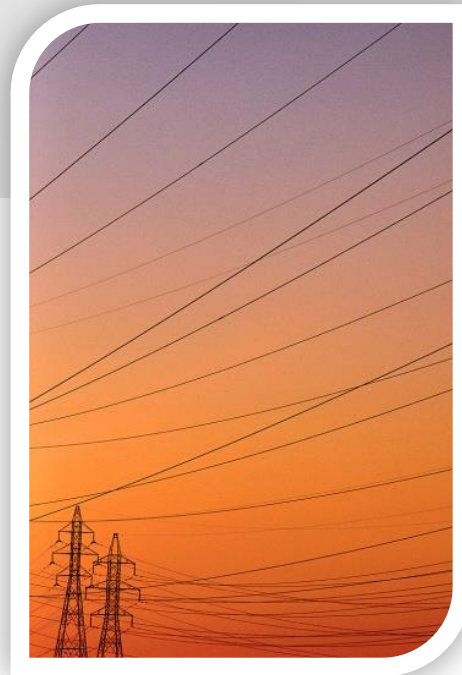


The Australian Energy Regulator



AusNet Services

Transmission revenue
proposal 2017-22

Public Forum
17 December 2015

Agenda

- AusNet Services presentation of its transmission revenue proposal
- Consumer Challenge Panel (CCP) presentation of initial views
- AER presentation of its issues paper
- Q&A
- Next steps

AusNet Services presentation of its revenue proposal

Consumer Challenge Panel presentations

AER presentation of issues paper

Key points

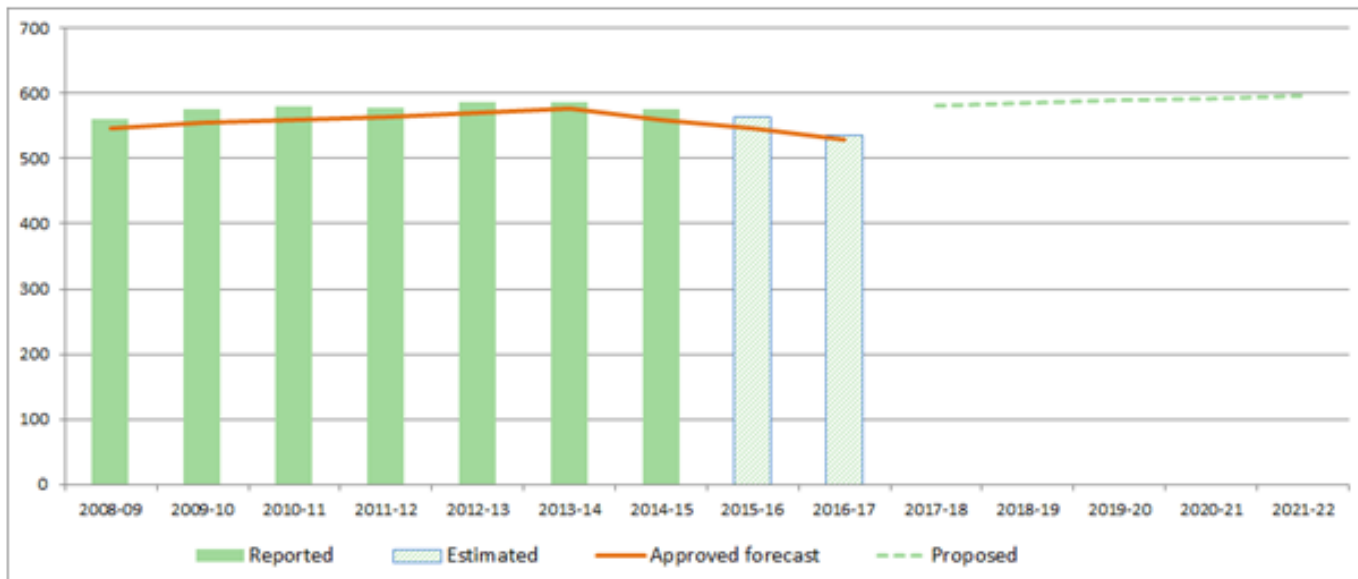
- AusNet Services lodged its 2017-22 revenue proposal on 30 October 2015
- This is the first reset under the longer determination assessment timetable
- AusNet Services has proposed:
 - an increase in total revenue of 8 per cent compared to total allowed revenue for 2014-17
 - an increase in transmission prices of 1.8 per cent per annum in real terms over the 2017-22 regulatory period
 - to introduce accelerated depreciation for assets commissioned from 1 April 2017

AusNet Services reset timeline

Step	Date
AusNet Services submitted its revenue proposal to AER	31 Oct 2015
AER published issues paper	11 Dec 2015
AER to hold public forum on issues paper	17 Dec 2015
Submissions on revenue proposal close	4 Feb 2016
AER to publish draft determination	Mid 2016
AER to hold public forum on draft determination	Mid 2016
AusNet Services to submit revised proposal to AER	Sep 2016
Submissions on revised proposal and draft determination close	Oct 2016
AER to publish final determination	31 Jan 2017

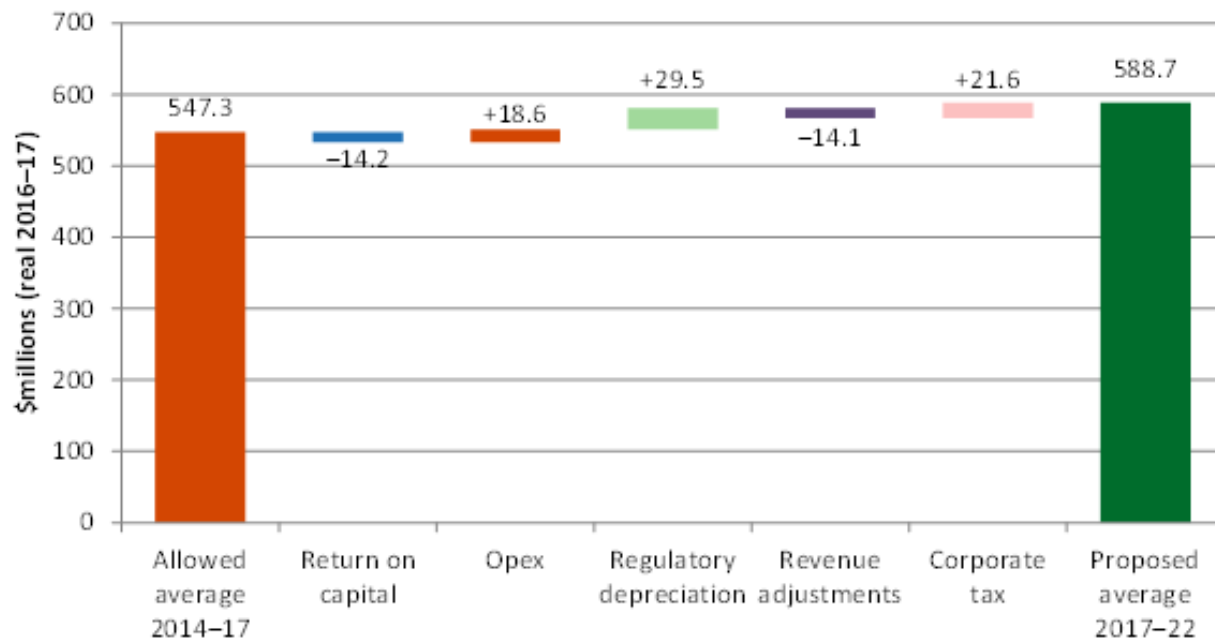
Proposed total revenue requirement (\$m, real 2016-17)

Figure 1 AusNet Services total revenue requirement (\$m, real 2016-17)



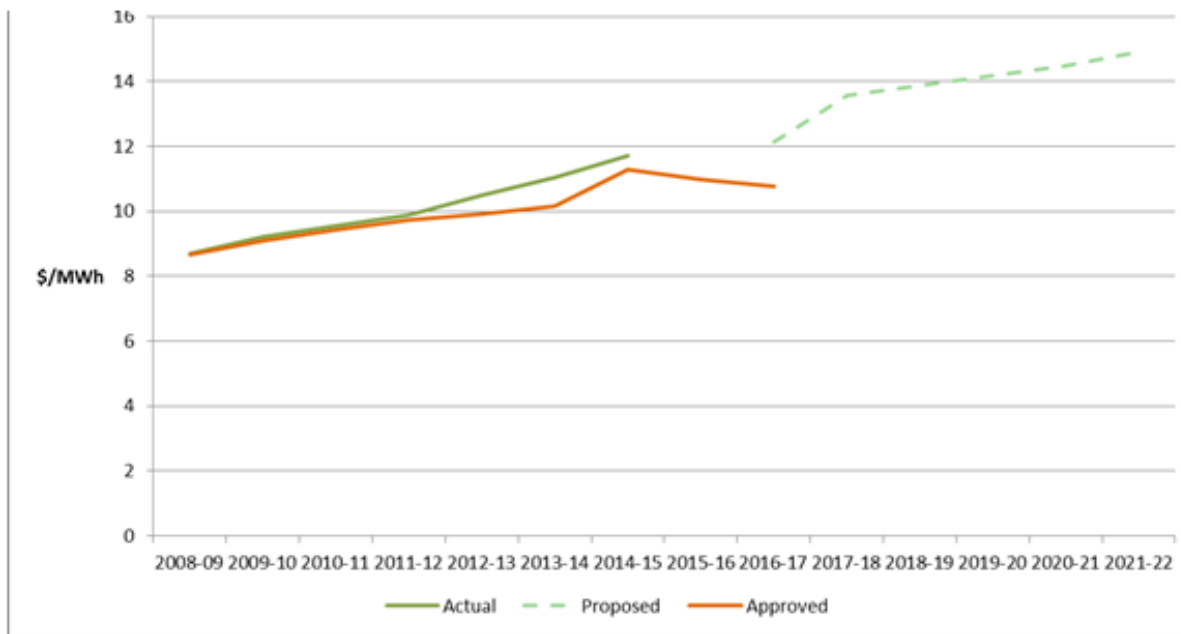
Change in 2016–17 revenue to proposed average revenue allowance for 2017–22 by revenue component

Figure 2 AusNet Services – change in 2014–17 average revenue to proposed average revenue for 2017–22 – by revenue component



Indicative transmission price path from 2008-09 to 2017-22 (\$/MWh, nominal)

Figure 3 AusNet Services – indicative transmission price path from 2008-09 to 2017-22 (\$/MWh, nominal)

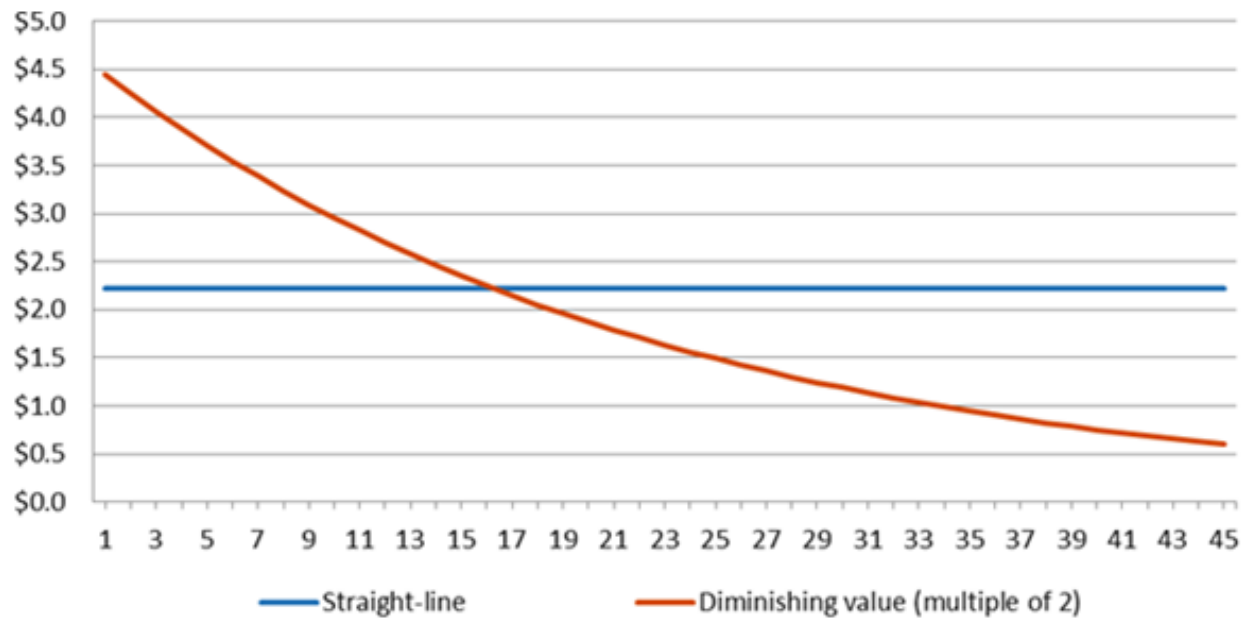


AusNet Services - Depreciation

- AusNet Services has proposed:
 - to continue straight-line depreciation to assets in the existing RAB
 - accelerated, declining balance depreciation for new assets commissioned from 1 April 2017
 - to fully depreciate assets that are to be decommissioned in the current or forthcoming regulatory periods
- AusNet Services submitted that in response to stakeholders concerns, accelerated depreciation has been applied to a subset of assets, rather than the whole transmission network.

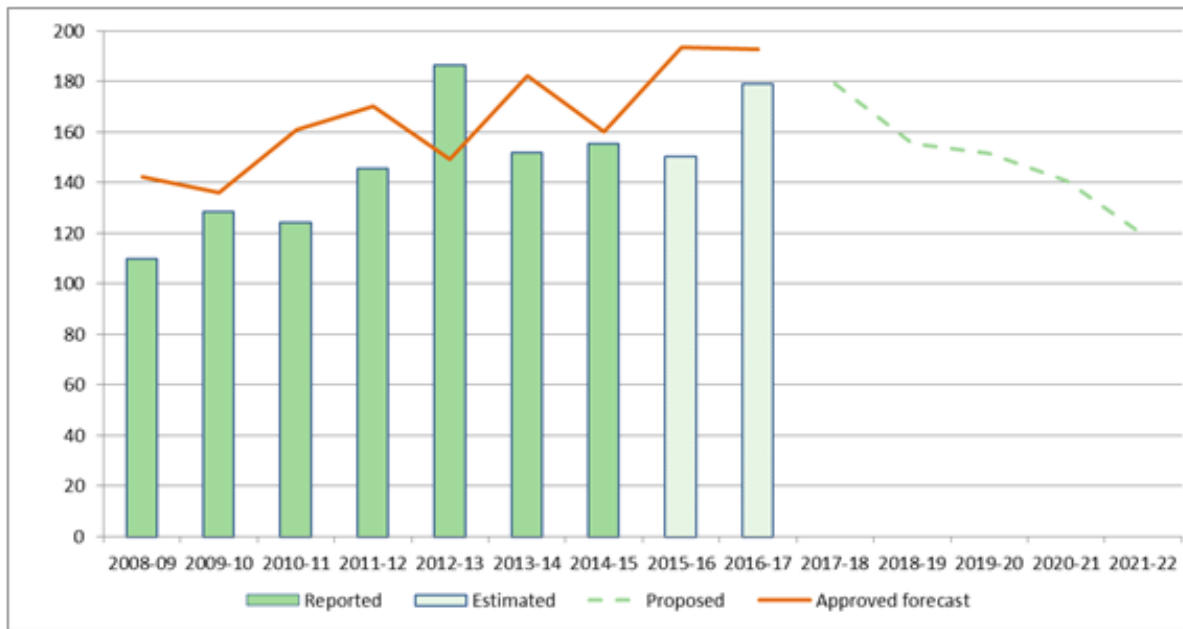
Depreciation under different depreciation methods

Figure 6 Depreciation allowance under different depreciation methods (\$ real)

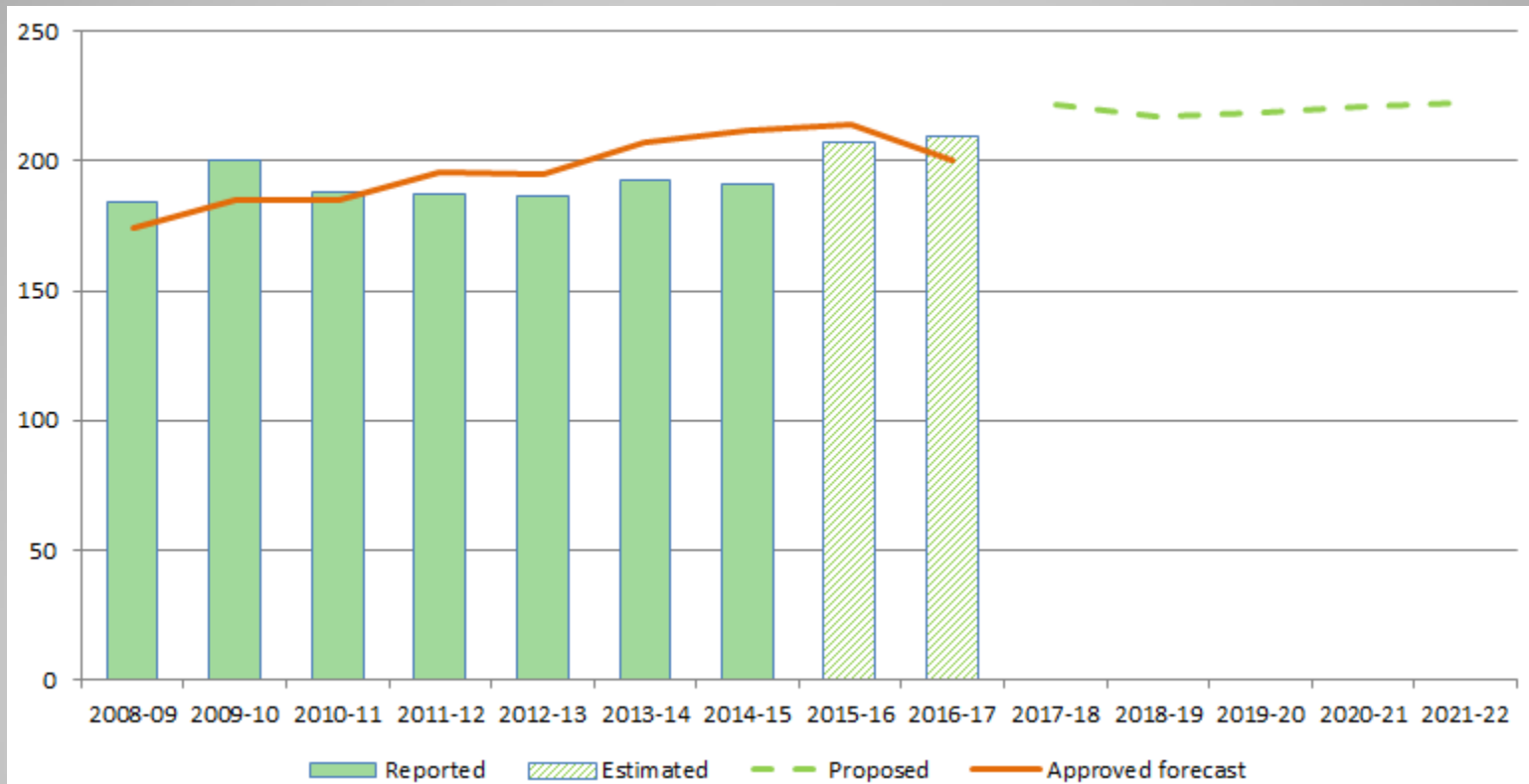


AusNet Services - Historical and forecast capex (\$m, real 2016-17)

Figure 8 AusNet Services - Historical and forecast capex (\$m, real 2016-17)



AusNet Services - Operating expenditure (\$million, 2015-17)



Proposed rate of return

	Current	Proposed
RoE (nominal post-tax)	9.51%	10.0%
RoD (nominal pre-tax)	6.79%	5.37%
Nominal Vanilla WACC	7.87%	7.22%
RFR (nominal)	4.31%	2.35% (market-based approach)
MRP	6.5%	6.5%
Beta	0.8	0.8
Gearing	60%	60%
Gamma	0.65	0.25

Questions?

Next steps

- Submissions due by 4 February 2016
- Draft decision expected in mid-2016
- Final decision due by 31 January 2017

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