



Hydro Tasmania  
*the renewable energy business*

# ACCC Public Forum Transend Revenue Cap – Draft Decision 17 October 2003 Hydro Tasmania's Presentation



Presentation by Greg Jones, Manager Product Delivery



- **The fundamentals of the Draft Decision appear to provide a reasonable outcome from Hydro Tasmania's perspective**
- **Focus should now be on delivering value in terms of pricing and service**



# Capex & opex appear reasonable...

## Capex

- Capex allowance appears to provide for renewal & development capex needs
- Reduction from Application is unlikely to significantly delay projects

## Opex

- Sound basis for development of opex forecast



## But significant pricing impacts...

- Revenue will increase by 60% average per annum
- Significant and immediate impact on customers
- Transend's pricing policy will have the potential to significantly affect individual outcomes



# Regulated Service Standards

- Adopted service standard performance targets appear adequate in as far as they go
- Collection of data for additional service standards will allow inclusion at the next reset
- Additional performance measures will improve effectiveness of the current scheme



# Alternative Approach to Capex

- Hydro Tasmania sees some merit in the ACCC's proposed approach
- The devil is in the detail. Operational aspects for dedicated assets will need to consider:
  - application to Transend's capex allowance
  - “fair and reasonable” negotiating outcomes with TNSPs
  - procedural aspects of the approach

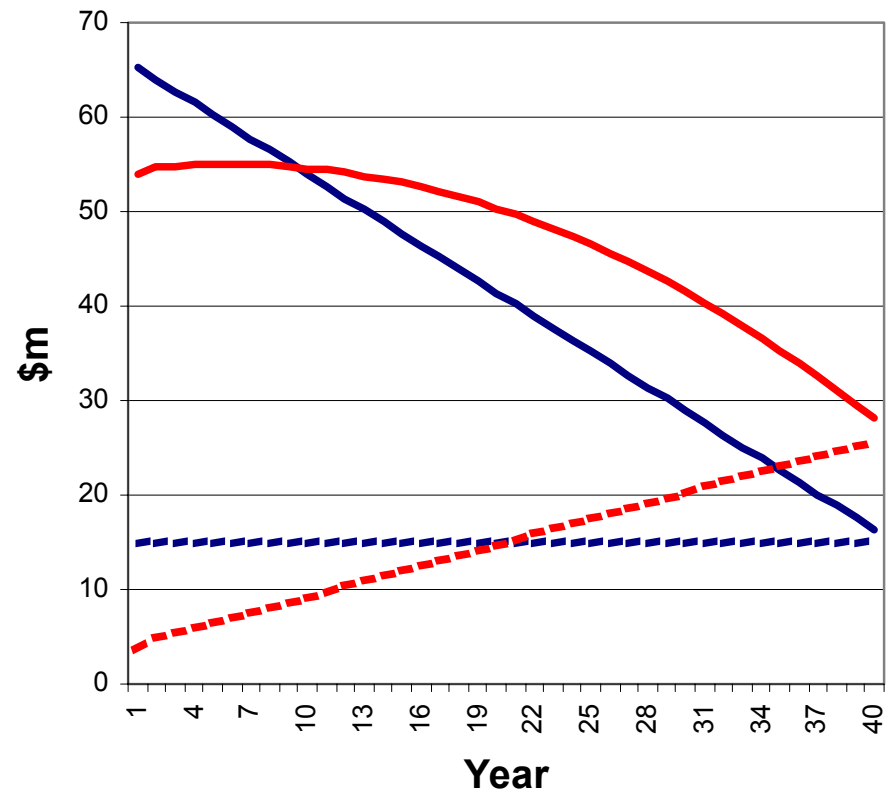
**...Focus should now be on delivering value in relation to pricing and service**



# Competition Depreciation

- Approach in draft SORP
  - also mentioned in Transend and TransGrid
- Pricing impact could be minimised without long term financial impact to Transend
- With rapidly increasing prices, impact can be spread over multiple periods. Recognise:
  - need to bind the ACCC for future resets
  - underlying assumption that future capex and opex plateau

## Straight Line Depreciation vs Competition Depreciation





# Service Standards Development

- Hydro Tasmania acknowledges ACCCs engagement of industry in development of market based service standards
- In addition to regulated service standards Hydro Tasmania will explore options for tailored enhanced arrangements
- The success or otherwise of these negotiations should inform decisions about the development of regulated *market based service standards*
- Ability for market participants to effectively enter into commercial agreements for network solutions is essential





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# Conclusion

*The Draft Decision seeks to balance service outcomes and financial needs in light of the upcoming challenges for the Tasmanian electricity industry*

*With the fundamentals of the Draft Decision appearing to provide a reasonable outcome, the focus should now be on achieving value in terms of pricing and service*

