Draft Decision

ElectraNet Transmission Determination 2023 to 2028

(1 July 2023 to 30 June 2028)

Attachment 4
Regulatory depreciation

September 2022

AUSTRALIAN ENERGY REGULATOR

Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Tel: 1300 585 165

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Note

This attachment forms part of the AER's draft decision on ElectraNet's 2023–28 transmission determination. It should be read with all other parts of the draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 – Maximum allowed revenue

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

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4 Regulatory depreciation

Regulatory depreciation is the amount provided so capital investors recover their investment over the economic life of the asset (return of capital). In deciding whether to approve the depreciation schedules submitted by ElectraNet, we make determinations on the indexation of the regulatory asset base (RAB) and depreciation building blocks for ElectraNet's 2023–28 regulatory control period.[1] The regulatory depreciation amount is the net total of the straight-line depreciation less the indexation of the RAB.

This attachment sets out our draft decision on ElectraNet's regulatory depreciation amount. It also presents our draft decision on the proposed depreciation schedules, including an assessment of the proposed asset lives used for calculating the straight-line depreciation.

4.1 Draft decision

We determine a regulatory depreciation amount of $274.3 million ($ nominal) for ElectraNet for the 2023–28 period. ElectraNet proposed a regulatory depreciation amount of $366.5 million ($ nominal).[2] Our draft decision represents a decrease of $92.2 million (25.2%) on the proposed amount.

This reduction is primarily the result of our draft decision on the expected inflation rate for the 2023–28 period (Attachment 3),[3] which affects the projected RAB over this period. Indexation of the RAB is $152.5 million higher than the proposal, largely due to applying a higher expected inflation rate of 3.00% per annum in this draft decision compared to ElectraNet's proposal of 2.40% per annum. However, straight-line depreciation is $60.3 million (7.4%) higher than the proposal mainly due to a higher opening RAB as at 1 July 2023 (Attachment 2). The higher RAB indexation has more than offset the increase in straight-line depreciation (since indexation is deducted from the straight-line depreciation).

For our draft decision on ElectraNet's regulatory depreciation:

- we accept ElectraNet's proposed straight-line depreciation method used to calculate the regulatory depreciation amount
- we accept ElectraNet's proposed continuation of applying the year-by-year tracking approach to implement straight-line depreciation of its existing assets, and its forecast capex (section 4.4.1)
- we accept ElectraNet's proposal to reallocate $18.7 million from existing asset classes to a dedicated accelerated depreciation asset class for early replaced assets (section 4.4.2)
- we accept ElectraNet's proposed asset classes and standard asset lives, with the exception of the proposed standard asset life for the 'Right of use assets', 'Working capital depreciation' and 'Equity raising costs' asset classes (section 4.4.3).

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1 NER, cll. 6A.5.4 and 6A.14.1.

2 ElectraNet, *2023–28 Revenue proposal, Post-tax revenue model*, January 2022.

3 Our draft decision on the RAB (Attachment 2) also reflects our updates to the WACC for the 2023–28 regulatory control period.

Table 4.1 sets out our draft decision on the annual regulatory depreciation amount for ElectraNet's 2023–28 period.

Table 4.1 AER's draft decision on ElectraNet's regulatory depreciation for the 2023–28 regulatory control period ($ million, nominal)

	2023–24	2024–25	2025–26	2026–27	2027–28	Total
Straight-line depreciation	158.5	174.3	177.0	185.5	184.0	879.2
Less: inflation indexation on opening RAB	114.5	118.0	121.3	124.2	126.9	604.9
Regulatory depreciation	**44.0**	**56.3**	**55.7**	**61.2**	**57.0**	**274.3**

Source: AER analysis.

4.2 ElectraNet's proposal

For the 2023–28 period, ElectraNet proposed a total forecast regulatory depreciation amount of $366.5 million ($ nominal). To calculate the depreciation amount, ElectraNet proposed to use:[4]

- the straight-line depreciation method employed in our post-tax revenue model (PTRM)
- the closing RAB value at 30 June 2023 derived from our roll forward model (RFM)
- the proposed forecast capex for the 2023–28 period
- an expected inflation rate of 2.40% per annum for the 2023–28 period
- our year-by-year tracking module in the RFM for depreciation of existing assets for the 2023–28 period
- the same asset classes and standard asset lives for depreciating its forecast capex for the 2023–28 period, which are consistent with those approved in the 2018–23 transmission determination. ElectraNet proposed two new asset classes of 'Transmission line refit – insulators replacement 2023–28' and 'Right of use assets' over the 2023–28 period.

Table 4.2 sets out ElectraNet's proposed depreciation over the 2023–28 period.

Table 4.2 ElectraNet's proposed regulatory depreciation for the 2023–28 regulatory control period ($ million, nominal)

	2023–24	2024–25	2025–26	2026–27	2027–28	Total
Straight-line depreciation	146.2	163.0	165.0	173.1	171.6	818.9
Less: inflation indexation on opening RAB	86.2	88.6	90.8	92.6	94.2	452.4
Regulatory depreciation	**59.9**	**74.4**	**74.3**	**80.5**	**77.4**	**366.5**

Source: ElectraNet, *2023–28 Revenue proposal, Post-tax revenue model*, January 2022.

[4] ElectraNet, *2023–28 Revenue proposal, Post-tax revenue model*, January 2022; ElectraNet, *2023–28 Revenue proposal, Roll forward model*, January 2022.

4.3 Assessment approach

We determine the regulatory depreciation amount using the PTRM as part of a transmission network service provider's (TNSP's) annual building block revenue requirement.[5] The calculation of depreciation in each year is governed by the value of assets included in the RAB at the beginning of the regulatory year, and by the depreciation schedules.[6]

Our standard approach to calculating depreciation is to employ the straight-line method set out in the PTRM. Regulatory practice has been to assign a standard asset life to each category of assets that represents the economic or technical life of the asset or asset class.[7] We must consider whether the proposed depreciation schedules conform to the following key requirements:

- the schedules 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[8] (apart from in certain specified circumstances)[9]
- the sum of the real value of the depreciation that is attributable to any asset or category of assets must be equivalent to the value at which that asset or category of assets was first included in the RAB for the relevant transmission system.[10]

To the extent that a TNSP's revenue proposal does not comply with the above requirements, we must determine the depreciation schedules for calculating the depreciation for each regulatory year.[11]

The regulatory depreciation amount is an output of the PTRM. We therefore assess ElectraNet's proposed regulatory depreciation amount by analysing the proposed inputs to the PTRM for calculating that amount. The key inputs include:

- the opening RAB as at 1 July 2023
- the forecast net capex in the 2023–28 period[12]
- the expected inflation rate for the above period
- the standard asset life for each asset class—used for calculating the depreciation of new assets associated with forecast net capex in the above period

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5 NER, cll. 6A.5.4(a)(3) and 6A.5.4(b)(3).

6 NER, cl. 6A.6.3(a).

7 This is the standard practice for the AER, as well as other jurisdictional regulators. See for example, IPART, *Cost building block model template, 20 June 2014*, Table 1; ERAWA, *Final Decision on Proposed Revisions to the Access Arrangement for the Western Power Network*, September 2012, Appendix 2: Target Revenue Calculation (Revenue Model).

8 NER, cl. 6A.6.3(b)(1).

9 NER, cll. 6A.6.3(b)(1) and 6A.6.3(c).

10 NER, cl. 6A.6.3(b)(2).

11 NER, cl. 6A.6.3(a)(2)(ii).

12 Capex enters the RAB net of forecast disposals. It includes equity raising costs (where relevant) and the half-year WACC to account for the timing assumptions in the PTRM. Our draft decision on the RAB (Attachment 2) also reflects our updates to the WACC for the 2023–28 regulatory control period.

- the depreciation of existing assets in the opening RAB as at 1 July 2023—calculated in a separate year-by-year depreciation tracking module.

Our draft decision on ElectraNet's regulatory depreciation amount reflects our determinations on the opening RAB as at 1 July 2023, expected inflation and forecast net capex (the first three building block components in the above list).[13] Our determinations on these components of ElectraNet's proposal are discussed in attachments 2, 3 and 5 respectively.

In this attachment, we assess ElectraNet's proposed standard asset lives against:

- the approved standard asset lives in the transmission determination of the 2018–23 period
- the standard asset lives of comparable asset classes approved in our recent transmission determinations for other service providers
- the appropriate economic lives of the assets.

Our default approach for depreciating a service provider's existing assets in the PTRM uses a single remaining asset life for each asset class at the start of a regulatory control period as determined in the RFM. However, ElectraNet has continued to adopt an alternative approach where (in addition to grouping assets by type via asset classes) it tracks its asset classes' remaining asset lives for straight-line depreciation purposes on a year-by-year basis—known as the year-by-year tracking approach. This approach creates multiple remaining asset lives for each asset class depending on when the assets were acquired, rather than using a single weighted average remaining asset life. This approach was included in the latest version of the electricity transmission RFM in a separate depreciation tracking module. ElectraNet used the RFM and the separate depreciation tracking module to calculate its straight-line depreciation forecast in developing its proposal.[14]

4.3.1 Interrelationships

The regulatory depreciation amount is a building block component of the annual building block revenue requirement.[15] Higher (or quicker) depreciation leads to higher revenues over the regulatory control period. It also causes the RAB to reduce more quickly (excluding the impact of further capex). This reduces the return on capital amount, although this impact is usually smaller than the increased depreciation amount in the short to medium term.[16]

Ultimately, however, a TNSP can only recover the capex that it incurred on assets once. The depreciation amount reflects how quickly the RAB is being recovered, and it is based on the asset lives used in the depreciation calculation. It also depends on the level of the opening

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13 Our final decision will update the opening RAB as at 1 July 2023 for revised estimates of actual capex and inflation.

14 Version 4 of the electricity RFM was the latest published version at the time of ElectraNet's proposal. An amended version 4.1 of the RFM was published in May 2022 and used for this draft decision. This version fixed default adjustments for capitalised provisions calculations in the 'Inputs working' sheet and minor formula errors in the 'TAB roll forward' and 'Remaining lives' sheets.

15 The PTRM distinguishes between straight-line depreciation and regulatory depreciation, with regulatory depreciation being straight-line depreciation minus the indexation adjustment.

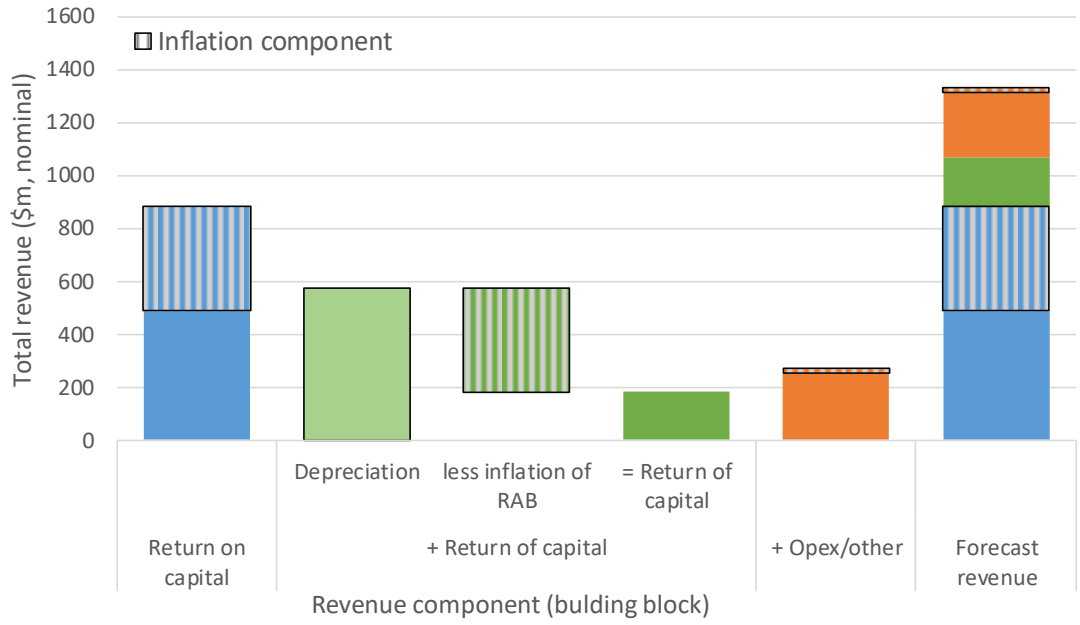
16 This is generally the case because the reduction in the RAB amount feeds into the higher depreciation building block, whereas the reduced return on capital building block is proportionate to the lower RAB multiplied by a nominal rate of return (WACC).

RAB and the forecast capex. Any increase in these factors also increases the depreciation amount.

The RAB has to be maintained in real terms, meaning the RAB must be indexed for expected inflation.[17] The return on capital building block has to be calculated using a nominal rate of return (WACC) applied to the opening RAB.[18] As noted in Attachment 1, the total annual building block revenue requirement is calculated by adding up the return on capital, depreciation, operating expenditure (opex), tax, and revenue adjustments building blocks. Because inflation on the RAB is accounted for in both the return on capital—based on a nominal rate—and the depreciation calculations—based on an indexed RAB—an adjustment must be made to the revenue requirement to prevent compensating twice for inflation.

To avoid this double compensation, we make an adjustment by subtracting the annual indexation gain on the RAB from the calculation of total revenue.[19] Our standard approach is to subtract the indexation of the opening RAB—the opening RAB multiplied by the expected inflation for the year—from the RAB depreciation. The net result of this calculation is referred to as regulatory depreciation.[20] Regulatory depreciation is the amount used in the building block calculation of total revenue to ensure that the revenue equation is consistent with the use of a RAB, which is indexed for inflation annually. Figure 4.1 shows where the inflation components are included in the building block costs.

Figure 4.1 Inflation components in revenue building block – example



Source: AER analysis.

17 NER, cll. 6A.5.4(b)(1) and 6A.6.1(e)(3).

18 AER, *Rate of return instrument*, cll. 1, 3(a) and 36(c), December 2018.

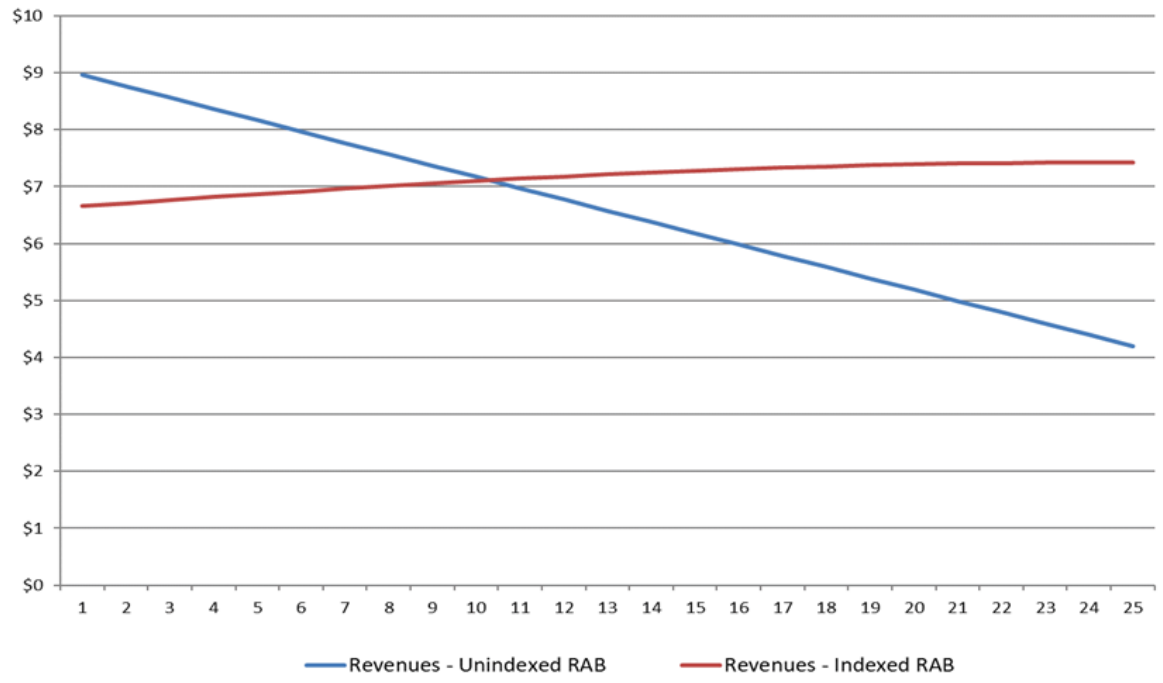
19 NER, cl. 6A.5.4(b)(1)(ii).

20 If the asset lives are extremely long, such that the RAB depreciation rate is lower than the inflation rate, then negative regulatory depreciation can emerge. The indexation adjustment is greater than the straight-line depreciation in such circumstances.

This approach provides the same total revenue requirement and RAB as if a real rate of return had been used in combination with an indexed RAB. Under an alternative approach where a nominal rate of return was used in combination with an un-indexed (historical cost) RAB, no adjustment to the depreciation calculation of total revenue would be required. This alternative approach produces a different time path of total revenue compared to our standard approach. In particular, overall revenues would be higher early in the asset's life (as a result of more depreciation being returned to the TNSP) and lower in the future—producing a steeper downward sloping profile of total revenue.[21] Under both approaches, the total revenues being recovered are in present value neutral terms—that is, returning the initial cost of the RAB.

Figure 4.2 shows the recovery of revenue under both approaches using a simplified example.[22] Indexation of the RAB and the offsetting adjustment made to depreciation results in smoother revenue recovery profile over the life of an asset than if the RAB was un-indexed. The indexation of the RAB also reduces price shocks when the asset is replaced at the end of its life.[23]

Figure 4.2 Revenue path example – indexed vs un-indexed RAB ($ nominal)



Source: AER analysis.

21 A change of approach from an indexed RAB to an un-indexed RAB would result in an initial step change increase in revenues to preserve net present value (NPV) neutrality.

22 The example is based on the initial cost of an asset of $100, a standard economic life of 25 years, a real WACC of 2.5%, expected inflation of 2.4% and nominal WACC of 4.96%. Other building block components such as opex, tax and capex are ignored for simplicity as they would affect both approaches equally.

23 In year 26 the revenues in the example for the un-indexed approach would jump from about $4 to $9, assuming the asset is replaced by an asset of roughly similar replacement cost as the initial asset. In contrast, in the same circumstances, the indexed approach would see revenues stay at roughly $7.

Figure 2.1 (in Attachment 2) shows the relative size of the inflation and straight-line depreciation, and their impact on the RAB based on ElectraNet's proposal. A 10% increase in the straight-line depreciation causes unsmoothed revenues ($ nominal) to increase by about 4.3%.[24]

4.4 Reasons for draft decision

We accept ElectraNet's proposed straight-line depreciation method for calculating the regulatory depreciation amount as set out in the PTRM. However, we decreased ElectraNet's proposed forecast regulatory depreciation amount for the 2023–28 period by $92.2 million (25.2%) to $274.3 million ($ nominal).

The reduction is primarily the result of our draft decision on the expected inflation (Attachment 3), which affects the projected RAB over the 2023–28 period. The magnitude of the reduction, however, is slightly offset by our draft decision on the opening RAB as at 1 July 2023 (Attachment 2). Our assessment of ElectraNet's proposed year-by-year tracking depreciation approach, accelerated depreciation of early replaced assets and standard asset lives are discussed in the following subsections.

4.4.1 Year-by-year tracking approach

ElectraNet proposed to continue using the year-by-year tracking approach for calculating the depreciation of its existing assets, consistent with that approved for the previous determination.[25] We accept ElectraNet's proposed year-by-year tracking approach meets the requirements of the NER in that it will result in depreciation schedules that:[26]

- reflect the nature of the assets and their economic life
- ensure that total depreciation (in real terms) equals the initial value of the assets
- allow the economic lives of existing assets to be consistent with those determined on a prospective basis in our 2018–23 transmission determination.

ElectraNet used our depreciation tracking module in the RFM to implement year-by-year tracking. We have reviewed ElectraNet's application of this module, and corrected some minor input errors and made updates due to other aspects of our decision. In particular, we made the following adjustments:

- included estimates of asset disposals for 2021–22 and 2022–23 as discussed in Attachment 2
- updated the WACC value for 2022–23 following the most recent return on debt update in the 2018–23 PTRM

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24 We have analysed the sensitivity of straight-line depreciation relative to total revenue based on input data provided in ElectraNet's proposal PTRM.

25 AER, *2018–23 Draft decision, ElectraNet transmission determination – Attachment 5 – Regulatory Depreciation*, October 2017, p. 13.

26 NER, cl. 6A.6.3(b).

- updated the CPI for 2021–22 as this became available after ElectraNet submitted its proposal. We also included a revised estimate of the CPI for 2022–23 to reflect the latest forecast published in the RBA's August *Statement on Monetary Policy*
- updated the final year asset adjustment remaining lives to correctly account for the accelerated depreciation of early replaced assets (section 4.4.2)
- updated the 'Equity raising costs' capex in the module to reflect those made in the RFM as discussed in Attachment 2
- included additional final year asset adjustments to reflect our draft decisions on the removal of grandfathered assets from the RAB due to a change in classification and inclusion of capitalised leases due to a change in accounting standards. These issues are discussed in further detail in attachments 2 and 8 respectively
- amended the RFM to reflect the previous 2018–23 decision on the depreciation of the 'Working capital' asset class.[27] In its move to using our template depreciation module, ElectraNet had to reallocate the amount in the existing 'Working capital' asset class to the 'Working capital depreciation' asset class in its proposed RFM and depreciation tracking module. However, ElectraNet made a minor modelling error by not fully reallocating the amount, resulting in a small residual value of $0.5 million as at 1 July 2023 remaining in the RFM and depreciation tracking module. Our draft decision corrects this error by reallocating the full amount in the 'Working capital' asset class to the 'Working capital depreciation' asset class. This ensures the forecast depreciation schedule over the 2023–28 period reflects the depreciation rate that was determined in the previous decision for the 'Working capital' asset class.

4.4.2 Accelerated depreciation

ElectraNet proposed to accelerate the depreciation of the remaining value of assets forecast to be decommissioned following the completion of an asset replacement or augmentation project in the 2023–28 period.[28] The proposed accelerated depreciation amount consisted of $18.7 million of replaced assets to be depreciated over the 2023–28 period.[29] In its response to our information request, ElectraNet provided the supporting analysis used to develop the proposed accelerated depreciation amount.[30]

We have reviewed the information and consider that the amount proposed for accelerated depreciation reflects the expected capex replacement or augmentation over the 2023–28 period, which is discussed further in Attachment 5. We are therefore satisfied that the assets to be decommissioned would reach the end of their economic life in the 2023–28 period. We also consider that accelerating the depreciation of early replaced assets is consistent with our approach for the similar treatment of assets in recent decisions.[31] However, we have

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27 AER, *Attachment 5 – Regulatory depreciation*, October 2017, pp. 20–21; AER, *ElectraNet 2018–23 – Year by Year Depreciation Tracking Model*, April 2018.

28 ElectraNet, *2023–28 Revenue proposal, Attachment 4 – Regulatory depreciation*, January 2022, p. 7.

29 Ibid; ElectraNet, *2023–28 Revenue proposal, Capex model*, January 2022.

30 ElectraNet, *Response to information request AER IR008*, 2 May 2022, pp. 5–9.

31 AER, *2021-26 Draft decision, AGN(SA) access arrangement - Attachment 4 - Regulatory depreciation*, p. 14; AER, *2018-22 Draft decision, Multinet Gas access arrangement - Attachment 5 - Regulatory depreciation*, pp 13-14.

corrected a number of modelling issues related to the reallocation between asset classes for accelerated depreciation purposes.

ElectraNet's proposal included the residual asset values associated with the proposed accelerated depreciation as final year asset adjustments in its RFM.[32] However, it did not provide corresponding remaining RAB asset lives for the reallocation from the original asset classes to a dedicated accelerated depreciation asset class. A remaining asset life is required to ensure the depreciation schedule for the affected asset classes are appropriately adjusted for the removal of assets for accelerated depreciation purposes. In its response to an information request on this issue, ElectraNet provided the remaining asset lives for each asset class being reallocated.[33] We are satisfied that these lives provided by ElectraNet are appropriate. Our draft decision therefore amends the final year asset adjustment in both the RFM and depreciation module by recording these required remaining asset lives.

We also identified a value was being removed from the incorrect asset class for accelerated depreciation purposes. ElectraNet's proposal removed an amount of $1.6 million ($ nominal) as an end of period adjustment from the 'Transmission line refit – insulators replacement 2023–28' asset class. In the same information request as above, ElectraNet clarified that this amount should have been removed from 'Transmission line refit – insulators replacement 2018–23' asset class instead, which we have reflected in this draft decision.[34] There is no material impact on the proposed accelerated depreciation as a result of correcting for these errors.

4.4.3 Standard asset lives

We accept ElectraNet's proposed standard asset lives for the 2023–28 period, with the exception of the standard asset life for the 'Right of use assets', 'Working capital depreciation' and 'Equity raising costs' asset classes.

ElectraNet proposed to apply the same standard asset lives for its existing asset classes in respect of the forecast capex to be incurred in the 2023–28 period. We accept the proposed standard asset lives for most of the existing asset classes, except for 'Equity raising costs' asset class. The proposed standard asset lives are consistent with those approved for the 2018–23 period and are largely comparable with the standard asset lives approved in our recent determinations for other TNSPs.

The standard asset life for the 'Equity raising costs' asset class needs to be reviewed for each regulatory control period. We consider the standard asset life for this asset class should reflect the lives of the mix of assets making up the approved forecast net capex, because the equity raising cost benchmark is associated with that forecast.[35] Therefore, for this draft decision, we have calculated a standard asset life of 32.8 years which reflects the weighted average of the standard asset lives of all depreciable asset classes over the 2023–28 period.

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32 ElectraNet, *2023–28 Revenue proposal, Roll forward model*, January 2022.

33 ElectraNet, *Response to information request AER IR008*, 2 May 2022, p. 5.

34 ElectraNet, *Response to information request AER IR008*, 2 May 2022, p. 5.

35 For this reason, we used forecast net capex as the weights to establish the weighted average standard asset life for amortising equity raising costs.

This compares to the 43.1 years standard asset life proposed by ElectraNet for this asset class.

ElectraNet also proposed two new asset classes from the 2023–28 period:

- 'Transmission line refit – insulators replacement 2023–28' with a standard asset life of 42.5 years for the 2023–28 period. We have assessed the type of assets associated with the transmission line refit program for 2023–28 and their respective technical lives, and are satisfied that ElectraNet's proposed 42.5 years reflects the weighted average of the technical lives of the relevant assets.
- 'Right of use assets' for the purposes of depreciation of capitalised lease costs. ElectraNet proposed a standard asset life of 1 year for this new asset class as a result of capitalising the expected lease payments on an annual basis.[36] As discussed in Attachment 2, while we accept ElectraNet's proposal to capitalise its forecast leases over the 2023–28 period, we do not consider ElectraNet's approach to capitalise lease payments on an annual basis meets the criteria set out in AASB 16, nor does it reflect the expected economic life of the leased assets.

  Our draft decision approach is to therefore capitalise the present value of the lease payments for existing and future leases upfront. In response to an information request, ElectraNet has provided its total forecast new leases over the 2023–28 period and their respective lease terms.[37] We have calculated a standard asset life of 4.8 years, reflecting the weighted average of the lease terms of its forecast capex associated with leases over the 2023–28 period. In the same information request, ElectraNet also provided the remaining terms of its existing leases which are to be capitalised in the RAB as an end of period adjustment (30 June 2023). We have therefore calculated a remaining asset life of 3.8 years, which we are satisfied reflects the weighted average remaining life of ElectraNet's existing leases as at 30 June 2023.

For the 'Working capital depreciation' asset class, ElectraNet has assigned a standard life of 43 years in its proposed PTRM for this asset class. However, as discussed in section 4.4.1 above, this is a new asset class which is created to facilitate the transition from ElectraNet's previous bespoke depreciation model to the AER's prescribed template depreciation tracking module. Therefore, no forecast capex will be allocated to this asset class for depreciation purposes for the 2023–28 period. As a result, we have removed this standard life from this asset class in the draft decision PTRM.

Table 4.3 sets out our draft decision on ElectraNet's standard asset lives for the 2023–28 period. We are satisfied that:[38]

- the standard asset lives and depreciation approach more broadly would lead to a depreciation schedule that reflects the nature of the assets over the economic lives of the asset classes, and

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36 Ibid.

37 ElectraNet, *Response to information request AER IR010*, 16 May 2022.

38 NER, cll. 6A.6.3(b)(1)–(2).

- the sum of the real value of the depreciation attributable to the assets is equivalent to the value at which the assets were first included in the RAB for ElectraNet.

Table 4.3 AER's draft decision on ElectraNet's standard asset lives as at 1 July 2023 (years)

Asset class	Standard asset life
Commercial buildings	30.0
Communications – civil	55.0
Communications – other	15.0
Computers, software, and office machines	4.0
Easement	n/a
Land	n/a
Network switching centres	5.0
Office furniture, movable plant, and misc	10.0
Substation primary plant	44.8
Substation demountable buildings	15.0
Substation establishment	55.0
Substation fences	35.0
Substation secondary systems – electromechanical	27.0
Substation secondary systems – electronic	15.0
Transmission lines – overhead	55.0
Transmission lines – underground	40.0
Accelerated depreciation	n/a
Transmission line refit – insulators replacement 2013–18	27.0
Communications – other (post 2018)	10.0
Transmission line refit – insulators replacement 2018–23	48.1
Synchronous condensers	40.0
Working capital depreciation	n/a
Transmission line refit – insulators replacement 2023–28	42.5
Right of use assets	4.8
Equity raising costs	32.8

Source: AER analysis.

n/a not applicable. We have not assigned a standard asset life to the 'Land' and 'Easement' asset classes because these assets are not subject to depreciation. We have also not assigned a standard asset life to the 'Accelerated depreciation' and 'Working capital depreciation' asset classes as these do not contain forecast capex for the 2023–28 period.

Glossary

Term	Definition
AER	Australian Energy Regulator
Capex	Capital expenditure
NER	National Electricity Rules
NPV	Net present value
Opex	Operating expenditure
PTRM	Post-tax revenue model
RAB	Regulatory asset base
RFM	Roll forward model
TNSP	Transmission network service provider
WACC	Weighted average cost of capital