

Regulating Australia's Energy Sector

... challenges to promoting new investment



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Country Energy – an overview

Australia's largest regional utility

- 800,000 retail electricity customers – also retail natural and bottled gas, internet support and energy management services
- 20,000 gas network customers in southern NSW
- 10,000 water and sewerage customers in Far West
- 3,300 employees in 140 offices, customer centres and field service centres
- \$1.6 billion in annual revenue

Growing a profitable retail customer base

- Winning 'blue chip' icon customers – Sydney Opera House, CSIRO, Melbourne's Rialto Towers
- Acquired many tens of thousands of customers in Victorian, Queensland, South Australian, ACT and NSW markets



A profitable energy retailer in five Australian states and territories

Nine locally managed network regions, close to customers and their communities

Driving investment needs

Economic growth

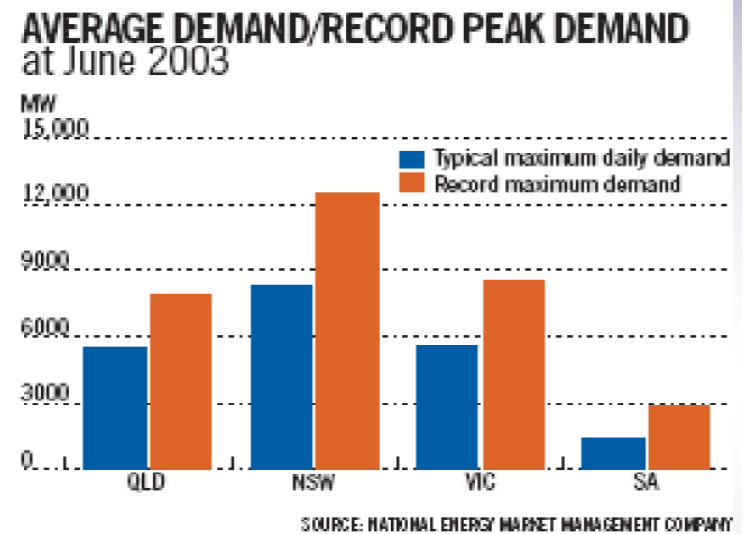
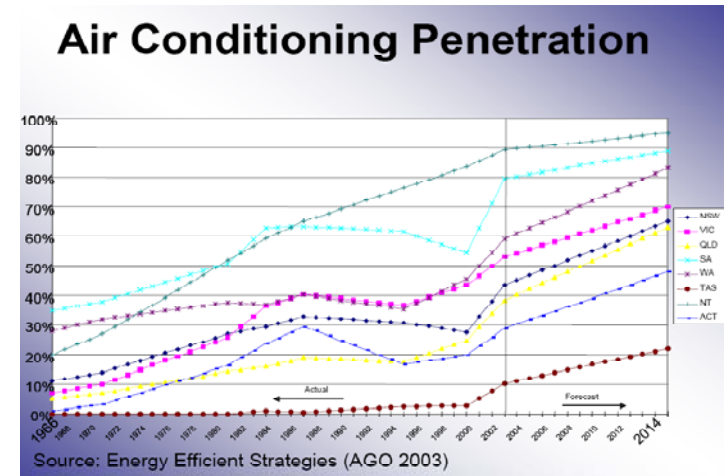
- Population driven
- Lifestyle driven

Increasing peak demands

- Summer loads overtaking winter loads
- History of ineffective price signals

Demands for higher system reliability

- General refurbishment needs
- Increasing regulatory standards
- Public perceptions



... and the headlines

Infrastructure's \$25bn gap

suburbs hot and bothered

Our dark days of summer

By LILLIAN SALEH
Political Reporter

SYDNEYSIDERS were warned to brace for widespread blackouts this summer, as it was revealed the city's major electricity provider is not spending all its budget maintaining power sources.

And electricity companies may be ordered to compensate irate consumers for blackouts, with the State Government.

"If I felt that we needed to spend more I would go in to bat and spend more money," he said.

He denied the state was struggling to meet electricity demand, but former auditor-general Tony Harris told *The Daily Telegraph* the Government needed to spend \$1 billion more over the next five years to meet the growing need.

"Spending on maintenance is the least attractive thing for a government to do," Mr Harris said.

POWERING AHEAD

Comparative returns Common base (Jan30)=0

Points

Feb20 Apr2

Private power plants to head off blackouts

SMH 25/10/04

Overworked energy grids at risk

Regulators should expose the hidden problems in energy distribution, writes Jim Dingwall.

Society accepts a trade-off between risks and benefits. We all take risks when we get out of bed or cross the road. But society gets angry when we think the people managing public risks — from medical staff to bus drivers — aren't doing their jobs properly. In the electricity industry, distribution prices are falling and average reliability is improving, but the number of major failures has increased.

What's gone wrong?

BLOWING THE FUSE

Electricity use in Australia

Estimated

1950 1960 2000 2007

100,000 200,000 300,000 400,000

run continuously would open by 2012 or 2013. Private companies are interested in supplying higher-priced peak demand electricity.

about 12,500 megawatts supply the state. But with population and industry growth NSW demand is likely to outstrip supply by early next decade.

Governance officials and in industry circles fear the shortages experienced in other states will hit NSW before the end of the decade, despite current excess electricity generation in NSW.

In February this year, heavy conditioner use during a heat wave caused blackouts in F and parts of Melbourne. Brisbane and the south-east corner Queensland have faced a series of "brownouts" — controlled cut power to ensure continued supply — during summer months as the infrastructure strains.

Three key outcomes

Effective and affordable investment

- Better utilisation of assets
- Market driven demand and supply side responses

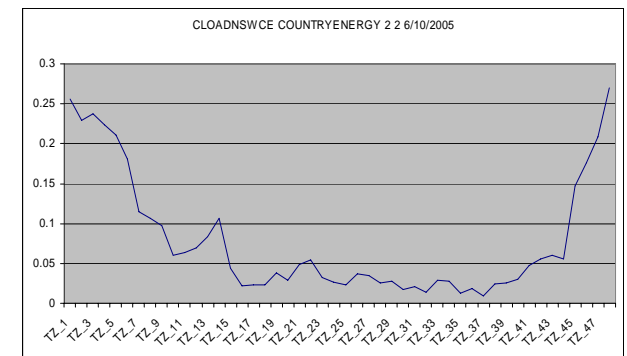
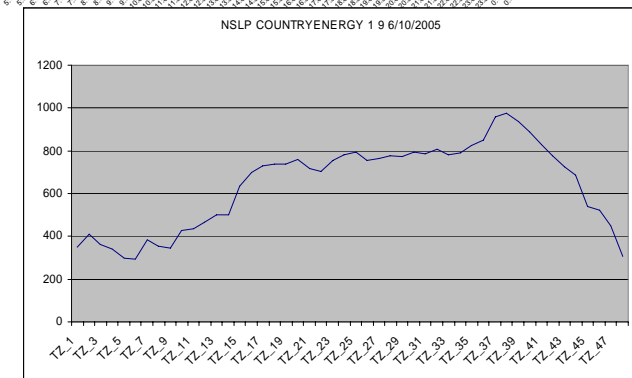
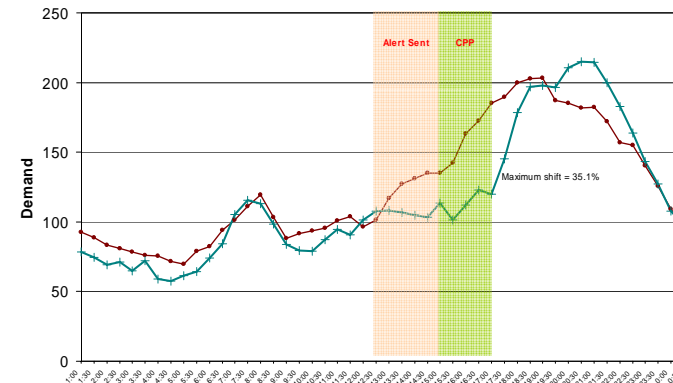
Fully competitive markets without price caps

- Customer choice with price signals
- Competitive incentives to provide demand responses and energy efficiencies

Social security support for vulnerable customers

- Energy is an essential commodity, but ...
- Recognition that income support is a wider community issue

CPP 3 Response



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