

Attachment 1.17

Ausgrid response to Jacobs prudency assessment (provided at Attachment 1.16)

January 2015



In their System Capex and Prudency Report (see Attachment 1.16), Jacobs noted the matters listed below, where they believed that further commentary in our revised proposals would be of value. We have addressed these matters in our revised proposal and have indicated relevant Chapters or attachments below

- 1) Jacob commented that while a linear relationship between maximum demand and augmentation capex may be valid for underlying demand growth, in cases where augmentation expenditure is driver by step changes in base infrastructure a linear relationship is not valid.

We have considered this issue and addressed it in Section 5.3 Augmentation expenditure of our revised proposal.

- 2) Jacobs noted that the AER considered that Ausgrid had not provided sufficient evidence to support some categories of un-modelled repex. Jacobs noted that they expect that the DNSPs will provide sufficient evidence to justify any step increases to expenditure within the un-modelled categories in their revised expenditure proposal submissions.

We have considered this issue and addressed it in Section 5.5 Replacement Expenditure of our revised proposal.

- 3) Jacobs noted that Ausgrid had made limited reference to the use of FMECA RCM techniques in their substantive regulatory proposals. They noted that they would expect the NSW DNSPs to present the benefits of the FMECA/RCM approach and demonstrate the potential risks and increased overall costs burden that would eventuate due to the disruption of the optimised schedules.

We have considered this issue and addressed it in Section 1.3 Why our revised proposal best meets the NEL and NER requirements of our revised proposal, in relation to Safety and Reliability impacts of disruption to the optimised schedules.

- 4) Jacobs noted that the AER had not accepted Ausgrid's reliability capital expenditure with the AER citing a number of matters upon which they were unclear. The AER and Jacobs noted that the businesses should clarify the matters raised by the AER in their expenditure proposal submissions.

We have considered this issue and addressed it in Chapter 3 in regard to STPIS parameters, Attachment 3.02 (Application of STPIS) and in Section 5.6 Reliability Investment in regard to capital expenditure requirements.