

The Australian Energy Regulator



TasNetworks' electricity
distribution regulatory
proposal and tariff structure
statement (TSS) 2017-19

Public Forum
17 March 2016

Agenda

- MORNING SESSION
- Public forum on TasNetworks' regulatory proposal
- Noon – 12:30pm – Lunch
- AFTERNOON SESSION
- Public forum on TasNetworks' Tariff Structure Statement (TSS)

Morning session

- TasNetworks' presentation of its distribution regulatory proposal
- Consumer Challenge Panel (CCP) presentation of initial views
- AER presentation of its issues paper
- Q&A
- Next steps

Tribunal decision

- On 26 February 2016 the Australian Competition Tribunal handed down its decision on the limited merits review of the AER's April and May 2015 ACT and NSW decisions
- We are considering the decision carefully
- It is still too early to say what the impact of the Tribunal decisions will be
- We will consult with stakeholders once we have a better idea of the way forward

**Presentation -
TasNetworks' presentation of its
regulatory proposal**

**Presentation -
CCP presentation of its initial views**

**Presentation -
AER issues paper**

Key points

- TasNetworks submitted its 2017-19 regulatory proposal on 29 January 2016
- Following an AEMC rule change, this is a two-year proposal that aligns TasNetworks' distribution and transmission timelines from 1 July 2019
- This reset takes place under the new 15 month determination assessment timetable
- Final decision due no later than 30 April 2017

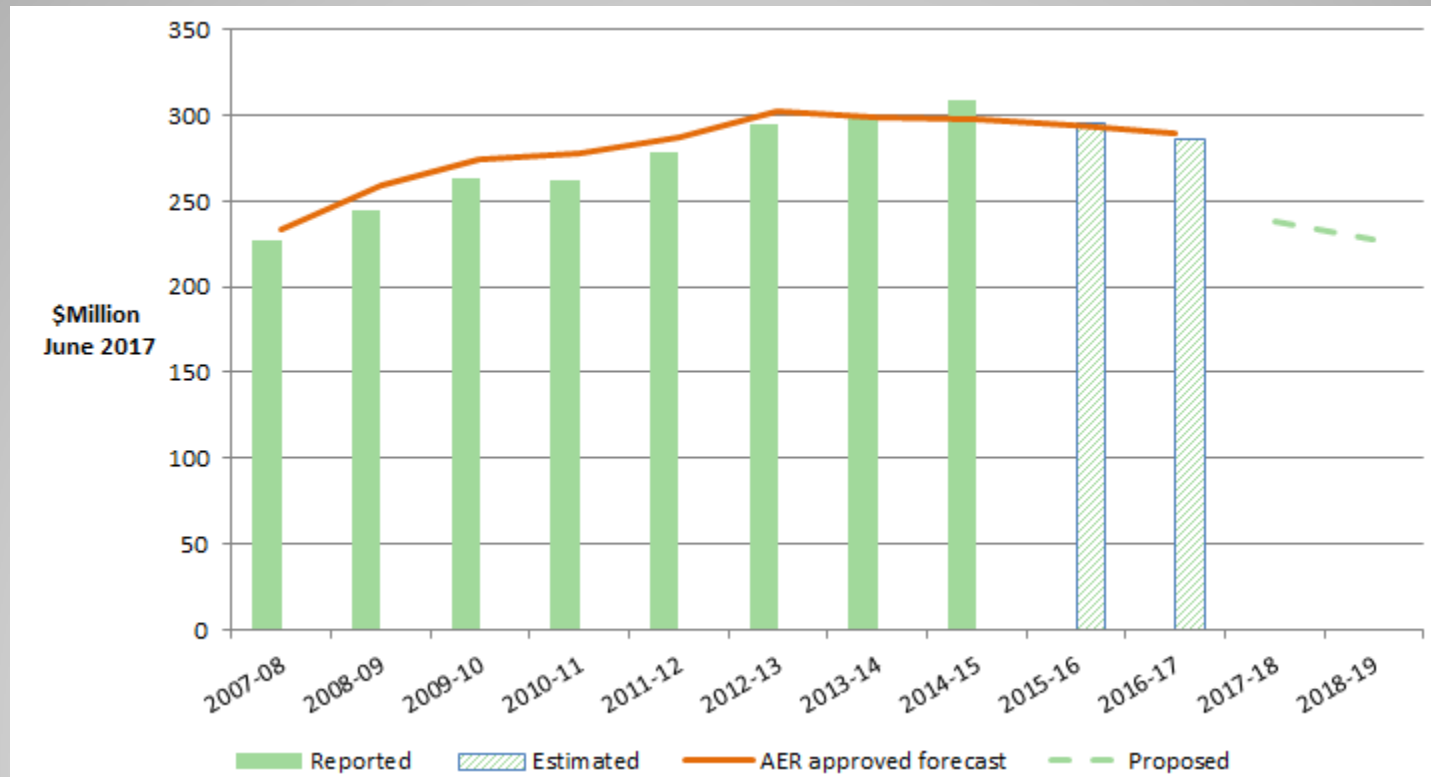
TasNetworks reset timeline

Step	Date
TasNetworks submitted its regulatory proposal to AER	Jan 2016
AER published issues paper	March 2016
AER to hold public forum on issues paper	17 March 2016
Submissions on regulatory proposal close	28 April 2016
AER to publish draft determination	Sept 2016*
AER to hold public forum on draft determination	TBA
TasNetworks to submit revised proposal to AER	TBA
Submissions on revised proposal and draft determination close	TBA
AER to publish final determination	No later than 30 April 2017

Key points

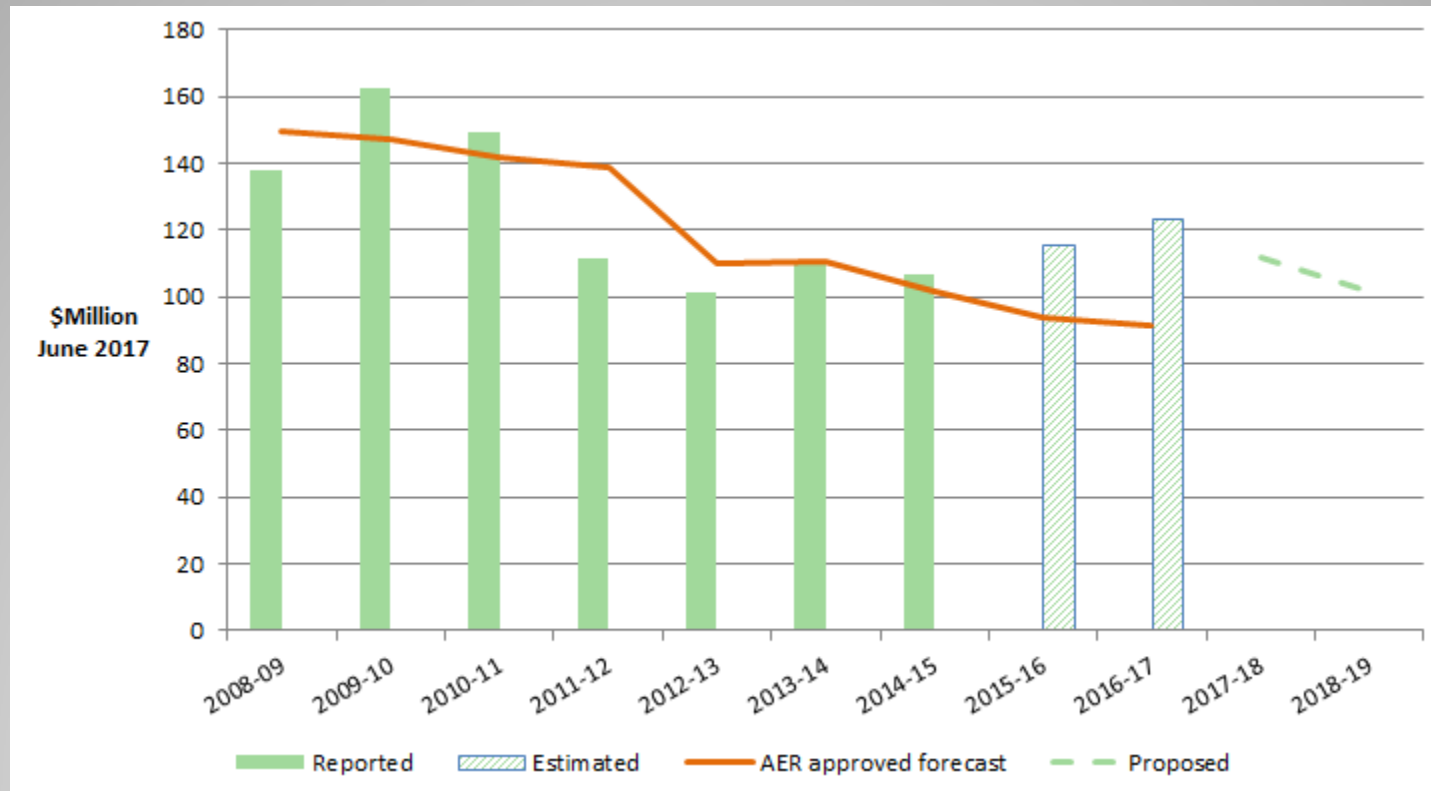
- TasNetworks has proposed decreases in its revenue requirement from the current period
- TasNetworks has proposed a rate of return of 6.04 percent, consistent with the AER's rate of return guideline
- However, TasNetworks has departed from the rate of return guideline with a value of 0.25 for gamma
- TasNetworks has indicated that the Tribunal decision will influence its revised proposal

TasNetworks - Proposed revenue requirement



Source: AER analysis

TasNetworks - capex

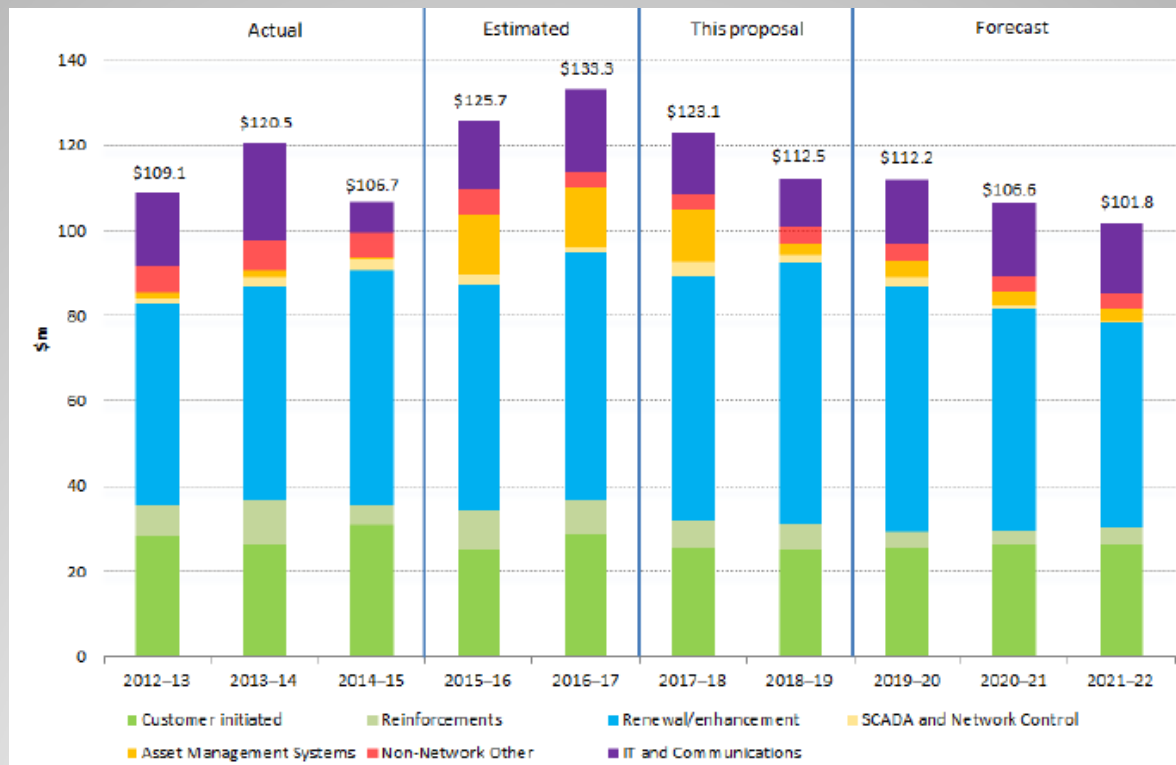


Source: AER Analysis

TasNetworks - capex

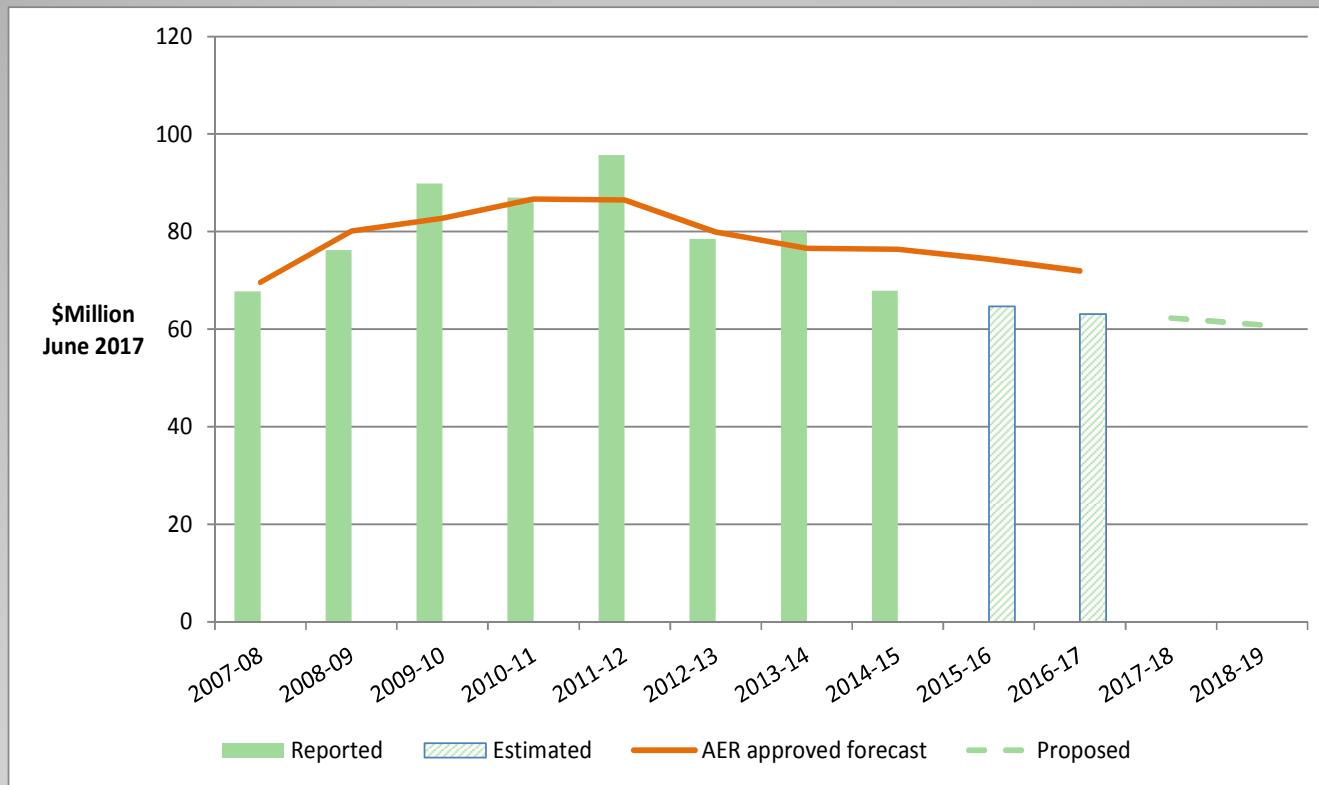
- Capex in the current regulatory period is five per cent lower than the AER allowance
- Costs associated with bushfire recovery and full-retail contestability not passed through
- The 2017-22 capex forecast is a 6.6 percent lower than current expenditure

TasNetworks – capex key drivers



Source: Source: TasNetworks, *Regulatory proposal*, January 2016, pp. 11, 72

TasNetworks - opex



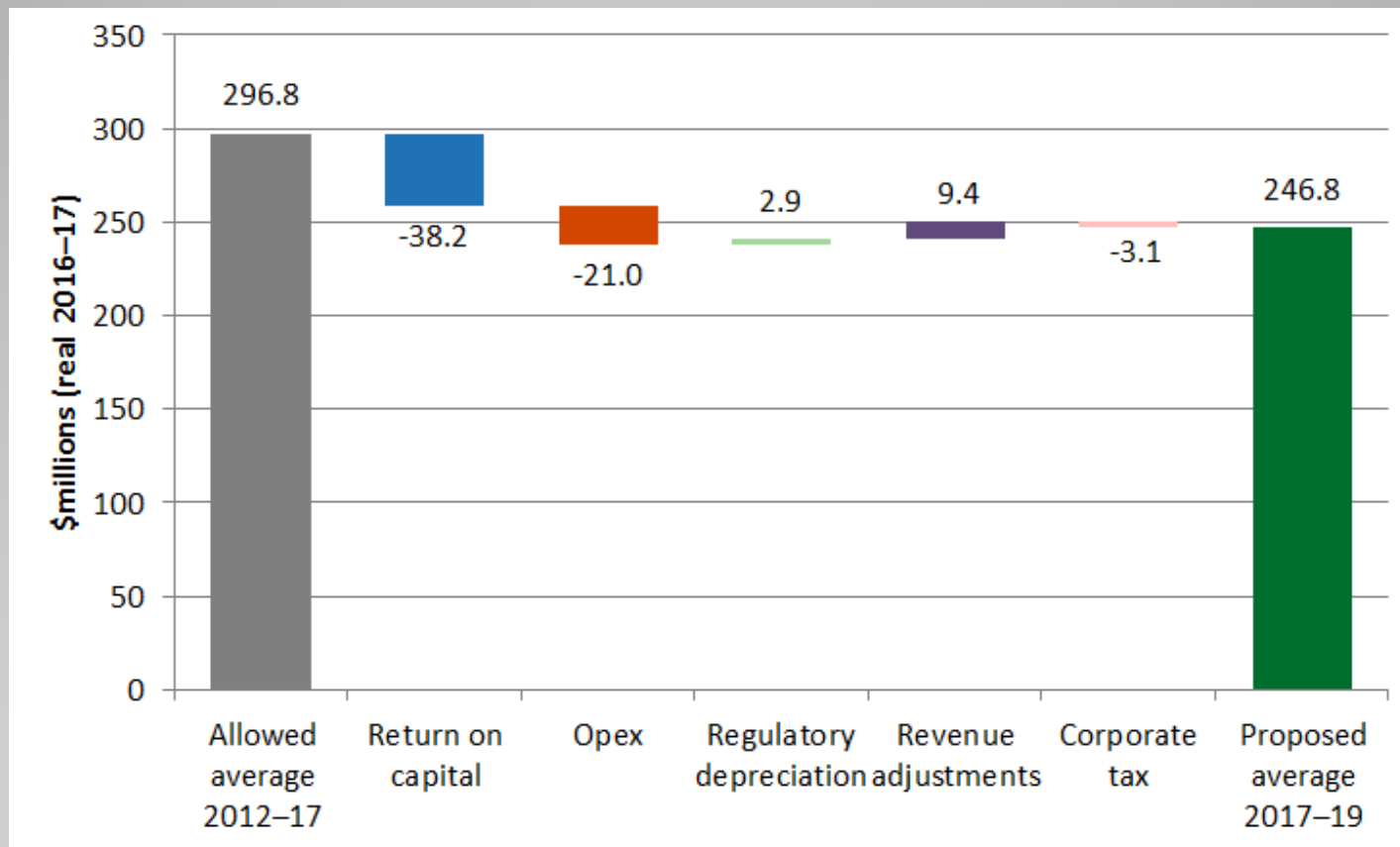
Source: TasNetworks, Regulatory proposal RIN response, January 2016; AER, Final decision PTRM for Aurora 2012–17; TasNetworks (D), Economic Benchmarking RIN response 2014–15; TasNetworks (D), Economic Benchmarking RIN response 2013–14; Aurora, Economic Benchmarking RIN response 2006–13; AER analysis.

TasNetworks - opex

- TasNetworks submits that its forecast opex is 13.1 per cent lower than average opex for the current period
- Forecast opex built on efficiencies achieved since the Transend/Aurora merger
- TasNetworks submits that the AER's benchmarking analysis provides strong evidence that the base year opex is efficient
- Step changes are one of the key opex drivers

TasNetworks

Change in unsmoothed revenue



Source: AER Analysis

Questions?

Next steps

- Submissions due by 28 April 2016
- Draft decision expected in around September 2016
- Final decision due by 30 April 2017

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