

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

Resources, Energy and Tourism Portfolio

Budget Senate Estimates

2 June 2009

**Question:** BR-32

**Topic:** Australia's electricity distribution infrastructure

**Proof Hansard Page:** Written

**Senator Boswell asked:**

What kind of additions to Australia's electricity distribution infrastructure will be needed to support the entry of large amounts of intermittent renewable energy to Australia's electricity grids?

- a) What is the total estimated cost of this infrastructure?
- b) How are these additional infrastructure costs recovered?
- c) What is the estimated unit cost of this infrastructure in terms of a megawatt hour each year from 2010 to 2020?

**Answer:**

- a) The kind of additions to Australia's electricity distribution infrastructure to support entry of renewable energy will be a matter for the relevant distribution companies. The required level of investment (and cost) needed to meet changes to the electricity generation mix will depend on the extent of the uptake of intermittent generation.
- b) Distribution business are able to make a claim to the Australian Energy Regulator (AER) for the amount of revenue they consider necessary to meet their service objectives. Where this claim is justified the AER will allow revenue to be recovered from customers through electricity charges. In addition, while required service outcomes are prescribed, the revenue allowance provided by the AER does not dictate how each distribution business achieves these outcomes. These arrangements mean that distribution network regulation is suitably flexible to accommodate changes in expenditure and operation imposed by climate change policies.
- c) There are no estimates of this cost.