asset renewal that is necessary for mature networks.

Further, the draft determination has not made adequate provision to fund the network capacity enhancements required to meet expected growth in peak demand and meet the community's growing needs and expectations of network reliability and public safety.

UED's submission to the AER included a carefully considered program for capital expenditure, which was developed to ensure that UED can continue to meet the needs of customers. In response to the draft determination, UED will provide further detail and support for its proposed capital expenditure programs for consideration by the AER.

Mr Hugh Gleeson, UED's CEO, said, "I believe the final determination should look very different to this draft after we provide further information to the AER and engage with them on various issues.

"I note that UED's proposed level of expenditure is, on a comparative basis, significantly below the levels approved by the AER as necessary and efficient in New South Wales and Queensland. The national regulatory framework needs to show consistency, and Victoria's electricity infrastructure cannot be left to languish."

Customers' energy consumption is projected in the draft to increase significantly over the five year period, which is contrary to current sector trends and information provided by expert forecasters. This is one of several anomalies in the calculation

of revenues and tariffs in the draft which UED expects to be addressed in the final determination.

Mr Gleeson said, "As we work through this process, we will encourage the AER to take the same approach to Victoria as it has with other states and to support the necessary renewal of ageing assets for the benefit of Victorian electricity customers."

A copy of the AER's draft determination, together with a copy of UED's submission to the review, made on 30 November 2009, will be available at UED's website www.unitedenergy.com.au

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