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## Media Release

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### Regulator has consumer interests at centre of rate of return decision

The Australian Energy Regulator has today put the long-term interests of households and small businesses at the centre of its draft decision on the allowed 'rate of return' for energy networks, Lynne Gallagher, Acting Chief Executive Officer of Energy Consumers Australia said today.

"Energy prices, especially electricity prices, are too high in Australia and network costs make up nearly half of a consumer's bill. The allowed rate of return has a very big impact on those costs," Ms Gallagher said.

"Allowing gas and electricity network businesses to earn excessive returns on their investment in the poles and wires not only costs consumers too much today, but it gives these businesses an incentive to over-invest, further adding to the cost for consumers in future years.

"Energy consumers are telling us affordability is their primary concern and should be a constraint on all our investments and decisions about energy – an explicit criterion in decision-making by energy companies and regulators.

"That means that existing and future investment in the power system must be optimised based on consumers' demands that not one more dollar is spent than required, and new investments are not made one day earlier than is necessary.

"Given that the rate of return on capital makes up half of the revenue of these network businesses, consumers could expect to see significant benefits flowing through into their bills."

Today's draft decision reduces the rate of return significantly, potentially saving consumers around \$30-\$40 per year, but Ms Gallagher said expert evidence put before the Australian Energy Regulator could have justified an even lower allowed rate of return.

"There is no doubt that there could be some disappointment from some consumer groups with this decision, but it is a much better outcome than we've seen in previous years on this issue.

"At the start of this review Energy Networks Australia called upon the regulator to set an allowed rate of return that was 'capable of acceptance,'" Ms Gallagher said. "The Regulator has done that and we look forward to the networks accepting this draft decision."

The Regulator consulted extensively with stakeholders on its approach to calculating the rate of return, which will now be set in a single, industry-wide process every four years. This included engaging with a specially formed Consumer Reference Group.

With the recent legislative changes introduced into Parliament to make the Regulator's decision binding, there will be greater certainty for these businesses, and consumers.

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