



Energy Networks Association

**Presentation to AER Public
Forum: WACC Review**

17 December 2008

Key messages

- **Sharp reactions of investors and credit agencies cannot be ignored**
- **Impact: reduce capital investment, with long term effects on energy security**
- **Decision at odds with national policies**

ENA Overview

- **Electricity and gas distribution networks serving over 13 million customer connections**
- **800 000 kms of electricity lines and 75 000 kms of gas networks**
- **Network assets valued at over \$50 billion**
- **Third highest construction activity sector**

Member Companies

- ActewAGL
- Jemena
- Aurora Energy
- CitiPower
- Country Energy
- ENERGEX
- EnergyAustralia
- Envestra
- Ergon Energy
- Transend
- ETSA Utilities
- Integral Energy
- Multinet Gas
- NT Power & Water
- Powercor
- SP AusNet
- United Energy Distribution
- Western Power
- Powerlink
- Transgrid
- Electranet

Industry perspectives on proposed AER statement

- **ENA extremely disappointed by proposed statement**
- **fails to recognise real world business conditions**
- **fails to acknowledge networks role in broader national policy initiatives**

IEA World Energy Outlook 2008

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 - ***“Cumulative global power-sector investment over 2007-2030 is \$13.6 trillion (in year-2007 dollars)... just over half for transmission and distribution networks ...”***
- Intense competition for global capital
- Australia's ability to compete for this capital at risk
- We need to be competitive

AER decision is crucial...

- **Increasing demand for energy**
- **Aging infrastructure**
- **CPRS, renewable energy target and climate change policies**
- **Government investment in infrastructure**

Prime Minister's statement:

- *“Given the scale of investment we will see in our energy sector as we move to the low pollution economy of the future, **a secure investment environment in the electricity sector is critical.**”*

National Press Club address, 15 Dec 2008

Critical Infrastructure

- **Critical infrastructure underpins Australia's economic and social well-being**
- **Community expects high quality service, reliability and security**

Practical consequences

- risks of getting this decision wrong cannot be stressed enough
- impact will be felt due to lack of investment

Closing statement

- **Energy network businesses will continue to highlight parts of this draft regulatory decision that are wrong - and that stand in the way of stated policy goals of Australian governments**