

# REVENUE PROPOSAL SUMMARY

28 MARCH 2017

**We are playing our part to reduce energy costs for South Australians, while supporting safety, reliability and security of supply.**

Customers have told us they expect affordability, reliability and choice.

**ElectraNet's Revenue Proposal:**

- delivers transmission price reductions for customers
- maintains secure and reliable transmission services, while managing the challenges of a changing generation mix
- supports emerging supply choices for customers

Electricity customers stand to benefit in the first year of the coming regulatory period with the forecasts contained in our Revenue Proposal giving rise to an expected annual saving of around \$14 for the average South Australian residential household, and \$28 for small businesses<sup>1</sup>.

1. Based on ESCOSA published data on average residential and small business electricity usage.
2. Based on projected energy consumption as per the 2016 National Energy Forecast Report published by the Australian Energy Market Operator (neutral case).
3. Transmission costs typically account for less than 9% of the average household electricity bill.
4. Does not include the potential for contingent projects, which are subject to a separate cost-benefit test and approval by the Australian Energy Regulator.
5. Trend expenditure allowance refers to the projected expenditure allowance from the current regulatory period.

**Our Forecasts**

**Electricity Transmission Prices**

↓ 10%

drop in indicative transmission price in the first year of the 2019-2023 regulatory period to around 2.5c/kWh<sup>2</sup>

↓ \$14 & \$28

in annual savings from the transmission component of the average residential bill of \$125 and small business customer bill of \$250 respectively<sup>3</sup>



**Maximum Allowable Revenue**

↓ 11%

lower in the first year of the 2019-2023 regulatory period at \$312m<sup>4</sup>



**Capital Expenditure**

↓ 39%

lower than anticipated expenditure in the 2014-2018 regulatory period at \$458m

**Operating Expenditure**

↓ 11%

lower than trend expenditure allowance from the 2014-2018 regulatory period at \$435m<sup>5</sup>



**Rate of Return**

7.50% ↓ to 6.02%

in the 2014-2018 regulatory period

based on current market data

The revenue and price figures above are presented in nominal terms (including inflation) while expenditure figures are presented in real terms (\$2017-18) (excluding inflation). All figures relate to financial years.

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## Summary

### **ElectraNet's Revenue Proposal responsibly balances security, reliability and affordability**

#### **We're playing our part to ensure the future security of electricity supply for South Australia**

- South Australia remains at the forefront of global change in the energy sector
- The Revenue Proposal Overview document describes our plans

#### **A strong, reliable and more interconnected transmission network is more important than ever**

- ElectraNet powers people's lives
- The transmission network plays a critical role in electricity supply
- We perform well, despite the unique challenges of our network

#### **Recent events have changed some of the assumptions contained in our Preliminary Revenue Proposal (published in September 2016)**

- We are responding to the implications of the recent storm event and growing system security challenges
- A more decentralised power system must be a more interconnected power system
- We are investigating the most cost effective ways to improve supply reliability to the Eyre Peninsula

#### **Our customers tell us they value affordability, reliability and choice**

- Extensive engagement with our Consumer Advisory Panel has shaped our customer engagement
- Customer feedback has informed our directions and approach

#### **Transmission prices are forecast to go down by 10%**

- We are working to deliver the reliability our customers expect while reducing prices
- We're proposing no material changes to our pricing methodology or negotiating framework

#### **We're proposing a 39% reduction in our capital program, while investing in network security and reliability**

#### **We will continue our drive for efficiency through an 11% reduction in our operating costs**

#### **We're following well established approaches to determine the 'building block' components of our Revenue Proposal, including:**

- Depreciation
- Return on capital
- Corporate tax
- Forecast inflation
- Incentive arrangements

#### **Our Revenue Proposal provides details of our plans and outlines the next steps and how you can engage further in the process**