Submission
No 14

INQUIRY INTO LEASING OF ELECTRICITY INFRASTRUCTURE

Name: Name suppressed

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In relation to privatisation of electricity assets, the majority of people have a mistaken belief based upon what 49% retention of ownership means. The Government will not have a majority stake in each of the businesses in question, being TransGrid, Ausgrid and Endeavour Energy. What is actually occurring is sale of 100% TransGrid,50.4% Endeavour Energy and AusGrid.

The majority of voters have no idea of this and it was certainly not made clear by the Baird Government during the election campaign or at any other time.

In so far as TransGrid is concerned I provide the following facts -

- Costs the consumer around 1cent/KWHr which is on par with the Victorian Network provider which are the 2 cheapest in the country and less than half the cost of the South Australian Network provider.

- The best reliability figures in regards to lost MWHrs, almost half the amount of lost load than the next best (VIC). The figure are even better if you look at "lost system minutes"

- This despite covering an area almost 3 times the geographical size of Victoria which results in increased costs in regards to maintenance.

- Return on Assets: TransGrid assets are valued in the order of $6 billion and it carries a debt of $2.4 Billion (which it services as a cost). So roughly $3.6 Billion in equity. An after tax profit of $227 million or 6.1% return on equity. This is understated as the financing costs of approx. $150 million are calculated at commercial rates, not the real rate.

As the owner, the government will retain this $2.4 Billion dollars in debt so the real benefit of the sale will be in the order of $3.6-3.8 Billion.

Borrowing $6 billion at less than 3%(could be as low as 2.5% for 10 years) would seem better(6.1% is greater than 3% when I went to school) and we would have the bonus of not needing to take the risk with a private operator. Losing this revenue producing asset for 99 years may hurt our AAA rating in the future. Even the UBS report said it was "Bad for the budget". Borrowing would seem to have less impact on the budget. The idea of "Broader Economic Benefit" included in the report is a result of the spending of the money on the infrastructure and is independent of where the money has come from. The report could easily come up with the same conclusion if borrowing the money was the consideration.

My submission is to conduct a study/report which compares leasing the poles and wires of TransGrid separately, to borrowing to finance new infrastructure- which would seem feasible in a time of such low interest rates.

TransGrid,AusGrid and Endeavour are separate entities and so should be considered separately. I believe TransGrid's excellent performance is being hidden when reports are commissioned looking at them all as one- Even going to the extent of including Essential energy's performance as well even though it is not being leased.