

2 March 2015

Ms Christine McDonald  
Secretary  
Senate Standing Committee on Environment and Communications  
PO Box 6100  
Parliament House  
Canberra ACT 2600



positive energy

Office of the  
Chief Executive Officer

By email: [ec.sen@aph.gov.au](mailto:ec.sen@aph.gov.au)

Dear Secretary,

**Senate Environment and Communications References Committee  
Inquiry into the performance and management of electricity network  
companies  
Response to Questions on Notice**

Thank you for providing me with an opportunity to appear at the public hearing of the Senate Environment and Communications References Committee in Brisbane on 16 February 2015. I am pleased to provide responses to questions taken on notice from the public hearing.

***Question from Senator Ruston regarding profit***

*....Is it a fact that your declared profit in 2009—these are figures that have been provided by other submitters—was \$176 million, and yet in 2014 it was \$723 million? That is a pretty substantial increase in profit.*

**Response**

Energex's profit before tax in 2009 was \$176 million and its profit before tax in 2014 was \$723 million. Energex's profit after tax in 2009 was \$129 million and its profit after tax was \$508 million.

As I outlined in my evidence, this increase in profit arose mainly as a consequence of the difference in the regulatory asset base and weighted average cost of capital set by the Australian Energy Regulator in the former regulatory period from 2005-2010 and the current regulatory period from 2010-2015.

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**Question from Senator Milne regarding revenue per connection**

*Do you accept that your average regulated revenues per connection gives you a 47 per cent margin? That is the figure that I have got here—that pecuniary benefits per connection have grown. They are \$599 in Queensland. They are derived on average regulated revenues per connection of \$1,265 for Queensland, to give margins of 47 per cent respectively.*

**Response**

I have investigated the source of these figures. The figures appear to have been obtained from submission 19 to the Senate Standing Committee Environment and Communications undertaking this Inquiry. The source of the pecuniary benefit cited by Mr Mountain is an article which he has previously published. This concept of “pecuniary benefit” is an economic construct and is not Energex’s profit.

Energex also notes that the revenue per connection figures are not Energex specific figures but appears to include all Queensland connections, presumably across all Transmission Network Service Providers and Distribution Network Service Providers. Energex does not record its revenue averaged over its number of connections as a measure of its financial or other performance, and does not believe that revenue averaged per connection is a valid indicator or comparator given the nature of electricity networks and the different consumption patterns of customers.

In 2013/2014 Energex had total revenue of \$2.6 billion with an after tax profit of \$508 million. Energex’s allowed revenue for distribution use of system charges was \$1.7 billion. The \$2.6 billion also includes the pass-through of transmission use of system charges and other revenue.

As at the end of June 2014, Energex had approximately 1.4 million customers.

Once again, thank you for the opportunity to provide evidence at the hearing.

Yours sincerely

Terry Effeney  
Chief Executive Officer