

# Ergon Energy, Energex 2025-30 Draft Decisions

## Predetermination conference

10 October 2024

# Acknowledgement of Country

Justin Oliver

AER Board Member



# Welcome and introductions

Justin Oliver

AER Board Member



# Agenda

Topic	Speaker	Duration
Welcome and acknowledgment of country	Justin Oliver AER Board member	5 min
Key themes of our draft decision	Justin Oliver AER Board member	5 min
Our draft decisions	Paul Harrigan General Manager	10 min
Energy Queensland – next steps and reflections	Peter Scott, Chief Executive Officer	10 min
Facilitated discussion	Mike Swanston CCP30	25 min
Closing remarks and next steps	Justin Oliver, AER Board member	5 min

# Key themes of our draft decisions

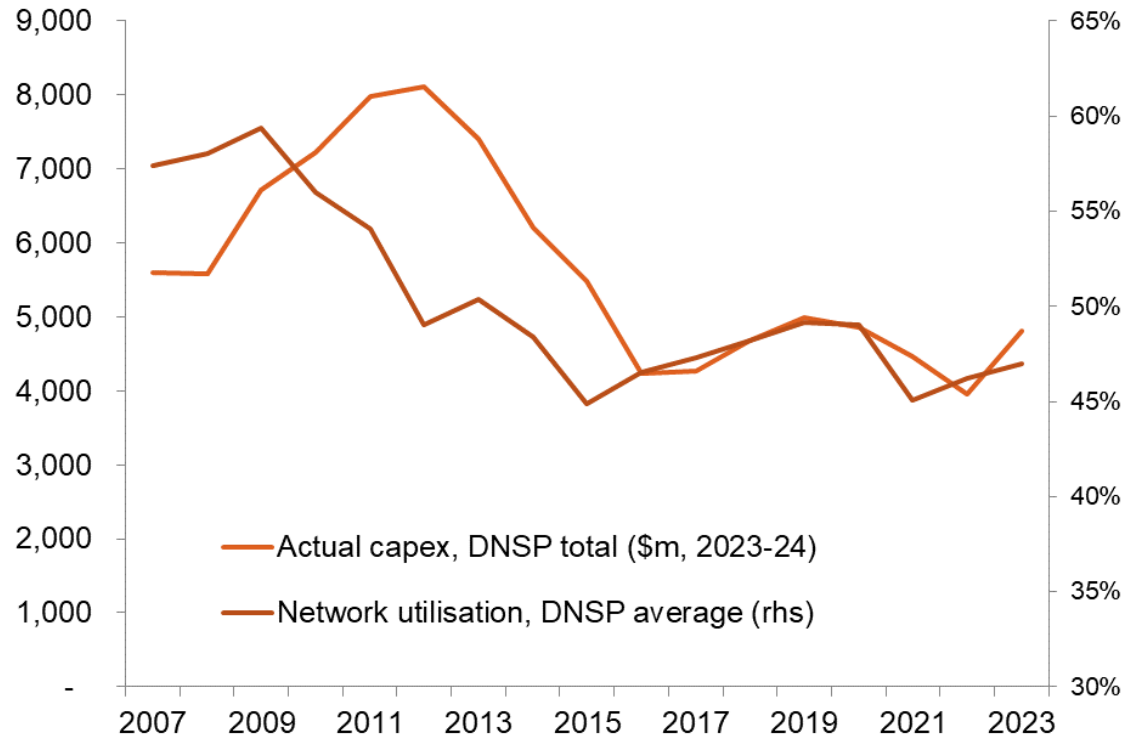
Justin Oliver

AER Board Member

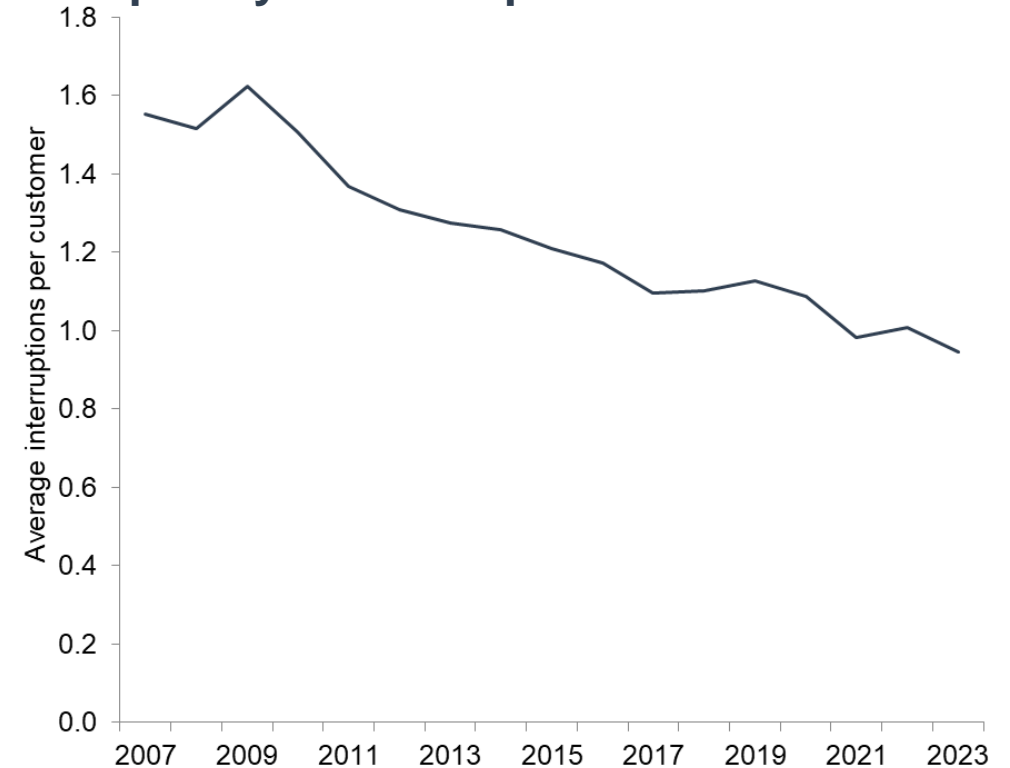


# Capital expenditure and network utilisation over time in the National Electricity Market (NEM)

## Capex and network utilisation in the NEM

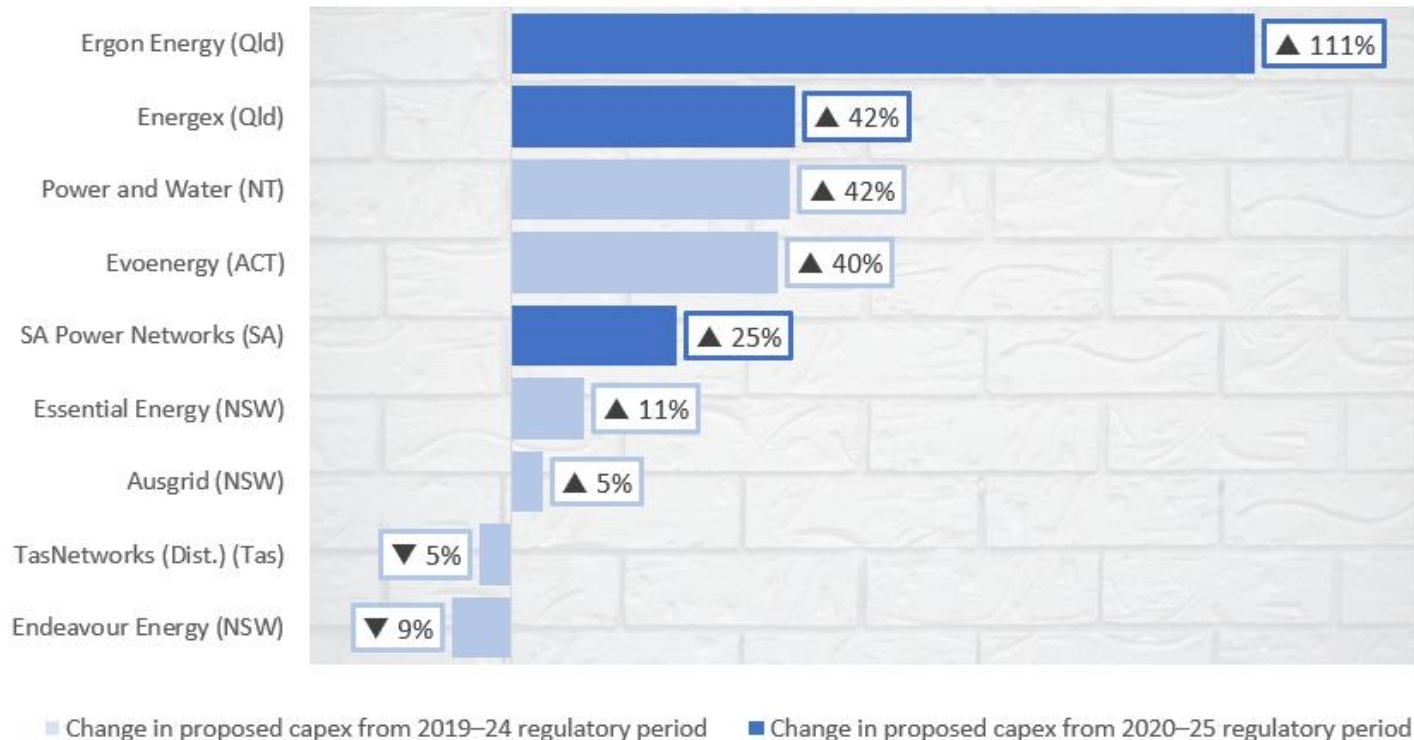


## Frequency of interruptions in the NEM



# Electricity customers are facing a ‘wall of capex’ from distributors

## Proposed future capital expenditure compared to historical AER approved forecasts



### Estimating bill impact

#### Rough rule of thumb:

A 10% capex increase for distribution networks leads to an approx. \$6 bill increase over the regulatory period.<sup>^</sup>

So, a 100% increase would lead to bills being approx. \$60 higher.<sup>\*\*</sup>

<sup>^</sup> This assumes distribution is 40% of the typical bill, and that the bill size is \$2,000.

<sup>\*\*</sup> Results will vary based on the size of the RAB.

# Our expectations from networks proposing significant expenditure

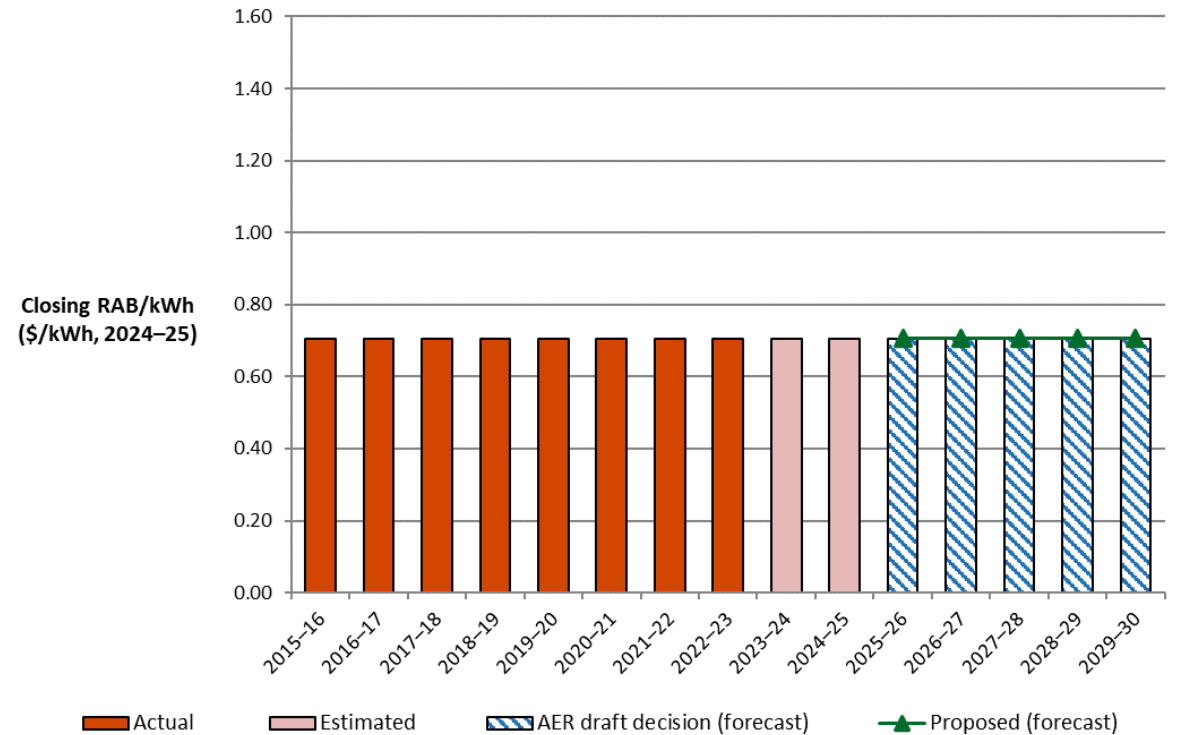
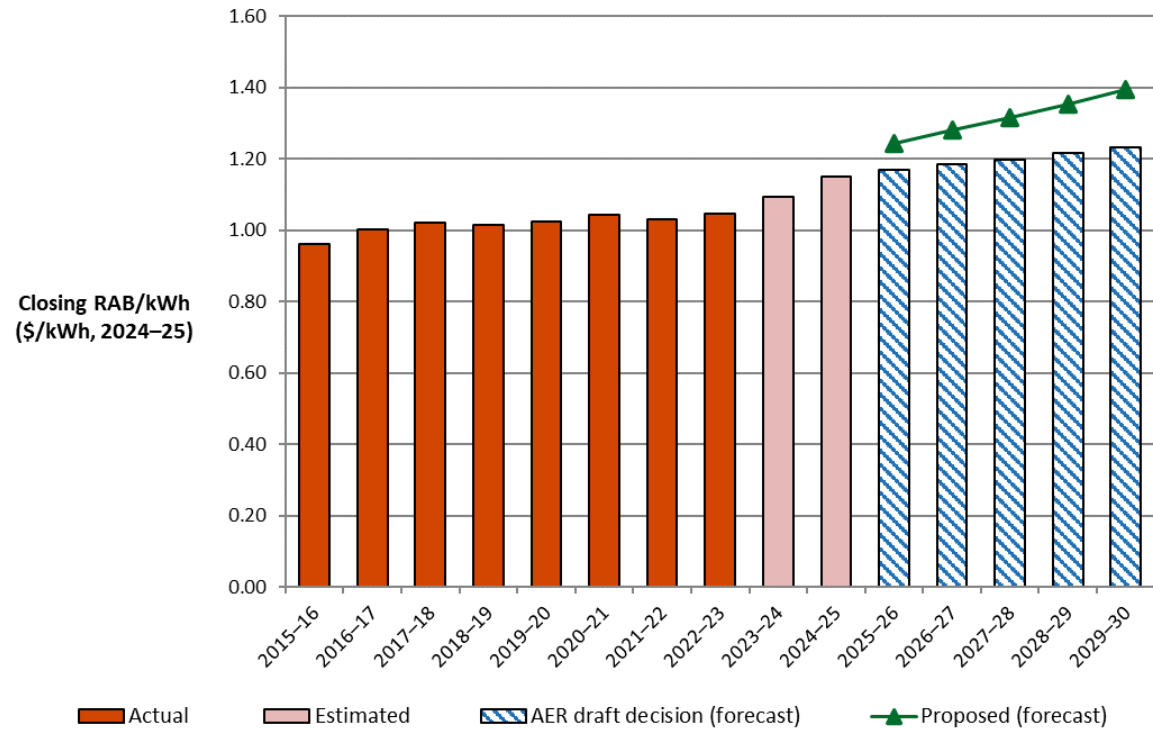
- Thorough consultation with consumers
- Robust business cases
- Proposals that meet safety and technical standards prudently and efficiently
- Seek to maintain and improve asset utilisation
- Adopt tariff mechanisms to curb the need for capex



# Regulatory asset base per kilowatt-hour (RAB/kWh)

## Ergon Energy RAB/kWh

## Energex RAB/kWh



# Draft decisions

Paul Harrigan  
General Manager

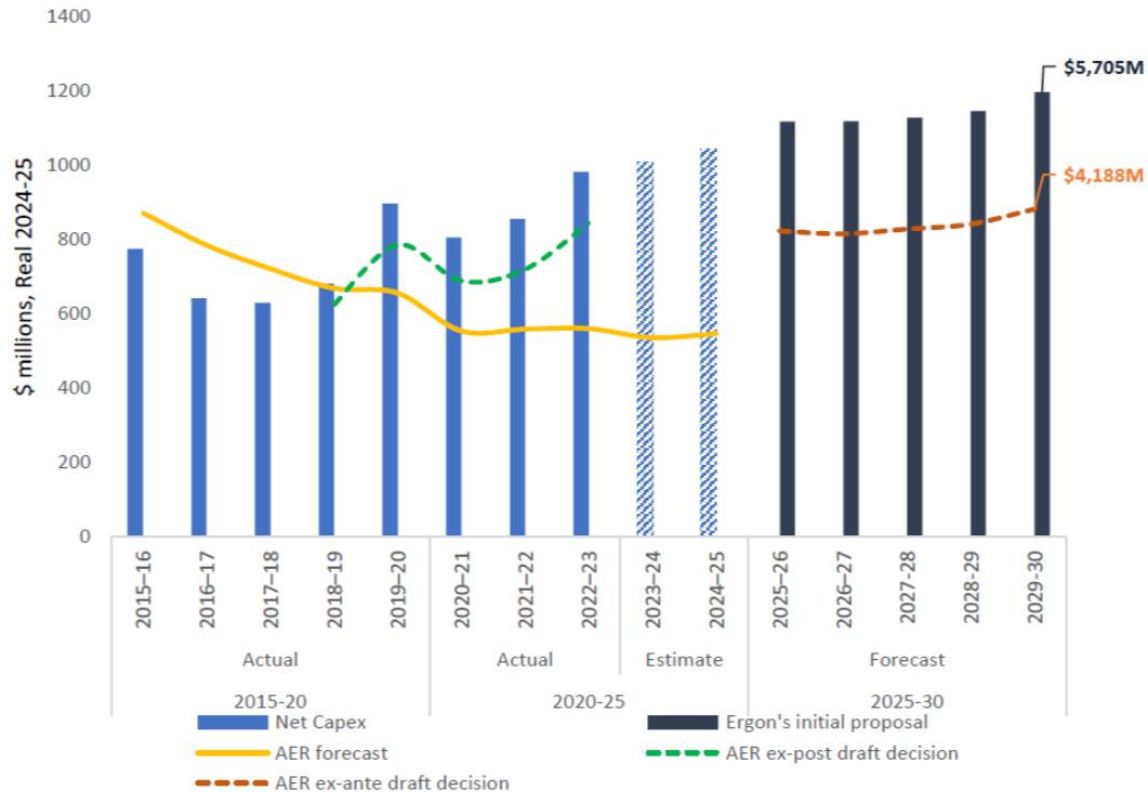


# Draft decisions - summary

Category	Key figures - Ergon Energy	Key figures - Energex
<b>Revenue*</b> (\$nominal, smoothed)	<b>\$8,365.9M</b> (\$156.4M / <b>1.8%</b> ↓ than proposed)	<b>\$8,703.6M</b> (\$194.2M / <b>2.2%</b> ↓ than proposed)
<b>Regulatory Asset Base*</b> (RAB) (\$nominal)	Opening: \$15,566.1M Closing: \$18,939.3M <b>Growth: 21.7%</b> ↑	Opening: \$15,569.5M Closing: \$17,419.3M <b>Growth: 11.9%</b> ↑
<b>Operating Expenditure*</b> (Opex) (\$2024–25)	<b>\$2,379.1M</b> (Accepted) (including debt raising costs)	<b>\$2,284.9M</b> (Accepted) (including debt raising costs)
<b>Consumer Bills</b> (Nominal increases by 2029–30)	Residential: \$197 ( <b>9.6%</b> ↑) / \$39 p.a. Small business: \$397 ( <b>9.3%</b> ↑) / \$79 p.a.	Residential: \$197 ( <b>9.6%</b> ↑) / \$39 p.a. Small business: \$397 ( <b>9.3%</b> ↑) / \$79 p.a.
<b>Metering Services Revenue</b> (\$nominal, smoothed)	<b>\$170.9M</b> (\$8.8M / <b>4.9%</b> ↓ than proposed)	<b>\$377.2M</b> (\$17.2M / <b>4.4%</b> ↓ than proposed)

\*Standard control services

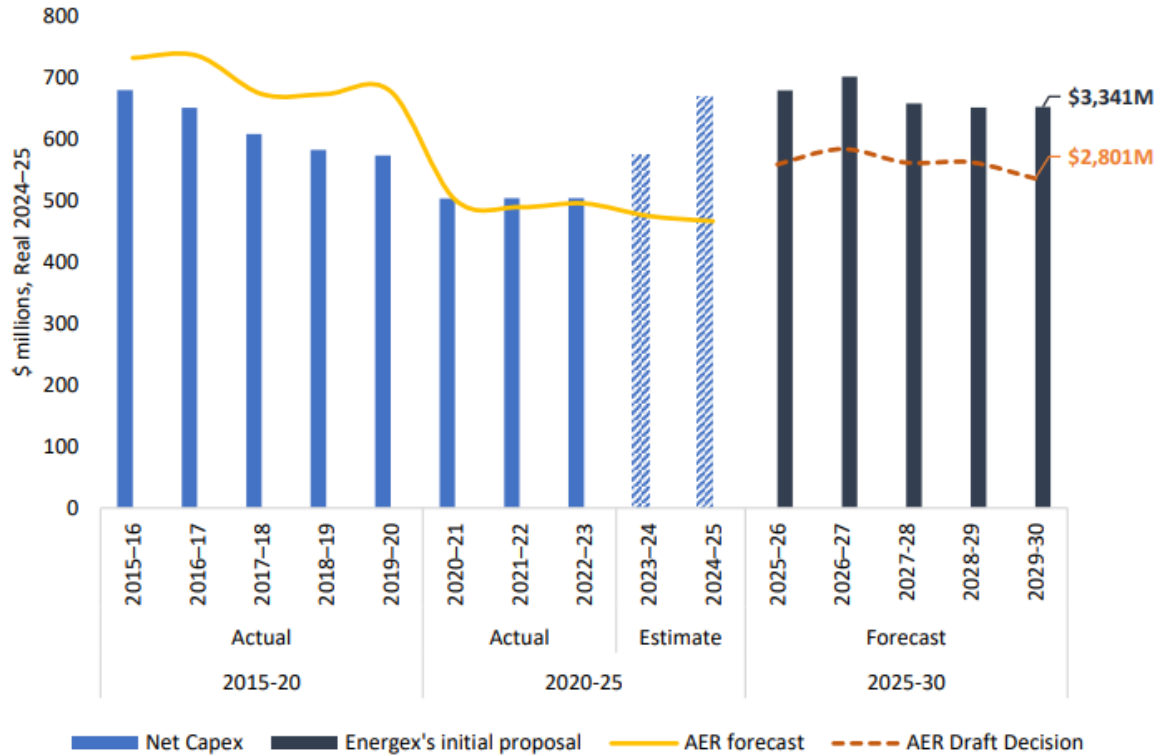
# Ergon Energy capital expenditure



## Key Capex figures (SCS)

Category	Proposal	Draft decision	Difference
Ex-post (2018–23) Capex overspend (\$2024–25)	\$1,195.0M	<b>\$598.8M</b>	\$596.2M (50.0% ↓ than actual)
Ex-ante (2025–30) Capex forecast (\$2024–25)	\$5,704.8M	<b>\$4,188.1M</b>	\$1,516.7M (26.6% ↓ than proposed)
<b>Capex forecast by category (\$2024–25)</b>			
Repex	\$2,545.6M	\$1844.3M	27.5% ↓ than proposed
Augex	\$763.4M	\$429.2M	43.8% ↓ than proposed
ICT	\$288.3M	\$208.7M	27.6% ↓ than proposed

# Energex capital expenditure



## Key Capex figures (SCS)

Category	Proposal	Draft decision	Difference
Capex forecast (\$2024-25)	\$3,341.1M	<b>\$2,801.0M</b>	\$540.1M (16.2% ↓ than proposed)
Capex forecast by category (\$2024-25)			
Repex	\$920.9M	\$913.2M	<b>0.8%</b> ↓ than proposed
Augex	\$595.3M	\$324.0M	<b>45.6%</b> ↓ than proposed
ICT	\$266.0M	\$195.4M	<b>26.5%</b> ↓ than proposed

# Tariffs

Draft decision accepts many elements of Ergon Energy's proposed tariff structure statement

Three key adjustments required for compliance with the NER and contribution to the achievement of the NEO:

1. default assignment for retailers of small customers with smart meters to be time-of-use tariffs (to manage customer impacts) with demand tariffs opt-in
2. addition of an opt-in time-of-use tariff for peaky load business customers (such as EV charge point operators) while their consumption is low (up to 160 MWh per year) for better contribution to the achievement of jurisdictional targets for emissions reduction
3. more detail on proposed grid-scale storage tariffs, including on critical peak pricing (reward) mechanism (to ensure they capable of being understood by customers or able to be incorporated into retail offers).

# Energy Queensland

Peter Scott

Energy Queensland Chief Executive Officer

# Facilitated Discussion

Mike Swanston

Consumer Challenge Panel





## Next Steps

Milestone	Date
Ergon Energy and Energex submitted regulatory proposals to the AER	31 January 2024
AER published an issues paper	26 March 2024
AER holds a public forum	11 April 2024
Submissions on regulatory proposals close	15 May 2024
AER publishes draft determination decision	23 September 2024
AER holds a pre-determination conference	10 October 2024
Energy Queensland submits revised regulatory proposal to AER	26 November 2024
Submissions on revised regulatory proposal and draft decision close	17 January 2025
AER publishes distribution determination for regulatory control period	30 April 2025

## Submission details

- We invite interested parties to make submissions on the Draft Decision by **17 January 2025**.
- **We encourage early submissions, where possible, to inform the next phase of consultation.**
- Submissions should be emailed to [energyqueensland2025@aer.gov.au](mailto:energyqueensland2025@aer.gov.au)

