

MEDIA RELEASE



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Transmission revenue proposal supports lower electricity prices

The Australian Energy Regulator (AER) has endorsed TasNetworks' transmission revenue proposal for the 2014-19 regulatory period.

TasNetworks CEO Lance Balcombe said the AER's draft decision on TasNetworks' revenue proposal put further downward pressure on prices for all Tasmanian electricity consumers.

"The AER's figures show a \$46 drop in residential power bills for 2014-15, a \$10 drop in 2015-16 and rises less than CPI for the following three years," Mr Balcombe said.

"Our customers want predictable and sustainable pricing, and a safe and reliable network. Our transmission revenue proposal supports those outcomes."

Mr Balcombe said the TasNetworks' transmission revenue proposal includes significant reductions in capital expenditure, operating expenditure, and the rate of return, compared to the previous regulatory period. This is in part due to prudent network investment in previous years. It also reflects proposals by TasNetworks to drive further efficiency.

"We are a customer focused business. We are setting ourselves challenging targets and taking practical steps to deliver lower prices," Mr Balcombe said.

"Over the last two years Tasmanian transmission charges were \$37 million less than we were permitted to recover. Charges dropped again this year, as a result of our lower proposal.

"Unlike in NSW and the ACT, where the AER has released draft revenue decisions imposing large cuts to revenue, the AER has supported TasNetworks' proposal in all material respects. This will see continued reductions in transmission costs in Tasmania, while still maintaining a safe and reliable transmission service."

Background

TasNetworks is Tasmania's electricity transmission and distribution network company.

TasNetworks is subject to economic regulation by the Australian Energy Regulator (AER) under the National Electricity Law (NEL) and National Electricity Rules (NER).

The AER's draft decision proposes the revenue amount that TasNetworks can recover from its customers from 1 July 2015 to 30 June 2019.

Transmission charges account for 15% of the average electricity bill.

In the last two years of the previous regulatory period Transend, now TasNetworks, recognised the impact of rising electricity prices and charged consumers \$37 million less than the business was permitted to recover.

Further reductions were factored in from 2013-14. TasNetworks revenue proposal includes significant decreases in capital expenditure (-57%) and controllable operating expenditure (-12%) for the five year 2014-19 regulatory period, compared to the previous five year period.

In its proposal, TasNetworks included forecast operating expenditure reductions of \$33.1 million over the 2014-19 period, arising from the merger of Transend and Aurora distribution (to form TasNetworks), and ongoing productivity improvements.

In real terms, TasNetworks' transmission revenue reduced by 18% in 2014-15, will reduce by a further 5% in 2015-16, and 2% in the subsequent three years.

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