



## **MEDIA RELEASE**

### **Transmission revenue decision a great result for Tasmanian electricity customers**

30/04/2015

Tasmanian transmission charges are set to fall after the Australian Energy Regulator released its 2014-19 Revenue Determination for TasNetworks. The AER's decision fully accepts TasNetworks' revised revenue proposal.

As a result, customers directly-connected to the transmission network, including major industrial customers, will see reductions to transmission charges again in 2015-16, on top of the reductions already passed through this financial year.

The transmission revenue reductions also flow through to residential and business customers connected to the 'poles and wires' distribution network.

***"TasNetworks was able to clearly demonstrate that it has listened to its customers and taken steps to lower power prices." – AER board member Jim Cox***

TasNetworks lodges its annual pricing proposal for distribution customers with the AER this week. The proposal sees 2015-16 network bills falling (on average) in real dollar terms. The transmission decision supports this outcome.

"This transmission decision is a ground-breaking and unprecedented result and an excellent outcome for all our customers," TasNetworks CEO Lance Balcombe said.

"It supports TasNetworks' desired outcomes of lower, predictable and sustainable pricing for our customers.

"This determination shows we are a customer focused business. We will continue to set ourselves challenging targets and take practical steps to deliver lower prices for all Tasmanian electricity users.

"We have done this through prudent network investment and proposals to further drive efficiency into the future."

TasNetworks' transmission revenue proposal included significant reductions in capital expenditure, operating expenditure and the rate of return, and provided that TasNetworks would permanently forgo a \$37 million under-recovery of transmission charges. In an Australian first, the AER's November 2014 draft decision accepted TasNetworks' proposal in all material respects.

TasNetworks' revised proposal, lodged in January this year, accepted the AER's draft decision. Today the AER has confirmed that TasNetworks' revised proposal was efficient and in the long-term interests of Tasmanian customers.

This is the first time the AER has fully accepted a revised revenue proposal.

Of the 10 energy network determinations made across Australia today, TasNetworks' is the only one where the AER has supported the business' revised revenue proposal. Other networks face large reductions to their proposed revenues and may consider appeal options.

[AER media release: "AER expects final decision to lower electricity bills for Tasmanian customers"](#)

## **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 decision determines the revenue amount that TasNetworks can recover from its customers from 1 July 2014 to 30 June 2019.

Transmission charges account for around 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.

The AER released its draft decision on TasNetworks' transmission revenue proposal in November 2014. Today's announcement is the conclusion of the final revenue determination process used to determine transmission charges in Tasmania until July 2019.

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