

Our five year future plan

Regulatory
Proposal Summary
2015 - 2020



positive energy

1. Message from the CEO



For over 100 years, Energex and its predecessors have been part of everyday life in South East Queensland. Delivering a safe and reliable electricity supply to almost 1.4 million homes and business customers is what we do.

This summary provides a high level overview of our 2015-20 Regulatory Proposal to the Australian Energy Regulator and demonstrates how we are taking action to reduce the impact on rising electricity prices.

More detailed information can be found in our five year future plan overview document and our 2015-20 Regulatory Proposal submission at www.energex.com.au/ourfiveyearplan

The plans outlined in our Regulatory Proposal are submitted to the Australian Energy Regulator for their approval. These plans are aimed at finding the right balance between the quality of services customers receive and the price paid for these services.

To ensure our plans align with customers' expectations, we have been working to incorporate customer feedback into the development of our proposal. This has included comprehensive research and consultation with more than 6,700 residential and business customers, representative groups, local councils and electricity retailers.

During the 2010-15 period, we saw a reduction in electricity use and peak demand flatten. This has largely been due to changes in customer consumption behaviour, the purchase of energy efficient appliances and the installation of technologies such as solar PV.

Customer lifestyles and choices are changing, which present new challenges for the electricity supply industry.

In response to these changes we are focusing on better utilising our existing network equipment and maintaining current service levels. This focus will ensure we continue to deliver you a safe and reliable electricity supply, without significant price impacts.

Delivering price stability is an important goal for Energex. We have taken a number of positive steps in recent years to minimise the impact of rising electricity prices. During the 2010-15 period we reduced our expenditure by a total of \$1.7 billion and expenditure will be further reduced by \$1.3 billion for the 2015-20 period.

We have made changes to our organisational structure resulting in annual savings of \$124.2 million in support costs and reduced our revenue by \$227.2 million. These changes have directly benefited customers by minimising the increases in electricity prices.

Our aim is to reduce the cost of living and deliver real cost reductions in the network component of the electricity retail bill. This will be achieved through changes to our plans and program of work. On average, residential customers will experience real price reductions during the 2015-20 period.

Energex exists because of our customers and the services they require from us to power their homes and businesses. We are confident that our plans will deliver a safe and reliable network to our customers at an affordable price.

Going forward, we will continue to work with our customers to deliver the best outcome for both customers and the electricity network.

Terry Effenev
Energex Chief Executive Officer

2. Summary for the 2015-20 period

Our proposal means that residential customers will experience real price reductions in the network component of their electricity retail bill to June 2020.

Network prices are based on our view of the efficient level of revenue we need to run our business, excluding payments made under the Queensland Government Solar Bonus Scheme. With the inclusion of the Solar Bonus Scheme payments, residential network prices would increase by around 2 per cent each year across the 2015-20 period.

To reduce cost of living impacts, in October 2014 the Queensland Government announced a policy to remove the cost of the Solar Bonus Scheme from electricity prices. On current cost modelling this initiative will see the average customer's electricity retail bill reduce from July 2015. Through our ability to refocus the company's business model to work more efficiently, combined with positive Government policies to reduce electricity-related cost of living pressures we will be able to deliver the same exceptional levels of high service to South East Queensland homes and businesses at a reduced cost.



Customer feedback

We took our 2015-20 Regulatory Proposal to customer groups for feedback. They told us:

They rate our electricity services highly and do not want us to invest any more in the network to improve reliability.

The small group of customers who are still experiencing greater than average power outages felt we should invest to improve their network area.

Some customers are struggling with the cost of living and want us to reduce our impact on rising electricity prices.

They want us to continue to deliver a reliable electricity supply and offer a broad range of services such as demand management programs, customer service and tree trimming programs.

They want to be more involved with the decisions we are making.

They believe we should play an industry leadership role in demand management programs.

Our proposal



Revenue \$8.4 billion*

- reduce upward price pressures
- deliver long-term network price stability for our customers.

*Excluding approximately \$1.4 billion in payments made under the Queensland Government Solar Bonus Scheme



Capital expenditure \$3.2 billion

- reduce capital expenditure
- maintain the current high levels of reliability
- improve reliability in network areas that are experiencing the most frequent power outages.



Operating expenditure \$1.7 billion

- maintain operating expenditure
- enhance engagement with our customers.

What it means for customers

We will deliver network price stability to reduce costs to customers and deliver a price decrease should the Queensland Government Solar Bonus Scheme be removed from our network prices.

We will continue to deliver a safe and reliable electricity supply to homes and businesses and plan our network to meet future needs and technologies.

We will continue to deliver services to our customers including demand management programs, easy to use communication channels, tree trimming, community safety as well as storm and emergency response. We commit to providing customers with a safe and reliable electricity supply as well as high standards of service.

3. Our five year future plan customer engagement

Since 2013 our customers have influenced key decisions for our 2015-20 Regulatory Proposal through our Customer Engagement Research Program and five year future plan consultation. We have consulted with over 6,700 customers in the development of our 2015-20 Regulatory Proposal.

We carried out a series of engagement activities ranging from surveys to online submissions and public workshops, to gain an understanding of our customers' views and expectations in relation to key topics for our 2015-20 Regulatory Proposal.

Key topics



The big picture

- Customer engagement
- Capital expenditure
- Operating expenditure
- Revenue



My home/business and bill

- Changes to metering
- Reliability
- Power prices



My street

- Vegetation management
- Local project communications



My community

- Electricity and demand forecasts
- Demand management
- Customer choice
- New technologies

Who participated?

- Small to medium business customers
- Residential customers
- Large business customers
- Regional councils
- Government
- Representative groups
- Electricity retailers



What customers told us and how this has influenced our decisions

What you said	What we will do	What it means for you
You rate our electricity services highly and do not want us to invest any more in the network to improve reliability.	Capital expenditure will be reduced and mostly spent on replacing ageing network equipment to ensure our electricity supply continues to be safe and reliable. We will also continue to plan for growth in localised areas.	You will continue to receive a safe and reliable electricity supply. This will also assist in controlling price impacts in the future.
The small group of customers who are still experiencing greater than average power outages felt we should invest to improve their network area.	Have a targeted program to improve reliability for customers that receive lower levels of reliability compared with the majority of customers.	The worst 10 per cent of electricity supply areas will be improved to ensure all our customers can enjoy a safe and reliable electricity supply.
You do not want high price increases with some customers struggling with the cost of living.	Be cooperative participants in industry and tariff reform processes to deliver long-term price stability. Engage with our customers on our long-term network pricing strategy.	You will be consulted on initiatives which include changes to network tariffs and we aim to minimise network price increases during the 2015-20 period. Achieving this will end large network price increases.
You want us to continue to deliver a reliable electricity supply and to offer a broad range of services such as community safety, demand management programs and tree trimming programs.	Maintain operating expenditure at levels consistent with delivering a high standard of service, network safety and reliability.	We will continue to deliver services including tree trimming, storm and emergency response, safety communications, demand management programs and offer a wide range of communication channels.
You want to be more involved with the decisions we are making.	Improve our engagement with you and offer greater input into decision making.	We will engage with you more about key decisions and use your feedback to shape our direction.
You believe we should play an industry leadership role in demand management programs.	We will continue to provide demand management programs for residential customers in all network areas and business customers in areas of the network where it is needed.	You will continue to have access to popular demand management programs offering incentives for demand management solutions.



Find out more about our five year future plan engagement at www.energex.com.au/ourfiveyearplan

4. Expected pricing outcomes

Our proposal means that residential customers will experience real price reductions in the network component of their electricity retail bill to June 2020. Our network prices are based on our view of the efficient level of revenue we need to run our business, excluding payments made under the Queensland Government Solar Bonus Scheme.

These would be the expected network prices for the 2015-20 period if payments for the Queensland Government Solar Bonus Scheme were removed.

(excluding the cost of metering and GST)

Network Tariff Code / Name	Price unit	2015-16	2016-17	2017-18	2018-19	2019-20
8400 Residential Flat (default residential tariff)	c/kWh	13.53	13.57	13.38	13.18	13.00
	Change from prior year	-9.7%	0.3%	-1.4%	-1.5%	-1.4%
	\$/customer	588.73	577.99	562.23	549.62	539.02

The following table shows network prices for the 2015-20 period which includes payments made under the Queensland Government Solar Bonus Scheme.

(excluding the cost of metering and GST)

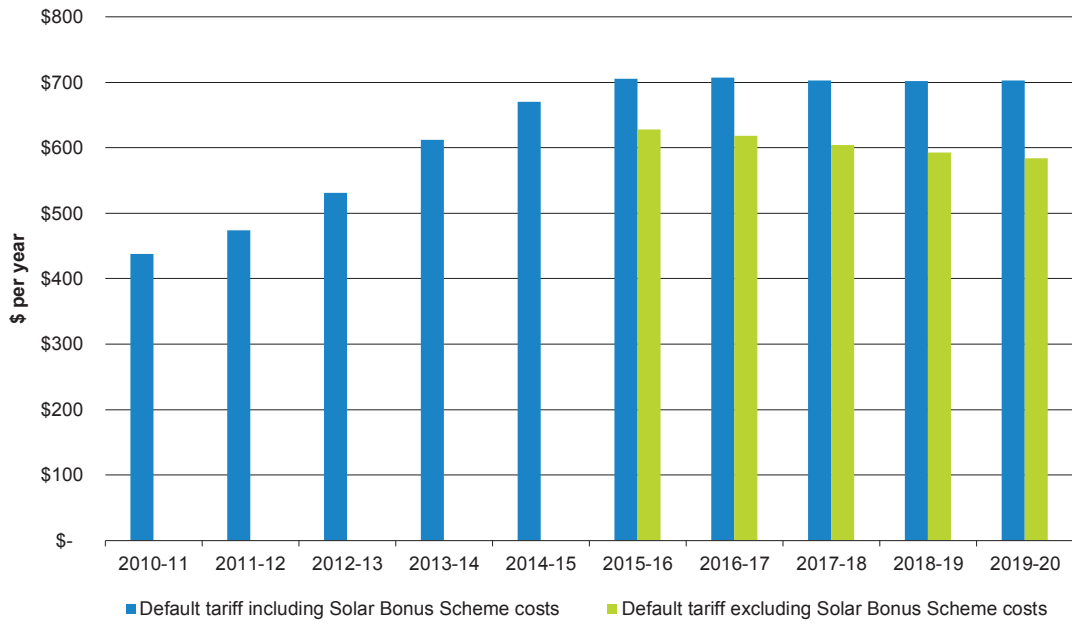
Network Tariff Code / Name	Price unit	2015-16	2016-17	2017-18	2018-19	2019-20
8400 Residential Flat (default residential tariff)	c/kWh	15.32	15.66	15.74	15.80	15.88
	Change from prior year	2.2%	2.3%	0.5%	0.4%	0.5%
	\$/customer	666.70	667.17	661.24	658.77	658.39

With the inclusion of the Solar Bonus Scheme payments, residential network prices would increase by around 2 per cent each year across the 2015-20 period.

Find out more about expected pricing outcomes in Section 4 of our five year future plan overview document or Chapter 23 of our full 2015-20 Regulatory Proposal.

Residential customers

Average network charges – network tariff code 8400



For comparison purposes we have including the cost of metering in the above chart from 2015-16 onwards.



5. Revenue

Efficiently managing and operating our business



Revenue is the total amount of money needed to deliver essential electricity services to our customers and to efficiently operate and manage our business for the 2015-20 period.

Excluding payments for the Queensland Government Solar Bonus Scheme, **we will be seeking approval for \$8.4 billion in total revenue for the 2015-20 period.** We will balance our revenue each year to avoid network price increases like those that occurred between 2010-15.

Between the 2010-15 period, we delivered benefits to customers by making an explicit decision to reduce our revenue by a total of **\$227.2 million**. This was a result of reductions to our capital program as well as foregoing rewards from incentives. Customers benefited as we did not pass these costs through network price increases.

After the reduction, we were approved by the Australian Energy Regulator to recover **\$7.4 billion**.

The total increase we are asking for the 2015-20 period is due to a number of factors including increased payments under the Queensland Government Solar Bonus Scheme and an increasing asset base upon which we earn a return. If payments from the Solar Bonus Scheme were removed our revenue would be **\$1.4 billion** less for the 2015-20 period.

Revenue	2010-15 (nominal \$m)			2015-20 (nominal \$m)		
	Years	Australian Energy Regulator approved per pricing proposal	Actual revenue (\$ Million)	Years	Forecast revenue (excluding Solar Bonus Scheme payments)	Forecast revenue (including Solar Bonus Scheme payments)
	2010-11	\$1,084.5	\$1,029.4	2015-16	\$1,669.4	\$1,890.6
	2011-12	\$1,220.1	\$1,152.3	2016-17	\$1,670.4	\$1,927.8
	2012-13	\$1,491.2	\$1,354.6	2017-18	\$1,671.5	\$1,965.8
	2013-14	\$1,700.4	\$1,608.3	2018-19	\$1,672.5	\$2,004.6
	2014-15	\$1,925.4	\$1,925.4 (forecast)	2019-20	\$1,673.5	\$2,044.1
Total		\$7,421.6*	\$7,070.0		\$8,357.3	\$9,832.9

*This amount excludes approximately \$227.2 million in revenue that we chose not to recover due to reductions in our capital program and a decision not to pass through some incentive rewards.

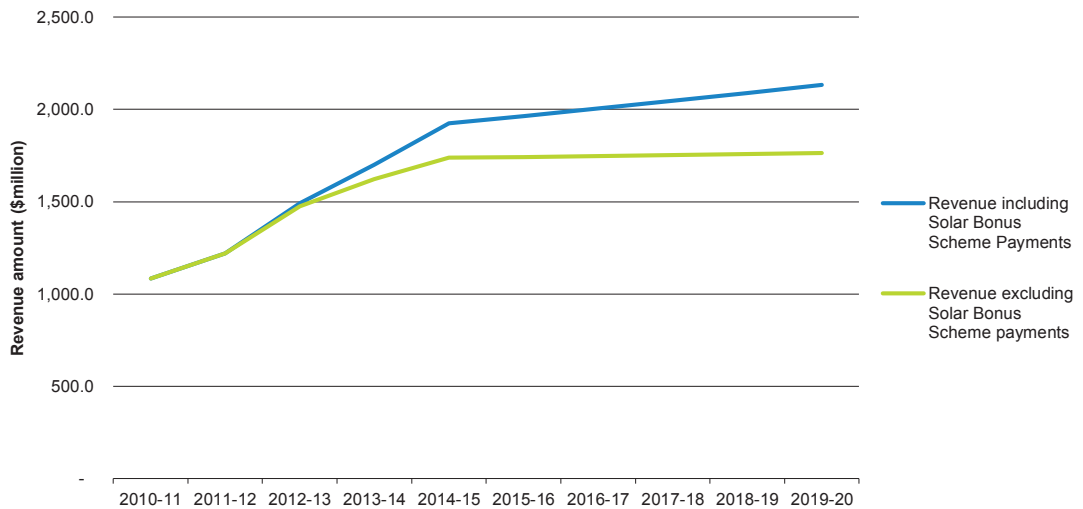
Revenue during the 2010-15 period includes revenue for metering. This is not included in the 2015-20 figures as it has been re-classified as an alternative control service. Find out more about metering on page 59 of our five year future plan overview document.

Rate of return	2010-15 Australian Energy Regulator approved	2015-20 Energex proposed
		9.72%

Rate of return is the income we earn based on the value of assets we own. It is set by the Australian Energy Regulator and contributes to the revenue we earn. It is sometimes referred to as the Weighted Average Cost of Capital, or WACC.

Find out more about Revenue in Section 3 of our five year future plan overview document and Chapter 21 of our full 2015-20 Regulatory Proposal.

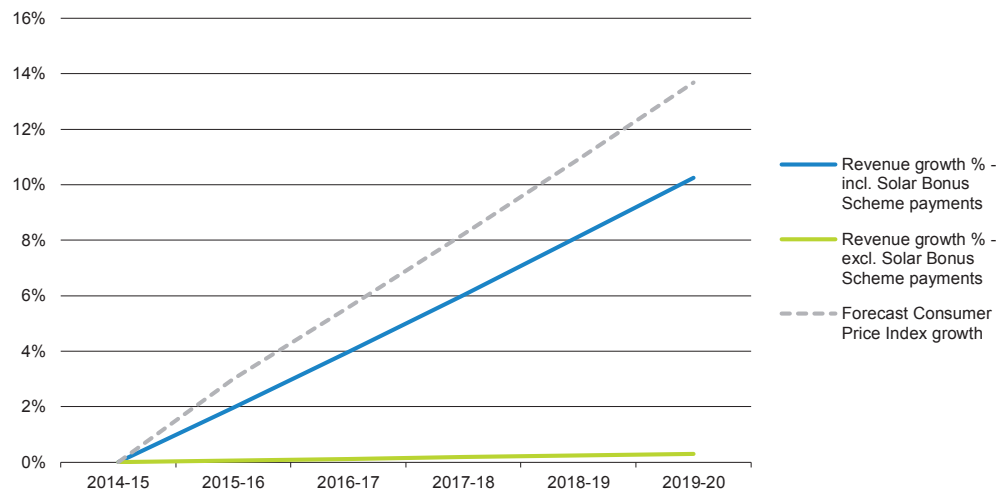
2010-15 and 2015-20 yearly revenue



The green line represents the efficient revenue we need to run our business and the blue line represents the efficient revenue including the Queensland Government Solar Bonus Scheme.

The efficient revenue shown in this chart includes metering revenue.

Expected revenue growth during the 2015-20 period



This chart shows our expected revenue growth during the 2015-20 period in comparison to the Consumer Price Index. If we were not required to recover the Queensland Government Solar Bonus Scheme payments, our revenue would be less.

6. Capital expenditure

Network investment



For the 2015-20 period we will be seeking approval for **\$3.2 billion** in capital expenditure which is a significant reduction of **\$1.2 billion** compared to what we spent during the 2010-15 period.

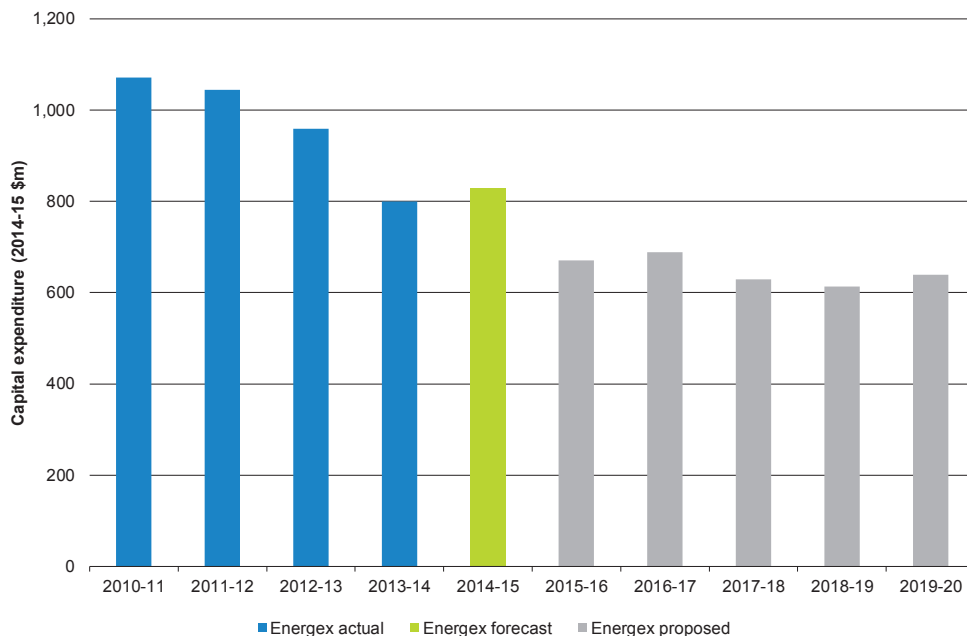
This is the cost of purchasing and installing network equipment, like poles, wires, cables, substations and transformers, as well as property, fleet and tools. It is the money we use to build the network where needed and replace network equipment when it reaches the end of its useful life.

By the end of the 2010-15 period, we expect to have spent a total of **\$4.4 billion** on capital expenditure to ensure the network supported the customer growth forecast for the beginning of the period and to deliver a safe and reliable electricity supply.


During the 2015-20 period, the majority of our efforts will be to replace network equipment that is at the end of its useful life. This will deliver ongoing community safety and high standards of network reliability.

Comparing 2010-15 with 2015-20

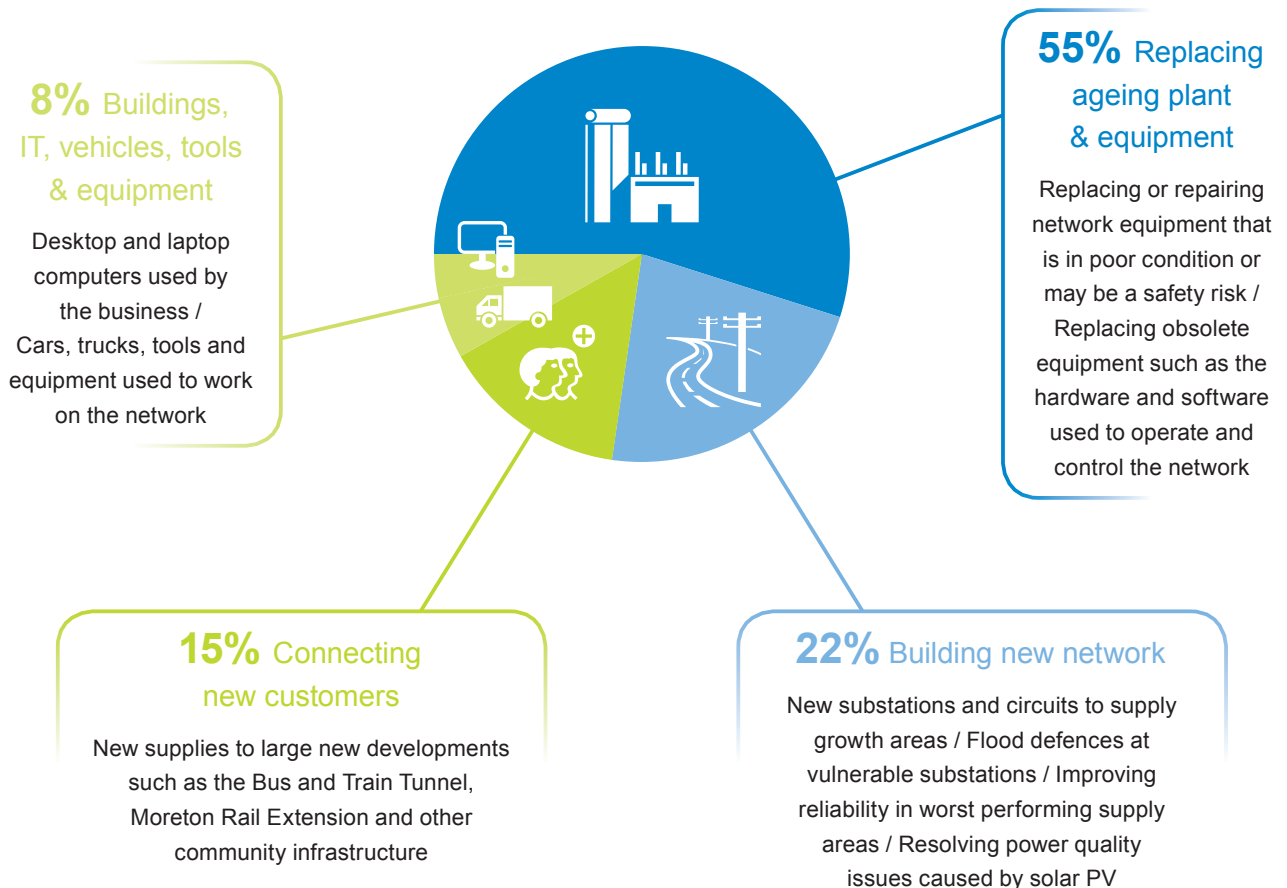
We are expecting a continued decrease in our capital expenditure



Find out more about capital expenditure in Section 6 of our five year future plan overview document and Chapter 9 of our full 2015-20 Regulatory Proposal.

 Capital expenditure	2010-15 (nominal \$m)			2015-20 (2014/15 \$m)	
	Years	Australian Energy Regulator approved	Actual spend	Years	What we are proposing
	2010-11	\$1,163.3	\$961.5	2015-16	\$670.3
	2011-12	\$1,230.0	\$960.1	2016-17	\$688.5
	2012-13	\$1,245.5	\$900.5	2017-18	\$629.0
	2013-14	\$1,266.3	\$770.6	2018-19	\$613.3
	2014-15	\$1,340.8	\$828.0 (forecast)	2019-20	\$638.4
Total		\$6,245.8	\$4,420.7		\$3,239.6

Breakdown of capital expenditure proposed for the 2015-20 period



7. Operating expenditure

Our day to day services to you



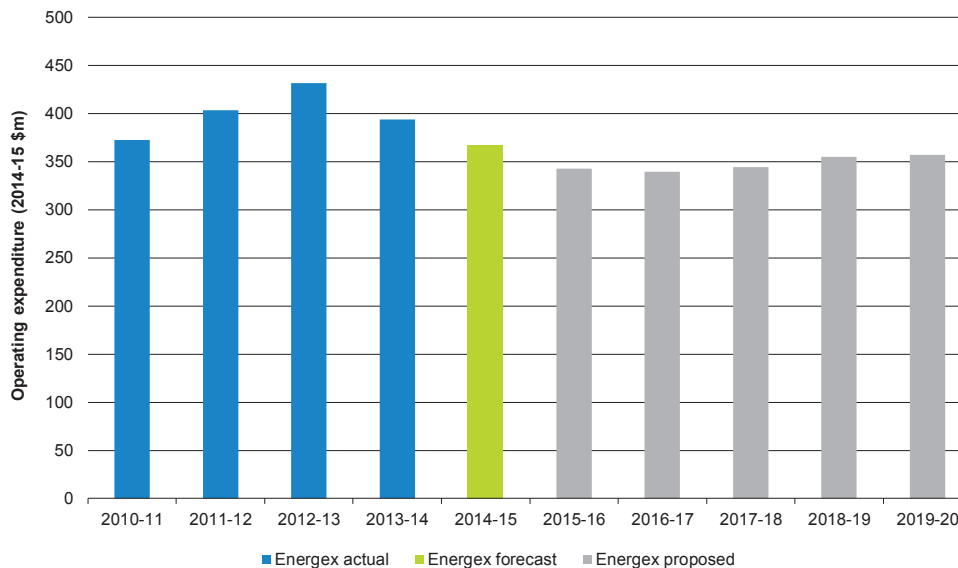
For the 2015-20 period we will be seeking approval for **\$1.7 billion** in operating expenditure which is less than what we spent for the 2010-15 period.

Operating expenditure will deliver the services you need and value on a daily basis. This includes the routine, ongoing activities of running an electricity network, emergency response, fixing faults, maintaining network equipment and demand management initiatives.

By the end of the 2010-15 period we expect to have spent a total of **\$1.9 billion** on operating expenditure. This figure excludes approximately \$700 million in payments expected to be made under the Queensland Governments Solar Bonus Scheme.

Comparing 2010-15 with 2015-20

We are expecting operating expenditure to be slightly lower

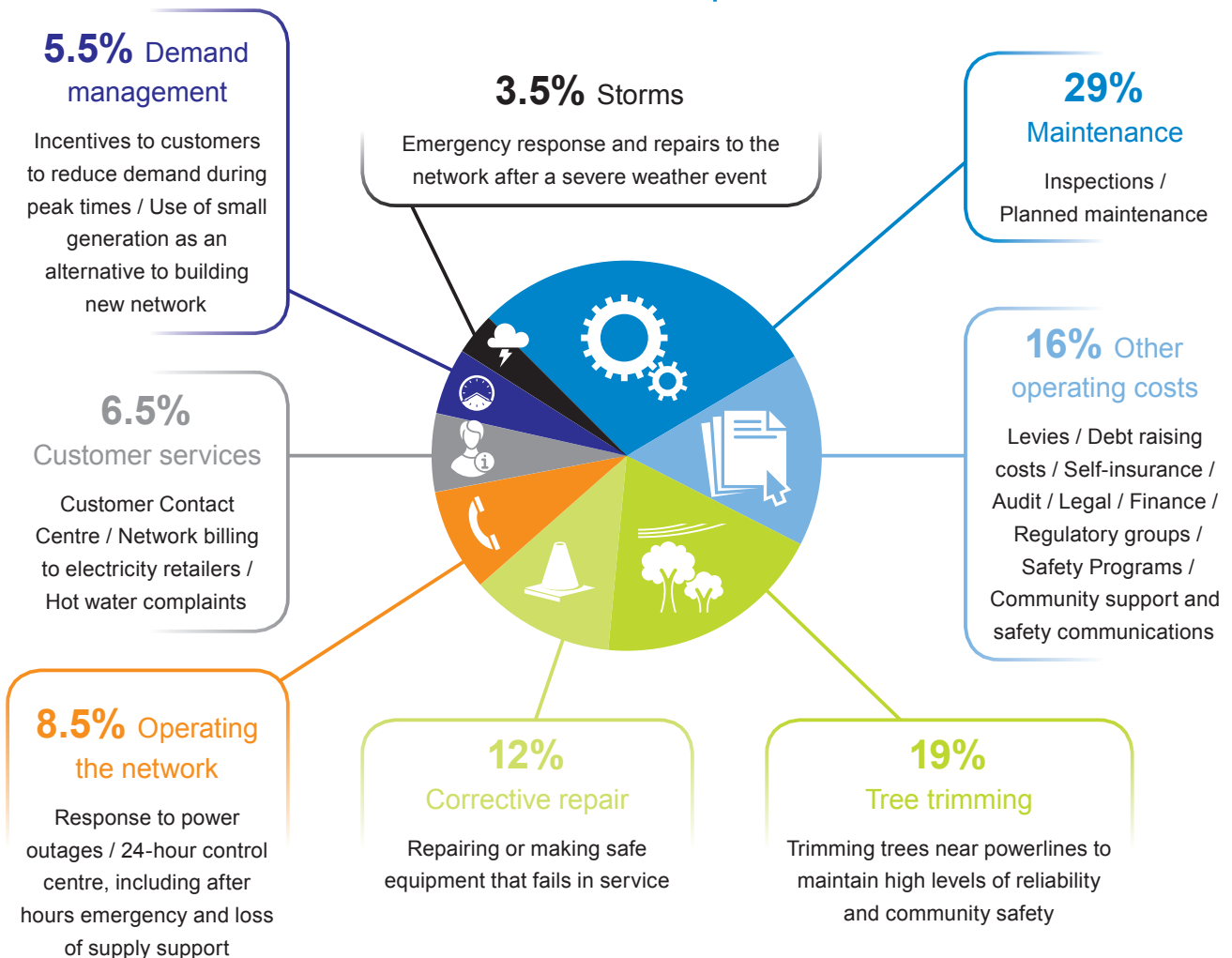


Find out more about operating expenditure in Section 7 of our five year future plan overview document and Chapter 10 of our full 2015-20 Regulatory Proposal.

Operating expenditure	2010-15 (nominal \$m)			2015-20 (2014/15 \$m)	
	Years	Australian Energy Regulator approved	Actual spend	Years	What we are proposing
	2010-11	\$323.4	\$334.4	2015-16	\$342.5
	2011-12	\$329.1	\$370.7	2016-17	\$339.4
	2012-13	\$345.6	\$404.9	2017-18	\$344.1
	2013-14	\$363.1	\$379.3	2018-19	\$355.0
	2014-15	\$365.6	\$367.8 (forecast)	2019-20	\$357.2
Total		\$1,726.8	\$1,857.2*		\$1,738.2

*The overspend was due to the emergency response for the 2011 flood-event and ex-tropical cyclone Oswald in 2013, as well as costs associated with changing our organisational structure.

Breakdown of operating expenditure proposed for the 2015-20 period





We are committed to delivering balanced business outcomes while continuing to deliver safe and reliable services to our customers.

This paper is a summary of the key points raised in Energex's five year future plan overview and 2015-20 Regulatory Proposal, submitted to the Australian Energy Regulator in October 2014.



We welcome questions and feedback from customers and stakeholders. This can be directed to the Energex Customer Engagement Team.

www.energex.com.au/connectingwithyou
customerengagement@energex.com.au

Commercial Business Manager
Customer and Corporate Relations
Energex Limited
GPO Box 1461
Brisbane QLD 4001

For general enquiries:

www.energex.com.au
custserve@energex.com.au
13 12 53 (8am to 5:30pm, Monday to Friday)
13 14 50 Telephone interpreter service

 Follow us on twitter.com/energex
 Like us on facebook.com/energex

© Energex Limited 2014

® Energex and Energex Positive Energy are registered trade marks of Energex Limited

Energex Limited ABN 40 078 849 055
GPO Box 1461, Brisbane QLD 4001



energex

positive energy