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Regulator's decision on network earnings creates breathing space for consumers

The Australian Energy Regulator's decision on the rate of return monopoly network businesses can earn will help create breathing space for consumers struggling with energy affordability.

The CEO of Energy Consumers Australia Rosemary Sinclair said that the decision was important because the rate of return on capital accounts for around half the revenue network business collect and that is ultimately recovered from energy consumers.

"After ten years where network costs were a key driver of price increases, consumers are looking for immediate bill relief and more certainty to balance their household and small business budgets.

"Arguments from networks and investors that the number is too low are not credible.

"The regulator guarantees revenues for network businesses, meaning they are low risk – much like a term deposit in a bank – and very attractive for investors looking for reasonable, stable returns over the long-term.

"We urge investors and network businesses to accept what is in essence a conservative decision by the Australian Energy Regulator and focus on delivering affordable, high-quality network services for Australian households and small businesses." Ms Sinclair said.

Ms Sinclair said the Australian Energy Regulator had 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 under new legislation. This included engaging with a specially formed Consumer Reference Group.

"This is the Australian Energy Regulator's first decision under a new, more open process to set the rate of return that has been reformed to better align the interests of consumers and investors.

"By accepting the regulator's decision, the sector can build on the good work by regulators, consumer groups and network businesses in recent times to engage in a more open and productive way and move beyond the old adversarial approach that was closing down possibilities for better outcomes for all interests."

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