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## IRRIGATORS COUNCIL MISLEADING ON NETWORK PROFIT REPORT

Claims by the National Irrigators' Council that profits made by energy network companies are \$2.6 billion 'higher than they should be' are a misrepresentation of facts, Energy Networks Australia CEO Andrew Dillon said today.

Mr Dillon said when network businesses earned profits above the allowed return set by the Australian Energy Regulator, it reflected efficiencies made in their operations, not more money out of customer pockets.

In fact, under the incentive-based regulatory model, efficiency gains (reflected in higher than forecast profits) are returned to customers by way of reductions in prices.

"The regulator sets the allowed return and expenditures for most networks every five years," Mr Dillon said.

"If a business is able to make savings by reducing operating costs, of course they will make more profit than forecast. But the regulator then in the next five-year period will return those profits to customers by setting lower benchmarks – which means lower network prices.

"This is a good thing for consumers as it serves as an incentive for businesses to become more and more efficient, which in turn keeps prices down."

Mr Dillon said the poorly-understood nature of incentive based regulation and the frameworks that governed energy networks made it easy for facts and figures to be misrepresented.

"The worst thing that could happen from this type of fact-twisting is the introduction of rate of return regulation that has been tried and comprehensively failed overseas," he said.

ENDS.

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*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.*