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DRAFT RATE OF RETURN GUIDELINE NOT IN LONG-TERM CUSTOMER INTERESTS

Energy Networks Australia has warned a proposal to further slash rates of return for network businesses does not strike the right balance between lower costs to customers and sustainable business returns for investors.

Acting CEO Tamatha Smith said the draft Rate of Return Guideline released today by the Australian Energy Regulator would strip about 13 per cent or \$2 billion over five years from the gas and electricity network sector. It represented the largest single reduction proposed to the amount network businesses could recover on their infrastructure investment and it went too far.

“Network prices and rates of return have been falling consistently for the past five years. This latest proposal follows the significant cuts already imposed in 2013 and 2009 and does not deliver the predictable framework the energy network sector needs to ensure investment security – which is in the long-term interests of customers,” Ms Smith said.

“Network businesses have also responded to the need for lower costs to customers, delivering efficiencies in their operations while maintaining reliable and safe essential energy services. We have to achieve a balance that meets the need for business to attract lowest-cost finance for essential power infrastructure investment and to keep prices down.

“This proposed sharp reduction in the rate of return will have long term ramifications for these essential services by making it harder to attract capital for investments that will support strong wholesale market competition and the rapid connection of growing sources of generation throughout the grid.

“The energy sector is undergoing the most significant transformation in a century. We are working to modernise networks to ensure greater connectivity across the whole National Energy Market, integrating increasing household renewable systems and new large-scale generation, so customers pay less and continue to enjoy the secure, reliable energy they expect. We can’t do this without achieving the right balance for consumers and industry.”

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Media Contact: Nicole Saleh, 0404 028 794.

Energy Networks Australia represents Australia’s electricity transmission and distribution networks and gas distribution networks. Our members provide energy to virtually every household and business in Australia.