

Price Path

Presentation for Customer Forum

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Context and Background

- ▶ Once allowed revenues are decided, there is some flexibility over the profile with which this revenue is recovered over the period, affecting the profile of price changes customers see.

- ▶ We propose that, given the forecast revenue requirement, the profile over which this is recovered is within scope.
 - › Can be informed by customer preferences on price volatility.
 - › There is flexibility in the Rules and the AER's models to vary the profile.
 - The Rules require a close match between the 'smoothed' revenue for the final year of the period with required revenue. This is expected to reduce the potential for large price changes between 2025 and 2026.

Various price paths

Figure 1: 2016-20 distribution

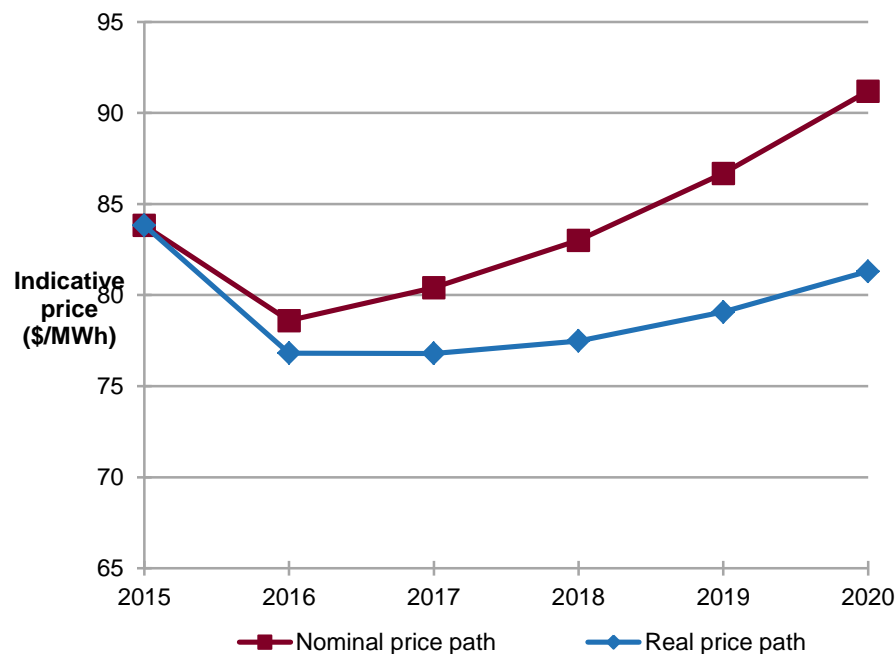
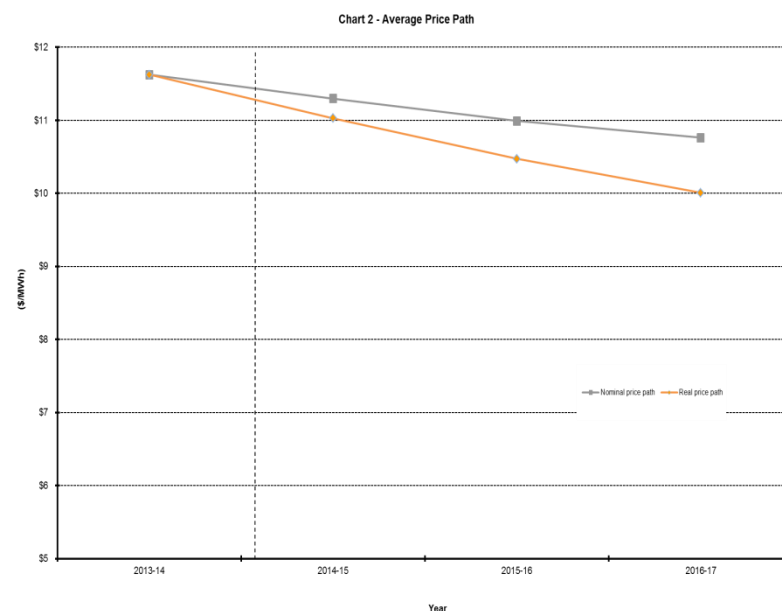


Figure 2: 2014-17 transmission



Note that, updates to annual revenues (actual inflation, operational incentive payments, cost of debt, contingent projects, cost pass throughs) will impact the actual price path.

Questions for Forum

- Is this an issue that is important to customers?
- What is the desired price profile over the period, given a particular revenue requirement?

Test these questions through research:

- Can explore with stakeholder, including in the consumer advocates early August workshop and our CCC
- In exploring affordability, the desire to avoid price volatility will enable us to test whether a smoothed profile is more desirable than steps at the start of the period.
 - This has been explored in recent network pricing consultations – we can summarise this research.