



# Our Regulatory Proposals 2020-25 Highlights

January 2019

## Thanks to our communities and customers

Energex and Ergon Energy would like to thank our communities and customers for continuing to work with us to shape our network plans for 2020-25 and beyond.

The many conversations we have had with Queenslanders have reinforced our core purpose – communities and customers clearly want us to ‘safely deliver affordable, secure and sustainable energy solutions’.

We are confident that our plans will enable us to deliver a bright energy future for Queensland, with the Australian Energy Regulator’s (AER) support.

Energex and Ergon Energy’s Regulatory Proposals are two separate documents with associated supporting information.

Where possible that supporting information is contained in a single document for both Energex and Ergon Energy.

Our proposals will ensure our customers do not pay more than is necessary for us to deliver Queensland’s electricity supply safely, and efficiently, into the future.

We will continue to engage our communities and customers, as the AER now goes about making its revenue determinations for our distribution services in the future.

## Our customer commitments



### SAFETY FIRST

Our priority is to be Always Safe – to show leadership in health, safety and wellbeing across our industry and the broader community.



### AFFORDABILITY

We continue to look for ways to make electricity more affordable across our networks, and to advocate for the reforms needed for a bright energy future for all Queenslanders.



### SECURITY

We’re here 24/7 to keep the lights on – providing peace of mind with a safe, reliable electricity supply, and the knowledge that we’ll be there ‘after the storm’.



### SUSTAINABILITY

Enabling your use of new and emerging technologies and providing easier access to the network - we give you as much control as you choose for your energy solutions with information and more sustainable choices.

## How our proposals continue to deliver for Queensland

Our priority starts with the safe and reliable operation of our network. With this, we are improving our Queensland networks by using new technologies ourselves and by enabling our customers to connect new technologies.



Part of the Energy Queensland Group

This will enable us to make better use of our existing assets, and will make it easier for customers to connect to, and use, our networks. As a result, we expect to spend less on our network in the future than we have in the past.

We have been able to bring down the overall revenue requirements since our September 2018 forecasts:

- Energex \$6,541 million (nominal) (\$150 million down from Our Draft Plans)
- Ergon Energy \$6,516 million (nominal) (\$364 million down from Our Draft Plans).

Our proactive management savings commitments to remove the opex portion of our merger savings from our base year, reduce Energy Queensland's overhead costs by 10% over 2020-25 and achieve a 3% improvement in program delivery over 2020-25 are:

- Energex \$261 million, 1.72% annual productivity improvement
- Ergon Energy \$248 million, 2.58% annual productivity improvement.

We are currently proposing, subject to the AER's acceptance of our Regulatory Proposals, to not claim revenue in 2020-25 that we are entitled to under the AER's efficiency incentive schemes for underspending against allowances in the current 2015-20 regulatory control period. This equates to:

- Energex \$264 million revenue not claimed
- Ergon Energy \$223 million revenue not claimed.

This has helped us deliver proposals balanced around our customer's key concerns of safety, affordability, security and sustainability.

### Our investment plans

Our operating expenditure (opex) covers the maintenance of the network and our day-to-day operation, as well as other costs.

Our opex forecasts for 2020-25 are:

- Energex \$1,806 million, including debt raising costs, 5% lower than for 2015-20 on a like-for-like basis
- Ergon Energy \$1,835 million, including debt raising costs, 9% lower than for 2015-20 on a like-for-like basis.

\* All dollars are real \$2019-20, unless stated as nominal.

Our capital expenditure (capex) program includes both 'network capex' – renewing and building the 'poles and wires' and the other infrastructure to supply the power – and 'non-network capex'.

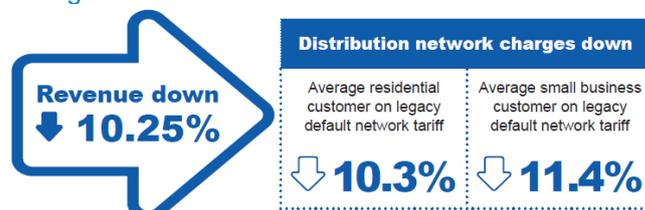
Our capex forecasts for 2020-25 are:

- Energex \$2,327 million, including capital contributions, 18% lower than for 2015-20 on a like-for-like basis
- Ergon Energy \$2,905 million, including capital contributions, 2% lower than for 2015-20 on a like-for-like basis.

### Reductions in distribution network charges

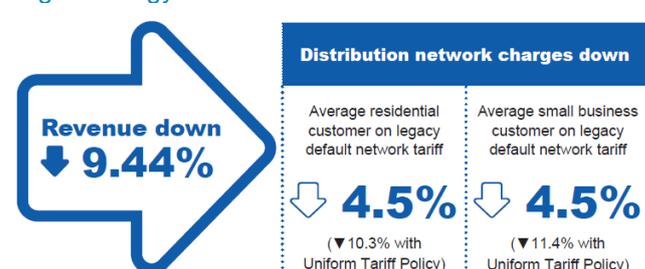
These revenue forecasts will enable us to deliver reductions in distribution network charges from 2019-20 to 2020-21 for average customers on their legacy default network tariffs:

#### Energex



Change 2019-20 to 2020-21 in real terms. Energex legacy default network tariffs (which are the existing default tariffs) are Residential Flat and Small Business Flat. Reduction in distribution network charges may be more if customers opt-in to one of our new network tariffs. This does not account for jurisdictional schemes which may factor into total network charges.

#### Ergon Energy



Change 2019-20 to 2020-21 in real terms. Ergon Energy legacy default network tariffs (which are the existing default tariffs) are Inclining Block Tariff Residential and Inclining Block Tariff Small Business. Reduction in distribution network charges may be more if customers opt-in to one of our new network tariffs. This does not account for jurisdictional schemes which may factor into total network charges. Under the Uniform Tariff Policy, the Queensland Government will subsidise any difference through Community Service Obligation (CSO) payments to support regional Queenslanders, ensuring they pay similar prices for their electricity as customers in South East Queensland.



Customers could even see further savings if they choose to opt-in to one of the new cost-reflective tariffs that we are putting forward. We're also including various intermediate tariff options in the documents supporting our Tariff Structure Statements, which we look forward to exploring further with customers in 2019.

Our full submissions to the AER can be found on [talkingenergy.com.au](http://talkingenergy.com.au)

### What next?

The AER will consult on our Regulatory Proposals and publish its draft Distribution Determinations by September 2019.

We will then submit Revised Regulatory Proposals to the AER by December 2019.

The AER will also consult on its draft Distribution Determinations and our Revised Regulatory Proposals before publishing its final Distribution Determinations by April 2020.

We encourage our communities and customers to make submissions to the AER as part of its consultation process.

After the AER publishes its Distribution Determinations, we will prepare our distribution network charges for the 2020-21 regulatory year, commencing 1 July 2020.

In the meantime, we will continue to engage with our customers and other stakeholders on our Regulatory Proposals, including through our Customer Council and our website, [www.talkingenergy.com.au](http://www.talkingenergy.com.au), where all of our existing consultation material is available.

Questions can also be directed to us via [regulatoryproposal@energyq.com.au](mailto:regulatoryproposal@energyq.com.au)

To ensure we manage the distribution network efficiently, both Ergon Energy and Energex are regulated under the National Energy Rules (NER) by a national regulator, the Australian Energy Regulator (AER).

It is the AER's role to cap the revenues we are allowed, and regulate the amount we are able to pass on to customers via distribution network charges.

Distribution network charges make up about a third of retail electricity bills in Queensland, the other components of which include generation, transmission and retail.

As Energex and Ergon Energy are separately regulated by the AER there are two separate Regulatory Proposals.

After considering our proposal and public submissions, the AER will publish a draft Distribution Determination for regional Queensland and one for the south east.

The draft determinations will support further consultation before the final determinations, which will set the basis of our distribution network charges for the five years from July 2020.

We have engaged extensively across our many different customer and stakeholder groups over the last twelve months to help inform our proposals.

