AusNet

Electricity Distribution Price Review FY2027 to FY2031 (EDPR 2027-31)

Appendix 5A – Shared assets

Date: January 2025

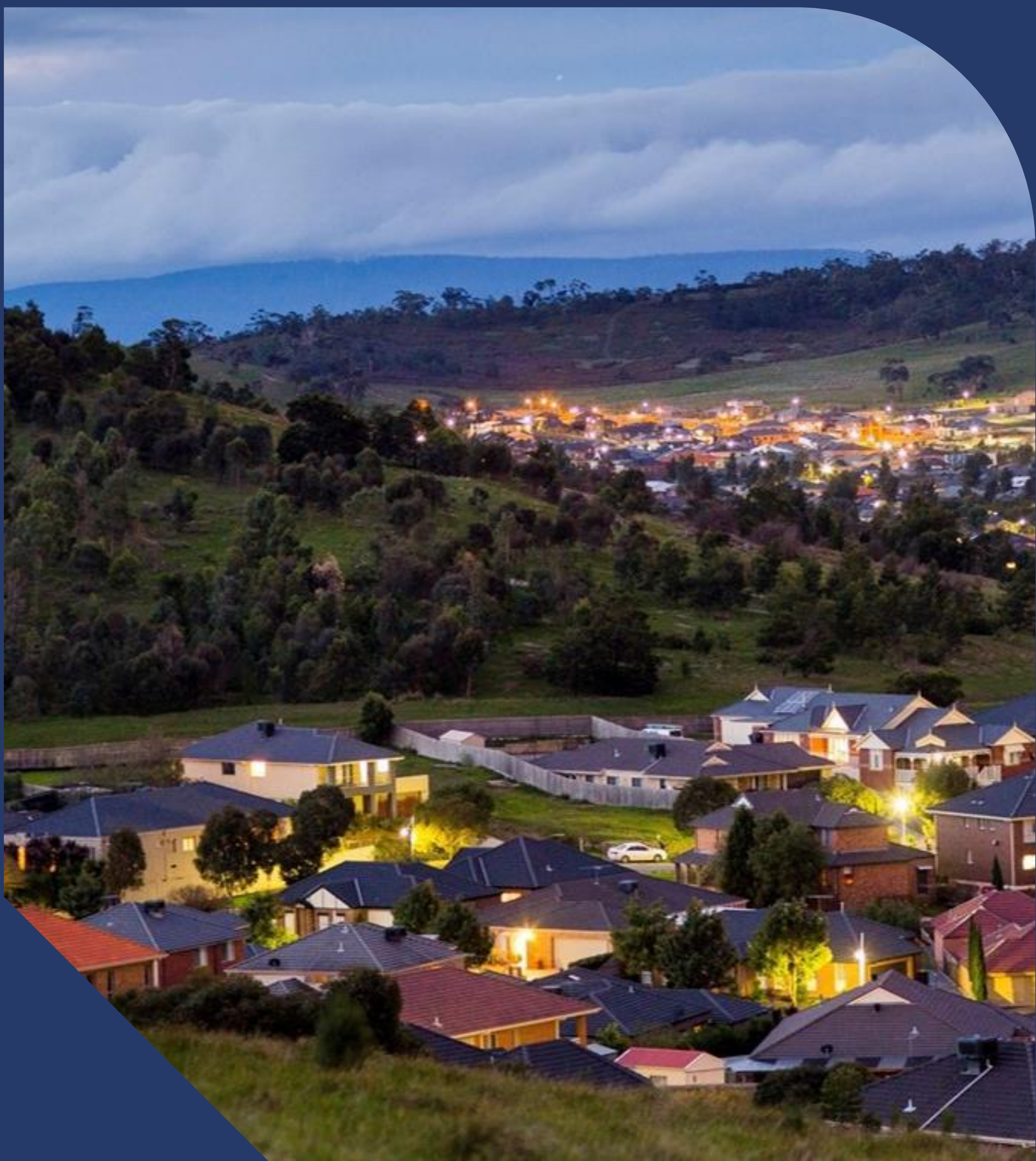

Table of contents

1. Shared Assets 2

1.1. Introduction and overview 2

1.2. Cost reduction methodology 2

1.3. Summary 3

1. Shared Assets

1.1. Introduction and overview

This document sets out AusNet's proposed shared assets approach and revenue forecasts for the 2026-31 regulatory control period. A shared asset is an asset whose costs were initially allocated to regulated services, but which has come to be used to provide unregulated services as well. The change from the original expected use means the asset is earning, or is expected to earn, both regulated and unregulated revenues.

Under NER 6.4.4(a), a reduction to the annual revenue requirement may be made to reflect such part of the costs of the asset that is recovered by using it to provide unregulated services. The reduction must be made in accordance with the shared asset principles (NER 6.4.4(c)), which are:

- The DNSP should be encouraged to use assets to provide unregulated services where efficient;
- The cost reduction should not be dependent on the DNSP deriving a positive commercial outcome for unregulated services provided using the shared asset;
- The cost reduction should be applied where there is material use of the asset to provide unregulated services;
- Regard should be had to how costs have been recovered or revenues reduced in the past with respect to the shared asset;
- The cost reduction must be compatible with the Cost Allocation Principles and the Cost Allocation Method; and
- Any cost reduction must be compatible with other incentives provided by the Rules.

The AER's Shared Asset Guideline published in 2013 outlines its proposed approach to making shared asset cost reductions. We have relied on the Guideline to calculate the shared asset cost reduction.

1.2. Cost reduction methodology

The AER's Guideline sets out the following steps to establish the shared asset cost reduction:

- Determine the relevant unregulated revenues earned from shared assets.
- Determine whether shared asset unregulated revenues are material (i.e. the revenues exceed 1% of the proposed annual revenue requirement).
- If material, apply a revenue reduction equal to 10% of the total unregulated revenues from shared assets for each year of the regulatory control period, subject to:
  1) the application of the control step (i.e. cap); and/or
  2) any adjustments made to account for contributed assets.

The Guideline notes that service providers may propose alternative methods to calculate a cost reduction. If it does so, the methodology should demonstrate that customers would be no worse off than the Guideline methodology under its approach.

We have applied the Guideline methodology and taken the steps set out below.

1.2.1. Relevant unregulated revenues from shared assets

Our relevant unregulated revenues from shared assets are set out in the table below. Revenues associated with these services since 2006 are also reported in the Regulatory Information Notice (RIN) templates.

Table 1: Shared Asset Unregulated Revenues (SAUR) ($000, real 2026)

	2026-27	2027-28	2028-29	2029-30	2030-31	**Total**
Facilitate Access Agreements (poles)	2,196.6	2,251.5	2,307.8	2,365.4	2,424.6	11,545.9
Leasing Access to wireless equipment on distribution poles	237.0	242.9	249.0	255.2	261.6	1,245.7
Facilitate Access Agreements (FOC, poles, and other distribution assets)	250.4	244.3	238.3	232.5	226.9	1,192.4
Total	**2,684.0**	**2,738.7**	**2,795.1**	**2,853.1**	**2,913.1**	**13,984.0**

1.2.2. Materiality test

Shared Assets Guideline specifies that the unregulated use of shared assets is material when the average is expected to be greater than 1 per cent of the total smoothed revenue requirement for that regulatory year.

Our unregulated use of shared assets is not expected to be material in any of the years during the forthcoming regulatory control period. The results of the materiality assessment are shown in the table below.

Table 2: Materiality Assessment Outcome ($m, real 2026)

	2026-27	2027-28	2028-29	2029-30	2030-31	**Total**
Proposed smoothed ARR	923.9	923.9	923.9	923.9	923.9	4,619.4
Average Annual SAUR	2.8	2.8	2.8	2.8	2.8	14.0
SAUR as % of ARR	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Material (Y/N)	**N**	**N**	**N**	**N**	**N**	**N**

We have not applied the control step outlined in the Shared Asset Guideline, as the proposed cost reduction does not exceed the estimated value of the materiality threshold as defined in the Guideline.

1.3. Summary

The impact of the shared assets cost adjustment on AusNet's proposed unsmoothed Annual Revenue Requirement is shown in the table below.

Table 3: Annual Revenue Requirement ($m, real 2026)

	2026-27	2027-28	2028-29	2029-30	2030-31	**Total**
ARR	**811.3**	**879.5**	**916.0**	**958.2**	**1,057.2**	**4,622.2**
Shared asset cost reduction	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted ARR	**811.3**	**879.5**	**916.0**	**958.2**	**1,057.2**	**4,622.2**

AusNet Services

Level 31
2 Southbank Boulevard
Southbank VIC 3006
T +613 9695 6000
F +613 9695 6666
Locked Bag 14051 Melbourne City Mail Centre Melbourne VIC 8001
www.AusNetservices.com.au

Follow us on

@AusNetServices
@AusNetServices
@AusNet.Services.Energy