

AER DELIVERS BALANCED OUTCOME ON HUMELINK

The Australian Energy Regulator (AER) has today released its final determination on what it believes to be the prudent and efficient cost of the \$4.6 billion Humelink project. In its final determination the AER has approved total project costs that are approximately \$300 million lower than that requested by project proponent Transgrid.

“Getting these big transmission projects right is fiendishly difficult for proponents, regulators, communities and consumers,” said Chief Executive Officer for leading advocate for commercial and industrial energy users, the Energy Users’ Association of Australia (EUAA), Andrew Richards.

“We see that the AER are doing all they can within the frameworks they have been provided to deliver balanced outcomes and ensure consumers are protected and get the value they are promised.”

It is very clear that building large transmission projects has become even more difficult and expensive than was originally hoped with significant supply chain, labour and social license challenges. The reported challenges being faced by Transgrid as it constructs the Energy Connect project, which is the new interconnector between NSW and SA, are concerning for all involved.

“We know from first-hand experience that Transgrid are learning some very hard lessons from Project Energy Connect and are working hard to convert this pain into better outcomes on future projects.”

Ultimately it is energy consumers who will be expected to pay for the significant build out of the 10,000 kms of new transmission envisaged in the Australian Energy Market Operator (AEMO) Integrated System Plan (ISP). Therefore, consumers will always be looking for project proponents to find ways to minimise the costs of these projects and for the AER to conduct rigorous assessments within the rules framework they have been provided.

The hope is that while network costs will go up it will be balanced by wholesale prices coming down so the net result will be positive.

“The problem consumers face over the next decade is that the increased network costs are guaranteed while the future benefits are not, as it relies on many assumptions (some heroic) that generation costs will materially fall,” added Mr Richards.

“It could be that governments will need to step into this space and provide some form of temporary ‘shock absorber’ so that consumers don’t get crushed by costs before benefits arrive.”

The EUAA has long advocated for governments to take a short-term equity position in these projects over the next decade to take some heat out of the energy bill. This shock absorber approach could help lessen the ‘bill shock’ consumers face and ensure consumer social licence for the transition is maintained.

“We all want to get to the net zero destination, we just need to survive the journey,” said Mr Richards.

The EUAA is the peak body representing Australian industrial and commercial energy users. EUAA membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined EUAA members employ over one million Australians, pay annual energy bills in the many billions of dollars and support the development of a lasting national energy and climate change plan that puts

downward pressure on electricity and gas costs.

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