

Media release

1 November 2018



Independent regulator commends network reforms

In a draft determination that sets network charges for 2019-24 regulatory period, the Australian Energy Regulator (AER) confirmed Essential Energy's significant achievements in driving reforms to improve productivity and service levels while reducing costs, with customers benefitting from the downward pressure on prices.

With Essential Energy's network expenditure at some of the lowest levels in 20 years, the AER recognised its work in reducing levels of operating costs over the current 2014-19 regulatory period and acknowledged the extensive community and stakeholder consultation work done prior to submission.

Essential Energy Chief Executive Officer John Cleland said the proposal reflected a real business need to evolve, engage and innovate, lowering network operating costs sustainably over the long-term, while increasing safety and customer service delivery.

"We recognise that our customers are at the core of the energy conversation and their feedback across regional, rural and remote NSW tells us that affordability is a real concern. At the same time they want us to explore safe and cost-effective energy network options," said Mr Cleland.

"Under a program of identifying and removing inefficiencies plus investing in existing and new technologies, we can reform our network, and make real improvements in safety, energy affordability and network reliability.

"We're on track to deliver a 38 per cent reduction in network charges over the 2014-19 regulatory period, and by 2024 typical network charges are expected to be 39 per cent lower than in 2014."

Mr Cleland said that based on the AER's draft determination, network charges would increase by around \$70 over five years, or \$3.50 a quarter for typical residential customers, which was below the forecast rate of inflation.

"Today's outcome is the result of a lot of hard work but it means we can continue to limit network charge increases below inflation on one of the world's most geographically dispersed electricity networks while keeping power outages at record lows."

Mr Cleland said one of the challenges for Essential Energy was the breadth of its footprint, covering over 737,000 square kilometres of landmass and with over 183,000km of powerline and 1.3 million poles.

"The network has approximately 4.6 customers to fund each kilometre of powerline, which is almost one-tenth the customer density compared with our counterparts in NSW," he said.

"We are maintaining pressure at all levels to keep any increases in check over the next five years and setting up the business for network price reductions over the longer term."

While the 2019-24 plan includes significant investment in new technologies to enhance service levels, it builds on previous cost reductions and forecasts the lowest operating and capital expenditure in two decades.

Essential Energy is pursuing network innovations such as microgrids and other embedded generation solutions, digital pole inspection trials and drone technologies to improve energy delivery, maintenance and efficiency. On the back of investment in the network, Essential Energy is working to achieve a 25 per cent increase in reliability over the next five years for customers in regional areas regularly prone to extended outages.

Following further customer and stakeholder consultation to explain what the draft determination means to them and to hear their views, Essential Energy will submit a revised proposal to the AER in January 2019.

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Australian Energy Regulator draft decision on 2019-24 Regulatory Proposal

Timelines



2019-24 Regulatory Proposal submitted



AER draft determination



AER final determination

Key facts



Essential Energy has reduced network charges for households and small business by 38 per cent since 2014 (the start of the current regulatory period).



Increases in network charges will be below inflation for the next five years.



Network expenditure efficiencies will deliver some of the lowest expenditure levels in 20 years.

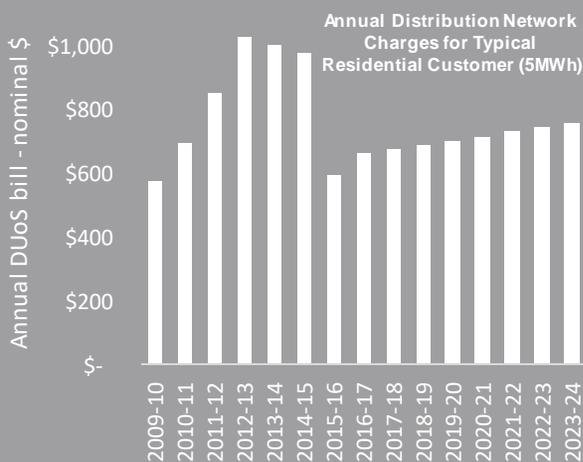
Technology



Adopting new technologies to modernise how we manage our network to minimise network charges while maintaining safety and reliability. The proposal includes investment of \$130M in new technologies as part of our company-wide transformation program.

We are one of the world's largest and most geographically dispersed electricity networks.

What does this mean for customers?



Network charge increases will be below inflation.

Typical residential customers will see a nominal increase of around \$70 by the end of 2023-24, or \$3.50 on average per quarter over the five years.

Typical small business customers will see a nominal increase of around \$300 by the end of 2023-24, or \$15 on average per quarter.

Achievements



Acknowledgement as an industry leader in consultative approach when driving reforms across the business to improve productivity and service levels.



Some of the lowest expenditure levels in 20 years: 20 per cent real reduction in capital expenditure and 6 per cent real reduction in operating expenditure compared to 2014-19 allowances.



Our efficiency improvements are paying off for our customers by maintaining a **reliable and more affordable electricity supply.**