

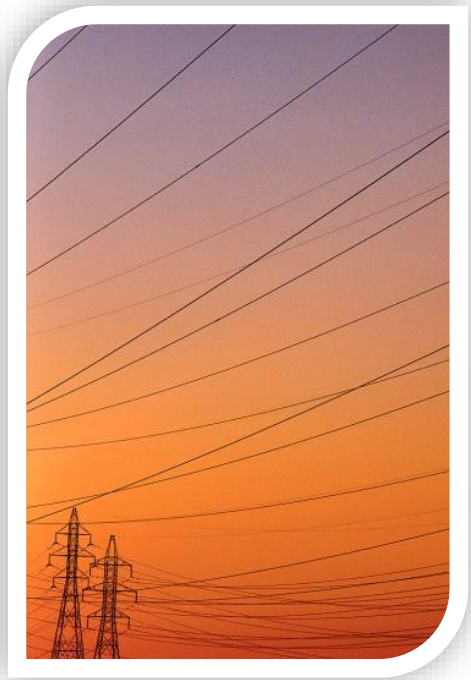
# The Australian Energy Regulator

TasNetworks

Revenue determination 2019-24

Public forum

10 April 2018



# Who are we?

- The AER works to make all Australian energy consumers better off, now and in the future by:
  - regulating electricity networks and covered gas pipelines, in all jurisdictions except WA
  - enforcing the laws for the NEM and spot gas markets in southern and eastern Australia
  - protecting the interests of household and small business consumers by enforcing the NERL

# About this process

- We must make two separate determinations for TasNetworks' distribution and transmission networks
- Our determinations:
  - Will set the revenues TasNetworks can recover from customers for the provision of electricity network services
  - Will approve a TSS and pricing structures for other services, which set out how that revenue is spread across its customer base.

# What we want to hear from you?

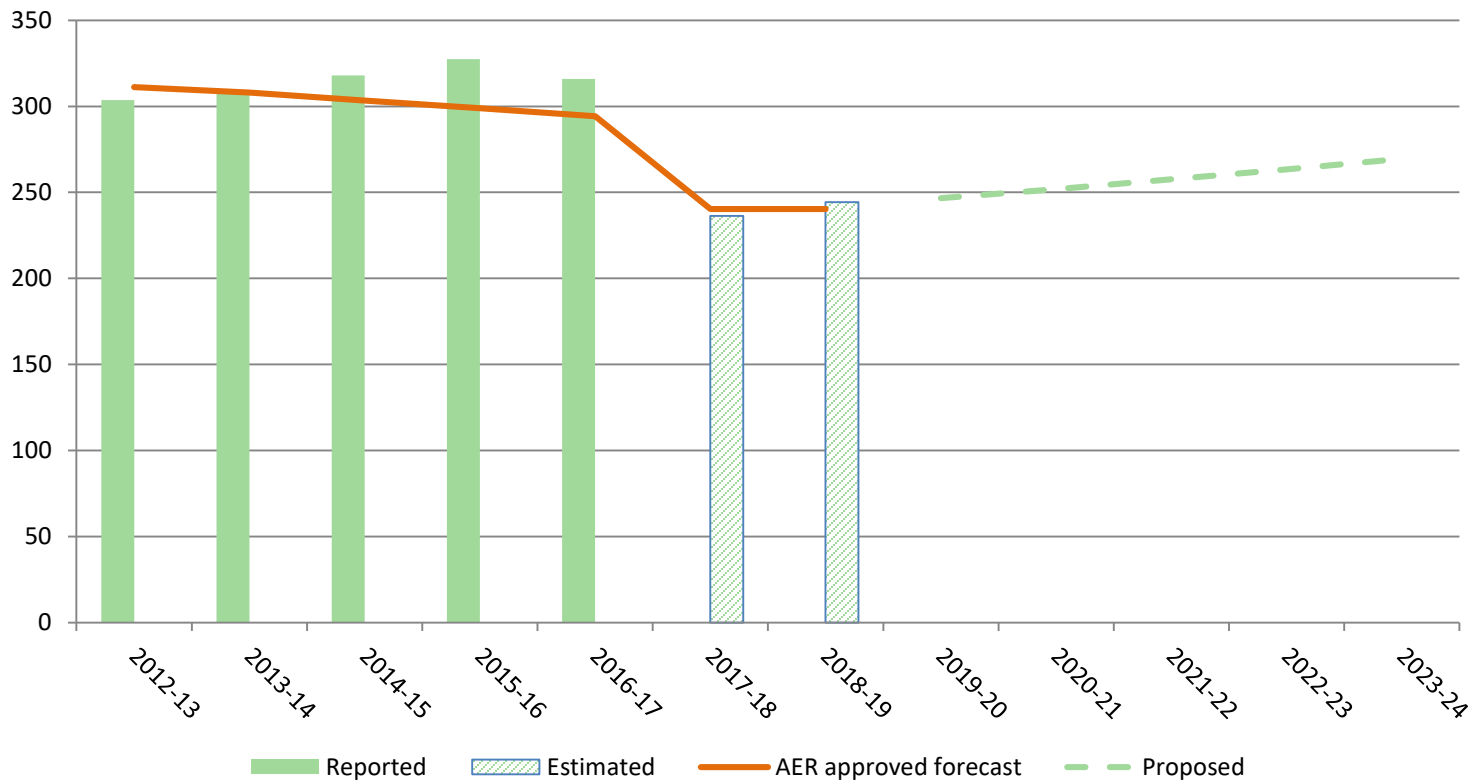
- Extent to which TasNetworks' proposal draws on feedback (key themes) it received from its consumer engagement:
  - Has this been adequately reflected?
  - Are these the right areas of focus for us?
- Issues paper highlights key areas of focus for us within the proposal:
  - Do you agree?
  - Have we missed anything?

# What would the proposals mean for customers?

- Average annual decreases of 1.7% to transmission network charges (\$nominal)
- Average annual increases of 4.2% to distribution network charges (\$nominal)
- Residential customers:
  - Average annual increase of \$26/year
  - Total impact over 2019–24 \$131
- Small business customers:
  - Average annual increase of \$77/year
  - Total impact over 2019-24 of \$383

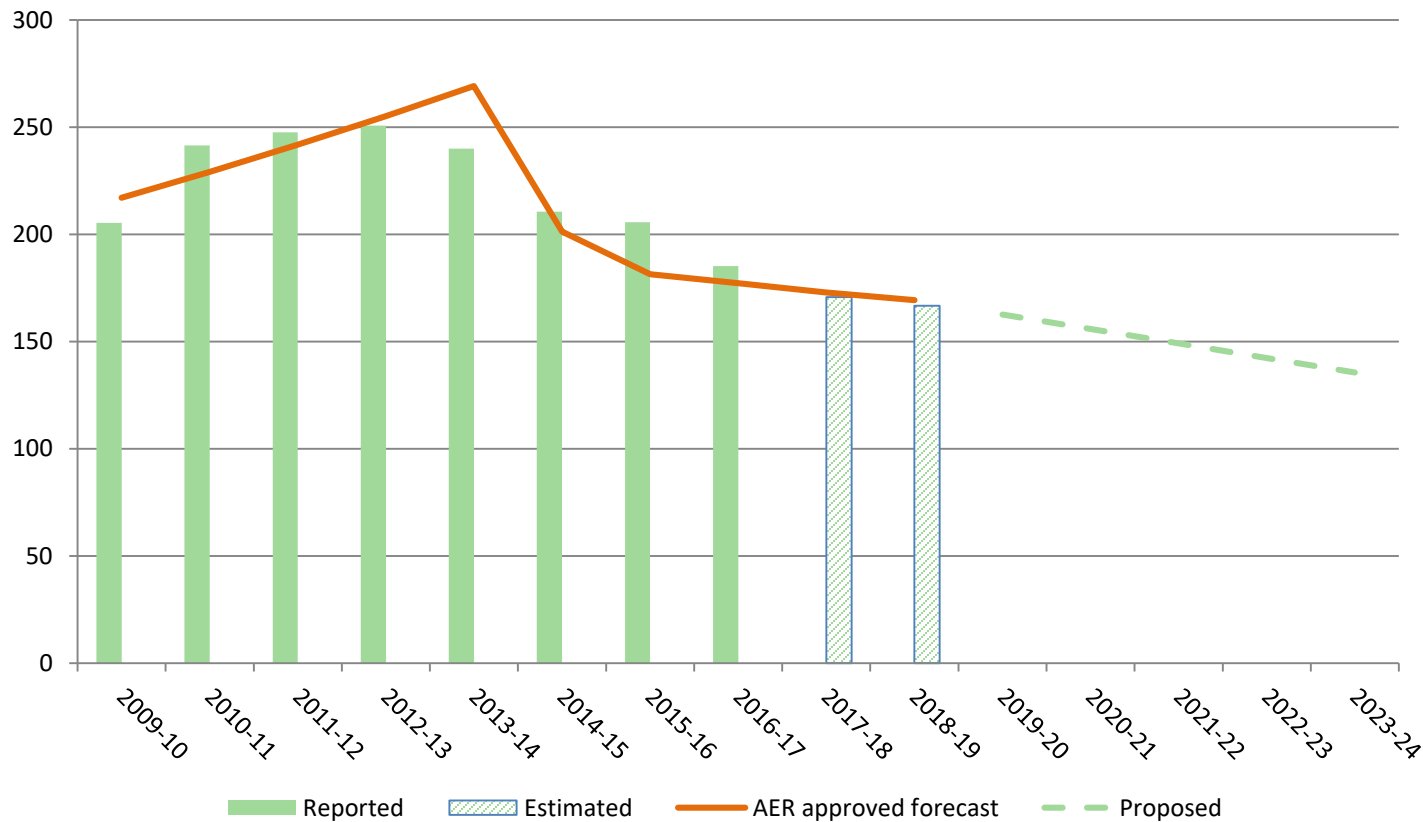
# Initial impressions of TasNetworks' proposal

Distribution revenue over time (\$m, 2018-19)



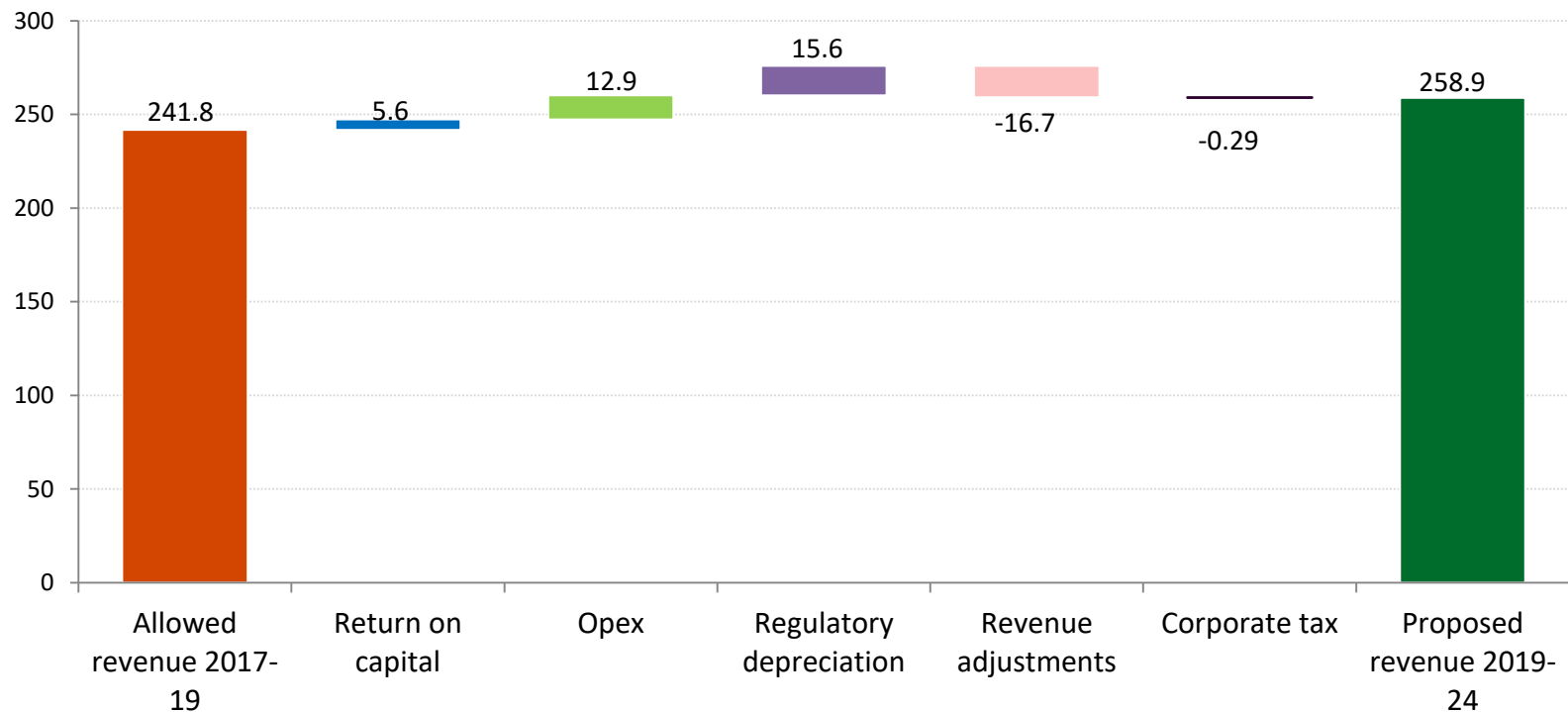
# Initial impressions of TasNetworks' proposal

## Transmission revenue over time (\$m, 2018-19)



# What seems to be changing

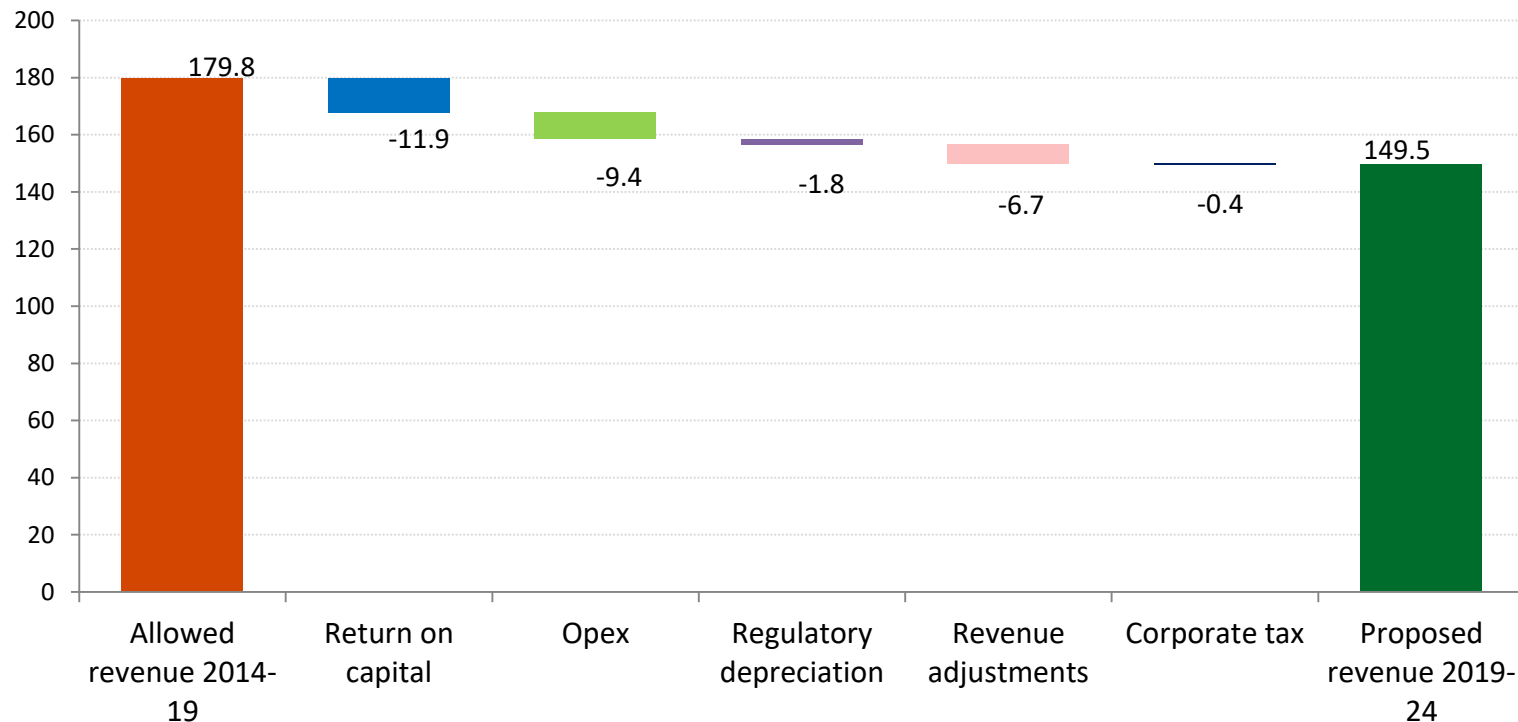
## Change in distribution revenue 2017-19 to 2019-24





# What seems to be changing

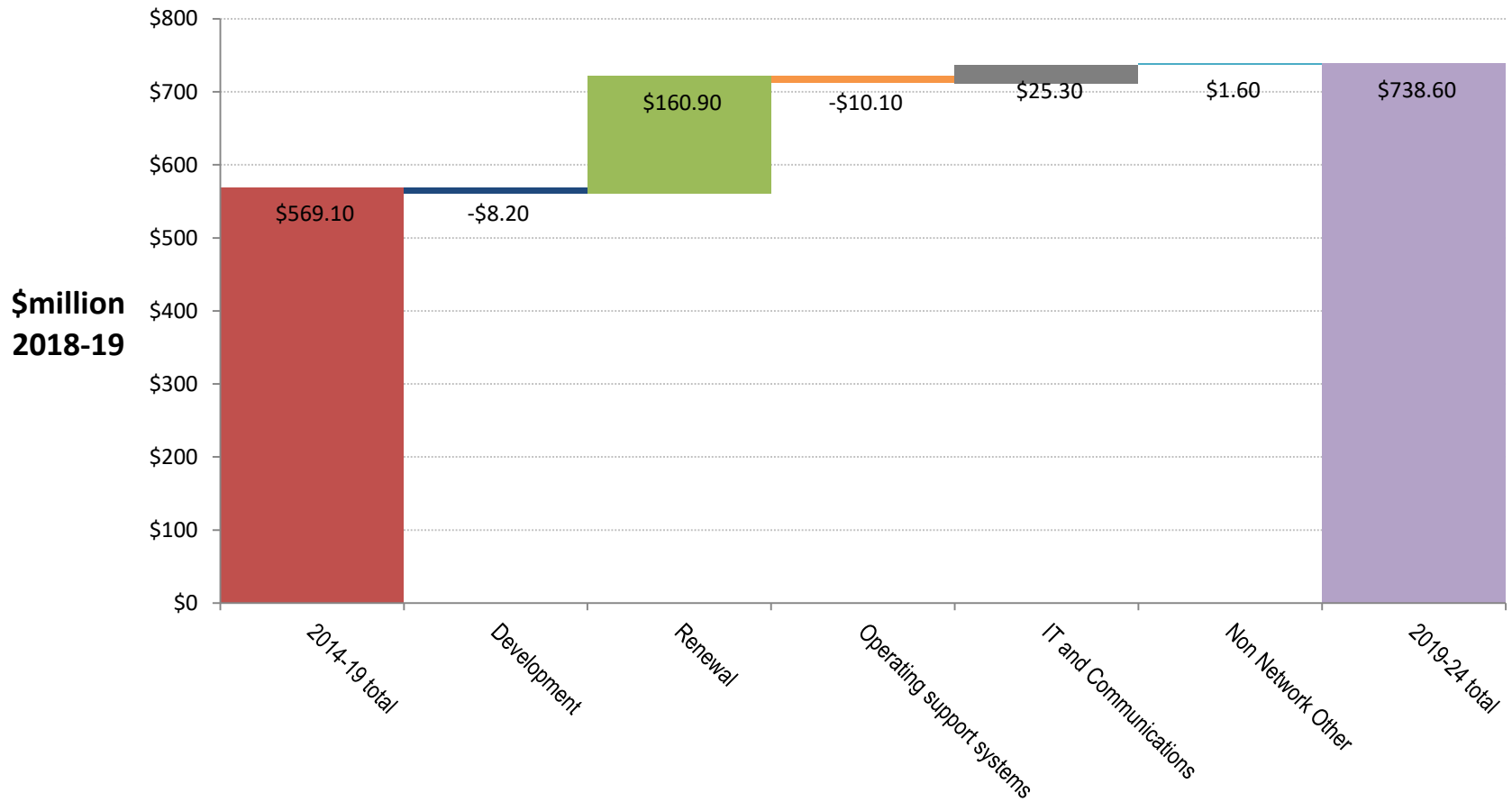
## Change in transmission revenue 2014-19 to 2019-24



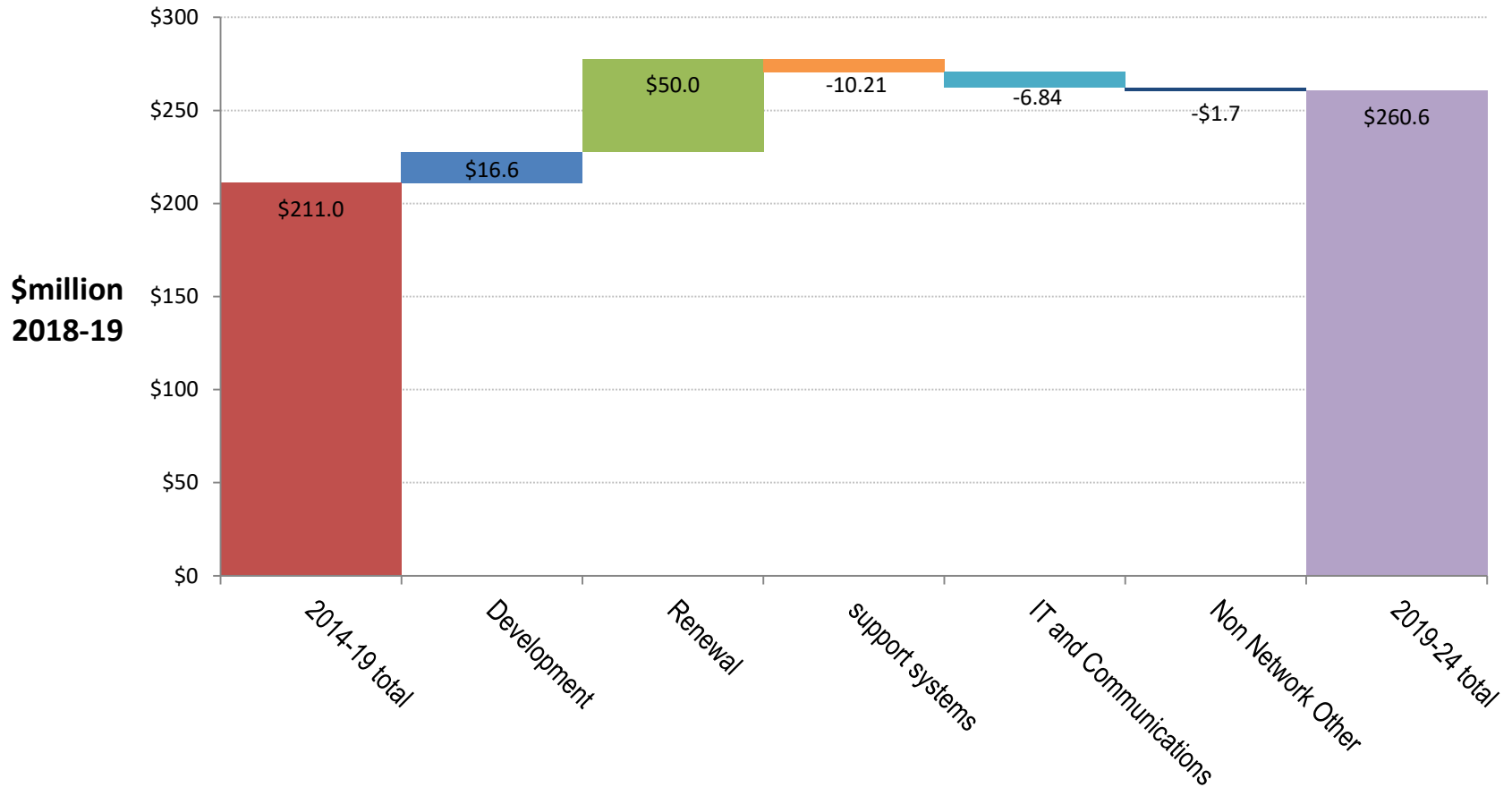
# Capex

- TasNetworks is proposing to increase its capex for both distribution and transmission by 30 per cent and 23 per cent respectively
- The slides below show that the capex increase appears to be driven by an increase in renewal capex
- We intend to review the capex increases in detail.

# Distribution capex

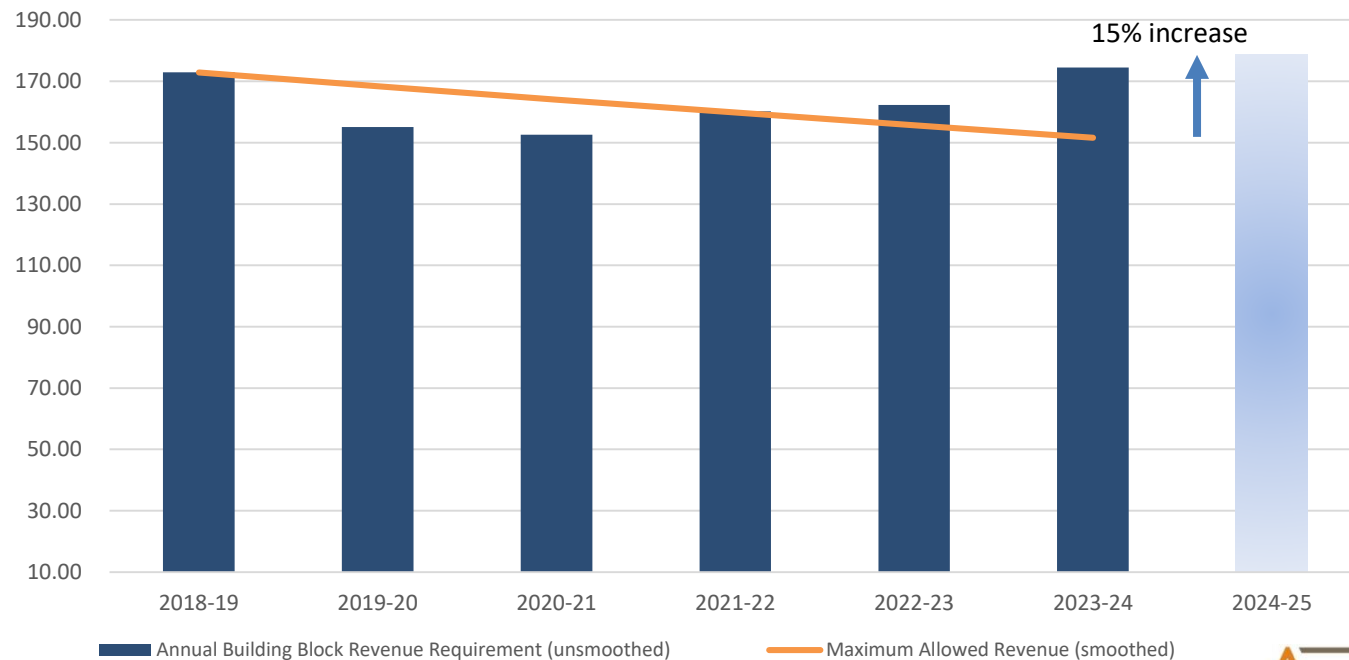


# Transmission capex



# Transmission revenues

TasNetworks' proposed revenue path sees this falling steadily over the period, but might lead to a 15% jump in revenues in 2024-25.



# Distribution tariffs

- TasNetworks' states that many of its existing network tariffs need to change to be cost reflective (and we agree)
- More cost reflective network tariffs would lead to lower network costs and downwards pressure on retail prices
- We like to see greater customer choice in how and when they consume electricity and how they pay for it

# Distribution tariffs

- TasNetworks' tariff structures don't have to be reflected in Aurora's tariff structures. Aurora may respond in a number of ways
- TasNetworks wants to maintain its opt-in approach and proposes to discount those tariffs. Will this be effective in promoting a greater uptake?
- What do customers think of an opt-out approach?

# Other issues

- TasNetworks has proposed contingent projects worth \$938 million including a second Bass Straight interconnector
- TasNetworks is proposing to increase its meter tariffs by \$9.50 (or 49%) to fully recover their capital costs in the next 2019-24
- TasNetworks is proposing to increase its public lighting prices by CPI + 2.5 per cent per annum



# What happens next

Task	Date
Submissions due on TasNetworks' proposal	16 May 2018
AER draft decision	September 2018
Public forum on draft decision	October 2018
TasNetworks revised revenue	November 2018
Submissions on draft decision and revised proposals due	January 2019
AER final decision published	April 2019

# How you can get involved

- Written submissions 16 May 2018
- Subscribe to our website for updates:  
<https://www.aer.gov.au/newsletter/subscribe>
- Contact us:  
[tasnetworks2019@er.gov.au](mailto:tasnetworks2019@er.gov.au)