



Revised Regulatory Proposal

Supporting Information: St Leonards Substation

(Section 9.4.6, Capacity Management Plan 2011)

Aurora response the AER's Draft Distribution Determination

January 2012



Aurora Energy Pty Ltd
ABN 85 082 464 622
Level 2 / 21 Kirksway Place
Hobart TAS 7000

www.auroraenergy.com.au

Enquiries regarding this Document should be addressed to:

Network Regulatory Manager

Aurora Energy Pty Ltd

GPO Box 191

Hobart TAS 7001

e-mail: RRP2012@auroraenergy.com.au

Copyright

© Aurora Energy Pty Ltd



Table of contents

1.	Introduction.....	1
2.	Aurora Response.....	2
2.1.	Summary.....	2
2.2.	Regulatory Proposal	2
2.3.	Draft Determination	2
2.4.	Revised Regulatory Proposal.....	3
2.5.	References	4
3.	Confidentiality	5

1. Introduction

Aurora provided the AER with its *Regulatory Proposal* on 31 May 2011 in accordance with the provisions of Chapter 6 of the *Rules*. Aurora also set out its answers to the Regulatory Information Notice (RIN) issued by the AER on 21 April 2011 in its response (*RIN Response*) of 31 May 2011.

The AER have reviewed Aurora's *Regulatory Proposal* and *RIN Response* and provided Aurora with the AER's *Draft Distribution Determination*, associated consultant's reports and AER models on 29 November 2011 in accordance with the provisions of Chapter 6 of the *Rules*.

Aurora provides its *Revised Regulatory Proposal* to the AER in response to the AER's *Draft Distribution Determination* in accordance with the provisions of Chapter 6 of the *Rules*. This document provides specific supporting information as an appended attachment to Aurora's *Revised Regulatory Proposal*

2. Aurora Response

2.1. Summary

The Transend St Leonards Terminal Substation is currently under construction, with commissioning due in May 2012.

Aurora plans the staged construction of 10 feeders from this Terminal Substation to permit load management in Launceston.

In its Regulatory Proposal, Aurora forecast capex for the Forthcoming Regulatory Control Period for feeder development from this injection point.

In the Draft Determination the AER reduced the allowed capex by 54 per cent, but did not review the expenditure forecast for this project explicitly.

Aurora considers that this decision was in not correct.

2.2. Regulatory Proposal

In its Regulatory Proposal, Aurora forecast expenditure of approximately \$1.3 million (\$2010) for the Forthcoming Regulatory Control Period to construct a feeder from the St Leonards Terminal Substation.

This work was addressed in:

- section 9.4.6 of the Capacity Management Plan 2011, which was attachment AE033 to Aurora's Regulatory Proposal;
- the document *Tamar Development Plan*, which was an attachment to the RIN submitted with Aurora's Regulatory Proposal; and
- the document *Tamar Area Strategic Plan, System Capacity Planning Project, Aurora Energy*, produced by Aurecon Australia, which was attachment AE053 to Aurora's Regulatory Proposal.

2.3. Draft Determination

The AER engaged Nuttall Consulting to review certain aspects of Aurora's capex forecasts. Nuttall Consulting's findings are contained within the document *Report – Principle Technical Advisor, Aurora Electricity Distribution Revenue Review* dated 11 November 2011 (the Nuttall Consulting Review).

Nuttall Consulting did not explicitly review the capex forecast associated with the St Leonards feeders. Rather, Nuttall Consulting reviewed a sample of the capex associated with terminal and zone substations and assessed the proportion of forecast capex associated with meeting demand and the proportion associated with addressing other network issues.¹ These proportions were then revised to reflect the effects of the AER revised demand forecasts.² based upon these detailed reviews, Nuttall Consulting then recommended an apportionment between demand-related and non-demand-related expenditure to be applied to those capex forecasts for Zone Substation and Terminal Substation that were not subject to detailed review.³

The AER based its capex review on the method used by Nuttall Consulting, with the values in the Draft Determination being from a spreadsheet, a copy of which *AER capex analysis – to Aurora.xlsx* (the Capex Spreadsheet) was provided to Aurora with the Draft Determination, with the actual values appearing to be from the worksheet *timing review – exc OH* of the Capex Spreadsheet. In this worksheet, the AER calculated a weighted average of the demand-related proportions of the Zone and Terminal Substation capex forecasts that had been subject to detailed review by Nuttall Consulting, arriving at a value of 0.46. The AER then applied this value to Aurora’s capex forecasts for the five projects associated with Zone and Terminal Substations⁴ to arrive at their substitute capex forecast for these works.

2.4. Revised Regulatory Proposal

Aurora considers that the AER’s approach in applying a weighted average reduction to the capex forecast for the works associated with the St Leonards Terminal Substation is inappropriate.

Forecast capex for the Forthcoming Regulatory Control Period for the St Leonards projects is to allow connection to Transend Terminal Substation which is expected to be commissioned in the first half of 2012.

These projects have already been subject to consultation processes required under chapter 5 of the NER for joint TNSP-DNSP projects.⁵ No submissions were received. Accordingly, construction of the appropriate option commenced.

Given that the capex forecast by Aurora for this project has already been subject to the RIT process Aurora considers that the full amount forecast by Aurora for this project should be recognised by the AER.

¹ Nuttall Consulting Review, sections 5.6, B.2.2, B.2.3 and B.2.4

² Nuttall Consulting Review, section 5.7

³ Nuttall Consulting Review, page 56

⁴ Richmond Zone Substation, Rosny Zone Substation, St Leonards Terminal Substation, Wesley Vale Terminal Substation and Rosebery Terminal Substation

⁵ For more information, please refer to the document *Final Report, Proposed New Large Transmission Network Asset and Proposed New Distribution Network Assets, Development of the Electricity Supply Network in the Launceston Area*, published by Transend and Aurora, April 2010 which is attached to this document.

2.5. References

Regulatory Investment Test Report: Final Report, Proposed New Large Transmission Network Asset and Proposed New Distribution Network Assets, Development of the Electricity Supply Network in the Launceston Area, published by Transend and Aurora, April 2010

3. Confidentiality

Aurora does not consider any information contained within this document to be confidential.