

The State of Victoria Department of Environment, Land, Water and Planning

A submission from AMP Capital as part of the consultation process on a regulated retail price (BSO)

AMP Capital, on behalf of its clients, has been a significant investor in Victorian energy utilities, including direct holdings in the United Energy electricity and Multinet gas distribution businesses. We currently manage major investments in New Zealand's Powerco and NSW's Endeavour Energy. Consequently, we are keenly interested in the development of energy supplies for modern society.

AMP Capital welcomes the opportunity to provide input into the debate discussion on how to manage electricity and gas prices in the best interests of Victorian consumers.

It is clear that the current utility operating model is undergoing radical change in response to technical and commercial developments in energy generation (especially roof top solar PV) and energy storage within distribution networks. Additionally, rapid developments in communications now allows the seamless co-ordination of large numbers of small scale generators distributed throughout a network.

The AMP Capital - CSIRO joint venture, Evergen, is at the forefront of this change. Evergen's investment thesis is neatly summed up in the guiding principles established by the Independent Review. In particular, Evergen provides the means for consumers to control their energy costs while utilising renewable energy.

The technology also has the potential to empower low income earners. For example, in a low-cost housing estate, it allows the consolidation of energy generation and consumption across multiple users, thereby providing both diversification and economies of scale benefits. We suggest, therefore, that technical innovation, when matched with innovative delivery models, could be a major contributor to reducing energy prices.

In our view, regulation of retail electricity prices could work against innovation and encourage stagnation in the retail business model. It could also create market distortions. As long-term investors, we are particularly concerned with unsustainable cross subsidies from one part of the economy to another.

In comparison to the rest of Australia, Victoria has some of the lowest wholesale electricity prices and has relatively efficient transmission and distribution networks. To improve Victorian retail offerings, we believe that encouraging real competition and innovation in the sector will provide the best outcomes for Victorian consumers.

Please address any enquiries on this submission to the undersigned.

Kind Regards,
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