

Tasmanian Minerals and Energy Council

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Mr Chris Pattas
General Manager-Networks Branch
Australian Energy Regulator
Email: transendrevenuereset@ aer.gov.au

Dear Mr Pattas

The Tasmanian Minerals and Energy Council is pleased to make this submission on TasNetworks Revenue Proposal (RP) for its 2014/15 to 2018/19 transmission revenue cap under the National Electricity Rules (NER).

Yours sincerely



Wayne Bould
CEO, Tasmanian Minerals and Energy Council

TasNetworks Transmission Revenue Proposal 1 July 2014 – 30 June 2019

Submission by Tasmanian Minerals and Energy Council

To The Australian Energy Regulator Draft Determination

The Tasmanian Minerals and Energy Council (TMEC) represent the interests of the Mining and Minerals Processing industries in Tasmania.

The state of Tasmania has a unique situation which is without equal in any other part of the NEM, five companies consume nearly 60% of the energy used in Tasmania. The application of energy policy and regulations is one of the single biggest drivers of the Tasmanian economy.

Recent studies show this sector contributes \$2.5B per annum in gross state product, and supports the direct and indirect employment of 10,000 Tasmanians.

The actions and or inaction by the AER have a direct impact on the health of the Tasmanian economy.

TMEC is pleased to make this submission on TasNetworks Revenue Proposal (RP) for its 2014/15 to 2018/19 transmission revenue cap under the *National Electricity Rules (NER)*.

TMEC acknowledges the reduction in projected transmission costs for the next revenue determination period from what resulted in the previous revenue determination period under the combined efforts of Transend and AER.

TMEC has assessed the reduced transmission cost to consumers proposed for the next revenue period has been exclusively delivered by the decisions taken by TasNetworks and a market based change to the Nominal risk free rate. TasNetworks is to be congratulated for their willingness to face up to the legacy issues created by their predecessor.

What TasNetworks has highlighted is the AER has not exercised any of its available discretion to deliver an outcome which protects the interests of consumers.

TMEC has noted the AER has so far decided to retain the MRP% and the Equity Beta at the extreme end of the available range, and at the end which maximises the benefit to the Network Provider, therefore minimising the benefit to the consumer.

The AER has failed in their duty to justify the basis for their decision to leave the WACC at an elevated rate.

The AER has failed in its duty to intervene in a business model, which allowed discretionary factors to drive the WACC to deliver a pecuniary benefit of a 32% return on sales to its shareholder when the monopoly TNSP was known as Transend. This return includes net after profit tax, income tax equivalents which go to the Tasmanian Government, debt guarantee fees and finally taking account of equity re valuation. An equivalent interstate network provider achieved a 15% return by these criteria. In any other business, this result would be described as a super profit. The net result has been an increase in costs to consumers in the order of 200% while at the same time generating a 32% return.

It would appear from the AER's draft determination they are again proposing to absent themselves from exercising their discretion, despite the overwhelming evidence of prior market and regulatory failure.

As it stands, the AER has played no role to ensure the proposed revenue determination balances the needs of the stakeholders it is authorised to represent.

TMEC has formed the view that the AER has no relevance to the determination process, and arguably, has created an administrative burden on TasNetworks which invariably has to be funded by consumers. The AER appears to be little more than a cost penalty which serves no benefit to Tasmanian consumers (or potentially TasNetworks).

TMEC believes it is incumbent on the AER to take this one remaining opportunity to apply the discretion which it has authority for, to ensure a better balanced outcome is achieved for all stakeholders, not just for the Network Provider.

TMEC appreciates the opportunity to provide feedback to the AER in regards to how it has evaluated the TasNetworks Submission. We can be contacted at any time to provide further clarification or advice on any matter that could assist in the reduction of transmission prices in Tasmania