RESPONSE TO AER QUERIES ON ACTEWAGL'S DUAL FUNCTION ASSET STATEMENT

ActewAGL Distribution provides the following responses to your email queries of 16 July 2012 on its Dual Function Assets (DFA) and the estimated value of 4.7 per cent of the RAB disclosed in our letter of 30 June 2012.

AER query	ActewAGL Distribution response
1. Is this [4.7 per cent of the RAB] expected to change over time. In particular, (1) between now at the commencement of the next regulatory control period and (2) over the next regulatory control period?	The 132kV double circuit line between the TransGrid Williamsdale 330kV/132kV connection point and the ActewAGL Distribution 132kV network near Theodore, and protection equipment required by a transmission network were newly installed during the current regulatory period as part of the *Second point of supply to the ACT* project. The remaining 132kV sub-transmission assets were in use as ActewAGL Distribution's 132kV sub-transmission loop. Without further detailed analysis of the relative depreciation and replacement/refurbishment schedules between these and other assets in the remainder of the network, it is difficult to form a view on any likely movement in this proportion. However, some significant assets forming part of the DFA are already fully depreciated. This could result in an increased proportion of DFA when they are replaced or refurbished. As well, as per the response to question 2 below, additional capital expenditure in relation to DFA is anticipated in the current period.
2. Are any other 132 kV lines, or any other types of transmission-like assets, expected to be commissioned by ActewAGL between 1 July 2012 and 30 June 2019?	ActewAGL has for the current (2009-14) regulatory period programmed a major project to upgrade the 132kv line between Gilmore and Theodore. This work is transmission asset related and currently in planning approval phase. ActewAGL is currently clarifying the operational and technical need to install revenue grade metering at each of the connection points at zone substations between its 132kV sub-transmission network and the remainder of the distribution network. This requirement occurs as a result a result of the DFA being classified as transmission assets under Chapter 3 of the NER, and the consequent requirement to register as a TNSP.
3. What is ActewAGL's position on whether its 132 kV lines and related network assets should be regulated under Chapter 6A part J for the next regulatory control period? Your reasons would be appreciated.	The criterion in Clause 6.25 of the NER for determining how DFA should be regulated is "whether the value of [the DNSP's] dual function assets which provide transmission standard control services comprise such a material proportion of [the DNSP's] regulatory asset base that pricing in respect of those services should be regulated under Part J of Chapter 6A". Among the matters the AER must consider is "whether regulating the pricing of the transmission standard control services ... will result in materially different prices for Distribution Customers ...". In ActewAGL's view, ACT consumers should not be required to pay for network costs occasioned by ActewAGL's role as a TNSP as a consequence of the connection of the second supply point to the ACT. These transmission based network costs include costs of new revenue metering and protection assets associated with the requirements of the network being classified as a transmission network under Chapter 3 of the NER and any additional requirements of a TNSP over those of a DNSP. The DFA will support transmission capacity to areas of South East NSW.

ActewAGL Distribution, 20 July 2012