

Final decision: ElectraNet 2018–23

We have made a revenue determination for ElectraNet, the electricity transmission network operator in South Australia. Our decision on average over the 2018–23 period results in a stable transmission component of the average annual electricity bill.

About the AER

We, the Australian Energy Regulator (AER), regulate the revenues of ElectraNet by setting the maximum allowed revenue it may recover from its customers.

Our work is guided by the National Electricity Objective (NEO) which promotes efficient investment in, and operation and use of, electricity services in the long term interests of consumers. We set network revenues so that they reflect efficient costs. By only allowing efficient costs, we regulate network prices so that energy consumers pay no more than necessary for the safe and reliable delivery of electricity services

Our determination

Our decision allows ElectraNet to recover \$1603.2 million (\$nominal) revenue in the next period. This is an 0.4 per cent (or \$6.7 million) reduction from ElectraNet's proposed revenue allowance of \$1609.8 million (\$nominal).

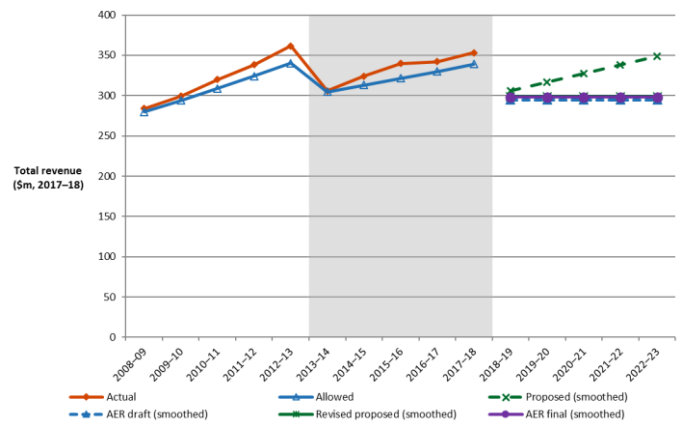
Our final decision approves average annual revenues for the 2018–23 regulatory control period that are \$23.5 million (\$2017–18)—or 7.3 per cent—lower than approved in our decision for 2013–18. ElectraNet's revenues are lower than our previous decision because financing costs have fallen.

Estimated bill impact

The revenue we determine affects the transmission component of a customer's electricity bill. Transmission charges may make up approximately 7 per cent of the bill for typical residential customers in South Australia. Other components of customer's bills include the cost of generation, distribution, retailer costs, and the cost of environmental policies.

We estimate that under our final decision the transmission component of the average annual residential electricity bill in 2022–23 would be 0.1 per cent higher than the current 2017–18 level (in nominal terms).

ElectraNet's past revenue and the AER's revenue allowance (\$million, 2017–18)



We accepted most components of ElectraNet's revised proposal, including the operating and capital expenditure forecasts and rate of return. ElectraNet's revised proposal leads to a reduction in the value of its regulatory asset base, reversing a trend of increases from the past 10 years.

Contingent projects

Our decision also allows flexibility for ElectraNet to react to changes in the national electricity market. Our decision allows for five additional projects (estimated to cost between \$630 million to \$950 million) to proceed if certain 'contingent' conditions eventuate. These contingent conditions include a transparent and thorough assessment of investment options to safeguard the interests of consumers funding those investments. When a contingent project is triggered, we then determine the efficient amount of expenditure that meets the capex criteria.