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CITIPOWER AND POWERCOR DISAPPOINTED BY DRAFT DETERMINATION

CitiPower and Powercor Australia have expressed their disappointment with the draft determination on their price-service proposals for the five years 2011-16, released today by the Australian Energy Regulator (AER).

The AER has cut capital expenditure proposals for the five years for CitiPower by 46 per cent, and for Powercor by 36 per cent.

CEO Shane Breheny said that the AER and its consultants appeared not to have fully understood CitiPower and Powercor Australia's submissions.

"We have done more work than ever before developing our proposal, line by line from the bottom up. Like every electricity distributor in Australia, we are faced with an ageing network that will need increasing replacement to ensure the reliability of supply and the safety of the public. We also need to respond to community demand for more electricity at peak times," he said.

Mr Breheny noted that the AER has cut funding proposals for important projects because it claims they are unlikely to go ahead. Yet many of them are already underway, such as works associated with the security of supply and the growing demand in Melbourne's CBD, and the construction of a new zone substation to service the growing Gisborne region.

The AER also appears to have excluded funding for key areas of concern to the Victorian community, including:-

- costs associated with increased storms and outages driven by climate change
- additional preventive maintenance on high risk townships as identified in the Victorian Government Bushfire response of 2009

Mr Breheny also expressed surprise at the lack of consistency between the AER's approach in Victoria and its recent price determinations in South Australia, Queensland and NSW.

"One of the main reasons to move from state regulation to federal regulation was to develop consistency and certainty across the national electricity market.

"Yet this draft determination seems to apply quite a different set of standards – at the expense of Victorian Distribution Businesses (DBs) and the customers who depend on them," he said.

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MEDIA RELEASE

	First year (% price change)	Remaining 4 years (% price change per annum)
Victorian DBs (AER Draft Decision - nominal)		
CitiPower	-7.27	0 to 2
Powercor	-8.14	0
SP AusNet	-4.46	0 to -6
United Energy	-19.57	0 to 5
Jemena	-1.46	-2 to -6
Qld & SA DBs (AER Final Decision - nominal)		
Ergon Energy	29.61	5.10
Energex	18.20	7.90
ETSA	10.95	3.9
NSW DBs (AER Final Decision - nominal)		
Energy Australia	17.86	12.0 to 8.0
Integral Energy	12.58	7.0 to 0.0
Country Energy	13.41	13.31 to 0

Table 1: AER approved Distribution Price Movements across Australia

“The AER has acknowledged that the Victorian distribution sector is the most efficient in the country. However it is hard to avoid the conclusion that the AER has accepted the increasing need to replace ageing infrastructure in other states over the next five years, but rejected this in Victoria,” he said.

Mr Breheny promised to go through CitiPower and Powercor’s proposals in detail with the Regulator and its representatives until they understood the merits of significant extra expenditure on the network.

“Over the past 15 years Victorians have been the beneficiaries of greater improvements in reliability, and more efficient networks than any other state.

“We will do everything we can, without ruling out any options, to ensure that Victoria continues to lead the nation in the efficiency of its electricity supply over the next five years,” Mr Breheny said.

Ends

Media inquiries: CitiPower and Powercor’s 24-hour media service on 9683 4342.