

## AER VARIES VICTORIAN ELECTRICITY NETWORK CHARGES FOLLOWING TRIBUNAL DECISION

### Attachment

#### Indicative annual network tariff increase arising from the remade determinations for average residential customers for 2013

DNSP	Network tariff increase (\$) 2013	Change (%)
CitiPower	13	2.4
Powercor	19	2.3
Jemena Electricity Networks	39	5.4
SP AusNet	8	1.1
United Energy	13	1.9
<b>All DNSPs</b>	<b>19</b>	<b>2.6</b>

#### Note:

(a) the estimated impact of the approved network tariff on individual customers will vary based on network tariff, consumption levels and retailers approach to pricing.

(b) Distribution network tariffs represent around 30-40 per cent of the total cost of supplying electricity to residential customers and the impact of network tariffs for 2012 are based on an estimated average annual consumption of 6 500 kWh.

(c) Typically, customers do not see network charges itemised on their final electricity bills. Instead, they are included in tariffs charged by electricity retailers, such as AGL Origin Energy and TRUenergy.

### Background

On 19 November 2010, Victorian electricity distribution businesses (CitiPower, Powercor, Jemena Electricity Networks, SP AusNet and United Energy) applied to the Australian Competition Tribunal (Tribunal) for review of certain parts of their 2011–15 distribution determinations.

The Tribunal in its decision on 5 April 2012 affirmed some aspects of the AER's 2010 distribution determination. However, the Tribunal disagreed with the AER's methodology or

approach in relation to a number of matters (i.e. the calculation of the cost of debt, indexation of the asset base for inflation, the disallowance of some operating costs for Jemena Electricity Networks and operating costs for CitiPower and Powercor related to safety regulations). For some of these matters, the Tribunal remitted the matter back to the AER to reconsider the decision. The AER has now completed this further work.

In addition, on 27 September 2012, Victorian legislation took effect which provided that the AER's 2010 determinations on the application of penalties and rewards from the incentive schemes implemented by the previous jurisdictional Regulator should stand. The Tribunal had disallowed these payments for some of the businesses. The action of the Victorian government negates the Tribunal decision on this matter and means network prices will not increase as much as otherwise.

The revenue impact arising from the Tribunal's decision (taking into account the Victorian Legislation) will increase allowed revenue across all of the businesses by around \$255 million, or around three per cent of total allowed revenue of \$8.8 billion over the 2011-15 regulatory period. The revenue impact across each business is provided in the table below.

**Impact on the Building Block Revenue requirement (\$'m nominal)**

	<b>CitiPower</b>	<b>Powercor</b>	<b>JEN</b>	<b>SP AusNet</b>	<b>United Energy</b>	<b>Total</b>
AER 2010 determination	1190	2512	994	2447	1675	8817
Remade determination	1229	2608	1041	2478	1716	9072
Difference (\$)	39	96	47	31	41	255
Total Change (%)	<b><u>3.3%</u></b>	<b><u>3.8%</u></b>	<b><u>4.7%</u></b>	<b><u>1.3%</u></b>	<b><u>2.5%</u></b>	<b><u>2.9%</u></b>

For the average residential customer in Victoria, the resulting increase in network charges for 2013 across the DNSPs is estimated to be about \$19 or 2.6 per cent. As the network component is on average 35 per cent of the total retail bill in Victoria, this would result in an average increase of around one per cent to a customer's total annual bill.