

## APPENDIX 4

Submission Guidelines—Other matters



## Depreciation

### Inputs for Post-Tax Revenue Model

Asset Class	2009-10 (\$m Nominal)			Forecast Capex - as commissioned (\$m Real 2008-09)				
	Opening WDV	Ave Lives Remaining	Standard Lives	2009-10	2010-11	2011-12	2012-13	2013-14
Transmission Lines and Cables	298.8	21.3	60.0	0.0	0.0	0.0	0.0	0.0
Transmission Substations	419.5	29.0	50.0	0.0	0.0	0.0	0.0	0.0
Protection and Control	52.2	8.8	15.0	0.0	0.0	0.0	0.0	0.0
Refurbishment	22.8	10.0	15.0	0.0	0.0	0.0	0.0	0.0
Other	10.0	5.3	n/a	0.0	0.0	0.0	0.0	0.0
Other - IT	22.1	2.0	3.0	0.0	0.0	0.0	0.0	0.0
Other - General	-4.6	3.0	5.0	0.0	0.0	0.0	0.0	0.0
Other - Buildings	20.4	36.2	40.0	0.0	0.0	0.0	0.0	0.0
Land and Easements	88.1	n/a	n/a	0.0	0.0	0.0	0.0	0.0
Transmission line assets - long life (60)			60	5.7	114.2	8.8	10.6	5.3
Transmission line assets - medium life (45)			45	2.2	11.6	28.9	14.9	3.9
Transmission line assets - short life (10)			10	1.3	10.0	2.5	1.3	0.1
Substation assets - long life (60)			60	2.5	23.9	8.7	16.6	13.8
Substation assets - medium life (45)			45	12.9	58.3	22.1	38.9	38.7
Substation assets - short life (15)			15	6.1	4.3	3.6	5.1	4.1
Protection and control - short life (15)			15	8.5	32.8	6.4	11.1	22.7
Protection and control - short life (3)			3	0.3	0.1	0.0	0.0	0.0
Transmission operations - short life (10)			10	3.4	3.8	2.7	1.6	6.8
Transmission operations - short life (3)			3	0.2	0.0	0.1	0.0	0.0
Other - medium life (40)			40	8.4	5.6	5.5	3.4	0.0
Other - short life (5)			5	1.7	2.9	2.0	3.7	6.6
Other - short life (3)			3	1.7	4.6	2.7	1.7	2.6
Land and Easements			n/a	0.0	1.4	3.3	11.8	10.3
<b>Total</b>	929.5			55.0	273.7	97.5	120.7	115.2

Based on these inputs, the PTRM will calculate the amount of economic depreciation annually. These amounts will then be entered into the depreciation schedule below.

## Depreciation

### Depreciation Schedule

\$ million nominal

Asset Class	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Transmission Lines and Cables	6.0	6.5	7.1	7.6	8.2	35.5
Transmission Substations	3.8	4.3	4.8	5.3	5.8	24.1
Protection and Control	4.7	5.0	5.2	5.5	5.8	26.3
Refurbishment	1.8	1.9	2.0	2.1	2.2	9.8
Other	1.7	1.8	1.9	2.0	2.1	9.4
Other - IT	10.8	11.3	0.0	0.0	0.0	22.1
Other - General	-1.4	-1.5	-1.6	0.0	0.0	-4.6
Other - Buildings	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4
Land and Easements	-2.2	-2.3	-2.4	-2.4	-2.5	-11.8
Transmission line assets - long life (60)	0.0	-1.3	-0.5	-0.6	-0.6	-3.0
Transmission line assets - medium life (45)	0.0	-0.1	-0.4	-0.1	-0.1	-0.7
Transmission line assets - short life (10)	0.0	0.0	1.0	1.3	1.5	3.7
Substation assets - long life (60)	0.0	-0.3	-0.3	-0.6	-0.7	-2.0
Substation assets - medium life (45)	0.0	-0.7	-0.4	-0.8	-0.9	-2.9
Substation assets - short life (15)	0.0	0.3	0.5	0.7	1.0	2.5
Protection and control - short life (15)	0.0	0.1	1.9	2.2	2.8	7.1
Protection and control - short life (3)	0.0	0.1	0.1	0.1	0.0	0.4
Transmission operations - short life (10)	0.0	0.3	0.6	0.9	1.0	2.8
Transmission operations - short life (3)	0.0	0.1	0.1	0.1	0.1	0.3
Other - medium life (40)	0.0	0.0	0.1	0.2	0.2	0.6
Other - short life (5)	0.0	0.3	0.9	1.4	2.2	4.7
Other - short life (3)	0.0	0.6	2.2	3.3	3.4	9.5
Land and Easements	0.0	0.0	-0.1	-0.2	-0.5	-0.8
<b>Total Economic Depreciation</b>	<b>24.9</b>	<b>26.0</b>	<b>22.6</b>	<b>27.9</b>	<b>31.1</b>	<b>132.6</b>

#### Location of assets

- see network map and forecast capex claim of TNSP.

#### NER requirements

- as per cl 6A.6.3 and Schedule 6A.1.3(7) of NER.

## 7.1 Weighted Average Cost of Capital

### Setting the Revenue Cap Forecast - Rate of Return ("WACC")

Notes for the preparation of information on this proforma:

1. The proforma sets out the minimum inputs required by the AER to model a **TNSP's** estimate of WACC.
2. The minimum inputs set out in the proforma are averages for the five-year regulatory period.
3. A post-tax nominal WACC framework involves the use of a cash flow modelling approach to derive the revenue requirement.
4. A **TNSP** shall provide to the **AER**:
  - (a) an estimate of its post-tax nominal return on equity; post-tax nominal WACC; and pre-tax real WACC.
  - (b) the assumptions underlying the estimation.
  - (c) full and detailed explanations of the basis of any calculations.
  - (d) references to any sources of information or precedents.

### Setting the Revenue Cap Forecast - Rate of Return ("WACC")

TNSP: Transend Networks Pty Ltd	Reporting date: 30-May-08
	<i>Proposed value</i> %
Nominal risk free rate	6.37
Real risk free rate	3.74
Inflation Rate	2.54
Proportion of debt funding	60.00
Nominal pre-tax cost of debt	9.50
Cost of debt margin over the risk free rate	3.13
Market risk premium	6.00
Corporate tax rate	30.00
Effective tax rate for equity	22.38
Proportion of franking credits attributed to shareholders	50.00
Equity beta	1.00
Post-tax nominal return on equity	12.37
Nominal vanilla WACC	10.65