



## **Ausgrid Responses to NSW Select Committee on Electricity Supply Demand and Prices in New South Wales**

### **Question 1:**

**The CHAIR:** I will ask a question to Ausgrid. On page 1 of your submission, you have mentioned some percentages of how some of your customers rate these issues. How many customers did you survey for these results? What is the sample size?

**Mr AMPHLETT LEWIS:** I do not have those numbers.

**The CHAIR:** Could you get them so that the Committee knows the equivalent amount of people that were surveyed?

### **Response:**

The findings were based on a quantitative survey of 2,362 Ausgrid customers. The sample was representative of Ausgrid's customers, across its service area, who are responsible for household energy-related decisions (i.e. paying bills or choosing electricity providers). Quotas were set to ensure the sample was representative in regards to age, gender and location with data weighting applied to ensure an accurate representation. Findings are published in the [Customers at the Centre Phases Three & Four Customer Survey & Advanced Analytics Research Report](#), September 2017.

### **Question 2:**

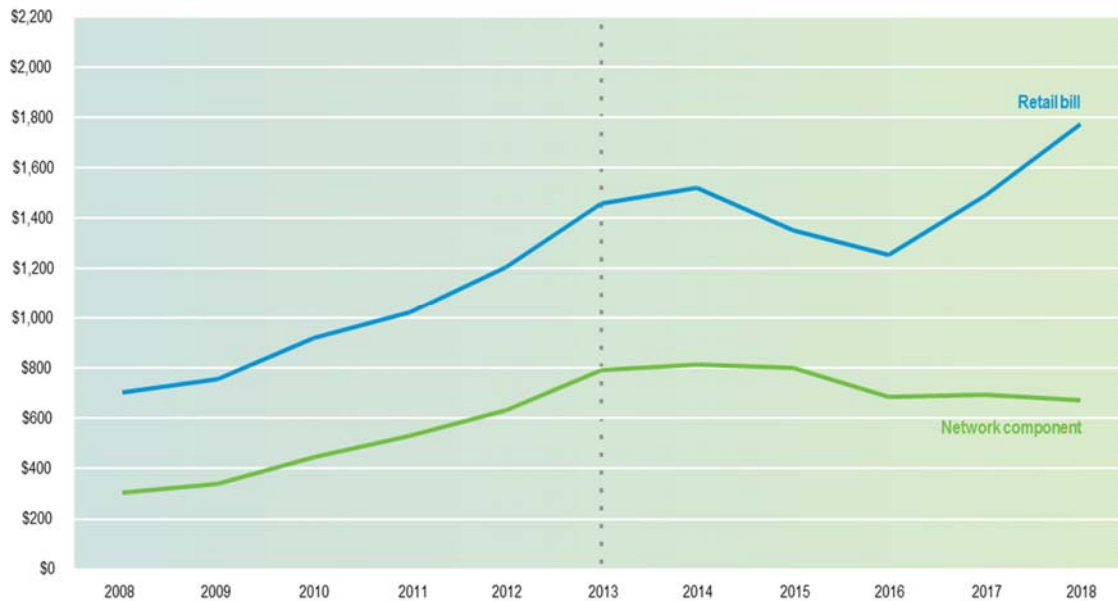
**The Hon. ADAM SEARLE:** Both Endeavour and Ausgrid have made submissions that invites us to form the view that your charges are decreasing each year, network costs are going down and customers should be making savings, yet overall electricity costs are significantly increasing. Looking at the Australian Energy Market Commission financial report *2017 Residential Electricity Price Trends*, network costs as a whole—I accept it includes transmission—is around 53 per cent of people's bills, which is a significant increase on 20 years ago when it was around 38 per cent. The proportion taken up appears to have significantly increased. How do you reconcile that with your downward trend for your two companies? Your two companies together are the lion share of the distribution business in this State.

**Mr AMPHLETT LEWIS:** That number is a national number. We are looking specifically at our customers that is where our major concern is. We have worked hard and now Ausgrid's network prices are approximately 33 per cent of a customer's bill. We want that to continue to get lower and we want to continue to deliver better outcomes for customers, but I am not quite sure how I can reconcile our number with that national number.

**The Hon. ADAM SEARLE:** I would be happy if you could work with the market commission or even yourself to give us a snapshot of what has been happening in New South Wales.

**Mr ARMSTRONG:** We can take that on notice and come back with some further information. Absolutely.

Ausgrid acknowledges and has highlighted in its 2019-24 Regulatory Proposal, that from 2009 to 2013 network prices were the main contributor to the increase in customer bills. Since 2013 the *network component* (including all transmission costs and Climate Change Fund) of the bill has been flat or declining. Please see the chart below from our revenue proposal that shows how network prices have related to retail bills in Ausgrid's region from 2008 through to 2018



Ausgrid's 2019-24 Regulatory Proposal Executive Summary shows that the *Ausgrid component* of the bill in financial year 17/18 is down to 33% (rounded down from 33.3%). The Australian Energy Market Commission financial report, *2017 Residential Electricity Price Trends* shows the percentage network charges make up of energy bills for all NSW distributors. Analysis in this report was for the financial year 2017, which shows that 'regulated network' charges accounted for **52.8%** of electricity bills. Note that this figure did not include the Climate Change Fund (CCF) costs which are collected as part of network charges. Ausgrid has used the AEMC assumption to recalculate this result for financial year 2018 and the result shows a downward movement to **46.5%**.

The question posed relates specifically to the difference between *Ausgrid's* reported network component of bills (33.3%) vs. the figure referenced from the 2017 AEMC report (52.8%), and how the two figures can be reconciled. Both figures are accurate, but it is difficult to compare, let alone reconcile, the two figures as they refer to different years, apply to different jurisdictions, use different retail deals as the reference point from which to measure the % attributable to networks, assume a different theoretical 'typical' customer, *and* are measuring different elements of the overall bill. Ausgrid has reviewed the assumptions underpinning both pieces of analysis and has found that the five key differences are:

1. **Base Year** – Ausgrid is based on FY18 while AEMC is based on FY17 – as network costs went down from FY17 to FY18 and retail charges went up over the same period, it would be expected that any analysis in FY18 will show networks charges as a lower overall portion of the bill than analysis from FY17.
2. **Customer assumptions** – Ausgrid uses an 'average' customer usage 5,000kWh while the AEMC modelling uses 'typical customer' 4,215kWh. Ausgrid uses the 'average' customer model of 5,000kWh as this is consistent with the approach of the other NSW networks, and is the most appropriate way to communicate overall price impacts for customers.
3. **Geographic area** – AEMC analysis is for all NSW (weighted average of network prices by the shares of total residential consumers in each distribution region) where the Ausgrid analysis relates only to customers in the Ausgrid network region. As Ausgrid network costs are lower than the weighted average network costs across NSW, Ausgrid analysis shows a lower network component in customer bill than the AEMC whole of NSW result.
4. **Retail deal** – Ausgrid has used the *standing offer* by Energy Australia while the AEMC has used an *average market offer* in NSW for the reference point (total customer bill amount) from which the percentage related to network components is calculated. Ausgrid uses the *standing offer* by Energy Australia as this is the only basis on which we are able to show a long term historical trend. The total bill amount used in each case is \$1,774 for the Ausgrid analysis and \$1,289 for the AEMC analysis.

5. **Comparisons have different scope** - The 33.3% attributed to the *Ausgrid component* of the bill in Ausgrid analysis consist of the distribution cost, *Ausgrid's part* of transmission cost, and *includes CCF but notably excludes TransGrid's part of transmission costs*, whereas the 52.8% share attributed to 'regulated networks' in AEMC analysis consists of distribution cost and *all* transmission costs (Ausgrid + Transgrid), *and notably excludes CCF*.

Ausgrid will continue to work to reduce our prices to customers. In our 2019-2024 Regulatory Proposal we have committed to a 6% reduction in Ausgrid's component of electricity bills from 1 July 2019, with prices staying flat until June 2024.