

Transgrid Electricity Transmission Determination: 2023-28 Draft Decision

Public forum | Wednesday 12 October 2022

AER welcome

Warwick Anderson and Jim Cox

Agenda

- 1 Welcome and introductions
- 2 AER – key findings
- 3 AER Consumer Challenge Panel (CCP25)
- 4 Transgrid
- 5 Discussion time
- 6 Thank you and close

About this process



- The AER exists to ensure energy consumers are better off, now and in the future



- One of our core functions is the effective regulation of monopoly infrastructure, by:
 - Ensuring customers pay no more than necessary for safe and reliable energy
 - Better Resets Handbook: Towards Consumer-Centric Regulatory Proposals
 - Supporting the energy market transition



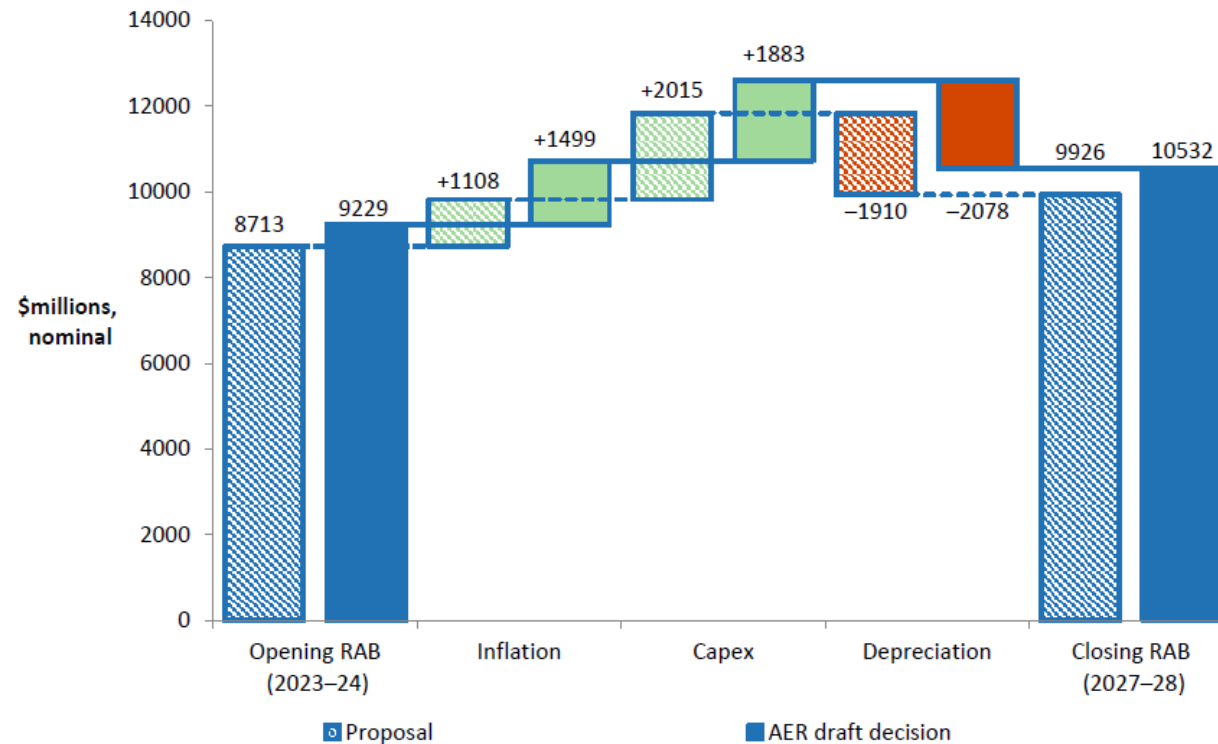
- Transgrid operates and manages the high voltage electricity transmission network in NSW/ACT, connecting generators, distributors and major end users
 - The AER will set the maximum allowed revenue Transgrid can recover from consumers for electricity transmission network services in the 2023-28 period

Where we are now



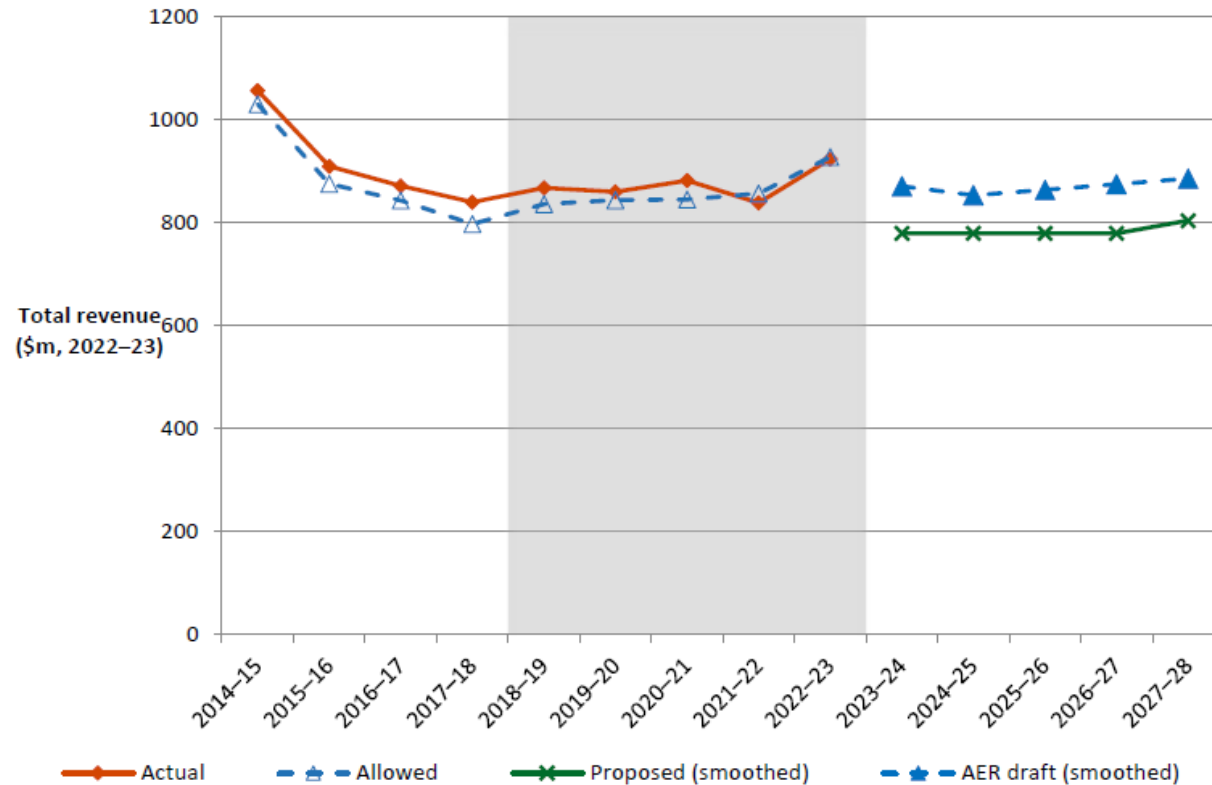
About our decision

Figure 6 Key drivers of changes in the RAB over the 2023–28 period – Transgrid’s proposal compared with the AER’s draft decision (\$ million, nominal)



Revenue

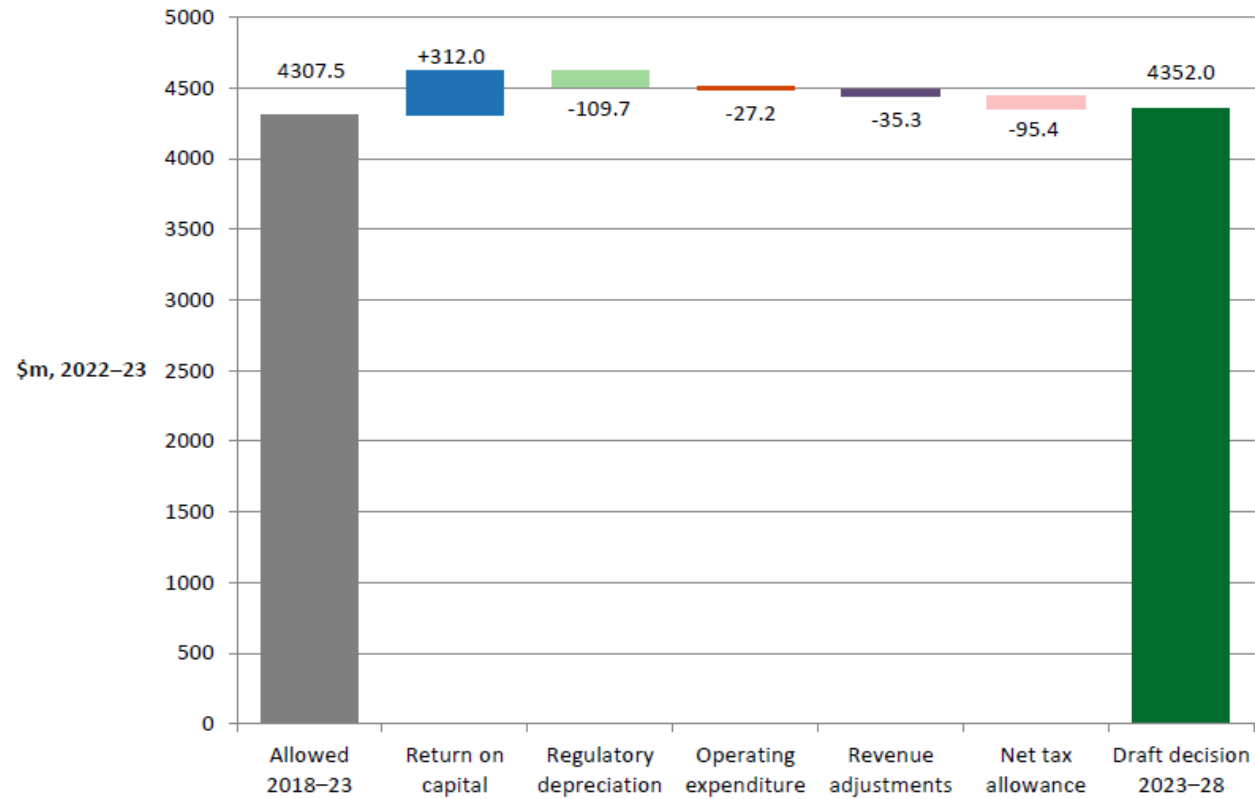
Figure 1 Changes in regulated revenue over time (\$million, 2022–23)



Revenue allowance has been impacted by **market variables**, including interest rates, bond rates and expected inflation.

Key revenue drivers

Figure 2 Change in building block revenue 2018–23 to 2023–28 (\$ million, 2022–23, unsmoothed)



Impact on transmission charges

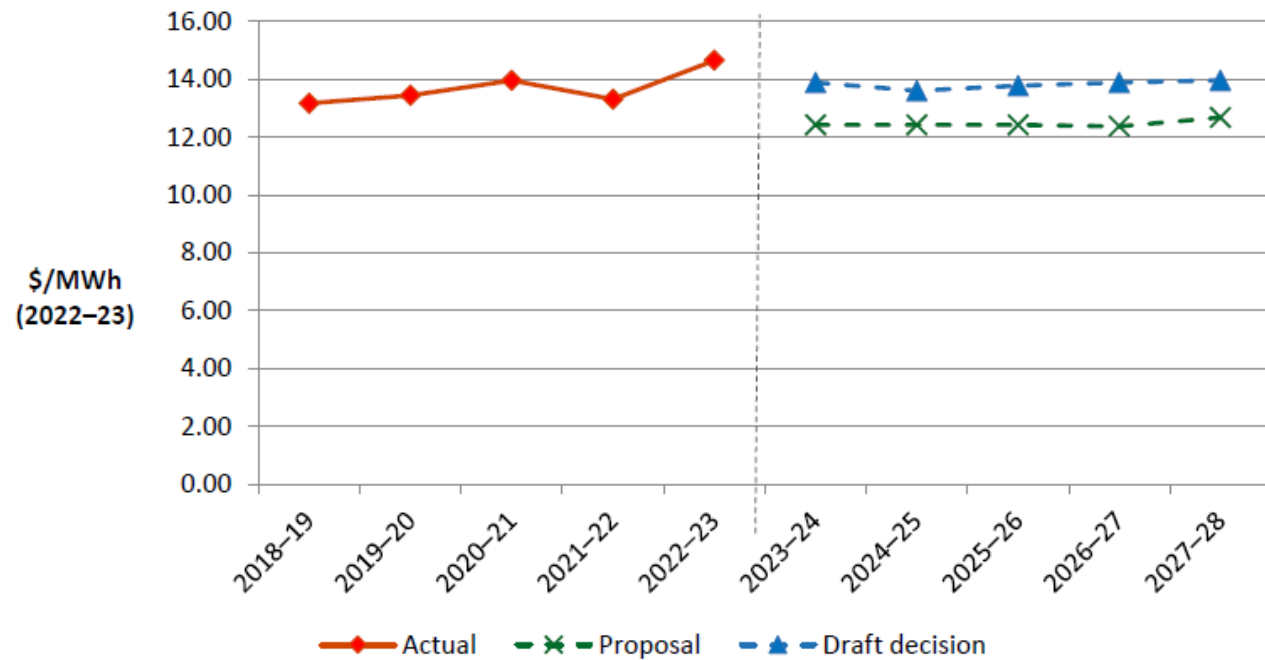


By 2027-28, the **average annual electricity bill** for consumers is expected to increase by.

- \$21 for NSW residential
- \$45 for NSW small business
- \$17 for ACT residential
- \$26 for ACT small business

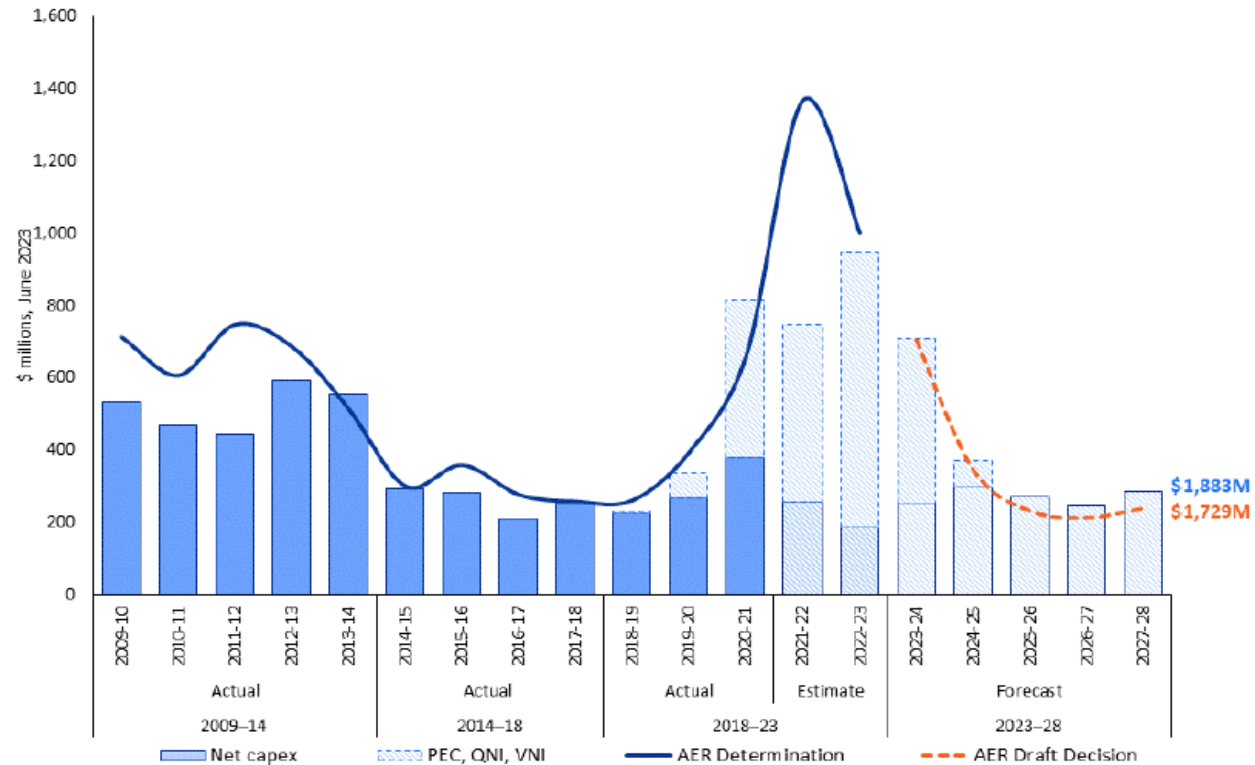
However, final decision outcomes will change.

Figure 3 Change in indicative transmission tariffs 2018–23 to 2023–28 per MWh (\$2022–23)



Capital expenditure

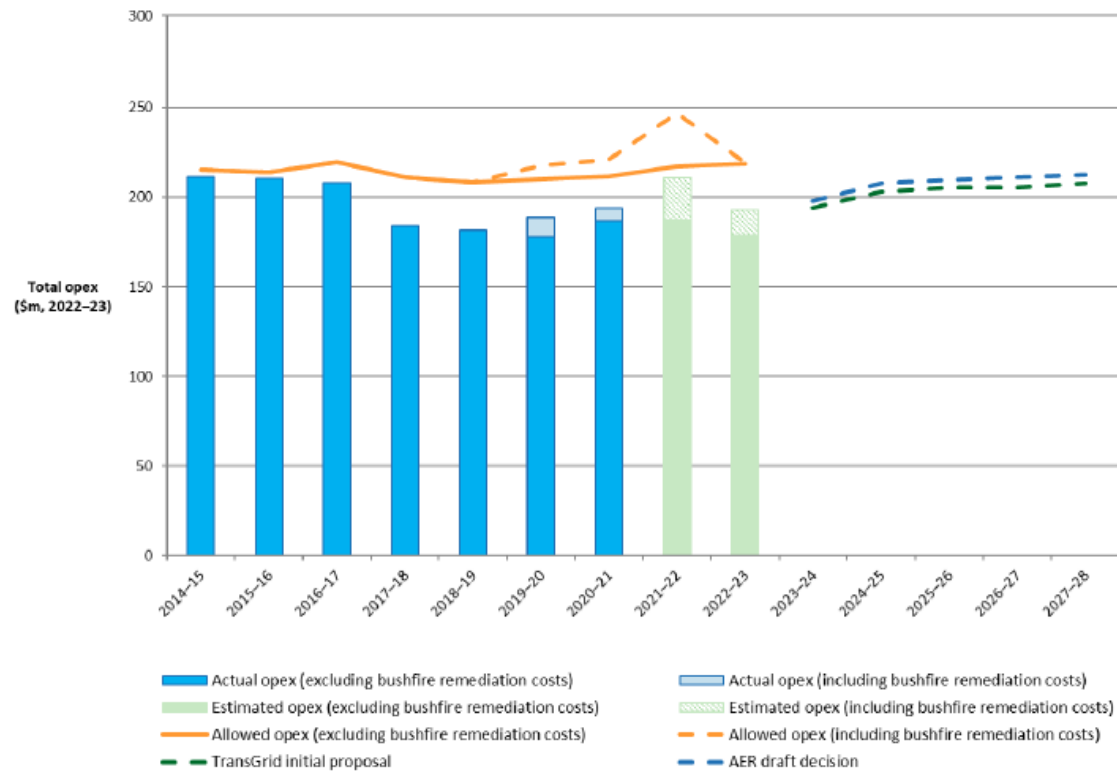
Figure 7 Historical and forecast capital expenditure (\$ million, 2022–23)



Our substitute capex forecast is **12% lower** than Transgrid's proposal (on a 'like for like' basis)

Operating expenditure

Figure 8 Historical and forecast operating expenditure (\$ million, 2022–23)



Our alternative opex estimate is **2.9% lower** than Transgrid's proposal (on a 'like for like' basis)

Consumer engagement



- Consumer engagement has fallen short of expectations in the Better Resets Handbook
- Stakeholders have told us that:
 - Engagement should have started earlier
 - Consumer voices were not balanced against non-consumer voices on the TAC
 - Transgrid's proposal presented consolidated TAC positions based on small samples
- Transgrid is responding to earlier stakeholder feedback
 - Efforts made to improve engagement in developing revised proposal (co-designed deep dives)



Next steps



- Transgrid's revised proposal must be submitted by 2 December 2022



- Stakeholders will then have until 20 January 2023 to make any submissions on our draft decision and Transgrid's revised proposal
 - Submissions can be sent to: transgrid2023@aer.gov.au



- You can find our draft decision (and Transgrid's revised proposal once submitted) on the AER website
 - <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/transgrid-determination-2023>

Questions

