

17 November 2014

Mr Warwick Anderson
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Australian Energy Regulator
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Dear Warwick

Post-Tax Revenue Models (Transmission and Distribution)

AusNet Services welcomes the opportunity to respond to the AER's proposed amendments to the post-tax revenue models (PTRM) for electricity transmission and distribution.

AusNet Services supports the Energy Networks Association's (ENA's) submission on this matter. As such, this submission emphasises the topics which have most relevance to AusNet Services.

Application of the Shared Assets Guideline

The sharing ratio of 10% was specified by the AER in its Shared Assets Guideline. The adjustment to the tax building block that has been incorporated in the PTRM in response to the shared asset revenue adjustment effectively increases this ratio above 10%. This is inconsistent with the Guideline, including the worked example which adjusts the Annual Revenue Requirement to deduct 10% of shared asset unregulated revenue, without making an additional tax adjustment.

Flexibility in the Depreciation Approach

The proposed changes to the PTRM handbook for distribution suggest that NSPs can only propose an alternative depreciation methodology after consultation with the AER during pre-lodgement discussions. AusNet Services has concerns with this approach for two reasons:

1. It is unclear that the AER will be willing to consider in detail the proposed depreciation methodology during pre-lodgement discussions, and lend support for (or not) an alternative approach.
2. If the AER did not agree with the alternative methodology during pre-lodgement discussions, NSPs still have the ability to propose an alternative approach under the NER. The PTRM handbook should not conflict with the ability of NSP's under the NER in this way.

Therefore we suggest that the wording in the handbook should be amended to allow NSPs to propose alternative depreciation approaches as part of its revenue proposal, as AusNet Services' did during its recent transmission regulatory review. While there may be value in pre-lodgement discussions between the AER and NSPs on this topic, this should be a recommendation, rather than a requirement.

Please contact Charlotte Coster, Regulatory Economist on 03 9695 6309 if you have any questions on this submission.

Sincerely,

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

Tom Hallam
Manager, Economic Regulation
AusNet Services