

30 June 2012

Mr Warwick Anderson
General Manager Network Regulation Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mr Anderson

Advice to the AER on Dual Function Assets

ActewAGL Distribution (ActewAGL) owns, controls and operates 132 kV lines and associated network assets in its ACT electricity network that meet the definition of *dual function assets* in clause 6.24.2 of the National Electricity Rules (NER). The assets acquired this status during the current regulatory period as a result of the commissioning of the second point of supply to the ACT at the recently completed TransGrid 330kV/132kV substation at Williamsdale following construction by ActewAGL of a 132 kV double circuit line between Williamsdale and ActewAGL's existing 132 kV network near Theodore.

In accordance with the requirements of Rule 6.25(a) of the NER, ActewAGL advises that it calculates the value ascribed to the relevant assets in its regulatory asset base (RAB) as at 1 July 2012 to be \$45.46 million. The method used to calculate this value is as follows:

1. Identify the assets that would, but for the operation of Rule 6.24.2, be prescribed transmission services;
2. Calculate the relevant assets' proportion of the total book value of assets providing standard control services as at 1 July 2009 (the commencement of the current regulatory period);
3. Apply the proportion from step 2 (approximately 4.7 per cent) to the calculated RAB as at 1 July 2012 for the asset class *Opening distribution assets* based on the final decision PTRM;
4. Add relevant capital expenditure during the current regulatory period to date on the second point of supply project (completed March 2012).

ActewAGL notes with regard to the transmission services provided by these assets that its registration as a *Transmission Network Service Provider* required under Chapter 2 of the Rules is pending.

For the purpose of the AER's consideration of this matter, ActewAGL advises that, for a period of several months in the near future while TransGrid upgrades its Canberra to Williamsdale line, ActewAGL's 132 kV network will provide replacement transmission capacity to Cooma from the TransGrid Canberra substation. On completion of this upgrade, the network will resume its continuing role operating in parallel to and in support of the

upgraded TransGrid line. Studies show that, in normal operating conditions, power will flow from both bulk supply points (Canberra and Williamsdale substations) into the ActewAGL network. Only during infrequent outages of TransGrid's 330 kV Canberra to Williamsdale line will the ActewAGL network be used as the throughput path for power flowing from the Canberra Substation to Williamsdale Substation into NSW.

We look forward to further discussing this matter with the AER during consultation on the framework and approach for the 2014-19 ACT determination. Please contact Mr Chris Bell, Manager Regulatory Affairs, on 6248 3180 should you have any queries regarding this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Stanley', written in a cursive style.

Dennis Stanley
Acting General Manager Asset Management