Moving to the Future Grid
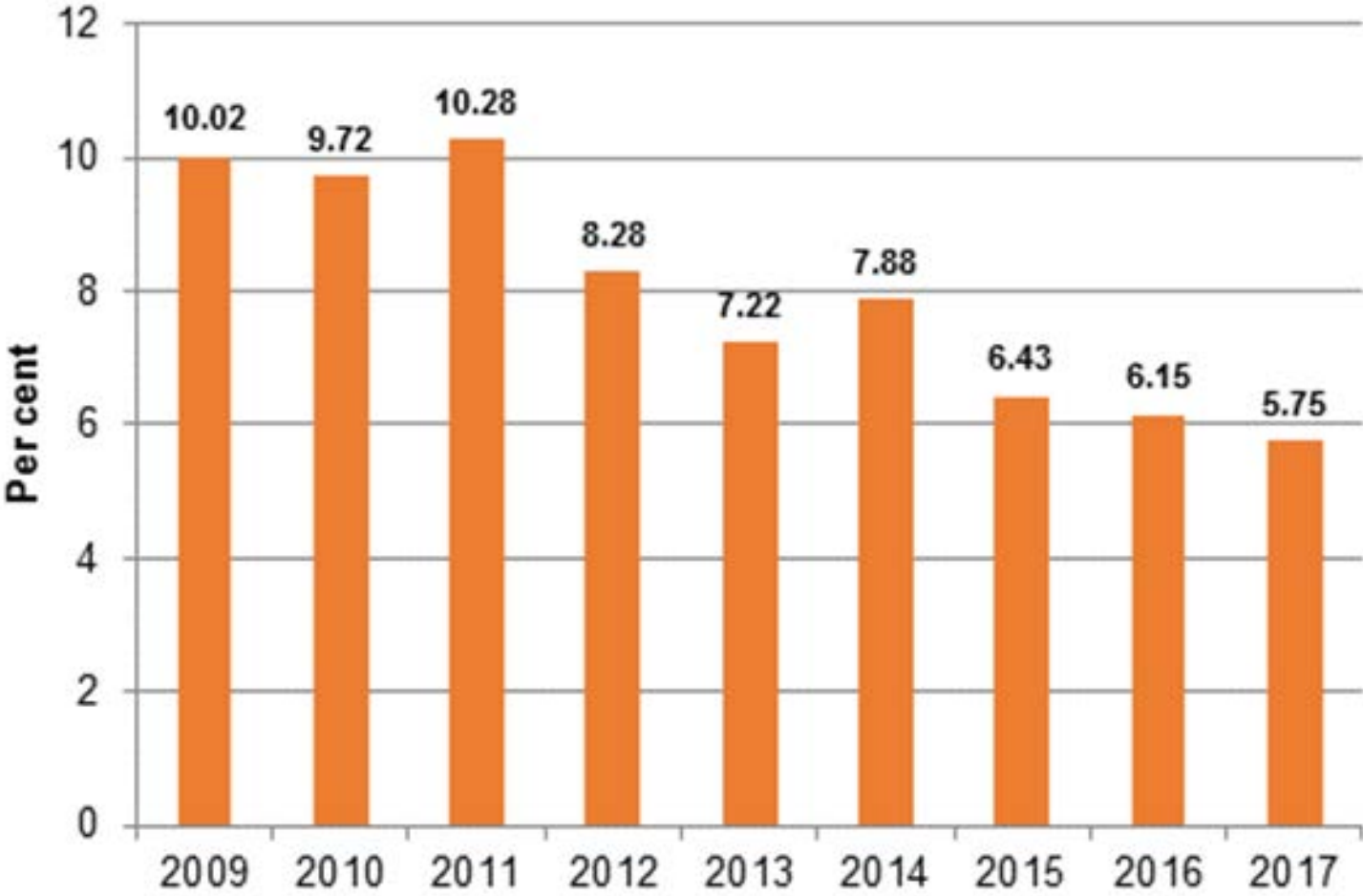
EUAA 2018 National Conference

3 April 2018
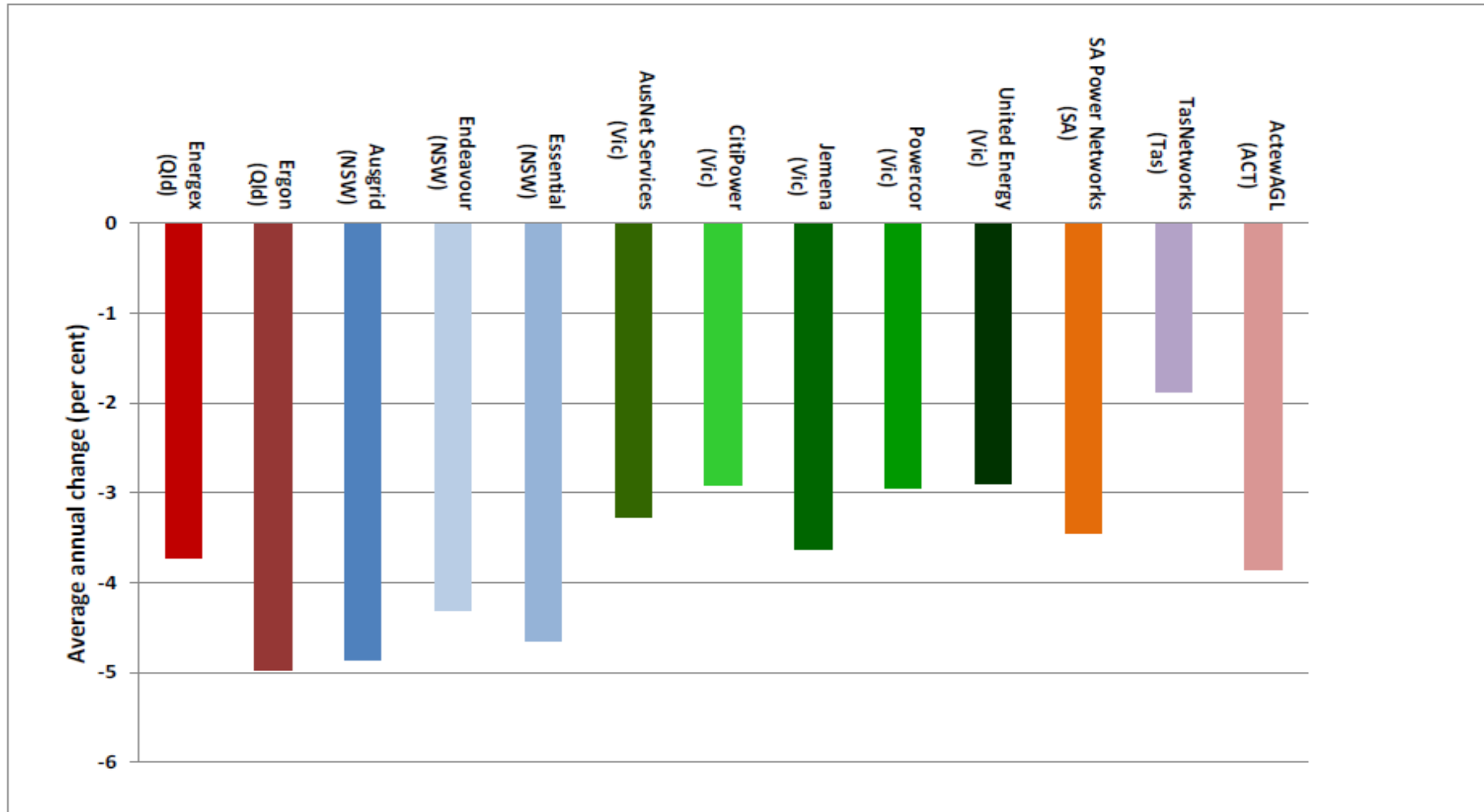
energy
Networks
Australia

Energy Networks Australia

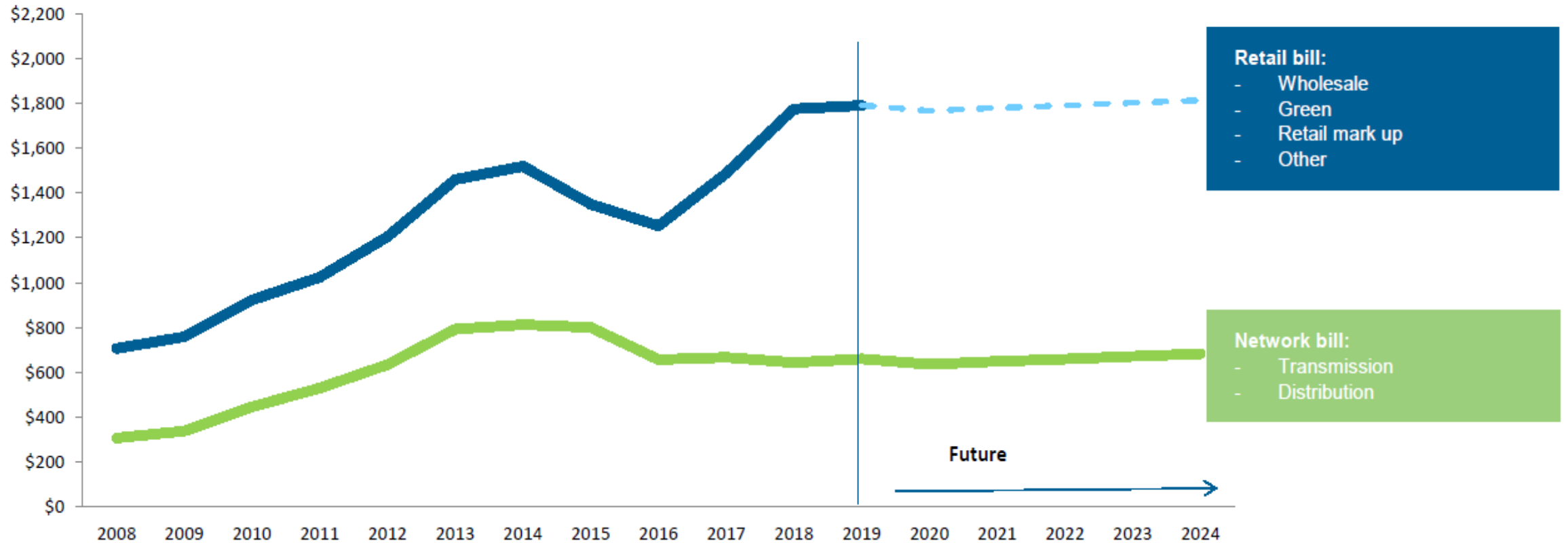# Network returns have substantially reduced

Recent changes in network charges

Network Trend – our share of final bills *Data attributable to Ausgrid

Annual network and retail bill outcomes for a typical residential customer using 5 MWh pa

Retail bill:
- Wholesale
- Green
- Retail mark up
- Other

Network bill:
- Transmission
- Distribution

Future

Energy
Networks
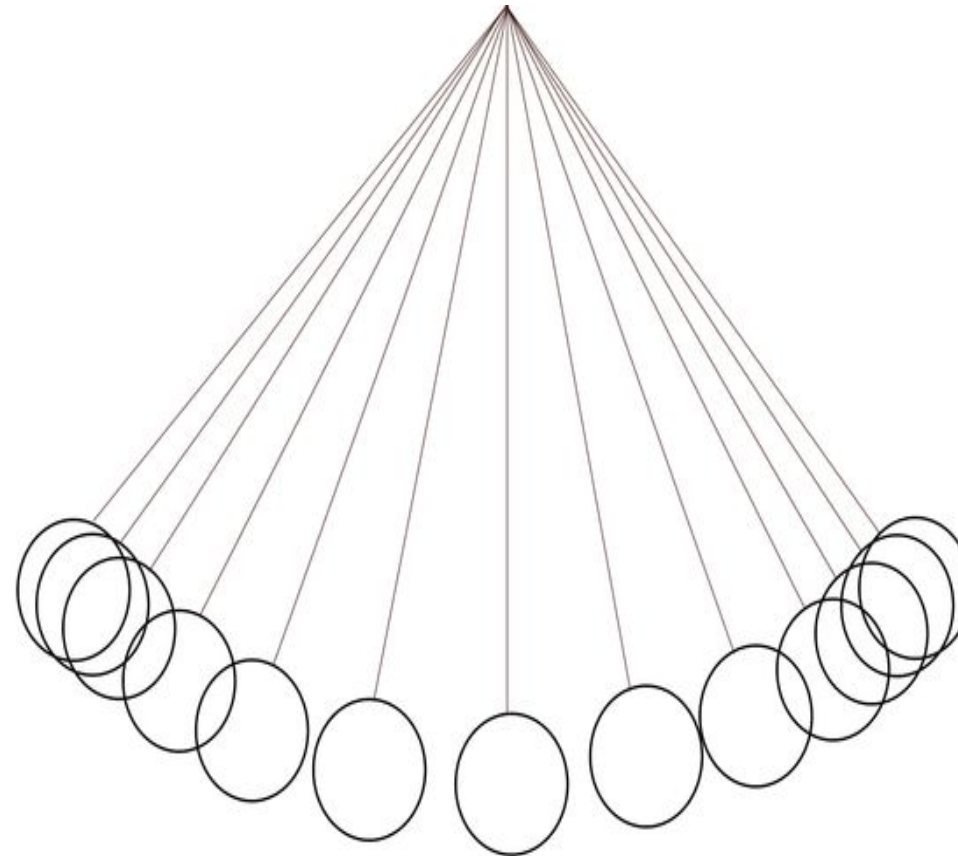Australia

Network policy: a history of over-reaction

❖ ~2000 major underspends

❖ 2006 new rules to encourage investment.

❖ 2012 new rules to reduce spend & benchmarking

❖ 2017 LMR gone

❖ 2018 RoR rules scrapped?

❖ 2003/4 blackouts in Syd & Bris

❖ 2007-10 major increase in expenditure

❖ Significantly lower expenditures

❖ Higher financing costs?

Energy
Networks
Australia

Networks' Rate of Return

1. Draft legislation removes rules

2. Increases risk for NSPs

3. Banks win, consumers lose?

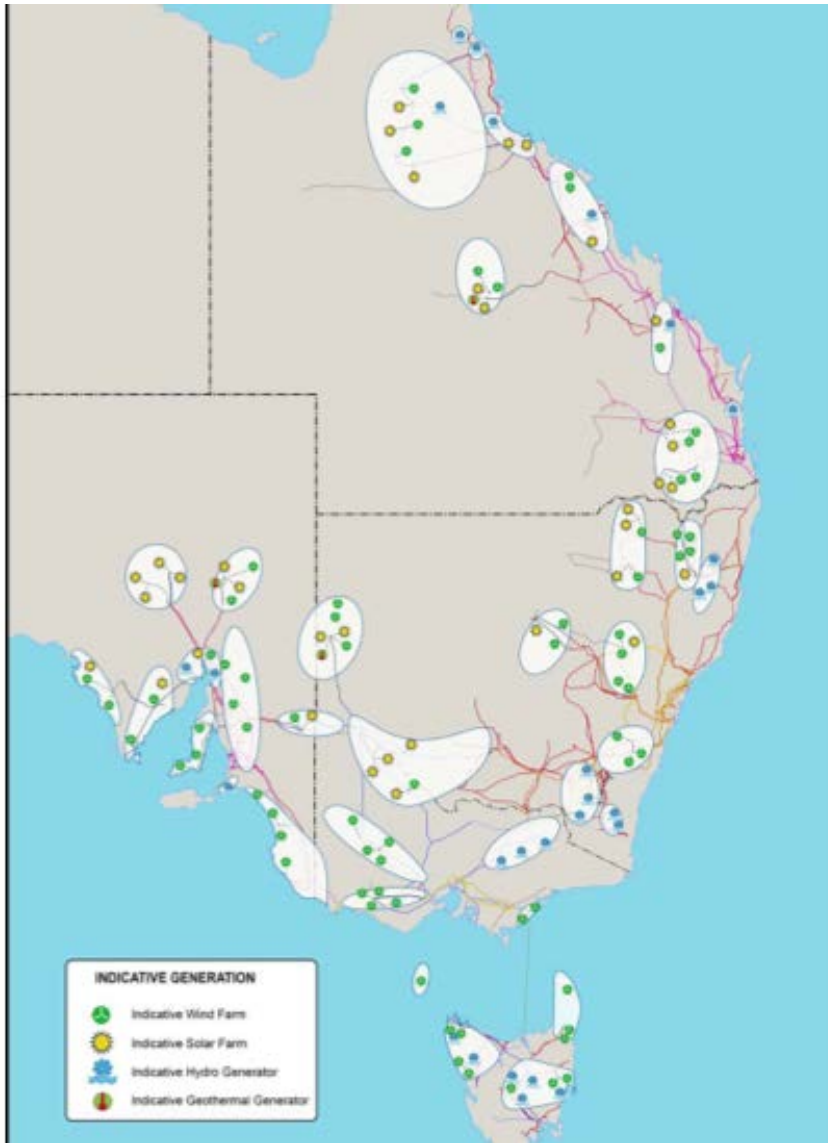## Energy giants team up to slam changes

Angela Macdonald-Smith

Seven of the country's largest investors in electricity and gas networks have banded together to voice their alarm at proposed changes to the regulatory system that they say will drive up

goes much further than the agreement by the COAG Energy Council to set a binding rate of return.
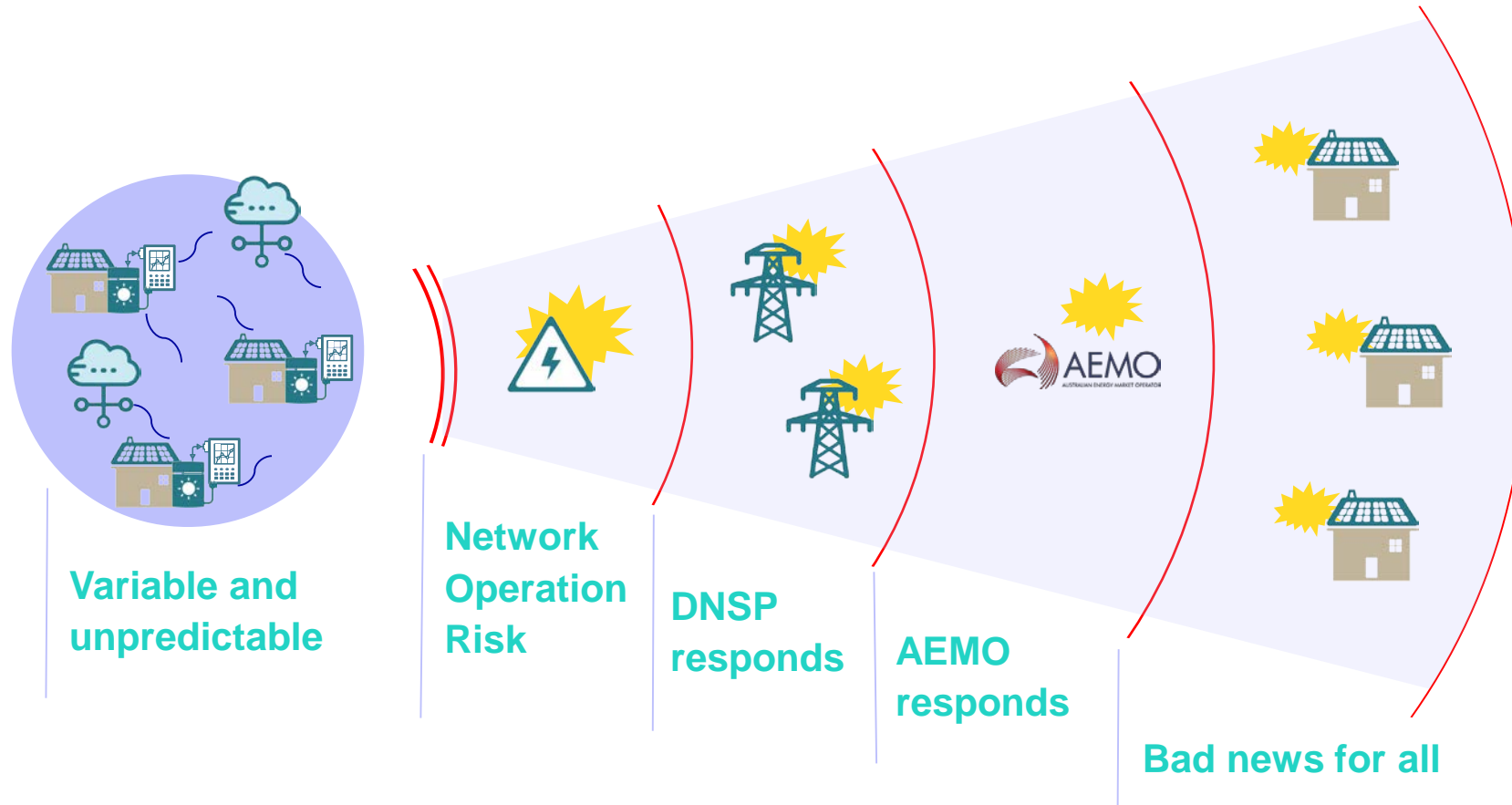
"It's gone beyond anyone's expectation," he said, pointing to the complete authority that the AER would have to set the cost of capital, adopting whatever approach they deem appropriate.

From ENA UK:

"A stable and predictable regulatory framework is an essential element of an efficient regime that maximises benefits and minimises costs to consumers."

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AEMO's Integrated System Plan

- A whole-of-system view is essential

- Improved network connections must be part of the solution

- Investment should only occur where:
    1. it is essential to ensure safe and reliable supply; and
    2. where the benefits outweigh the costs

- The existing RIT-T is problematic

- Ensuring we get a process to deliver the "no regrets" infrastructure we need is a priority for Energy Networks Australia

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Distributed Energy Resources (DER) must be orchestrated

Variable and unpredictable

Network Operation Risk

DNSP responds

AEMO responds
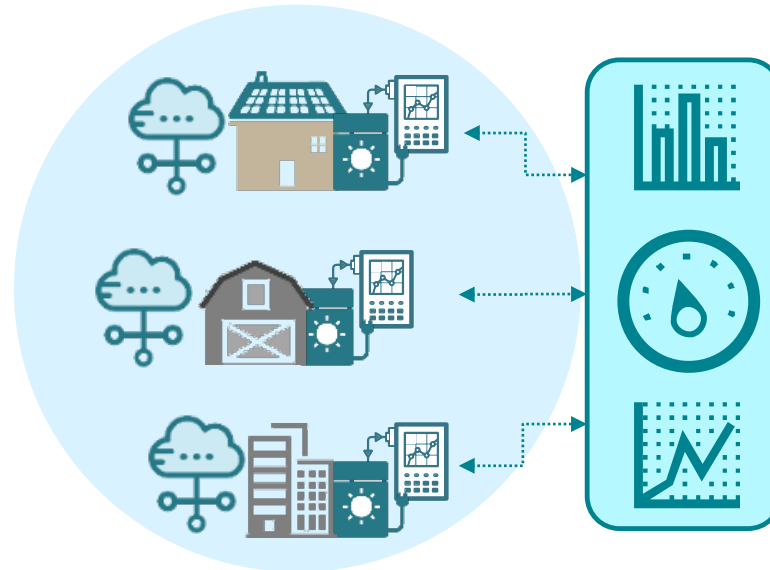
Bad news for all

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Positive outcomes for consumers

WHAT IF

We had better network state information

THEN WE COULD

Optimise DER & increase benefits and value

LEADING TO

Better outcomes for all stakeholders and Customers

Energy Networks Australia