MEDIA RELEASE

energy networks association

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SENATE PROPOSALS INCREASE RISK AND ENERGY BILLS

A new Senate Inquiry report may see higher costs for energy consumers with increased regulatory risk.

The Interim Report of a Senate Committee on *Performance and management of electricity network companies* recommends an expert review of regulation to allow network assets to be written down.

Energy Networks Association CEO John Bradley said the Committee had provided no analysis of the costs and benefits to consumers of the higher risk, regulatory framework.

"Evidence continues to show regulatory risk is the number one concern for energy investors in Australia – and sovereign risk is becoming an increasing focus," Mr Bradley said.

"These proposals come when the regulator has not even finished its first round of reviews under the new regime, and the Inquiry itself noted there have been 17 different reviews of energy network regulation since 2010."

Mr Bradley said economic analysis had shown a regulatory regime which allowed regulatory asset write-downs would produce higher energy bills.

"The Senate committee – including the Australian Greens dissenting report – acknowledges that introducing write-down risks will increase the cost of finance, which represents over half the network bill to consumers.

"Economic analysis released last year* showed that, rather than saving money, consumers could pay over $320 million more per year if network investors faced new risks of write-downs.

"Even extremely large asset write downs would not achieve price reductions for consumers, who would pay higher bills in all scenarios as the cost of finance would soar to levels not seen since the GFC."

Mr Bradley said some stakeholder claims that 40% of the New South Wales distribution network ($9 billion) could be written off were a 'bizarre hoax' at the expense of NSW taxpayers.

"Wild estimates are being used to propose write downs which would be paid for by NSW taxpayers in the future lease transactions.

"These numbers are not only unjustified by any assessment of how assets are currently being used – it is completely circular for taxpayers who are also electricity users."

Mr Bradley warned credit rating agencies such as Standard & Poors were watching the regulatory risk of the network sector closely and had warned that even a 'voluntary' write-down by the New South Wales Government would increase the risk of the sector elsewhere.

Mr Bradley welcomed support from the Senate Committee for some reforms which would genuinely benefit consumers.

"We welcome the support of the Senate Committee for fairer and more efficient electricity tariffs in Australia, which reward customers who use energy efficiently."

"Energy networks also support the recommendation to accelerate the current review of the Demand Management Incentive Scheme, to increase the use of demand management where it makes sense."

Mr Bradley said recommendations to streamline the rule-making process and the role of energy market institutions could be addressed in the Energy Market Governance Review already underway.

"Australia's energy network regulation is the subject of constant review and rigorous oversight, for a sector which is capital intensive and where a new investment may only become cashflow positive after 20 years."

ENERGY NETWORKS ASSOCIATION WWW.ENA.ASN.AU
PHONE +61 2 6272 1555 EMAIL info@ena.asn.au ADDRESS Level 1, 110 Giles Street, Kingston ACT
ABN: 57106735406

"We all want energy to be affordable and Australian energy users have a direct interest in a stable regulatory environment which supports least cost infrastructure delivery."

* For detailed analysis, see "Written-Down Value? – Assessing Proposals for Electricity Network Asset Write Downs".

ENDS.

Media Contact: Emma Watts 02 6272 1514 or 0402 459 565

ENA is the peak national body for Australia's energy networks; and represents gas distribution and electricity network businesses on economic, technical, environment and safety regulation as well as national energy policy issues.