

PRESS RELEASE

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Major report concludes electricity network prices are not efficient

A major report published last week highlights the fundamental decisions facing the Australian electricity market, regulators, and Governments as they seek to meet the National Electricity Objective while transitioning to a sustainable low carbon future.

The report *“Assets or Liabilities? – The Need To Apply Fair Regulatory Values to Australia’s Electricity Networks”* was developed by industry analyst Hugh Grant for the Total Environment Centre and the Energy Users Association, and funded by Energy Consumers Australia.

The report concluded that the current methodology for setting Regulatory Asset Bases (RAB) for transmission and distribution networks results in values, and therefore costs to all consumers, that are much higher than the efficient level. This is inconsistent with the National Electricity Objective of “...the long term interests of consumers”. The report found setting them at an efficient level would result in a significant reduction in electricity prices for all consumers.

EUAA Chairman Brian Morris commented that “The rise in electricity prices for all consumers over recent years has been relentless and has been substantially driven by network charges. Based on this important report all consumers have a justifiable complaint against the way the National Electricity Rules work to set network prices.

The report shows the application of these Rules in guaranteeing a high rate of return on a high asset base has provided network owners – whether public or private – with returns on equity that are the envy of other businesses in Australia and multiple times the returns of the ASX50 companies.

The findings outlined in the report confirm and extend upon the conclusions and recommendations of the Senate Enquiry into *The Performance and Management of Electricity Network Companies* published in June 2015. The new report also outlines a number of approaches to correct this situation including a change to the National Electricity Rules through the Australian Energy Markets Commission. History suggests this will be a very difficult process for consumers.

Mr Morris called on stakeholders to openly debate the issues the paper raises, and for the Council of Australian Governments (COAG) to commission an independent review of RAB valuation methodologies and levels to ensure consistency with the National Electricity Objective. This request is consistent with one of the recommendations of last year’s Senate Enquiry.

“As we seek to move to a more sustainable electricity future, a key element will be the transition of the existing network to support decentralised and renewable generation, and how we treat the existing network assets base. Many of these existing assets may not be required in a low carbon

distributed generation future. The current Rules say consumers pay for these assets, even where their investment was a mistake. There is an urgent need to review these rules to ensure more efficient and equitable outcomes for consumers. We as a community have to decide how we are going to pay for the network investment needed in the future.”

“The efficient use and pricing of electricity networks has been an ongoing quest for the Energy Users Association on behalf of our members. We will continue our focus to ensure the National Electricity Objective is achieved for Australian consumers in an environment of ever increasing competition and economic pressures.”

A copy of the report is available on the EUAA website [here](#).

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Contact for media inquiries:

EUAA Chairman, Brian Morris on chairman@euaa.com.au

The Energy Users Association of Australia on 03 8665 3160