

1 September 2021

Ms Clare Savage  
Chair  
Australian Energy Regulator  
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Dear Clare,

### **AusNet Services' Transmission Revenue Reset Revised Proposal**

Please find attached AusNet Services' Revised Proposal for the regulatory control period 1 April 2022 to 31 March 2027. This responds to the Australian Energy Regulator's (AER) Draft Decision in accordance with the National Electricity Rules. Our Revised Proposal and necessary supporting information have been provided to the AER via its secure website.

The period since the lodgement of our Initial Proposal in October 2020 has seen some very significant announcements affecting the Victorian Grid. This amount of change has been unsettling for customers, so we have undertaken further extensive engagement with stakeholders, in our Initial Proposal as promised. As a result, our updated plans have been heavily influenced by stakeholder views and the Revised Proposal comprehensively reflects stakeholder preferences, particularly around the treatment of uncertainty.

Our Revised Proposal accepts the majority of the of the AER's Draft Decision except for exclusion of the southwest communications loop project and the replacement programs risk allowance. We have also accounted for:

- Changes that address recent announcements and policy developments;
- New externally driven cost imposts; and
- Areas where we have been invited by the AER to provide further evidence to support our Initial Proposal or updated costs.

Despite the material impact of these factors, both the revised operating expenditure forecast and the revenue required to fund our revised capital expenditure forecast has been reduced relative to our Initial Proposal. Our updated plans provide for a reduction in our controllable revenues (net of taxes, AEMO fees and rates) of 19% in \$/customer terms and 10% in \$/MWh terms.

We remain concerned with the Market Impact incentive scheme, which has not kept pace with the energy transition and has become unworkable. We believe a pragmatic and transparent approach to applying exemptions under this scheme is required and encourage a holistic review of the scheme – perhaps as part of the AER's broader Incentives Review. It is important that AER and AusNet staff continue to engage on this pressing, material issue.

I would like to take this opportunity to thank the AER and its staff for their commitment and engagement throughout the process to date and look forward to discussing our Revised Proposal with your Networks Committee on 7 September 2021.

Sincerely

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

Tony Narvaez  
**Managing Director**