

Network Integration

Merging the State's electricity network businesses, Aurora Distribution and Transend Networks, will ensure that network services are delivered more efficiently and simply.

It is an important part of the Government's broader energy reform program and will contribute to ensuring Tasmanians have the lowest sustainable electricity bills.

It will also secure the delivery of safe, secure, reliable and efficient supply of electricity for Tasmanians into the long-term, and ensure that value continues to be provided to the Tasmanian community from the assets that it owns.

FEATURES

- Aurora's distribution and network services business, including telecommunications, will be merged with Transend's network and telecommunications business by 1 July 2014; and
- The new business will integrate Aurora's distribution system and Transend's transmission network to make a single network.

BENEFITS OF NETWORK INTEGRATION

Benefits from a new integrated network business will arise through a number of sources:

- improved operational efficiencies and reductions in overlapping corporate functions;
- dynamic efficiency gains through improved decision making and planning; and
- stronger strategic and cultural alignment.

The Expert Panel's assessment of a full merger focussed on benefits available from fully integrating the two networks, rather than a new combined network business. It found that benefits of \$8 million

per year may be available from rationalising duplicate functions and assets and co-locating staff. The total benefits of a new integrated network business may be significantly more than this over time.

WHY HASN'T THE GOVERNMENT ALREADY DONE THIS?

All elements of the Government's reform program need to be implemented as a package. Aurora's current energy business needs to be restructured before the network integration can go ahead, under national agreements and electricity market rules.

Aurora and Transend have already been operating under a "collaboration" model, which has removed duplication and put downward pressure on electricity prices. Full integration is the next step to capture the remaining benefits of merging the two networks.

WHY IS THE MERGER SCHEDULED FOR 2014?

The Government is committed to realising the key outcomes of the reform as quickly as possible, however the reform program is complex and achieving it all at once would be very difficult.

The Government is targeting a July 2014 date for the commencement of the combined business. This will allow time for Aurora's network business to complete the IT systems needed for FRC and to provide the implementation team with enough time to assess the impacts of other issues such as the people, systems and assets impact of such a major change.

The Government is prepared to consider an earlier commencement date for the new combined business if this can be shown to be practical.