

	2022–23	2023–24	2024–25	2025–26	2026–27	Total
Difference	–0.3	–0.3	–0.3	–0.3	–0.3	–1.5

Source: AusNet Services, *Revised regulatory proposal 2023–27*, 1 September 2021, p. 103; AER analysis.

Note: Numbers may not add due to rounding. Amounts of '0.0' and '-0.0' represent small non-zero amounts and '-' represents zero.

6.4.5 Category specific forecasts

While our preferred forecasting approach is to apply the base–step–trend approach described in Section 6.3, there are a few categories of opex we do not include in our base–step–trend forecast. We have included these as category specific forecasts instead for reasons outlined below.

Our alternative estimate for the final decision includes category specific forecasts for easement land tax, debt raising costs, the opex associated with the roll in of group 3 assets and costs associated with the AEMO participant fees. We show these in Table 6.15, alongside AusNet Services' revised proposal.

Table 6.15 Category specific forecasts, (\$ million, 2021–22)

Category specific forecast	AusNet Services initial proposal	AER draft decision	AusNet Services revised proposal	AER alternative estimate for the final decision
Easement land tax	815.9	868.1	868.1	868.1
Group 3 assets roll in	26.1	26.1	25.8	25.8
AEMO participant fees*	–	–	–	6.5
Debt raising costs	8.7	8.5	8.5	8.5
Total	850.7	902.7	902.4	908.8

Source: AusNet Services, *Revised proposal operating expenditure model 2023–27*, 1 September 2021; AER analysis.

Note: Numbers may not add up to total due to rounding. Amounts of '0.0' and '-0.0' represent small non-zero amounts and '-' represents zero.

* AusNet Services included this as a step change in its revised proposal. In response to an information request it agreed that it could be treated a category specific forecast instead.⁹⁰

6.4.5.1 Easement land tax

AusNet Services' network is built on a series of easements, which are subject to the Victorian Government's easement land tax. We include a forecast of AusNet Services'

⁹⁰ AusNet Services, *Information request #17 Question 2 – AEMO participant fee*, October 2021.

easement land tax as part of forecast total opex. Where the forecast differs (higher or lower) from the actual tax paid, the difference is accounted for as a pass through.⁹¹ This ensures AusNet Services only recovers the actual easement land tax it pays.

Consistent with our draft decision, AusNet Services included forecast easement land tax of \$868.1 million (\$2021–22) in its revised proposal, based on its (2020–21) tax assessment notice.⁹² We maintain the view that this represents a reasonable expectation of AusNet Services' easement land tax liability because it reflects the latest valuations. As noted above, a pass through provision provides assurance that neither AusNet Services, nor its customers, will receive a windfall gain (or loss) due to the actual land tax payments required of AusNet Services being lower (or higher) than forecast in its revenue determination.

6.4.5.2 Group 3 asset roll in

We have included growth asset roll in opex of \$25.8 million (\$2021–22) as a category specific forecast in our alternative estimate. This is consistent with AusNet Services' revised proposal.⁹³ It is a slight reduction from the \$26.1 million (\$2021–22) we included in our draft decision.⁹⁴ AusNet Services updated its forecast to reflect adjustments it made to the value of growth assets to be rolled into the regulatory asset base (RAB).⁹⁵

In Victoria, AEMO or a distribution business may request AusNet Services to augment the transmission network or distribution connection services during a regulatory control period. We do not roll these assets into the RAB until the subsequent revenue determination.

The opex associated with these growth assets before they are rolled into the RAB is charged to customers outside the revenue cap and is not reflected in reported standard control services opex. Consequently, we need to increase our opex forecast for the additional expenses associated with the operation and maintenance of the growth assets that we roll into the RAB.⁹⁶ This arrangement is a transfer of existing costs rather than new costs being passed on to customers. Therefore, it does not impact the current price being paid by customers (just who it is paid to). Currently, AEMO and the Victorian distribution businesses fund and pass these costs onto customers. When these assets are rolled into AusNet Services' RAB, AusNet Services then fund operation and maintenance of growth assets through its opex allowance.⁹⁷

⁹¹ NER, cl. 6A.7.3.

⁹² AusNet Services, *Revised revenue proposal 2023–27*, 1 September 2021, p. 105; AER, *Draft decision, AusNet Services transmission 2022–27, Attachment 6, Operating expenditure*, 30 June 2021, pp. 31–32.

⁹³ AusNet Services, *Revised revenue proposal 2023–27*, 1 September 2021, p. 105.

⁹⁴ AER, *Draft decision, AusNet Services transmission 2022–27, Attachment 6, Operating expenditure*, 30 June 2021, p. 30.

⁹⁵ AusNet Services, *Revised revenue proposal 2023–27*, 1 September 2021, p. 105.

⁹⁶ In accordance with NER, cl. 11.6.21(c).

⁹⁷ AusNet Services, *Revenue proposal 2023–27*, 29 October 2020, p. 145.