

2024-2029 Revised Proposal

Customer and stakeholder snapshot



This document highlights the key outcomes of our Revised Proposal, which was submitted to the AER on 30 November 2023. This includes feedback from our customers and stakeholders and how it shaped our Revised Proposal, as well as price information for all our main customer groups.



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Get in touch at publicaffairs@cradle.com.au



Timeline

2025-2031

2025

2021

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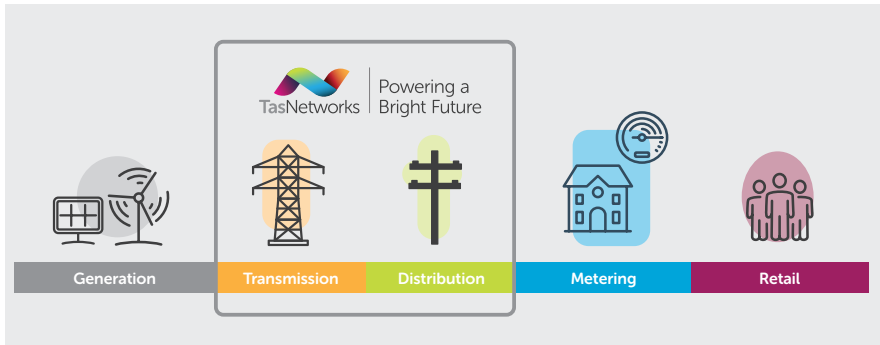
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About TasNetworks

TasNetworks owns, operates and maintains Tasmania's electricity transmission and distribution networks, delivering safe, cost-effective and reliable electricity to over 295,000 residential, commercial and industrial customers.



About our Revised Proposal







As a provider of electricity services in Tasmania we're required to submit a transmission revenue proposal and distribution regulatory proposal to the Australian Energy Regulator (AER) every five years.

Our Revised Proposal is the result of over 2.5 years of continuous work from across the TasNetworks business. It builds on our **Draft Plan** (August 2022) and **Combined Proposal** (January 2023) and details the revenue we need to recover from our customers in the next regulatory control period (July 2024-June 2029) to build, operate and maintain Tasmania's transmission and distribution networks. It also specifies the prices for network services and public lighting, and network charges (tariffs) we will use to recover revenue.

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- July 2021**
Engagement program starts
 - November 2021**
Co-designed Engagement Strategy released for public comment
 - August 2022**
Draft Plan released for public comment
 - January 2023**
Combined Proposal submitted to AER
 - September 2023**
AER publishes Draft Decision on Combined Proposal
 - November 2023**
Revised Proposal submitted to AER
 - 19 January 2024**
Public submissions to AER on Revised Proposal and Draft Determination close
 - April 2024**
AER publishes Final Determination on Revised Proposal
 - 01 July 2024**
New regulatory control period starts

Distribution customer outcomes

We have over 295,000 distribution customers across the state, including residential customers and small to medium businesses. Together they account for approximately 50 per cent of all the energy used in Tasmania each year.






	 Revenue - smoothed (\$m)	 Capital Expenditure (\$m)	 Operating Expenditure (\$m)	 Rate of Return (%)	 Residential Prices	 Small Business Prices
Original proposal	\$1,549.2m	\$729.4m	\$541.0m	5.71%	\$833 (2.4%)	\$2,960 (1.3%)
Draft decision	\$1,677.0m	\$729.3m	\$541.0m	5.80%	\$898 (4.5%)	\$3,167 (3.1%)
Revised proposal	\$1,676.7m	\$729.3m	\$541.0m	5.80%	\$897 (4.0%)	\$3,171 (2.7%)

Notes

- All figures are in \$m real, 2023-24
- Revenue and expenditure are for the full five-year regulatory control period
- Prices are the average over the 2024-2029 period. Price movements for individual distribution customers will vary depending on energy usage and location.

Transmission customer outcomes

Our transmission network connects the distribution network to electricity generators, like wind farms and hydro energy producers. We also have 13 transmission network connected customers across the state, primarily in heavy industries like mining and manufacturing. Transmission customers collectively use over 50 per cent of Tasmania’s total energy use each year.

	 Revenue - smoothed (\$m)	 Capital Expenditure (\$m)	 Operating Expenditure (\$m)	 Rate of Return (%)	 Transmission Prices \$/MWh
Original proposal	\$784.1m	\$287.8m	\$209.2m	5.68%	\$11.33/MWh (1.0%)
Draft decision	\$809.1m	\$287.8m	\$209.2m	5.77%	\$11.65/MWh (2.6%)
Revised proposal	\$801.2m	\$287.8m	\$209.2m	5.77%	\$11.63/MWh (2.6%)

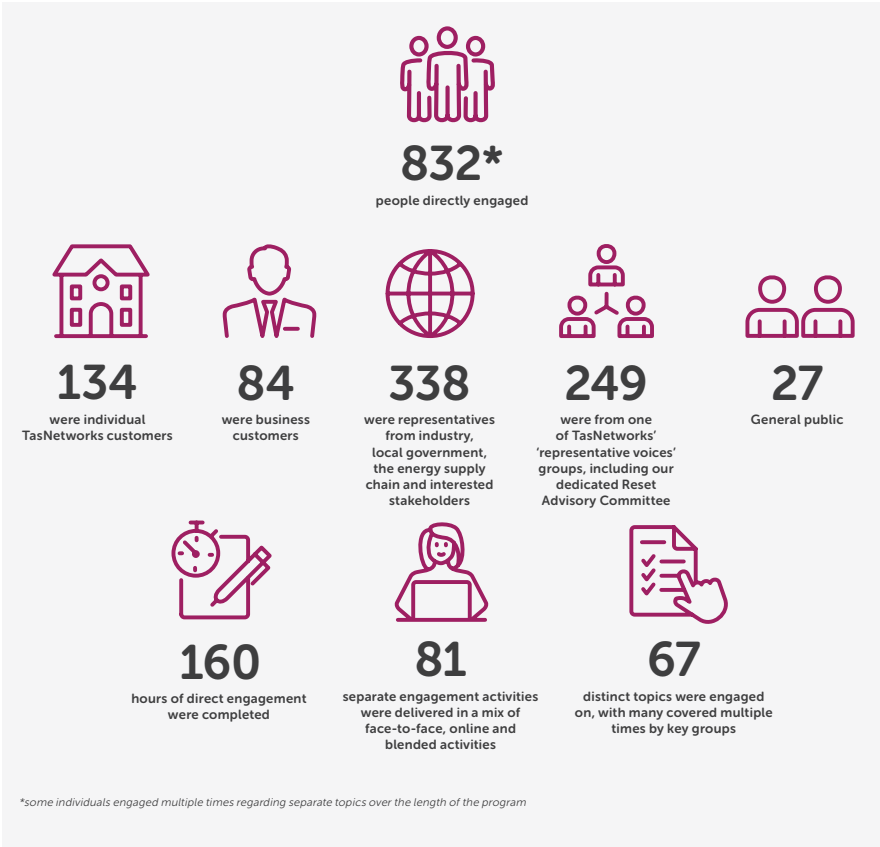
Notes

- All figures are in \$m real, 2023-24
- Revenue and expenditure are for the full five-year regulatory control period
- Prices reflect the weighted average price movements across the transmission network and are the average over the 2024-2029 period. Price movements for individual transmission customers will vary depending on energy usage and location.



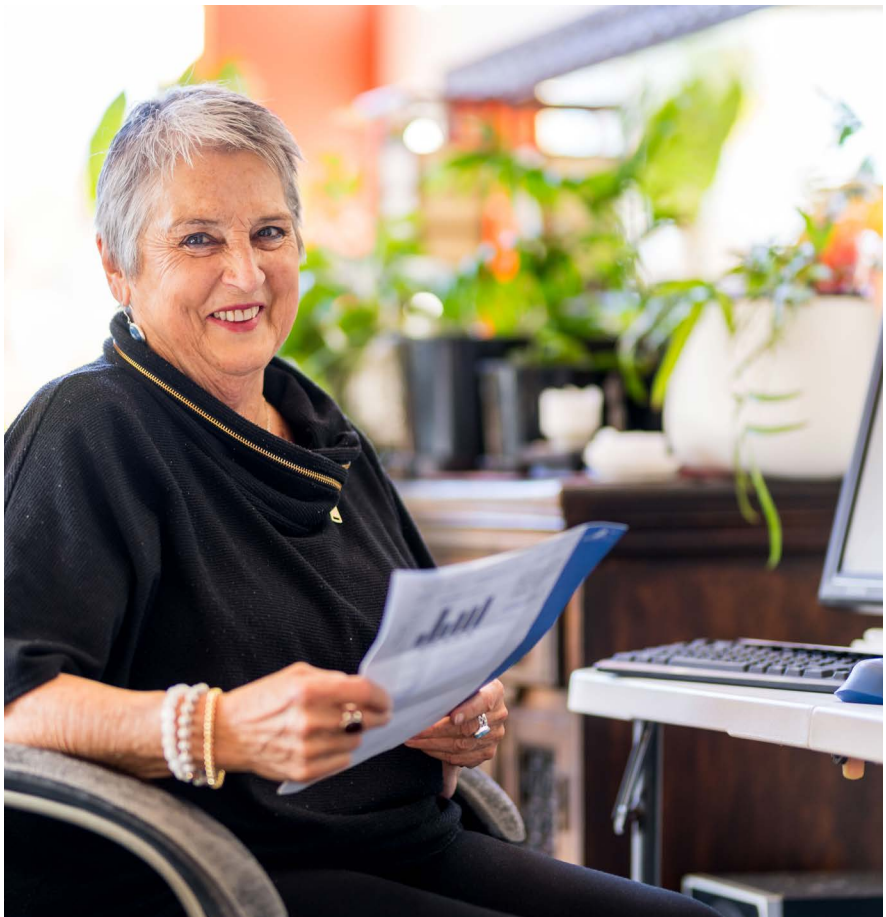
Hearing from our customers and stakeholders

We've engaged with our customers and stakeholders for almost 2.5 years to support the development of our Revised Proposal, resulting in the most comprehensive and diverse collection of engagement activities we've ever completed.



How feedback shaped our Revised Proposal

Feedback from our customers, stakeholders and the AER has been consolidated into five key areas. The following pages detail key aspects of this feedback, and how we've responded in our Revised Proposal.



Key theme	What we've heard	How we've responded
Affordability	<p>There was general support for TasNetworks to pursue an overall objective of affordability for customers, but also widespread concern about potential bill impacts and affordability for all customers, particularly if contingent projects proceed. It was also noted there are more effective ways to reduce customer costs than lowering prices. A more aggressive approach to pursuing affordability for customers was called for, with one stakeholder group advising TasNetworks to retest customer priorities to see if willingness to pay for key initiatives had changed due to increasing economic pressures since the Original Proposal was developed.</p>	<ul style="list-style-type: none"> • We share customer concerns over the rising costs of living. We are committed to keeping our costs as sustainably low as possible without sacrificing reliability and safety, or undermining the delivery of our other priorities. • We have developed expenditure forecasts that satisfy the AER's top-down assessment. We have not proposed any changes to our expenditure in the Revised Proposal, despite increasing real costs and inflation. • We will continue to absorb cost increases and pursue cost reductions and efficiencies in our expenditure to pass back through to our customers via the Efficiency Benefit Sharing Scheme and Capital Expenditure Sharing Scheme. • We have updated our contingent project triggers to remove the connection of new generation from all but two of the proposed projects. The result of this is that if any contingent projects are to proceed, the costs of network upgrades will be contributed to by new connecting load(s), sharing the bill impact with existing customers. • Based directly on stakeholder and customer representative feedback, we have proposed a non-default smoothing approach to our maximum allowable revenue to moderate the price impact for our distribution customers (residential and small business). If approved by the AER, this would see a 10.8% price increase in 2024-25, followed by 2.3% per annum from 2026-29.

Key theme	What we've heard	How we've responded
Contingent projects	<p>There was broad and significant concern about the potential pricing/bill impacts of contingent projects on all customer segments, and a perceived lack of transparency from TasNetworks regarding the sharing of the potential impacts. There were several calls for more consultation on the need for these projects, their triggers and bill impacts. One stakeholder noted that it was appropriate for contingents to be funded by government or developers, given they are related to achieving Tasmanian Government policies.</p>	<ul style="list-style-type: none"> Contingent projects aren't certain enough to be included in our base forecasts. However, there is a degree of probability that they will be triggered and needed during the 2024-2029 regulatory control period. As such, we need to include them as part of the Revised Proposal, otherwise they cannot be considered for action during that timeframe. We have updated our contingent projects and their triggers, and shared the bill impact of the proposed contingent projects in engagement activities and the Revised Proposal. We have updated our contingent project triggers to remove the connection of new generation from all but two of the proposed projects. The result of this is that if any contingent projects are to proceed, the costs of network upgrades will be contributed to by new connecting load(s), sharing the bill impact with existing customers. In response to the revised staging of the North West Transmission Developments, we have proposed a new contingent project (North West Network Upgrade) to improve the hosting capacity of the network in North West Tasmania.

Key theme	What we've heard	How we've responded
Customer benefits	<p>Multiple questions were received regarding whether customers should be paying for capital and operational investments driven by government policies. There were several calls for greater clarity and targeted consultation on how costs are allocated (who pays) and cross-subsidies are managed, and a suggestion that the business should be more customer-focused (and less network focused) with greater transparency regarding customer benefits.</p>	<ul style="list-style-type: none"> • Our proposed capex and opex delivers clean and reliable power to our customers, as safely and affordably as possible. • The proposed investments in the 2024-2029 regulatory control period being driven by government policies are the proposed contingent projects. There are still rigorous processes to be followed to assess if these projects proceed and what revenue can be recovered from customers: • The Regulatory Investment Test for Transmission process is focused on identifying the solution with the highest net benefits for customers. • The contingent project application process ensures that customers only pay for costs that are prudent and efficient to deliver the project. • Continuing our commitment to transparent and genuine engagement, we have broadened our engagement to cover topics outside of the 2024-2029 revenue reset, such as Tasmanian Government policy and Project Marinus. We will continue engaging with our customers and stakeholders on this beyond this revenue reset.

Key theme	What we've heard	How we've responded
Engagement	<p>TasNetworks' engagement program was acknowledged by external stakeholders as being greatly improved over previous revenue resets (seen as broad and deep, as well as using a good variety of methods), but further improvement is needed to empower customers, provide clearer evidence of how plans have changed as a result of feedback, and give greater clarity around what can (and cannot) be influenced. There was broad concern that feedback hadn't made any tangible difference to the Original Proposal, and several calls for engagement to be ongoing (not just during resets). There were also several requests to increase the diversity of participants and feedback, as well as the number of individual customers being engaged. Having TasNetworks' key decision makers present at engagement activities was noted as desirable.</p>	<ul style="list-style-type: none"> • From mid-2023, we commenced embedding revenue resets into everyday business, enabling an earlier start to the overall program, including engagement planning. This will allow time to identify topics and investments customers can genuinely influence, and ensure the business is committed to hearing and actioning customer feedback. • We will undertake a full review of the composition of TasNetworks' advisory groups in early 2024 to ensure greater diversity in representation - as identified through 2023 customer segmentation research. • We will introduce a broader engagement framework to the business in early 2024 – paving the way for a more effective and consistent engagement approach across the whole business. This will focus on building capability internally to drive a more customer centric approach, and also externally with our stakeholders so they are able to engage at a deeper level. This will ensure TasNetworks remains responsive to changes in customers' needs and market pressures.
Revenue	<p>Submissions acknowledged that the proposed revenue for both transmission and distribution networks is higher than the current regulatory control period, and the pressure this will place on prices. Concern was also expressed over the impacts and uncertainty of inflation, the rate of return and financing costs for small businesses and customers.</p>	<ul style="list-style-type: none"> • Movements in market variables, such as updates for expected inflation and the rate of return, have led to higher revenue outcomes than the Original Proposal. The AER will update the Revised Proposal for these variables prior to the final decision in April 2024. • We have not proposed any changes to our expenditure in the Revised Proposal, despite increasing real costs and inflation. • We have updated our contingent project triggers to remove the connection of new generation from all but two of the proposed projects. Meaning that if any contingent projects are to proceed, the costs of shared network upgrades will be shared with the new connecting load(s), sharing the bill impact with existing customers.

Next steps

The AER will now review our Revised Proposal. Their Final Determination in April 2024 will outline how much we can spend on our transmission and distribution networks, as well as the network charges we can apply to our customers during the new regulatory control period (2024-2029).

We welcome your feedback on our Revised Proposal, either directly to us or through the AER's official submission process, available on their [website here](#).

Milestone	Timing
TasNetworks submits Revised Proposal	30 November 2023
Submissions to AER on Revised Proposal and Draft Decision close	19 January 2024
AER issues Final Determination	By 30 April 2024

Like to know more?

All the materials from our 80+ engagement activities are available for download from our dedicated engagement platform – **Talk with TasNetworks**. This includes engagement strategies and reports, presentations and agendas, news articles and more.

How to get in touch with us:

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