

Checklist of requirements for AusNet Services' Distribution Regulatory Proposal

Version 219 of Chapter 6 [current at 3 December 2024] of the National Electricity Rules

Clause	Requirement	Regulatory Proposal Cross-Reference
6.3.1	Building block determinations	
	<p>(c) The <i>building block proposal</i>:</p> <ul style="list-style-type: none"> (1) must be prepared in accordance with the <i>post-tax revenue model</i> and other relevant requirements of this Part; (2) must comply with the requirements of, and must contain or be accompanied by the information required by, any relevant <i>regulatory information instrument</i>; and (3) must be prepared in accordance with Schedule 6.1. 	<p>(1) The completed PTRM is submitted with the Regulatory Proposal. The building block components are summarised in Chapter 5.</p> <p>(2) Accompanied by completed RINs and RIN checklist.</p> <p>(3) See S6.1 in this checklist.</p>
6.4B.2 (a)	A Distribution Network Service Provider may request an asset exemption from the AER in respect of a specific asset or class of asset by submitting a written request in accordance with this Chapter	N/A
6.4B.2 (b)	A Distribution Network Service Provider must have regard to the Asset Exemption Guidelines when preparing and submitting an exemption application.	As above.
6.4B.2 (c)	<p>An <i>exemption application</i> must include:</p> <ul style="list-style-type: none"> (1) details of the type of <i>asset exemption</i> which is being sought by the <i>Distribution Network Service Provider</i> under clause 6.4B.1 (a); (2) a description of the asset or class of asset in respect of which the proposed <i>asset exemption</i> would apply, including the location and anticipated or known cost of the proposed asset or class of asset; (3) details of the <i>standard control services</i> that would be provided by the asset or class of asset in respect of which the proposed <i>asset exemption</i> would apply; (4) the likely impacts on the development of competition in markets for energy related services if the <i>Distribution Network Service Provider</i> invests in the assets the subject of the asset exemption; and (5) any additional information that must be submitted by a <i>Distribution Network Service Provider</i> under the Asset Exemption Guidelines. 	As above.
6.5.2	Return on capital	

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p>The return on capital for a <i>Distribution Network Service Provider</i> for a <i>regulatory year</i> (RC_t) is to be calculated using the following formula:</p> $RC_t = a_t \times v_t$ <p>where:</p> <p>a_t is the allowed rate of return for the <i>Distribution Network Service Provider</i> for the <i>regulatory year</i>; and</p> <p>v_t is the value, as at the beginning of the <i>regulatory year</i>, of the regulatory asset base for the <i>distribution system</i> owned, controlled or operated by the <i>Distribution Network Service Provider</i> (as established in accordance with clause 6.5.1 and schedule 6.2).</p>	<p>The return on capital is calculated in accordance with this requirement, as set out in section 5.3 and 5.4.2. Details on the allowed rate of return are provided in Chapter 11.</p> <p>The opening RAB values are sourced from the AER's PTRM model (version 5) and the basis is explained in Chapter 9 – RAB.</p>
6.5.3	<p>Estimated cost of corporate income tax</p> <p>The estimated cost of corporate income tax of a <i>Distribution Network Service Provider</i> for each <i>regulatory year</i> (ETC_t) must be estimated in accordance with the following formula:</p> $ETC_t = (ETI_t \times r_t) (1 - \gamma)$ <p>where:</p> <p>ETI_t is an estimate of the taxable income for that <i>regulatory year</i> that would be earned by a benchmark efficient entity as a result of the provision of <i>standard control services</i> if such an entity, rather than the <i>Distribution Network Service Provider</i>, operated the business of the <i>Distribution Network Service Provider</i>, such estimate being determined in accordance with the <i>post-tax revenue model</i>;</p> <p>r_t is the expected statutory income tax rate for that <i>regulatory year</i> as determined by the AER; and</p> <p>γ is the <i>allowed imputation credits</i> for the <i>Distribution Network Service Provider</i> for the <i>regulatory year</i>.</p>	<p>The benchmark tax liability is set out in section 5.4.6. Section 11.9 sets out the value of imputation credits.</p> <p>Chapter 12 – Corporate Tax Allowance explains our approach which conforms with these requirements</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
6.5.5	<p>Depreciation</p> <p>(a) The depreciation for each <i>regulatory year</i>:</p> <p>(1) must be calculated on the value of the assets as included in the regulatory asset base, as at the beginning of that <i>regulatory year</i>, for the relevant <i>distribution system</i>; and</p>	Chapter 10 explains our approach to depreciation, which conforms with these requirements.
	<p>(2) must be calculated:</p> <p>(i) providing such depreciation schedules conform with the requirements set out in paragraph (b), using the depreciation schedules for each asset or category of assets that are nominated in the relevant <i>Distribution Network Service Provider's building block proposal</i>; or</p> <p>(ii) to the extent the depreciation schedules nominated in the <i>Distribution Network Service Provider's building block proposal</i> do not so conform, using the depreciation schedules determined for that purpose by the AER.</p>	
	<p>(b) The depreciation schedules referred to in paragraph (a) must conform to the following requirements:</p> <p>(1) the schedules must depreciate using a profile that reflects the nature of the assets or category of assets over the economic life of that asset or category of assets;</p> <p>(2) the sum of the real value of the depreciation that is attributable to any asset or category of assets over the economic life of that asset or category of assets (such real value being calculated as at the time the value of that asset or category of assets was first included in the regulatory asset base for the relevant <i>distribution system</i>) must be equivalent to the value at which that asset or category of assets was first included in the regulatory asset base for the relevant <i>distribution system</i>;</p> <p>(3) the economic life of the relevant assets and the depreciation methods and rates underpinning the calculation of depreciation for a given <i>regulatory control period</i> must be consistent with those determined for the same assets on a prospective basis in the distribution determination for that period.</p>	Chapter 10 explains our approach to depreciation, which conforms with these requirements.

Clause	Requirement	Regulatory Proposal Cross-Reference
6.5.6	<p>Forecast operating expenditure</p> <p>(a) A <i>building block proposal</i> must include the total forecast operating expenditure for the relevant <i>regulatory control period</i> which the <i>Distribution Network Service Provider</i> considers is required in order to achieve each of the following (the <i>operating expenditure objectives</i>):</p> <ol style="list-style-type: none"> (1) meet or manage the expected demand for <i>standard control services</i> over that period; (2) comply with all applicable <i>regulatory obligations or requirements</i> associated with the provision of <i>standard control services</i>; (3) to the extent that there is no applicable <i>regulatory obligation or requirement</i> in relation to: <ol style="list-style-type: none"> (i) the quality, reliability or security of supply of <i>standard control services</i>; or (ii) the reliability or security of the <i>distribution system</i> through the supply of <i>standard control services</i>, <p>to the relevant extent:</p> <ol style="list-style-type: none"> (iii) maintain the quality, reliability and security of supply of <i>standard control services</i>; and (iv) maintain the reliability and security of the <i>distribution system</i> through the supply of <i>standard control services</i>; and (4) maintain the safety of the <i>distribution system</i> through the supply of <i>standard control services</i>; and (5) contribute to achieving <i>emissions reduction targets</i> through the supply of <i>standard control services</i>. 	<p>Chapter 7 explains the operating expenditure forecasts. AusNet has adopted the AER's preferred base-step-trend forecasting approach.</p> <p>Chapter 6 sections 6.8 and 6.11.</p>
	<p>(b) The forecast of required operating expenditure of a <i>Distribution Network Service Provider</i> that is included in a <i>building block proposal</i> must:</p> <ol style="list-style-type: none"> (1) comply with the requirements of any relevant <i>regulatory information instrument</i>; (2) be for expenditure that is properly allocated to <i>standard control services</i> in accordance with the principles and policies set out in the <i>Cost Allocation Method</i> for the <i>Distribution Network Service Provider</i>; and 	<p>RIN requirements are addressed in a separate checklist.</p> <p>AusNet confirms that its expenditure forecast aligns to the <i>Cost Allocation Method 2019</i> which is still applicable.</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p>(3) include both:</p> <ul style="list-style-type: none"> (i) the total of the forecast operating expenditure for the relevant <i>regulatory control period</i>; and (ii) the forecast operating expenditure for each <i>regulatory year</i> of the relevant <i>regulatory control period</i>. 	AusNet Proposal Section 7.3 Table
6.5.7	<p>Forecast capital expenditure</p> <p>(a) A <i>building block proposal</i> must include the total forecast capital expenditure for the relevant <i>regulatory control period</i> which the <i>Distribution Network Service Provider</i> considers is required in order to achieve each of the following (the <i>capital expenditure objectives</i>):</p> <ul style="list-style-type: none"> (1) meet or manage the expected demand for <i>standard control services</i> over that period; (2) comply with all applicable <i>regulatory obligations or requirements</i> associated with the provision of <i>standard control services</i>; (3) to the extent that there is no applicable <i>regulatory obligation or requirement</i> in relation to: <ul style="list-style-type: none"> (i) the quality, reliability or security of supply of <i>standard control services</i>; or (ii) the reliability or security of the <i>distribution system</i> through the supply of <i>standard control services</i>, <p>to the relevant extent:</p> <ul style="list-style-type: none"> (iii) maintain the quality, reliability and security of supply of <i>standard control services</i>; and (iv) maintain the reliability and security of the <i>distribution system</i> through the supply of <i>standard control services</i>; and <ul style="list-style-type: none"> (4) maintain safety of the <i>distribution system</i> through the supply of <i>standard control services</i>. (5) contribute to achieving <i>emissions reduction targets</i> through the supply of <i>standard control services</i>. 	Chapter 6 sets out our capital expenditure forecasts and explains why they satisfy these objectives. Section 6.3 sets out the total forecasts.
6.5.7	(b) The forecast of required capital expenditure of a <i>Distribution Network Service Provider</i> that is included in a <i>building block proposal</i> must:	RIN requirements are addressed in a separate checklist.

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p>(1) comply with the requirements of any relevant <i>regulatory information instrument</i>;</p> <p>(2) be for expenditure that is properly allocated to standard control services in accordance with the principles and policies set out in the Cost Allocation Method for the Distribution Network Service Provider;</p> <p>(3) include both:</p> <ul style="list-style-type: none"> (i) the total of the forecast capital expenditure for the relevant <i>regulatory control period</i>; and (ii) the forecast capital expenditure for each regulatory year of the relevant regulatory control period; and <p>(4) identify any forecast capital expenditure for the relevant <i>regulatory control period</i> that is for an option that has satisfied the <i>regulatory investment test for transmission</i> or the <i>regulatory investment test for distribution</i> (as the case may be); and</p> <p>(5) not include expenditure for a restricted asset, unless:</p> <ul style="list-style-type: none"> (i) to the extent that any such expenditure includes an amount of unspent capital expenditure for a <i>contingent project</i> in accordance with paragraph (g), an <i>asset exemption</i> has been granted by the AER under clause 6.4B.1 (a)(2) in respect of that asset or that class of asset for that <i>contingent project</i>; (ii) to the extent that any such expenditure relates to a <i>positive pass through amount</i>, an <i>asset exemption</i> has been granted by the AER under clause 6.4B.1 (a)(3) in respect of that asset or that class of asset for that <i>positive pass through amount</i>; or (iii) otherwise, the <i>Distribution Network Service Provider</i> has submitted an <i>exemption application</i> with the <i>regulatory proposal</i> requesting an <i>asset exemption</i> under clause 6.4B.1 (a)(1) for the <i>regulatory control period</i> in respect of that asset or class of asset. 	<p>AusNet confirms that its expenditure forecast aligns to the Cost Allocation Method 2019 which is still applicable.</p> <p>AusNet Proposal Section 6.3.</p> <p>The forecast includes expenditure at Warragul and Traralgon zone substations that is for options that have satisfied the RIT-D</p> <p>Our capital expenditure forecasts do not include any expenditure for restricted assets.</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
6.5.7 (g)	<p>(g) Subject to paragraphs (ga) and (j), a <i>Distribution Network Service Provider's regulatory proposal</i> for the second <i>regulatory control period</i> must include in the forecast of required capital expenditure referred to in paragraph (a) an amount of any unspent capital expenditure for each <i>contingent project</i> as described in subparagraph (f)(2), that equals the difference (if any) between:</p> <ol style="list-style-type: none"> (1) the total capital expenditure for that contingent project, as determined by the AER in the first regulatory control period under clause 6.6A.2(e)(1)(ii); and (2) the total of the capital expenditure actually incurred (or estimated capital expenditure for any part of the first regulatory control period for which actual capital expenditure is not available) in the first regulatory control period for that contingent project. <p>(ga) For the purposes of calculating any unspent capital expenditure in accordance with paragraph (g), the total or estimate of capital expenditure referred to in subparagraph (g)(2) must not include <i>expenditure for a restricted asset</i>, unless:</p> <ol style="list-style-type: none"> (1) the Distribution Network Service Provider has submitted an exemption application under clause 6.6A.1(a1) for the previous regulatory control period, which requested an asset exemption under clause 6.4B.1(a)(2) in respect of that asset or class of asset for that contingent project; and (2) the AER has granted that asset exemption. 	<p>N/A. No forecast capital expenditure was provided in relation to a contingent project for the first regulatory control period, as defined by this clause.</p> <p>N/A</p>
6.5.7	<p>(j) A <i>regulatory proposal</i> in respect of the second <i>regulatory control period</i> must not include in the forecast of required capital expenditure referred to in paragraph (a) any capital expenditure for a <i>contingent project</i> for the first <i>regulatory control period</i>:</p> <ol style="list-style-type: none"> (1) to the extent that the capital expenditure was included in the amount of capital expenditure for that contingent project as determined in the first regulatory control period under clause 6.6A.2(e)(1)(i); and (2) the capital expenditure actually incurred (or estimated capital expenditure for any part of the first regulatory control period for which actual capital expenditure is not available) in the first regulatory control period for that contingent project exceeded the capital expenditure referred to in subparagraph (1). 	As above.

Clause	Requirement	Regulatory Proposal Cross-Reference
6.5.10	<p>Pass through events</p> <p>(a) <i>A building block proposal may include a proposal as to the events that should be defined as pass through events under clause 6.6.1(a1)(5) having regard to the nominated pass through event considerations.</i></p>	Chapter 15, section 15.3.
6.6A 6.6A.1	<p>Contingent Projects</p> <p>Acceptance of a contingent project in a distribution determination</p> <p>(a) <i>Subject to paragraph (a1), a regulatory proposal may include proposed contingent capital expenditure, which the Distribution Network Service Provider considers is reasonably required for the purpose of undertaking a proposed contingent project.</i></p>	N/A. No contingent projects are being proposed.

Clause	Requirement	Regulatory Proposal Cross-Reference
6.6A.1	(a1) <i>Proposed contingent capital expenditure</i> that is included in a <i>regulatory proposal</i> of a <i>Distribution Network Service Provider</i> must not include <i>expenditure for a restricted asset</i> , unless that <i>Distribution Network Service Provider</i> has submitted an <i>exemption application</i> with the <i>regulatory proposal</i> , which requests an <i>asset exemption</i> under clause 6.4B.1(a)(2) in respect of that asset or class of asset for the <i>contingent project</i> .	N/A. No contingent projects are being proposed.
	(b) Subject to paragraph (b1), the AER must determine that a <i>proposed contingent project</i> is a <i>contingent project</i> if the AER is satisfied that: (1) the <i>proposed contingent project</i> is reasonably required to be undertaken in order to achieve any of the <i>capital expenditure objectives</i> ;	As above.
	(2) the <i>proposed contingent capital expenditure</i> : (i) is not otherwise provided for (either in part or in whole) in the total of the forecast capital expenditure for the relevant <i>regulatory control period</i> which is accepted in accordance with clause 6.5.7(c) or substituted in accordance with clause 6.12.1(3)(ii) (as the case may be); (ii) reasonably reflects the <i>capital expenditure criteria</i> , taking into account the <i>capital expenditure factors</i> , in the context of the <i>proposed contingent project</i> as described in the <i>regulatory proposal</i> ; and (iii) exceeds either \$30 million or 5% of the value of the <i>annual revenue requirement</i> for the relevant <i>Distribution Network Service Provider</i> for the first year of the relevant <i>regulatory control period</i> , whichever is the larger amount;	As above.
6.6A.1(b)	(3) the <i>proposed contingent project</i> and the <i>proposed contingent capital expenditure</i> , as described or set out in the <i>regulatory proposal</i> , and the information provided in relation to these matters, complies with the relevant requirements of any relevant <i>regulatory information instrument</i> ; and	As above.
	(4) the <i>trigger events</i> in relation to the <i>proposed contingent project</i> which are proposed by the <i>Distribution Network Service Provider</i> in its <i>regulatory proposal</i> are appropriate.	As above.

Clause	Requirement	Regulatory Proposal Cross-Reference
6.7.5	<p>Preparation of and requirements for negotiating framework for negotiated distribution services</p> <p>(a) A <i>Distribution Network Service Provider</i> must prepare a document (the <i>negotiating framework</i>) setting out the procedure to be followed during negotiations between that provider and any person (the <i>Service Applicant</i> or applicant) who wishes to receive a <i>negotiated distribution service</i> from the provider, as to the <i>terms and conditions of access</i> for the provision of the service.</p> <p>(b) The <i>negotiating framework</i> for a <i>Distribution Network Service Provider</i> must comply with and be consistent with:</p> <p>(1) the applicable requirements of the relevant distribution determination; and</p> <p>Note: See Clause 6.7.3</p> <p>(2) paragraph (c), which sets out the minimum requirements for a <i>negotiating framework</i>.</p>	<p>The AER's Framework and Approach Paper has not changed and has not classified any services as negotiated services. Never-the-less, a negotiating framework has been prepared and submitted with the regulatory proposal. See Appendix 21A.</p> <p>N/A, as explained above.</p>
6.7.5	<p>(c) The <i>negotiating framework</i> for a <i>Distribution Network Service Provider</i> must specify:</p> <p>(1) a requirement for the provider and a <i>Service Applicant</i> to negotiate in good faith the <i>terms and conditions of access</i> to a <i>negotiated distribution service</i>; and</p> <p>(2) a requirement for the provider to provide all such commercial information a <i>Service Applicant</i> may reasonably require to enable that applicant to engage in effective negotiation with the provider for the provision of the <i>negotiated distribution service</i>, including the cost information described in subparagraph (3); and</p> <p>(3) a requirement for the provider:</p> <p>(i) to identify and inform a <i>Service Applicant</i> of the reasonable costs and/or the increase or decrease in costs (as appropriate) of providing the <i>negotiated distribution service</i>; and</p> <p>(ii) to demonstrate to a <i>Service Applicant</i> that the charges for providing the <i>negotiated distribution service</i> reflect those costs and/or the cost increment or decrement (as appropriate); and</p>	<p>N/A, as explained above.</p> <p>N/A, as explained above.</p> <p>N/A, as explained above.</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
	(iii) to have appropriate arrangements for assessment and review of the charges and the basis on which they are made; and	
	(4) a requirement for a <i>Service Applicant</i> to provide all commercial information the provider may reasonably require to enable the provider to engage in effective negotiation with that applicant for the provision of the <i>negotiated distribution service</i> ; and	N/A, as explained above.
	(5) a requirement that negotiations with a <i>Service Applicant</i> for the provision of the <i>negotiated distribution service</i> be commenced and finalised within specified periods and a requirement that each party to the negotiations must make reasonable endeavours to adhere to the specified time limits; and	N/A, as explained above.
	(6) a process for dispute resolution which provides that all disputes as to the <i>terms and conditions of access</i> for the provision of <i>negotiated distribution services</i> are to be dealt with in accordance with the relevant provisions of the Law and the <i>Rules</i> for dispute resolution; and	
	(7) the arrangements for payment by a <i>Service Applicant</i> of the provider's reasonable direct expenses incurred in processing the application to provide the <i>negotiated distribution service</i> ; and	
	(8) a requirement that the <i>Distribution Network Service Provider</i> determine the potential impact on other <i>Distribution Network Users</i> of the provision of the <i>negotiated distribution service</i> ; and	
	(9) a requirement that the <i>Distribution Network Service Provider</i> must notify and consult with any affected <i>Distribution Network Users</i> and ensure that the provision of <i>negotiated distribution services</i> does not result in non-compliance with obligations in relation to other <i>Distribution Network Users</i> under the <i>Rules</i> ; and	
	(10) a requirement that the <i>Distribution Network Service Provider</i> publish the results of negotiations on its website.	

Clause	Requirement	Regulatory Proposal Cross-Reference
6.7.5	<p>(d) Notwithstanding the foregoing, the negotiating framework must not be inconsistent with any of the requirements of:</p> <p>(1) rules 5.3, 5.3A and 5.3AA insofar as the <i>negotiating framework</i> applies to <i>negotiated distribution services</i> which would have been <i>negotiated distribution services</i> regardless of the operation of clause 6.24.2(c); and</p> <p>(2) rules 5.3 and 5.3A and, for the <i>declared transmission system</i> of an <i>adoptive jurisdiction</i>, rule 5.4A (as preserved under clause 11.98.8(a)(2)) insofar as the <i>negotiating framework</i> applies to <i>negotiated distribution services</i> which would have been treated as <i>negotiated transmission services</i> were it not for the operation of clause 6.24.2(c),</p> <p>and any other relevant provisions of this Chapter 6 and, in the event of any inconsistency, those requirements prevail.</p>	N/A, as explained above.
6.7A.1	<p>Preparation of, and requirements for, connection policy</p> <p>(a) A Distribution Network Service Provider must prepare a document (its proposed connection policy) setting out:</p> <p>(1) the circumstances in which it may require a retail customer or real estate developer to pay a connection charge, for the provision of a connection service under Chapter 5A; and</p> <p>(2) the circumstances in which it may specify a static zero export limit in a connection offer for a retail customer.</p> <p>(b) The proposed <i>connection policy</i>:</p> <p>(1) must be consistent with:</p> <p>(i) the <i>connection charge principles</i>; and</p> <p>(ii) the <i>connection charge guidelines</i>; and</p>	<p>Refer to the accompanying AusNet connection policy, which explains how it complies with these Rules requirements.</p> <p>As above.</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
6.7A.1	<p>(2) must specify:</p> <ul style="list-style-type: none"> (i) the categories of persons that may be required to pay a <i>connection charge</i> and the circumstances in which such a requirement may be imposed; and (ii) the aspects of a <i>connection service</i> for which a <i>connection charge</i> may be made; and <p>Example</p> <p>The <i>Distribution Network Service Provider</i> might (for example) make separate <i>connection charges</i> for the provision of a <i>connection asset</i> and for making a necessary <i>extension</i> to, or other <i>augmentation of</i>, the <i>distribution network</i>.</p>	As above.
	<ul style="list-style-type: none"> (iii) the basis on which <i>connection charges</i> are determined; and (iv) the manner in which <i>connection charges</i> are to be paid (or equivalent consideration is to be given); and <p>Examples</p> <p>The payment (or equivalent consideration) might take the form of a capital contribution, prepayment or financial guarantee.</p> <ul style="list-style-type: none"> (v) a threshold (based on capacity or any other measure identified in the <i>connection charge guidelines</i>) below which a <i>retail customer</i> (not being a non-registered <i>embedded generator</i> or a <i>real estate developer</i>) will not be liable for a <i>connection charge</i> for an <i>augmentation</i> other than an <i>extension</i>. 	As above.

Clause	Requirement	Regulatory Proposal Cross-Reference
6.8.1A	<p>Notification of approach to forecasting expenditure</p> <p>(a) A <i>Distribution Network Service Provider</i> must inform the AER of the methodology it proposes to use to prepare the forecasts of operating expenditure and capital expenditure that form part of its <i>regulatory proposal</i>.</p> <p>(b) A <i>Distribution Network Service Provider</i> must submit the information referred to in paragraph (a):</p> <ol style="list-style-type: none"> (1) at least 24 months before the expiry of a distribution determination that applies to the <i>Distribution Network Service Provider</i>; or (2) if no distribution determination applies to the <i>Distribution Network Service Provider</i>, within 3 months after being required to do so by the AER. 	Expenditure Forecasting Methodology, submitted to the AER on 28 June 2024.
6.8.2	<p>Submission of regulatory proposal, tariff structure statement and exemption application</p> <p>(a) A <i>Distribution Network Service Provider</i> must, whenever required to do so under paragraph (b), submit to the AER a <i>regulatory proposal</i> and a proposed <i>tariff structure statement</i> related to the <i>distribution services</i> provided by means of, or in connection with, the <i>Distribution Network Service Provider's distribution system</i>.</p> <p>(a1) A <i>Distribution Network Service Provider</i> must submit to the AER any <i>exemption application</i> for an <i>asset exemption</i> under clause 6.4B.1(a)(1) or 6.4B.1(a)(2) for the <i>regulatory control period</i> at the same time as submitting the relevant <i>regulatory proposal</i> under paragraph (a).</p> <p>(b) A <i>regulatory proposal</i>, a proposed <i>tariff structure statement</i> and, if required under paragraph (a1), an <i>exemption application</i> must be submitted:</p> <ol style="list-style-type: none"> (1) at least 17 months before the expiry of a distribution determination that applies to the <i>Distribution Network Service Provider</i>; or 	Noted.
6.8.2(b)	<ol style="list-style-type: none"> (2) if no distribution determination applies to the <i>Distribution Network Service Provider</i>, within 3 months after being required to do so by the AER. 	Noted.
6.8.2	<p>(c) A <i>regulatory proposal</i> must include (but need not be limited to) the following elements:</p> <ol style="list-style-type: none"> (1) a classification proposal: <ol style="list-style-type: none"> (i) showing how the <i>distribution services</i> to be provided by the <i>Distribution Network Service Provider</i> should, in the <i>Distribution</i> 	Section 1.3 reproduces the AER's service classification in its Framework and Approach Paper, which AusNet Services has adopted. A full list of services and their classifications is provided in Appendix 1B Service Classification Proposal

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	<p><i>Network Service Provider's</i> opinion, be classified under this Chapter; and</p> <p>(ii) if the proposed classification differs from the classification suggested in the relevant <i>framework and approach paper</i> – including the reasons for the difference;</p>	
	(2) for <i>direct control services</i> classified under the proposal as <i>standard control services</i> – a <i>building block proposal</i> ;	Chapter 19 section 19.3
	(3) for <i>direct control services</i> classified under the proposal as <i>alternative control services</i> – a demonstration of the application of the control mechanism, as set out in the <i>framework and approach paper</i> , and the necessary supporting information;	Sections 19.4
	(4) [Deleted]	
	(5) for services classified under the proposal as <i>negotiated distribution services</i> – the proposed <i>negotiating framework</i> ;	The AER's Framework and Approach Paper has not classified any services as negotiated services. Nevertheless, a negotiating framework has been prepared and submitted with the regulatory proposal.
	(5A) the proposed <i>connection policy</i> ;	AusNet Connections policy.
	(6) an identification of any parts of the <i>regulatory proposal</i> the <i>Distribution Network Service Provider</i> claims to be confidential and wants suppressed from publication on that ground in accordance with the <i>Distribution Confidentiality Guidelines</i> .	See AusNet's Confidentiality Response Document
	(7) a description (with supporting materials) of how the proposed <i>tariff structure statement</i> complies with the <i>pricing principles for direct control services</i> including: <p>(i) a description of where there has been any departure from the pricing principles set out in paragraphs 6.18.5(e) to (g); and</p> <p>(ii) an explanation of how that departure complies with clause 6.18.5(c).</p>	Tariff structure statement, Compliance document, sections 3.1 and 3.2.
6.8.2	(c1) The <i>regulatory proposal</i> must be accompanied by an overview paper in reasonably plain language which includes each of the following matters:	AusNet's Proposal Overview document addresses these requirements.

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p>(1) a summary to explain:</p> <ul style="list-style-type: none"> (i) the regulatory proposal; (ii) the proposed tariff structure statement including the export tariff transition strategy; (iii) the interrelationship between the elements of the regulatory proposal; (iv) the interrelationship between the regulatory proposal and performance; and (v) the interrelationship between the proposed tariff structure statement and relevant elements of the regulatory proposal (including the proposed connection policy and capital expenditure or operating expenditure); 	
	<p>(2) a description of:</p> <ul style="list-style-type: none"> (i) how the Distribution Network Service Provider has engaged with relevant stakeholders including distribution service end users or groups representing them and (in relation to the tariff structure statement) retailers and Small Resource Aggregators in developing the regulatory proposal and the proposed tariff structure statement including the export tariff transition strategy; (ii) the relevant concerns identified as a result of that engagement; and (iii) how the Distribution Network Service Provider has sought to address those concerns; 	As above.
	<p>(3) a summary to explain the <i>Distribution Network Service Provider's</i> approach to identifying demand for, and where relevant providing for, <i>distribution services for supply into the distribution network from micro resource operators and non-registered DER providers</i>;</p>	As above.
	<p>(4) a summary of other approaches considered by the <i>Distribution Network Service Provider</i> in deciding on the approach referred to in subparagraph (3), including relevant proposals from <i>distribution service end users</i>, and how they compare to the approach referred to in subparagraph (3);</p>	As above.
	<p>(5) a description of the key risks and benefits for <i>distribution service end users</i> of the <i>regulatory proposal</i> and the proposed <i>tariff structure statement</i> including the <i>export tariff transition strategy</i>;</p>	As above.

Clause	Requirement	Regulatory Proposal Cross-Reference
	(6) a comparison of the <i>Distribution Network Service Provider's</i> proposed total revenue requirement with its total revenue requirement for the current regulatory control period and an explanation for any material differences between the two amounts; and	As above.
	(7) a comparison of the <i>Distribution Network Service Provider's</i> proposed capital expenditure to support the provision of <i>distribution services</i> for supply into the <i>distribution network</i> from <i>micro resource operators</i> and <i>non-registered DER providers</i> for the current regulatory control period and its actual or committed capital expenditure in the current regulatory control period for that purpose and an explanation for any material differences between the two amounts.	As above.
	(c2) The <i>regulatory proposal</i> must be accompanied by information required by the <i>Expenditure Forecast Assessment Guidelines</i> as set out in the <i>framework and approach paper</i> .	Completed RINs and Chapters 6 and 7.
	(c3) Where clause 6.2.9(f) applies, the <i>regulatory proposal</i> must be accompanied by a copy of the relevant concessional finance agreement.	Not applicable. AusNet has not entered concessional finance agreement
	(d) The <i>regulatory proposal</i> must comply with the requirements of, and must contain or be accompanied by the information required by any relevant <i>regulatory information instrument</i> .	Completed RINs.
	(d1) The proposed <i>tariff structure statement</i> must be accompanied by an <i>indicative pricing schedule</i> .	Tariff structure statement – compliance document, section Appendix C and accompanying spreadsheet.
	(d2) The proposed <i>tariff structure statement</i> must comply with the <i>pricing principles for direct control services</i> .	Tariff structure statement – compliance document, section 3.
	(e) If more than one distribution system is owned, controlled or operated by a <i>Distribution Network Service Provider</i> , then, unless the AER otherwise determines, a separate <i>regulatory proposal</i> and a separate <i>tariff structure statement</i> are to be submitted for each distribution system.	Not applicable.
	(f) If, at the commencement of this Chapter, different parts of the same distribution system were separately regulated, then, unless the AER otherwise determines, a separate <i>regulatory proposal</i> and a separate <i>tariff structure statement</i> are to be submitted for each part as if it were a separate distribution system.	Not applicable

Clause	Requirement	Regulatory Proposal Cross-Reference
6.14A	<p>Distribution Confidentiality Guidelines</p> <p>(b) The <i>Distribution Confidentiality Guidelines</i> must specify the manner in which the <i>Distribution Network Service Provider</i> may make confidentiality claims in its <i>regulatory proposal</i>, which may include categories of confidential information by reference to which <i>Distribution Network Service Providers</i> must classify any claims of confidentiality in their <i>regulatory proposals</i>.</p>	See AusNet Services' Confidentiality Response Document.
6.15.1	<p>Duty to comply with Cost Allocation Method</p> <p>A <i>Distribution Network Service Provider</i> must comply with the <i>Cost Allocation Method</i> that has been approved in respect of that provider from time to time by the AER under this rule 6.15.</p>	Noted. The expenditure forecasts provided in the Regulatory Proposal comply with the current, approved Cost Allocation Method.
6.18.1A	<p>Tariff structure statement</p> <p>(a) A <i>tariff structure statement</i> of a <i>Distribution Network Service Provider</i> must include the following elements:</p> <p>(1) the <i>tariff classes</i> into which <i>retail customers</i> for <i>direct control services</i> will be divided during the relevant <i>regulatory control period</i></p> <p>(2) the policies and procedures the <i>Distribution Network Service Provider</i> will apply for assigning <i>retail customers</i> to tariffs or reassigning <i>retail customers</i> from one tariff to another (including any applicable restrictions);</p> <p>(2A) a description of the strategy or strategies the <i>Distribution Network Service Provider</i> has adopted, taking into account the pricing principle in clause 6.18.5(h), for the introduction of <i>export tariffs</i> including where relevant the period of transition (<i>export tariff transition strategy</i>);</p> <p>(3) the structures for each proposed tariff;</p> <p>(4) the <i>charging parameters</i> for each proposed tariff; and</p> <p>(5) a description of the approach that the <i>Distribution Network Service Provider</i> will take in setting each tariff in each <i>pricing proposal</i> of the <i>Distribution Network Service Provider</i> during the relevant <i>regulatory control period</i> in accordance with clause 6.18.5.</p>	<p>Tariff structure statement – compliance document, sections 2.2 and 7.2</p> <p>Tariff structure statement – compliance document, sections 5.2 and Appendix A.</p> <p>Tariff structure statement – compliance document, section 6.</p> <p>Tariff structure statement – compliance document, sections 4.2, 7.3, 7.4, 7.5, 7.6 and 7.7.</p> <p>Tariff structure statement – compliance document, sections 4.2, 7.3, 7.4, 7.5, 7.6 and 7.7.</p> <p>Tariff structure statement – compliance document, sections 3.4 and 7.8.</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
	(b) A <i>tariff structure statement</i> must comply with the <i>pricing principles for direct control services</i> .	Tariff structure statement – compliance document, sections 3.2, 3.3, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13 and 3.14, and Appendices A and B.
	(c) A <i>Distribution Network Service Provider</i> must comply with the <i>tariff structure statement</i> approved by the AER and any other applicable requirements in the <i>Rules</i> , when the provider is setting the prices that may be charged for <i>direct control services</i> .	Noted. This provision relates to our future compliance with the Tariff structure statement, rather than its content.
	(d) Subject to clause 6.18.1B, a <i>tariff structure statement</i> may not be amended during a <i>regulatory control period</i> except to the extent necessary to comply with clause 6.20.3A. Note Rule 6.13 still applies in relation to a <i>tariff structure statement</i> because that rule deals with the revocation and substitution of a distribution determination (which includes a <i>tariff structure statement</i>) as opposed to its amendment.	Noted. This provision relates to amendments to the Tariff structure statement, rather than its content.
	(e) A <i>tariff structure statement</i> must be accompanied by an <i>indicative pricing schedule</i> which sets out, for each tariff for each <i>regulatory year</i> of the <i>regulatory control period</i> , the indicative price levels determined in accordance with the <i>tariff structure statement</i> .	Tariff structure statement – compliance document, section Appendix C and accompanying spreadsheet.
6.18.5	Pricing principles Network pricing objective (a) The <i>network pricing objective</i> is that the tariffs that a <i>Distribution Network Service Provider</i> charges in respect of its provision of <i>direct control services</i> to a <i>retail customer</i> should reflect the <i>Distribution Network Service Provider's</i> efficient costs of providing those services to the <i>retail customer</i> .	Tariff structure statement – compliance document, section 3.
6.18.5	Application of the pricing principles (b) Subject to paragraph (c), a <i>Distribution Network Service Provider's</i> tariffs must comply with the pricing principles set out in paragraphs (e) to (j). (c) A <i>Distribution Network Service Provider's</i> tariffs may vary from tariffs which would result from complying with the pricing principles set out in paragraphs (e) to (g) only: (1) to the extent permitted under paragraph (h); and (2) to the extent necessary to give effect to the pricing principles set out in paragraphs (i) to (j).	Tariff structure statement – compliance document, section 3.

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p>(d) A <i>Distribution Network Service Provider</i> must comply with paragraph (b) in a manner that will contribute to the achievement of the <i>network pricing objective</i>.</p> <p>Pricing principles</p> <p>(e) For each <i>tariff class</i>, the revenue expected to be recovered must lie on or between:</p> <ol style="list-style-type: none"> (1) an upper bound representing the stand alone cost of serving the <i>retail customers</i> who belong to that class; and (2) a lower bound representing the avoidable cost of not serving those <i>retail customers</i>. 	<p>Tariff structure statement – compliance document, section 3.8</p>
6.18.5	<p>(f) Each tariff must be based on the <i>long run marginal cost</i> of providing the service to which it relates to the <i>retail customers</i> assigned to that tariff with the method of calculating such cost and the manner in which that method is applied to be determined having regard to:</p> <ol style="list-style-type: none"> (1) the costs and benefits associated with calculating, implementing and applying that method as proposed; (2) the additional costs likely to be associated with meeting demand from <i>retail customers</i> that are assigned to that tariff at times of greatest utilisation of the relevant part of the <i>distribution network</i>; and (3) the location of <i>retail customers</i> that are assigned to that tariff and the extent to which costs vary between different locations in the <i>distribution network</i>. 	<p>Tariff structure statement – compliance document, section 3.9.</p>
	<p>(g) The revenue expected to be recovered from each tariff must:</p> <ol style="list-style-type: none"> (1) reflect the <i>Distribution Network Service Provider's</i> total efficient costs of serving the <i>retail customers</i> that are assigned to that tariff; (2) when summed with the revenue expected to be received from all other tariffs, permit the <i>Distribution Network Service Provider</i> to recover the expected revenue for the relevant services in accordance with the applicable distribution determination for the <i>Distribution Network Service Provider</i>; and (3) comply with sub-paragraphs (1) and (2) in a way that minimises distortions to the price signals for efficient usage of the relevant service that would result from tariffs that comply with the pricing principle set out in paragraph (f). 	<p>Tariff structure statement – compliance document, section 3.10.</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p>(h) A <i>Distribution Network Service Provider</i> must consider the impact on <i>retail customers</i> of changes in tariffs from the previous <i>regulatory year</i> and may vary tariffs from those that comply with paragraphs (e) to (g) to the extent the <i>Distribution Network Service Provider</i> considers reasonably necessary having regard to:</p> <ul style="list-style-type: none"> (1) the desirability for tariffs to comply with the pricing principles referred to in paragraphs (f) and (g), albeit after a reasonable period of transition (which may extend over more than one <i>regulatory control period</i>); (2) the extent to which <i>retail customers</i> can choose the tariff to which they are assigned; and (3) the extent to which <i>retail customers</i> are able to mitigate the impact of changes in tariffs through their usage decisions. 	<p>Tariff structure statement – compliance document, section 3.11.</p>
<p>6.18.5</p>	<p>(i) The structure of each tariff must be reasonably capable of:</p> <ul style="list-style-type: none"> (1) being understood by retail customers that are or may be assigned to that tariff (including in relation to how decisions about usage of services or controls may affect the amounts paid by those customers) and (2) being directly or indirectly incorporated by retailers or Small Resource Aggregators in contract terms offered to those customers, <p>having regard to information available to the <i>Distribution Network Service Provider</i>, which may include:</p> <ul style="list-style-type: none"> (3) the type and nature of those retail customers; (4) the information provided to, and the consultation undertaken with, those retail customers; and (5) the information provided by, and consultation undertaken with, retailers and Small Resource Aggregators. <p>(j) A tariff must comply with the <i>Rules</i> and all <i>applicable regulatory instruments</i>.</p>	<p>Tariff structure statement – compliance document, section 3.12.</p> <p>Tariff structure statement – compliance document, section 3.13.</p>
<p>6.18.6</p>	<p>Side constraints on tariffs for standard control services</p> <ul style="list-style-type: none"> (a) This clause applies only to <i>tariff classes</i> related to the provision of <i>standard control services</i>. (b) The expected weighted average revenue to be raised from a <i>tariff class</i> for a particular <i>regulatory year</i> of a <i>regulatory control period</i> must not exceed the corresponding expected weighted average revenue for the preceding 	<p>This requirement is addressed through the annual pricing approval process – see Tariff structure statement – compliance document, section 3.14.</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p><i>regulatory year</i> in that <i>regulatory control period</i> by more than the permissible percentage.</p> <p>(c) The permissible percentage is the greater of the following:</p> <p>(1) the CPI-X limitation on any increase in the <i>Distribution Network Service Provider's</i> expected weighted average revenue between the two <i>regulatory years</i> plus 2%;</p> <p>Note: The calculation is of the form $(1 + \text{CPI})(1 - X)(1 + 2\%)$</p> <p>(2) CPI plus 2%.</p> <p>Note: The calculation is of the form $(1 + \text{CPI})(1 + 2\%)$</p> <p>(d) In deciding whether the permissible percentage has been exceeded in a particular <i>regulatory year</i>, the following are to be disregarded:</p> <p>(1) the recovery of revenue to accommodate a variation to the distribution determination under rule 6.6 or 6.13;</p> <p>(2) the recovery of revenue to accommodate pass through of <i>designated pricing proposal charges to retail customers</i>;</p> <p>(3) the recovery of revenue to accommodate pass through of <i>jurisdictional scheme amounts for approved jurisdictional schemes</i>.</p> <p>(4) [Deleted]</p>	Noted.

Clause	Requirement	Regulatory Proposal Cross-Reference
Schedule 6.1 - Contents of Revenue Proposals		
S6.1.1	<p>Information and matters relating to capital expenditure</p> <p>A <i>building block proposal</i> must contain at least the following information and matters relating to capital expenditure:</p> <p>(1) a forecast of the required capital expenditure that complies with the requirements of clause 6.5.7 and identifies the forecast capital expenditure by reference to well accepted categories such as:</p> <ul style="list-style-type: none"> (i) asset class (eg. <i>distribution lines, substations</i> etc); or (ii) category driver (eg. <i>regulatory obligation or requirement, replacement, reliability, net market benefit, business support</i> etc), <p>and identifies, in respect of proposed material assets:</p> <ul style="list-style-type: none"> (iii) the location of the proposed asset; (iv) the anticipated or known cost of the proposed asset; and (v) the categories of <i>distribution services</i> which are to be provided by the proposed asset; <p>(2) the method used for developing the capital expenditure forecast;</p> <p>(3) the forecasts of load growth relied upon to derive the capital expenditure forecasts and the method used for developing those forecasts of load growth;</p> <p>(4) the key assumptions that underlie the capital expenditure forecast;</p> <p>(5) a certification of the reasonableness of the key assumptions by the directors of the <i>Distribution Network Service Provider</i>;</p> <p>(6) capital expenditure for each of the past <i>regulatory years</i> of the previous and current <i>regulatory control period</i>, and the expected capital expenditure for each of the last two <i>regulatory years</i> of the current <i>regulatory control period</i>, categorised in the same way as for the capital expenditure forecast and separately identifying for each such <i>regulatory year</i></p> <ul style="list-style-type: none"> (i) margins paid or expected to be paid by the <i>Distribution Network Service Provider</i> in circumstances where those margins are 	<p>Chapter 6, especially sections 6.3, 6.6 to 6.16 inclusive.</p> <p>Chapter 6, section 6.5.</p> <p>Chapter 4, especially sections 4.2 and 4.5.</p> <p>Chapter 6, especially sections 6.4 and 6.5.</p> <p>See Signed Statutory Declaration</p> <p>See Chapter 6.3</p> <p>No margins are paid in circumstances where the arrangements are not arm's length.</p> <p>There is no such expenditure that should have been treated as opex.</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p>referable to arrangements that do not reflect arm's length terms; and</p> <p>(ii) expenditure that should have been treated as operating expenditure in accordance with the policy submitted under paragraph (8) for that <i>regulatory year</i>;</p>	
	(7) an explanation of any significant variations in the forecast capital expenditure from historical capital expenditure; and	See chapter 6, especially sections 6.1 and 6.3.
	(8) the policy that the <i>Distribution Network Service Provider</i> applies in capitalising operating expenditure.	See our Capitalisation policy submitted with the regulatory proposal
S6.1.2	<p>Information and matters relating to operating expenditure</p> <p>A <i>building block proposal</i> must contain at least the following information and matters relating to operating expenditure:</p> <p>(1) a forecast of the required operating expenditure that complies with the requirements of clause 6.5.6 and identifies the forecast operating expenditure by reference to well accepted categories such as:</p> <p>(i) particular programs; or</p> <p>(ii) types of operating expenditure (eg. maintenance, payroll, materials etc),</p> <p>and identifies in respect of each such category:</p> <p>(iii) to what extent that forecast expenditure is on costs that are fixed and to what extent it is on costs that are variable; and</p> <p>(iv) the categories of <i>distribution services</i> to which that forecast expenditure relates;</p>	<p>Section 7.3 presents this in a graphical format in well accepted categories. A full breakdown is provided in RIN template 3.2.1.</p> <p>With regard to subclause (1)(iii), the relationship between growth and operating expenditure is discussed in section 7.11.</p> <p>The opex forecasts relate entirely to the provision of Standard Control Services.</p>
	(2) the method used for developing the operating expenditure forecast;	Chapter 7, section 7.4

Clause	Requirement	Regulatory Proposal Cross-Reference
	(3) the forecasts of key variables relied upon to derive the operating expenditure forecast and the method used for developing those forecasts of key variables;	Chapter 7, sections 7.4 and 7.11.
	(4) the method used for determining the cost associated with planned maintenance programs designed to improve the performance of the relevant <i>distribution system</i> for the purposes of any <i>service target performance incentive scheme</i> that is to apply to the <i>Distribution Network Service Provider</i> in respect of the relevant <i>regulatory control period</i> ;	N/A. No such maintenance programs are proposed
	(5) the key assumptions that underlie the operating expenditure forecast;	Chapter 7 section 7.6
	(6) a certification of the reasonableness of the key assumptions by the directors of the <i>Distribution Network Service Provider</i> ;	See Signed Statutory Declaration
	(7) operating expenditure for each of the past <i>regulatory years</i> of the previous and current <i>regulatory control period</i> , and the expected operating expenditure for each of the last two <i>regulatory years</i> of the current <i>regulatory control period</i> , categorised in the same way as for the operating expenditure forecast;	Chapter 7 section 7.3 in graph form RIN template 3.2.1 has a full breakdown
	(8) an explanation of any significant variations in the forecast operating expenditure from historical operating expenditure.	Chapter 7 section 7.3
S6.1.3	<p>Additional information and matters</p> <p>A <i>building block proposal</i> must contain at least the following additional information and matters:</p> <p>(1) an identification and explanation of any significant interactions between the forecast capital expenditure and forecast operating expenditure programs;</p> <p>(2) Deleted</p> <p>(3) a description, including relevant explanatory material, of how the <i>Distribution Network Service Provider</i> proposes any <i>efficiency benefit sharing scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming distribution determination should apply to it;</p>	<p>Chapter 6, sections 6.6, 6.12, 6.13, 6.14. and 6.17</p> <p>Chapter 7 sections 7.7, 7.9 and 7.11</p> <p>Chapter 8.</p> <p>Chapter 13 section 13.7</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
	(3A) a description, including relevant explanatory material, of how the <i>Distribution Network Service Provider</i> proposes any <i>capital expenditure sharing scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming distribution determination should apply to it;	Chapter 13 section 13.6
	(4) a description, including relevant explanatory material, of how the <i>Distribution Network Service Provider</i> proposes any <i>service target performance incentive scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming distribution determination should apply to it;	Chapter 13 section 13.5
	(5) a description, including relevant explanatory material, of how the <i>Distribution Network Service Provider</i> proposes any <i>demand management incentive scheme</i> or <i>demand management innovation allowance mechanism</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming distribution determination should apply to it;	Chapter 13 section 13.9
	(5A) a description, including relevant explanatory material, of how the <i>Distribution Network Service Provider</i> proposes any <i>small-scale incentive scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming distribution determination should apply to it;	Chapter 13 section 13.4.
	(6) the <i>Distribution Network Service Provider's</i> calculation of revenues or prices for the purposes of the control mechanism proposed by the <i>Distribution Network Service Provider</i> together with: <ul style="list-style-type: none"> <li data-bbox="499 1192 1268 1247">(i) details of all amounts, values and inputs (including X factors) relevant to the calculation; <li data-bbox="499 1268 1310 1323">(ii) an explanation of the calculation and the amounts, values and inputs involved in the calculation; and <li data-bbox="499 1344 1339 1425">(iii) a demonstration that the calculation and the amounts, values and inputs on which it is based comply with relevant requirements of the Law and the <i>Rules</i>; 	Sections 5.4, 5.5 and 5.6 and the completed PTRM.

Clause	Requirement	Regulatory Proposal Cross-Reference
S6.1.3	<p>(7) the Distribution Network Service Provider's calculation of the regulatory asset base for the relevant distribution system for each regulatory year of the relevant regulatory control period using the roll forward model referred to in clause 6.5.1, together with:</p> <ul style="list-style-type: none"> (i) details of all amounts, values and other inputs used by the <i>Distribution Network Service Provider</i> for that purpose; (ii) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6; and (iii) an explanation of the calculation of the regulatory asset base for each <i>regulatory year</i> of the relevant <i>regulatory control period</i> and of the amounts, values and inputs referred to in subparagraph (i); 	Chapter 9. The regulatory asset base has been calculated using the roll forward model, which is submitted as part of this Regulatory Proposal. Our application of the model satisfies these Rules requirements.
	(8) [Deleted] ;	
	(9) the Distribution Network Service Provider's calculation of the allowed rate of return for each regulatory year of the relevant regulatory control period;	Chapter 11, section 11.6.
	(9A) the <i>Distribution Network Service Provider's</i> calculation of the <i>allowed imputation credits</i> for each <i>regulatory year</i> of the <i>regulatory control period</i> ;	Chapter 11.9
	(10) the <i>post-tax revenue model</i> completed to show its application to the <i>Distribution Network Service Provider</i> and the completed <i>roll-forward model</i> ;	A completed PTRM is provided as part of this Regulatory Proposal.
	(11) the <i>Distribution Network Service Provider's</i> estimate of the cost of corporate income tax for each <i>regulatory year</i> of the <i>regulatory control period</i> ;	Chapter 12
	<p>(12) the depreciation schedules nominated by the <i>Distribution Network Service Provider</i> for the purposes of clause 6.5.5, which categorise the relevant assets for these purposes by reference to well accepted categories such as:</p> <ul style="list-style-type: none"> (i) asset class (eg <i>distribution lines</i> and <i>substations</i>); or (ii) category driver (eg <i>regulatory obligation or requirement</i>, <i>replacement</i>, <i>reliability</i>, <i>net market benefit</i>, and <i>business support</i>), 	The year by year depreciation tracking model that will be submitted with this proposal contains the calculations for the 1 July 2026 opening RAB depreciation. The AER's PTRM model (also forming part of our submission) contains the relevant calculations for depreciation of new

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p>together with:</p> <ul style="list-style-type: none"> (iii) details of all amounts, values and other inputs used by the <i>Distribution Network Service Provider</i> to compile those depreciation schedules; (iv) a demonstration that those depreciation schedules conform with the requirements set out in clause 6.5.5(b) ; and (v) an explanation of the calculation of the amounts, values and inputs referred to in subparagraph (iii); 	<p>capex proposed in FY26-31. Both of these models conform with clause 6.5.5 of the NER.</p>
S6.1.3	<p>(13) the commencement and length of the <i>regulatory control period</i> proposed by the <i>Distribution Network Service Provider</i>; and</p>	<p>Section 1.1.</p>
	<p>(14) if the <i>Distribution Network Service Provider</i> is seeking a determination by the AER that a <i>proposed contingent project</i> is a <i>contingent project</i> for the purposes of the relevant distribution determination:</p> <ul style="list-style-type: none"> (i) a description of the <i>proposed contingent project</i>, including reasons why the <i>Distribution Network Service Provider</i> considers the project should be accepted as a <i>contingent project</i> for the <i>regulatory control period</i>; 	<p>N/A. No contingent projects are being proposed.</p>
	<ul style="list-style-type: none"> (ii) a forecast of the capital expenditure which the <i>Distribution Network Service Provider</i> considers is reasonably required for the purpose of undertaking the <i>proposed contingent project</i>; 	<p>N/A. No contingent projects are being proposed.</p>
	<ul style="list-style-type: none"> (iii) the methodology used for developing that forecast and the key assumptions that underlie it; 	<p>N/A. No contingent projects are being proposed.</p>
	<ul style="list-style-type: none"> (iv) information that demonstrates that the undertaking of the <i>proposed contingent project</i> is reasonably required in order to achieve one or more of the <i>capital expenditure objectives</i>; (v) information that demonstrates that the <i>proposed contingent capital expenditure</i> for the <i>proposed contingent project</i> complies with the requirements set out in clause 6.6A.1 (b)(2); and (vi) the <i>trigger events</i> which are proposed in relation to the <i>proposed contingent project</i> and an explanation of how each of those conditions or events addresses the matters referred to in clause 6.6A.1 (c). 	<p>N/A. No contingent projects are being proposed.</p>

Clause	Requirement	Regulatory Proposal Cross-Reference
Schedule 6.2 - Regulatory Asset Base		
S6.2.1	<p>Establishment of opening regulatory asset base for a regulatory control period</p> <p>(a) Application of this clause</p> <p>This clause S6.2.1</p> <p>(1) applies to the establishment of the value of the regulatory asset base for a <i>distribution system</i> as at the beginning of a <i>regulatory control period</i> on the roll forward of the regulatory asset base to that <i>regulatory control period</i> from the previous <i>regulatory control period</i>; and</p> <p>(2) also applies to the establishment of the value of the regulatory asset base for a <i>distribution system</i> as at the beginning of a <i>regulatory control period</i> where the <i>distribution system</i> was not immediately before that time the subject of a building block determination.</p>	Noted
S6.2.1	<p>(b) Roll forward model to comply with this clause</p> <p>The values to be used for completing the <i>roll forward model</i> must be established in accordance with this clause and clauses S6.2.2 and S6.2.3.</p>	A completed roll forward model is provided alongside the Regulatory Proposal
	<p>(c) Distribution systems of specific providers</p> <p>(1) In the case of a <i>distribution system</i> owned, controlled or operated by one of the following <i>Distribution Network Service Providers</i> as at the commencement of this schedule, the value of the regulatory asset base for that <i>distribution system</i> as at the beginning of that first <i>regulatory year</i> must be determined by rolling forward the regulatory asset base for that <i>distribution system</i>, as follows:</p> <p>AusNet Services - \$1,307.2 million (as at 1 January 2006 in July 2004 dollars)</p> <p>(2) The values above are to be adjusted for the difference between:</p> <p>(i) any estimated capital expenditure that is included in those values for any part of a previous regulatory control period; and</p> <p>(ii) the actual capital expenditure for that part of the previous regulatory control period.</p> <p>This adjustment must also remove any benefit or penalty associated with any difference between the estimated and actual capital expenditure.</p> <p>(3) When rolling forward a regulatory asset base under subparagraph (1), the AER must take into account the derivation of the values in the above</p>	Chapter 9 sets out the detailed calculation of the RAB, which complies with this requirement.

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	<p>table from past regulatory decisions and the consequent fact that they relate only to the regulatory asset base identified in those decisions.</p> <p>(e) Method of adjustment of value of regulatory asset base</p> <p>Except as otherwise provided in paragraph (c) or (d) and subject to paragraph (g), the value of the regulatory asset base for a <i>distribution system</i> as at the beginning of the first <i>regulatory year</i> of a <i>regulatory control period</i> must be calculated by adjusting the value (the previous value) of the regulatory asset base for that <i>distribution system</i> as at the beginning of the first <i>regulatory year</i> of the immediately preceding <i>regulatory control period</i> (the previous control period) as follows:</p>	See responses below.
S6.2.1(e)	<p>(1) Subject to subparagraph (e)(9), the previous value of the regulatory asset base must be:</p> <ul style="list-style-type: none"> (i) increased by the amount of all capital expenditure incurred during the previous control period, including any capital expenditure determined for that period under clause 6.6A.2(e)(1)(i) in relation to <i>contingent projects</i> where the distribution determination has been amended by the AER in accordance with clause 6.6A.2(h) (regardless of whether such capital expenditure is above or below the forecast capital expenditure for the period that is adopted for the purposes of the distribution determination (if any) for that period); and (ii) reduced by the amount of any capital expenditure that has been recovered by way of a pass through under clause 6.6.1 where the amount of that capital expenditure would otherwise have been included in the value of the regulatory asset base. 	Chapter 9 sets out the detailed calculation of the RAB, which complies with this requirement.
	<p>(2) The previous value of the regulatory asset base must be increased by the amount of the estimated capital expenditure approved by the AER for any part of the previous control period for which actual capital expenditure is not available, including any capital expenditure in relation to <i>contingent projects</i> where the <i>total revenue requirement</i> has been amended by the AER in accordance with clause 6.6A.2(h).</p>	Chapter 9 sets out the detailed calculation of the RAB, which complies with this requirement.

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	<p>(3) The previous value of the regulatory asset base must be adjusted for the difference between:</p> <ul style="list-style-type: none"> (i) the estimated capital expenditure for any part of a previous <i>regulatory control period</i> where that estimated capital expenditure has been included in that value; and (ii) the actual capital expenditure for that part of the previous <i>regulatory control period</i>. <p>This adjustment must also remove any benefit or penalty associated with any difference between the estimated and actual capital expenditure.</p>	Chapter 9, including section 9.4
	<p>(4) The previous value of the regulatory asset base must only be increased by actual or estimated capital expenditure to the extent that all such capital expenditure is properly allocated to the provision of <i>standard control services</i> in accordance with the <i>Cost Allocation Method</i> for the relevant <i>Distribution Network Service Provider</i>.</p>	Confirmed
	<p>(5) The previous value of the regulatory asset base must be reduced by the amount of depreciation of the regulatory asset base during the previous <i>regulatory control period</i>, calculated in accordance with the distribution determination for that period.</p>	Section 9.4. Confirmed – the RAB for SCS is rolled forward using forecast real depreciation (per the 2021-26 decision) and adjusted for actual inflation.
	<p>(6) The previous value of the regulatory asset base must be reduced by the disposal value of any asset where that asset has been disposed of during the previous <i>regulatory control period</i>.</p>	Asset disposals are reported on an actuals basis in the RFM model for years 2021-22 to 2023-24. Placeholders are used for years 2024-25 and 2025-26.
S6.2.1(e)	<p>(7) The previous value of the regulatory asset base must be reduced by the value of an asset where the asset was previously used to provide <i>standard control services</i> (or their equivalent under the previous regulatory system) but, as a result of a change to the classification of a particular service under Part B, is not to be used for that purpose for the relevant <i>regulatory control period</i>.</p>	N/A. We are not aware of any service reclassifications that would affect the RAB roll forward.
	<p>(8) Subject to subparagraph (e)(9), the previous value of the regulatory asset base may be increased by the value of an asset to which this subparagraph applies to the extent that:</p> <ul style="list-style-type: none"> (i) the AER considers the asset to be reasonably required to achieve one or more of the <i>capital expenditure objectives</i>; and 	N/A

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	<p>(ii) the value of the asset has not been otherwise recovered.</p> <p>This subparagraph applies to an asset that:</p> <p>(iii) was not used to provide <i>standard control services</i> (or their equivalent under the previous regulatory system) in the previous <i>regulatory control period</i> but, as a result of a change to the classification of a particular service under Part B, is to be used for that purpose for the relevant <i>regulatory control period</i>; or</p> <p>(iv) was never previously used to provide <i>standard control services</i> (or their equivalent under the previous regulatory system) but is to be used for that purpose for the relevant <i>regulatory control period</i>.</p> <p>(9) The previous value of the regulatory asset base must not be increased by the value of <i>expenditure for a restricted asset</i> incurred during the relevant <i>regulatory control period</i>, unless the capital expenditure for that asset or that class of asset for that <i>regulatory control period</i> was the subject of an <i>asset exemption</i> granted by the AER under clause 6.4B.1(a).</p>	
S6.2.1	<p>(f) An increase or reduction in the value of the regulatory asset base under subparagraph (7) or (8) of paragraph (e) is to be based on the portion of the value of the asset properly allocated, or formerly properly allocated, to <i>standard control services</i> in accordance with the principles and policies set out in the <i>Cost Allocation Method</i> for the relevant <i>Distribution Network Service Provider</i>. The value of the relevant asset is taken to be its value as shown in independently audited and published accounts.</p>	Where actuals are used in the RFM model inputs these are based on independently audited regulatory accounts.
	<p>(g) The previous value of the regulatory asset base must be reduced by any amount determined by the AER in accordance with clause S6.2.2A(f), (i) or (j).</p>	N/A
S6.2.2A	<p>Reduction for inefficient past capital expenditure</p> <p>(a) Prior to making a decision on the regulatory asset base for a <i>distribution system</i> as required by clause 6.12.1(6), the AER may determine under this clause S6.2.2A that the amount of capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6.2.1(e) should be reduced.</p>	This provision applies only if the requirements in clause S6.2.2A(b) are met. These conditions have not been met.
S6.2.2A	<p>(a1) for the purposes of this clause S6.2.2A, "review period" means:</p> <p>(1) the previous control period (excluding the last two <i>regulatory years</i> of that previous control period); and</p>	For information only.

Clause	Requirement	Regulatory Proposal Cross-Reference
	(2) the last two <i>regulatory years</i> of the <i>regulatory control period</i> preceding the previous control period.	
	(b) The AER may only make a determination under paragraph (a) if any of the following requirements is satisfied: (1) the requirement set out in paragraph (c) (the <i>overspending requirement</i>); (2) the requirement set out in paragraph (d) (the <i>margin requirement</i>); or (3) the requirement set out in paragraph (e) (the <i>capitalisation requirement</i>).	These conditions have not been met.
	(c) The <i>overspending requirement</i> is satisfied where the sum of all capital expenditure incurred during the review period exceeds the sum of: (1) the forecast capital expenditure accepted or substituted by the AER for the review period as such forecast capital expenditure has been adjusted in accordance with clauses 6.6.5(f) and 6.6A.2(h); and (2) any capital expenditure that is recovered by way of such part of an <i>approved pass through amount</i> as is permitted to be passed through to <i>Distribution Network Users</i> during the review period less any capital expenditure that is included in a <i>negative pass through amount</i> that is required to be passed through to <i>Distribution Network Users</i> during the review period.	As noted in section 12.3, this condition has not been met.
	(d) The <i>margin requirement</i> is satisfied where the amount of the capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6.2.1(e) includes capital expenditure that represents a margin paid by the <i>Distribution Network Service Provider</i> in circumstances where the margin is referable to arrangements that, in the opinion of the AER, do not reflect arm's length terms.	This condition has not been met.
	(e) The <i>capitalisation requirement</i> is satisfied where the amount of the capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6.2.1(e) includes expenditure that, under the <i>Distribution Network Service Provider's</i> applicable capitalisation policy submitted to the AER as part of a <i>regulatory proposal</i> , should have been treated as operating expenditure.	This condition has not been met.

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	(f) Where the <i>overspending requirement</i> is satisfied, and subject to paragraphs (g) and (h), the AER may determine that the amount of the capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6.2.1(e) should be reduced by such amount as the AER is satisfied corresponds to capital expenditure incurred during the review period that does not reasonably reflect the <i>capital expenditure criteria</i> .	This condition has not been met.
S6.2.2A	(g) The amount determined by the AER under paragraph (f): (1) must not be greater than the amount calculated in accordance with paragraph (c); (2) must be determined in a manner that is consistent with the <i>capital expenditure incentive objective</i> ; and (3) must be determined taking into account the <i>Capital Expenditure Incentive Guidelines</i> .	N/A.
	(h) In making a determination under paragraph (f), the AER must: (1) have regard to the <i>capital expenditure factors</i> ; and (2) only take into account information and analysis that the <i>Distribution Network Service Provider</i> could reasonably be expected to have considered or undertaken at the time that it undertook the relevant capital expenditure.	N/A.
	(i) Where the <i>margin requirement</i> is satisfied, and subject to paragraph (k), the AER may determine that the amount of the capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6.2.1(e) should be reduced by such of the margin referred to in paragraph (d) as the AER is reasonably satisfied would not have been paid if the arrangements to which the margin is referable had been on arm's length terms.	N/A.
	(j) Where the <i>capitalisation requirement</i> is satisfied, and subject to paragraph (k), the AER may determine that the amount of the capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6.2.1(e) should be reduced by any or all of the amount of expenditure referred to in paragraph (e) which should have been treated as operating expenditure .	N/A.

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	(k) A determination made under paragraph (i) or (j) must be consistent with the <i>capital expenditure incentive objective</i> and, in making such a determination, the AER must take into account the <i>Capital Expenditure Incentive Guidelines</i> .	N/A.
	(l) Nothing in this clause S6.2.2A is to be taken to preclude the AER from: <ul style="list-style-type: none"> (1) requiring a Distribution Network Service Provider to provide such information; or (2) undertaking such analysis, as the AER considers appropriate to enable it to make a statement, with supporting reasons, as referred to in clause 6.12.2(b).	N/A.
S6.2.3	Roll forward of regulatory asset base within the same regulatory control period (a) Application of this clause This clause applies to the establishment of the value of the regulatory asset base for a <i>distribution system</i> as at the beginning of one <i>regulatory year</i> in a <i>regulatory control period</i> on the roll forward of the regulatory asset base to that <i>regulatory year</i> from the immediately preceding <i>regulatory year</i> (if any) in that <i>regulatory control period</i> .	Noted
	(b) Roll forward model to comply with this clause The <i>roll forward model</i> referred to in clause 6.5.1 must provide for that value to be established in accordance with the requirements of this clause.	Noted
	(c) Method of adjustment of value of regulatory asset base The value of the regulatory asset base for a <i>distribution system</i> as at the beginning of the second or a subsequent year (the later year) in a <i>regulatory control period</i> must be calculated by adjusting the value (the previous value) of the regulatory asset base for that <i>distribution system</i> as at the beginning of the immediately preceding <i>regulatory year</i> (the previous year) in that <i>regulatory control period</i> as follows:	Noted
S6.2.3(c)	(1) The previous value of the regulatory asset base must be increased by the amount of forecast capital expenditure accepted or substituted by the AER for the previous year in accordance with clause 6.5.7(c) or clause 6.12.1(3) and (3A) (as the case may be). (2) The previous value of the regulatory asset base must be reduced by the amount of depreciation included in the <i>Distribution Network Service Provider's annual revenue requirement</i> for the previous year.	The RFM and PTRM models contain the relevant inputs and calculations that account for these elements.

Clause	Requirement	Regulatory Proposal Cross-Reference
	<p>(3) The previous value of the regulatory asset base must be reduced by the disposal value of any asset included in that value where the asset is forecast to be disposed of during the previous year.</p> <p>(4) The previous value of the regulatory asset base must be increased by an amount necessary to maintain the real value of the regulatory asset base as at the beginning of the later year by adjusting that value for inflation.</p>	
		As above.
S6.2.3	<p>(d) Allowance for working capital</p> <p>If the AER determines that it is appropriate to do so, it may include an allowance for working capital in the regulatory asset base for a <i>distribution system</i> which is rolled forward in accordance with this clause.</p>	Noted.