



AUSTRALIAN
ENERGY
REGULATOR

First Proposed

Electricity Transmission Network Service Providers

Submission Guidelines

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1. Nature and authority

1.1 Introduction

- (a) Consistent with the requirements of clause 6A.10.2 of the *National Electricity Rules*, these *Guidelines* set out the information that must be provided by a *TNSP* in a *Revenue Proposal* and a *negotiating framework* that it submits to the AER.
- (b) The AER will assess a *TNSP's Revenue Proposal* in order to make a *revenue determination*.
- (c) The AER will assess a *TNSP's proposed negotiating framework* in order to make a *negotiating framework determination*.

1.2 Authority

Clause 6A.10.2 of the *National Electricity Rules* requires the AER to make, in accordance with the *transmission consultation procedures, submission guidelines* relating to a *TNSP's* preparation and submission of a *Revenue Proposal* and a *negotiating framework*.

1.3 Role of these Guidelines

- (a) These *Guidelines* detail the required basis for a *TNSP* preparing and submitting to the AER for approval its:
 - (1) *Revenue Proposal* in relation to its *prescribed transmission services*; and
 - (2) proposed *negotiating framework* in relation to its *negotiated transmission services*.
- (b) These *Guidelines* address:
 - (1) the information requirements specified in the *National Electricity Rules*; and
 - (2) additional information requirements of the AER.
- (c) These *Guidelines* stipulate the minimum information requirements of the AER in relation to a *TNSP's Revenue Proposal* and *negotiating framework*. The obligation of a *TNSP* to comply with these *Guidelines*:
 - (1) is additional to any obligation imposed under any other law applying to a *TNSP*; and
 - (2) does not derogate from such an obligation.

1.4 Confidentiality

The AER's obligations regarding confidentiality and the disclosure of information provided to it by a *TNSP* are governed by the *Trade Practices Act 1974*, *National Electricity Law* and the *National Electricity Rules*.

1.5 Definitions and interpretation

(a) In these *Guidelines*:

(1) the words and phrases presented in italics *such as this* are defined in the Glossary of these *Guidelines* and have the meaning given to them in:

a. the Glossary; or

b. if not defined in the Glossary, the *National Electricity Rules*;

(2) the words 'shall' and 'must' indicate mandatory requirements, unless the overall meaning of the phrase in which one of these words appears, is otherwise.

(b) Explanations in these *Guidelines* about why certain information is required are provided for guidance only. They do not limit in any way the AER's objectives, functions or powers.

1.6 Processes for revision

The AER may amend or replace these *Guidelines* from time to time in accordance with clause 6A.10.2(e) of the *National Electricity Rules* and the *transmission consultation procedures*.

1.7 Version history and effective date

A version number and an effective date of issue will identify every version of these *Guidelines*.

2. General principles

The AER requires both historic and forecast regulatory information:

- (a) This section of the *Guidelines* sets out general principles common to both forms of regulatory information; and
- (b) Section 3 of these *Guidelines* sets out the specific principles for forecast regulatory information only.

2.1 Compliance

- (a) Clause 6A.10.1(c) of the *National Electricity Rules* requires that a *TNSP's Revenue Proposal* and proposed *Negotiating Framework* must comply with the requirements of these *Guidelines*.
- (b) Clause 6A.10.1(d) of the *National Electricity Rules* requires that a *TNSP's* proposed *Negotiating Framework* must comply with the requirements of clause 6A.9.5 of the *National Electricity Rules*.

2.2 Accounting principles and policies

- (a) If so requested by the AER, a *TNSP* must give the AER full and detailed documentation of the financial and regulatory accounting principles and policies adopted in the preparation of the *TNSP's Revenue Proposal*. This must be provided in a way that ensures the AER understands the regulatory information and can make comparisons over time.
- (b) A *TNSP* must select and apply accounting principles and policies so that:
 - (1) there is a recognisable and rational economic basis that underlies their use; and
 - (2) the resultant regulatory information is relevant and reliable, ensuring that the substance of the underlying transactions and events are reported fairly.
- (c) Any changes to the accounting principles and policies from those previously applied by the *TNSP*, and the rationale for such changes, must be brought to the AER's attention. Where applicable, the impact of the changes on the regulatory information should be quantified and given to the AER.
- (d) Except where these *Guidelines* prescribe otherwise, the regulatory information requirements should be completed in accordance with applicable Australian accounting standards.

2.3 Cost allocation

To the extent that completion of the pro formas included in Appendix A requires a *TNSP* to allocate costs between different categories of *transmission services*, such allocations must comply with:

- (a) the *Cost Allocation Methodology* that has been approved by the AER under clause 6A.19.4; or
- (b) if paragraph (a) does not apply, the *Cost Allocation Methodology* submitted by the *TNSP* with its *Revenue Proposal*; or
- (c) if paragraphs (a) and (b) do not apply, the Cost Allocation Guidelines applicable to the *TNSP*.

2.4 Substance over form

- (a) The regulatory information provided by a *TNSP* in response to these *Guidelines* must report both the substance and detail of transactions and events.
- (b) When the commercial substance of a transaction or event differs from legal form, it is the commercial substance that must be reported.
- (c) In determining the substance of a transaction or events, all aspects and implications will be considered, including the expectations of and motivations for it.
- (d) To determine the substance of a transaction or event, a group of transactions or events that achieves, or is designed to achieve, an overall commercial effect shall be viewed together.

2.5 Materiality

- (a) The AER requires that all *material* items must be disclosed when providing the required regulatory information.
- (b) The AER will apply the following standards of *materiality*:

An item is material if its omission, misstatement or non-disclosure has the potential to prejudice the understanding of the financial or operational position and nature of the *prescribed transmission services*, gained by reading the required regulatory information.

2.6 Ad hoc information requirements

The AER may require ad hoc information in order to assess a *TNSP's Revenue Proposal*. If such information is required by the AER, then the AER would request the information from the *TNSP* in writing, specifying:

- (a) the type of information required;
- (b) the format in which it is required;
- (c) where relevant, the applicable accounting principles and policies;
- (d) the time by which the information is to be delivered; and
- (e) the form of management assurance or responsibility statement required.

2.7 Information provided shall be verifiable

- (a) A *TNSP* shall ensure that all information provided to the AER is verifiable. As guidance, the AER anticipates that it will interpret 'verifiable' as meaning, at least, that information can be traced to a source document or assumption, by an independent party such as an *auditor*.
- (b) A *TNSP* must maintain accounting and reporting arrangements that:
 - (1) enable separate regulatory information to be prepared for submission to the AER; and
 - (2) provide information in the *Revenue Proposal* that can be verified.
- (c) If the AER requires more detailed information than a *TNSP* provides, the AER reserves the right to request access to the underlying schedules and accounting records.

2.8 Audit assurance

- (a) In accordance with clause 6A.10.2(b)(2) of the *National Electricity Rules*, the AER may require any information contained in or accompanying the *Revenue Proposal* to be audited or otherwise verified.
- (b) The AER may require that an audit be performed either:
 - (1) before, and be provided to the AER to accompany the submission of, a *TNSP's Revenue Proposal*; or
 - (2) after a *TNSP* has submitted its *Revenue Proposal* to the AER.

- (c) Where the AER requests an audit to be performed, the scope of that audit or the form of independent assurance about the information provided must comply with the requirements set out in these *Guidelines*.
- (d) Without limiting the scope of an audit, where the AER requests an audit of regulatory information that has been prepared by applying a *TNSP's* approved *Cost Allocation Methodology*, the scope of that audit or the form of independent assurance must include an assessment of whether each and every allocation of shared costs is in accordance with the *TNSP's* approved *Cost Allocation Methodology*.
- (e) Where the AER requests an audit, the *TNSP* will be responsible for:
 - (1) employing an *auditor* to report on the information; and
 - (2) ensuring that the AER receives the *auditor's* assurance that the information can be relied upon for regulatory purposes.
- (f) A *TNSP* shall consult with the AER on the choice of *auditor* before the *regulatory accounting date*.
- (g) The AER may consider the independence and the expertise required of the *auditor* when determining their suitability.
- (h) The *auditor* has a duty of care to the AER in undertaking any audit according to these *Guidelines*.
- (i) Any *regulatory audit report* prepared by the *auditor* according to these *Guidelines* shall be addressed to the AER as well as the *TNSP*.
- (j) If the audit fails to satisfy the AER's requirements, the AER may require a further audit. The AER also reserves the right to appoint an *auditor* to be employed by the *TNSP*.
- (k) Unless specified otherwise by the AER a *TNSP* must submit a *regulatory audit report* in the form of an *audit report on prospective financial information*. Alternatively, the AER may allow a *TNSP* to provide a *regulatory audit report* on its forecast information in the form of a *review of financial reports* (negative assurance), or a combination of the foregoing reports. An example of a combined report is set out at Appendix C.

2.9 Tripartite meeting

If the AER requests the *auditor's* opinion to be explained, or requires more information about the *auditor's* work, then the AER, or its agent, can meet with the *auditor* in the presence of the relevant *TNSP*, both before and after the finalisation of the relevant *revenue determination*.

2.10 Directors' responsibility statement

- (a) In accordance with the requirements of clauses S6A.1.1(5) and S6A.1.2(6) of the *National Electricity Rules*, the *Revenue Proposal* must be accompanied by a *directors' responsibility statement*.
- (b) The *directors' responsibility statement* must include:
 - (1) a reference to the specific documents for which responsibility is accepted; and
 - (2) assurances that the documents given to the AER comply with these *Guidelines*.
- (c) Where applicable, the *directors' responsibility statement* must also include assurances relating to the full disclosure to the AER of:
 - (1) *related party transactions*;
 - (2) *third party benefit transactions*; and
 - (3) *financing transactions*.
- (d) An example of a *directors' responsibility statement* for the *Revenue Proposal* is set out in Appendix B.

2.11 Format of information

- (a) A *TNSP* must submit all possible information to the AER in both electronic and printed form.
- (b) Before doing so, a *TNSP* must ensure that its information can be transmitted in an electronic format compatible with the AER's information systems.
- (c) Information can be submitted to the:

General Manager
Network Regulation South
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001
Ph: (03) 9290 1444
Fax: (03) 9290 1457
Email: AERInquiry@aer.gov.au

3. Forecast regulatory information principles

Forecast regulatory information refers to information based on assumptions about events that may occur in the future and possible actions by a *TNSP*. The following sections set out specific principles for a *TNSP* preparing forecast regulatory information for submission to the AER.

3.1 Underlying assumptions

A *TNSP* must give the AER the following minimum information to support its forecast regulatory information:

- (a) the assumptions on which all material forecast regulatory information is based; and
- (b) a full and detailed explanation of the basis of preparation of the forecast regulatory information.

3.2 Account headings

- (a) Appendix A specifies for the forecast regulatory information:
 - (1) minimum disclosure requirements; and
 - (2) *mandatory headings*.
- (b) Subject to section 3.3 of these *Guidelines*, a *TNSP* may, within the context of the *mandatory headings*, define *discretionary headings* that are most appropriate to conveying an understanding of the *TNSP's* business.

3.3 Discretionary headings

- (a) Subject to the provisions of this section, the *discretionary headings* applied by a *TNSP* shall be:
 - (1) consistent with the *discretionary headings* applied to the historic regulatory information provided; and
 - (2) applied consistently to subsequent forecast regulatory information.
- (b) Where applicable, *discretionary headings* applied by a *TNSP* in any forecast regulatory information shall be consistent with the *discretionary headings* in its *certified annual statements*.
- (c) A *TNSP* shall meet with the AER before submitting forecast regulatory information, so that the AER can assess whether a *TNSP's* proposed *discretionary headings* meet its requirements.

- (d) A *TNSP* may vary the *discretionary headings* from those used in a preceding revenue cap application or *Revenue Proposal* if:
 - (1) A revision of these *Guidelines* should require such a change; or
 - (2) The AER issues written approval after receiving an application from a *TNSP* for a variation, however such an application:
 - A. does not change a *TNSP*'s obligations under section 2 of these *Guidelines*; and
 - B. should include an explanation of the relationships between revised account headings and their predecessors.

4. Revenue Proposal

4.1 Introduction

- (a) In accordance with clause 6A.3 of the *National Electricity Rules*:
 - (1) the revenue that a *TNSP* may earn in any *regulatory year* of a *regulatory control period* from the provision of *prescribed transmission services* is the *maximum allowed revenue*, including any adjustments made by the AER; and
 - (2) the *maximum allowed revenue* is determined in accordance with a *revenue determination* made by the AER and the provisions of Part C of Chapter 6 of the *National Electricity Rules*.
- (b) Part E of Chapter 6 of the *National Electricity Rules* details the procedure for the AER making a *revenue determination* and includes a requirement for a *TNSP* to submit to the AER a *Revenue Proposal* to the AER relating to the *prescribed transmission services* that are provided by a *TNSP* by means of, or in connection with, a *transmission system* that is owned, controlled or operated by the *TNSP*.
- (c) This section outlines the minimum information that a *TNSP* must provide to the AER in its *Revenue Proposal*.
- (d) Sections 2 and 3 of these *Guidelines* set out the principles that a *TNSP* must follow when preparing its *Revenue Proposal*. In case of any conflict of guidance, these principles take precedence over the pro forma statements in Appendix A and the guidance set out in this section of the *Guidelines*.
- (e) Appendix A sets out the pro forma statements that a *TNSP* must use to submit its *Revenue Proposal* to the AER.

4.2 Timing for submission of Revenue Proposal

In accordance with clauses 6A.10.1(a)(1) and 6A.10.1(a)(2) of the *National Electricity Rules*, a *TNSP* must submit its *Revenue Proposal* to the AER:

- (a) if any of the *prescribed transmission services* are subject to a *transmission determination*, 13 months before the expiry of the period in respect of which that *transmission determination* applies; or
- (b) where the *prescribed transmission services* are not subject to a *transmission determination*, 3 months after being required to do so by the AER.

4.3 Contents of Revenue Proposal

A *TNSP's Revenue Proposal* must contain, or be accompanied by, the information specified in section 4.3 of these *Guidelines*.

4.3.1 Audit assurance

A *TNSP's Revenue Proposal* must be accompanied by all audit assurances that the AER requires under section 2.8(b)(1) of these *Guidelines*.

4.3.2 Directors' responsibility statement

A *TNSP's Revenue Proposal* must be accompanied by a *directors' responsibility statement* as required under section 2.9 of these *Guidelines*.

4.3.3 Capital expenditure

(a) In accordance with clause 6A.10.2(b)(4) and clause S6A.1.1 of the *National Electricity Rules*, a *TNSP's Revenue Proposal* must contain at least the following information and matters relating to capital expenditure:

(1) Forecasts of the capital expenditure for each year of the relevant *regulatory control period* which comply with clause 6A.6.7(a) of the *National Electricity Rules* and which identify the forecast capital expenditure by reference to well accepted categories such as:

A. asset class (e.g. *transmission lines, substations* etc); or

B. category driver (e.g. *regulatory obligation, replacement, reliability, net market benefit, business support* etc);

and which identify, in respect of proposed *material* assets:

C. the location of the proposed asset;

D. the anticipated or known cost of the proposed asset; and

E. the categories of *transmission services* which are to be provided by the proposed asset.

(2) The methodology used for developing the capital expenditure forecasts;

(3) The forecasts of load growth relied upon to derive the capital expenditure forecasts and the methodology used for developing those forecasts of load growth;

(4) The key assumptions that underlie the capital expenditure forecasts;

(5) A certification of the reasonableness of the key assumptions by the Directors of the *TNSP* as part of the *Director's Responsibility Statement* required under section 4.3.2 of these *Guidelines*;

- (6) Capital expenditure for each of the first three years of the current *regulatory control period*, and the expected capital expenditure for each of the last two years of that *regulatory control period*, categorised in the same way as for the capital expenditure forecasts; and
 - (7) An explanation of any significant variations in the forecast capital expenditure from historical capital expenditure.
- (b) A *TNSP's Revenue Proposal* must:
- (1) include in the forecast of capital expenditure referred to in sub-section (a) an amount of any unspent capital expenditure for a contingent project of the kind described in clause 6A.6.7(e) of the *National Electricity Rules*; and
 - (2) not include in the forecast of capital expenditure referred to in sub-section (a) an amount of any capital expenditure for a *contingent project* of the kind described in clause 6A.6.7(h) of the *National Electricity Rules*.
- (c) A *TNSP's Revenue Proposal* must contain an explanation of why it considers that its forecast of capital expenditure is required in order to:
- (1) efficiently meet the expected demand for *prescribed transmission services* over the *regulatory control period*;
 - (2) comply with all applicable *regulatory obligations* associated with the provision of *prescribed transmission services*;
 - (3) maintain the quality, *reliability* and security of supply of *prescribed transmission services*; or
 - (4) maintain the *reliability*, safety and security of the *transmission system* through the supply of *prescribed transmission services*.
- (d) The AER has developed a number of capital expenditure pro forma statements which *TNSPs* must fill out as part of their provision of information to the AER as part of a *TNSP's Revenue Proposal*. The following table identifies the relevant capital expenditure pro forma statements in Appendix A that a *TNSP* must prepare and submit to the AER as part of its *Revenue Proposal*.

Pro forma Number	Pro forma reference
3.1	Historic Capex by Category
3.2	Historic Capex by Asset Class
3.3	Historic Capex - Network
3.4	Historic Capex - Non-Network
4.1	Forecast Capex by Category
4.2	Forecast Capex by Asset Class
4.3	Forecast Capex – Network
4.4	Forecast Capex - Non-Network

4.3.4 Operating expenditure

- (a) In accordance with clause 6A.10.2(5) and clause S6A.1.2 of schedule 6A.1 of the *National Electricity Rules*, a *TNSP's Revenue Proposal* must contain at least the following information and matters relating to operating expenditure:
- (1) Forecasts of the operating expenditure for each year of the relevant *regulatory control period* which comply with clause 6A.6.6(a) of the *National Electricity Rules* and which identify the forecast operating expenditure by reference to well accepted categories such as:
 - A. particular programs; or
 - B. types of operating expenditure (e.g. maintenance, payroll, materials etc),

and which identify in respect of each such category:

 - C. to what extent that forecast expenditure is on costs that are fixed and to what extent it is on costs that are variable; and
 - D. the categories of *transmission services* to which that forecast expenditure relates.
 - (2) The methodology used for developing the operating expenditure forecasts;
 - (3) The forecasts of key variables relied upon to derive the operating expenditure forecasts and the methodology used for developing those forecasts of key variables;
 - (4) The methodology used for determining the cost associated with planned maintenance programs designed to improve the performance of the relevant *transmission system* for the purposes of any *service target performance incentive scheme* that is to apply to the *TNSP* in respect of the relevant *regulatory control period*;
 - (5) The key assumptions that underlie the operating expenditure forecasts;

- (6) A certification of the reasonableness of the key assumptions by the directors of the *TNSP* as part of the *Director's Responsibility Statement* required under section 4.3.2 of these *Guidelines*;
 - (7) Operating expenditure for each of the first three years of the current *regulatory control period*, and the expected operating expenditure for each of the last two years of that *regulatory control period*, categorised in the same way as for the operating expenditure forecasts; and
 - (8) An explanation of any significant variations in the forecast operating expenditure from historical operating expenditure.
- (b) A *TNSP's Revenue Proposal* must contain a justification for its forecast of operating expenditure on the basis that it is required to:
- (1) efficiently meet the expected demand for *prescribed transmission services* over the *regulatory control period*;
 - (2) comply with all applicable *regulatory obligations* associated with the provision of *prescribed transmission services*;
 - (3) maintain the quality, *reliability* and security of supply of *prescribed transmission services*; or
 - (4) maintain the *reliability*, safety and security of the *transmission system* through the supply of *prescribed transmission services*.
- (c) The AER has developed a number of operating expenditure pro forma statements which *TNSPs* must fill out as part of their provision of information to the AER as part of a *TNSP's Revenue Proposal*. The following table identifies the relevant operating expenditure pro forma statements in Appendix A that a *TNSP* must prepare and submit to the AER as part of its *Revenue Proposal*.

Pro forma Number	Pro forma reference
1.1	Historic Opex by Category - Summary
1.2	Historic Opex by Category (any part year)
1.3	Historic Opex by Category Year 1
1.4	Historic Opex by Category Year 2
1.5	Historic Opex by Category Year 3
1.6	Historic Opex by Category Year 4
1.7	Historic Opex by Category Year 5
2.1	Forecast Opex by Category - Summary
2.2	Forecast Opex by Category Year 6
2.3	Forecast Opex by Category Year 7
2.4	Forecast Opex by Category Year 8
2.5	Forecast Opex by Category Year 9
2.6	Forecast Opex by Category Year 10

4.3.5 Interactions between capital and operating expenditure

In accordance with clause S6A.1.3(1) of schedule 6A.1 of the *National Electricity Rules*, a *Revenue Proposal* must contain an identification and explanation of any significant interactions between the *TNSP's* forecast capital expenditure and forecast operating expenditure programs.

4.3.6 Performance incentive scheme parameters

- (a) In accordance with clause S6A.1.3(2) of schedule 6A.1 of the *National Electricity Rules*, a *TNSP's Revenue Proposal* must contain:
- (1) the values, weightings and other elements that the *TNSP* proposes are to be attributed to the *performance incentive scheme parameters* for the purposes of the application to the *TNSP* of the *service target performance incentive scheme* that applies in during the relevant *regulatory control period*; and
 - (2) an explanation of how the proposed values, weightings and other elements to be attributed to those *performance incentive scheme parameters* comply with any requirements relating to them set out in that scheme.
- (b) The AER has developed a pro forma statement 7.3 at Appendix A to assist *TNSPs* to provide the required information to the AER in relation to *performance incentive scheme parameters*. A *TNSP* must prepare and submit this pro forma statement to the AER as part of its *Revenue Proposal*.

4.3.7 Efficiency Benefits Sharing Scheme parameters

- (a) In accordance with clause S6A.1.3(3) of schedule 6A.1 of the *National Electricity Rules*, a *Revenue Proposal* must contain:
- (1) the values that the *TNSP* proposes are to be attributed to the *efficiency benefit sharing scheme parameters* for the purposes of the application to the *TNSP* of the *efficiency benefit sharing scheme* that applies in respect of the relevant *regulatory control period*; and
 - (2) an explanation of how the values proposed to be attributed to the *efficiency benefit sharing scheme parameters* comply with any relevant requirements set out in that scheme.
- (b) The AER has developed a pro forma statement 7.4 at Appendix A to assist *TNSPs* to provide the required information to the AER in relation to *efficiency benefit sharing scheme parameters*. A *TNSP* must prepare and submit this pro forma statement to the AER as part of its *Revenue Proposal*.

4.3.8 Total revenue cap and maximum allowed revenue

In accordance with clause S6A.1.3(4) of schedule 6A.1 of the *National Electricity Rules*, a *Revenue Proposal* must contain:

- (a) the *TNSP's* calculation of the estimated *total revenue cap* for the relevant *regulatory control period*; and
- (b) the *TNSP's* calculation of the *maximum allowed revenue* for each year of the relevant *regulatory control period*.

using the *post-tax revenue model* referred to in rule 6A.5 of the *National Electricity Rules*, together with:

- (c) details of all amounts, values and other inputs used to generate the calculations;
- (d) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A of the *National Electricity Rules*; and
- (e) an explanation of the calculation of the amounts referred to in sub-sections (a) and (b), together with an explanation of the amounts, values and inputs referred to in sub-section (c).

4.3.9 Regulatory asset base

In accordance with clause S6A.1.3(5) of schedule 6A.1 of the *National Electricity Rules*, a *Revenue Proposal* must contain the *TNSP's* calculation of the regulatory asset base for the relevant *transmission system* for each year of the *regulatory control period* using the *roll forward model* referred to in clause 6A.6.1 of the *National Electricity Rules*, together with:

- (a) details of all amounts, values and other inputs used by the *TNSP* for that purpose;

- (b) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A of the *National Electricity Rules*; and
- (c) an explanation of the calculation of the regulatory asset base for each *regulatory year* of the relevant *regulatory control period* and of the amounts, values and inputs referred to in sub-section 0.

4.3.10 Nominal risk free rate calculation period

In accordance with clause S6A.1.3(6) of schedule 6A.1 of the *National Electricity Rules*, the *TNSP's Revenue Proposal* must nominate a commencement and length of the period to be used by the AER to calculate the nominal risk free rate for the *regulatory control period* in accordance with clause 6A.6.2(c)(2) of the *National Electricity Rules*.

4.3.11 Depreciation schedules

- (a) In accordance with clause S6A.1.3(7) of schedule 6A.1 of the *National Electricity Rules*, a *Revenue Proposal* must contain:
 - (1) the depreciation schedules nominated by the *TNSP* for the purposes of clause 6A.6.3 of the *National Electricity Rules*. The depreciation schedules must categorise the relevant assets by reference to well accepted categories such as:
 - a. asset class (e.g. *transmission lines* and *substations*); or
 - b. category driver (e.g. *regulatory obligation*, replacement, *reliability*, net market benefit, and business support), and also by location.
 - (2) details of all amounts, values and other inputs used by the *TNSP* to compile those depreciation schedules and an explanation of the calculation of those amounts, values and inputs; and
 - (3) a demonstration that the depreciation schedules conform with the requirements set out in clause 6A.6.3(b) of the *National Electricity Rules*.
- (b) The AER has developed a pro forma statement 7.2 at Appendix A to assist *TNSPs* to provide to the AER the required information in relation to its *depreciation schedules*. A *TNSP* must prepare and submit this pro forma statement to the AER as part of its *Revenue Proposal*.

4.3.12 X factors

In accordance with clause S6A.1.3(8) of schedule 6A.1 of the *National Electricity Rules*, a *Revenue Proposal* must contain the X factors nominated by the *TNSP* for each year of the relevant *regulatory control period* for the purposes of clause 6A.6.8(a) of the *National Electricity Rules*, together with a demonstration that those X factors comply with the requirements set out in clause 6A.6.8(b) of the *National Electricity Rules*.

4.3.13 Length of regulatory control period

In accordance with clause S6A.1.3(9) of schedule 6A.1 of the *National Electricity Rules*, a *Revenue Proposal* must contain the commencement and length of the *regulatory control period* proposed by the *TNSP*.

4.3.14 Proposed contingent projects

In accordance with clause S6A.1.3(10) of schedule 6A.1 of the *National Electricity Rules*, if the *TNSP* is seeking a determination by the AER that a *proposed contingent project* is a *contingent project* for the purposes of the relevant *revenue determination*, the *TNSP's Revenue Proposal* must contain:

- (a) a description of the *proposed contingent project*, including reasons why the *TNSP* considers the project should be accepted as a *contingent project* for the *regulatory control period*;
- (b) a forecast of the capital expenditure which the *TNSP* considers is reasonably required for the purpose of undertaking the *proposed contingent project*;
- (c) the methodology used for developing that forecast and the key assumptions that underlie it;
- (d) information that demonstrates that the undertaking of the *proposed contingent project* is reasonably required in order to meet one or more of the objectives referred to in clause 6A.8.1(b)(1) of the *National Electricity Rules*;
- (e) information that demonstrates that the *proposed contingent capital expenditure* for the *proposed contingent project* complies with the requirements set out in clause 6A.8.1(b)(2) of the *National Electricity Rules*; and
- (f) the *trigger events* which are proposed in relation to the *proposed contingent project* and an explanation of how each of those conditions or events addresses the matters referred to in clause 6A.8.1(c) of the *National Electricity Rules*.

4.3.15 WACC parameters

- (a) A *Revenue Proposal* must contain a breakdown of the *weighted average cost of capital* calculation nominated by the *TNSP* for the purposes of clause 6A.6.2 of the *National Electricity Rules*, together with a demonstration that this calculation complies with the requirements set out in clause 6A.6.2(b) of the *National Electricity Rules*.
- (b) The AER has developed a pro forma statement 7.1 at Appendix A in order to assist *TNSPs* to provide to the AER the required information in relation to the *weighted average cost of capital*. A *TNSP* must prepare and submit this pro forma statement to the AER as part of its *Revenue Proposal*.

4.3.16 Demand forecasts

- (a) A *TNSP's Revenue Proposal* must contain:

- (1) the demand forecasts that the *TNSP* has used as the basis for its forecasts of operating and capital expenditure for the forthcoming *regulatory control period*; and
 - (2) the assumptions on which the demand forecasts have been based, and full and detailed explanations of the basis of their preparation.
- (b) As a minimum, the *TNSP*'s demand forecasts must be presented for each *regulatory year* of the *regulatory control period*. It is expected that the *TNSP*'s demand forecasts will be in the same form as that provided to *NEMMCO*.

4.3.17 Corporate income tax

A *TNSP*'s *Revenue Proposal* must contain details of the estimated cost of corporate income tax calculated by the *TNSP* for the purposes of clause 6A.6.4 of the *National Electricity Rules*, together with a demonstration that the calculation complies with the requirements of that clause.

4.3.18 Completed post tax revenue model

- (a) In accordance with clause 6A.5.1 (a) of the *National Electricity Rules*, a *TNSP* must prepare its *Revenue Proposal* using a *post-tax revenue model* in accordance with the requirements of Chapter 6A of the *National Electricity Rules*.
- (b) In accordance with clause 6A.10.2(c)(1)(i) of the *National Electricity Rules*, a *TNSP*'s *Revenue Proposal* must be accompanied by a *post-tax revenue model*, completed in a manner that demonstrates its application to the *TNSP*.
- (c) Consistent with clause 6A.10.2(c)(2) of the *National Electricity Rules*, the completed *post-tax revenue model* and the information in that model will not be publicly disclosed without the consent of the *TNSP*, except to the extent that the information is provided or otherwise available apart from it being contained in that model.

4.3.19 Completed roll forward model

- (a) In accordance with clause 6A.10.2(c)(1)(ii) of the *National Electricity Rules*, a *TNSP*'s *Revenue Proposal* must be accompanied by:
 - (1) a completed *roll forward model*; and
 - (2) the *TNSP*'s calculation of the regulatory asset base for the relevant transmission system for each regulatory year of the relevant regulatory control period using the roll forward model referred to in clause 6A.6.1 of the *National Electricity Rules*, together with:
 - a. details of all amounts, values and other inputs used by the *TNSP* for the purpose of that calculation;
 - b. a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6 of the *National Electricity Rules*; and

- c. an explanation of the calculation of the regulatory asset base for each *regulatory year* of the relevant *regulatory control period* and of the amounts, values and inputs used to develop that calculation.
- (b) Consistent with clause 6A.10.2(c)(2) of the *National Electricity Rules*, the completed *roll forward model* and the information in that model will not be publicly disclosed without the consent of the *TNSP*, except to the extent that the information is provided or otherwise available apart from it being contained in that model.

4.3.20 Cost pass-through rules

- (a) If requested to do so by the AER, a *TNSP's Revenue Proposal* must contain details of the information a *TNSP* intends to provide in support of any application made to the AER to pass through a *positive pass through amount* or a *negative pass through amount* under clause 6A.7.3 of the *National Electricity Rules*.
- (b) In accordance with clause 6A.17.2(f) of the *National Electricity Rules*, a *TNSP* must provide any written statement seeking the approval of the AER to pass through a *positive pass through amount* or a *negative pass through amount* in accordance with any requirements specified in the *information guidelines*.

4.3.21 Self insurance details

If requested to do so by the AER, a *TNSP's Revenue Proposal* must contain the values that the *TNSP* proposes are to be attributed to self insurance costs for each *regulatory year* of the relevant *regulatory control period*, together with:

- (a) details of all amounts, values and other inputs used by the *TNSP* to calculate its proposed self insurance costs.
- (b) an explanation of the *TNSP's* calculation of these amounts, values and inputs.
- (c) the following information and reporting requirements:
 - a. a board resolution to self-insure (i.e. a copy of the signed minutes recording resolution made by the board).
 - b. confirmation that the *TNSP* is in a position to undertake credibly self-insurance for those events.
 - c. self-insurance details setting out the specific risks which the *TNSP* has resolved to self-insure.
 - d. a report from an appropriately qualified actuary or risk specialist verifying the calculation of risks and corresponding insurance premiums.
 - e. the annual regulatory accounts must record the cost of self insurance as an operating expense, and establish a self insurance reserve.
 - f. when a claim against self insurance is made, an appropriate deduction to the self insurance reserve must be recorded.

4.3.22 Services provided by the TNSP

A *TNSP's Revenue Proposal* must contain:

- (a) the name and description of each individual *prescribed transmission service* provided by the *TNSP* that is the subject of that *Revenue Proposal*;
- (b) the quality, *reliability* and security of supply of each *prescribed transmission service* provided by the *TNSP*; and
- (c) the *reliability*, safety and security of the *transmission system* provided by the *TNSP* in the supply of *prescribed transmission services*.

4.3.23 Forecast map of transmission system

A *TNSP's Revenue Proposal* must contain a forecast map of the transmission system for the relevant *regulatory control period*. This map, together with any appropriate accompanying notes, should identify:

- (a) proposed capital works projects (noting anticipated completion dates);
- (b) the different ratings of the transmission lines;
- (c) other network plant;
- (d) current capital works projects (noting anticipated completion dates); and
- (e) the ages of network assets.

4.3.24 Related parties

A *TNSP's Revenue Proposal* must contain the following:

- (a) details of the following information in relation to any *material related party transactions* whose costs are attributed to, or allocated between, categories of *transmission services* provided by the *TNSP*:
 - a. details of the *related party*;
 - b. the terms of the *related party* contract;
 - c. a description of the goods and/or services that are the subject of the transaction; and
 - d. a description of the procurement process undertaken in respect of the goods and/or services that are the subject of the transaction, and in particular, whether or not the procurement process was a *competitive process*.
- (b) The *TNSP's* confirmation that the terms and conditions of any *related party* contract that it has require the *related party* to provide sufficient information to the *TNSP* to enable the *TNSP* to meet obligations to attribute or allocate the costs of that *related party* contract under these *Guidelines*;

4.4 Resubmission of Revenue Proposal or information

In accordance with the requirements of clause 6A.11.2 of the *National Electricity Rules*, if the AER notifies a *TNSP* of a determination under clause 6A.11.1 of the *National Electricity Rules*, the *TNSP* must, as soon as practicable thereafter, resubmit its *Revenue Proposal* or the required information (as the case may be) in a form that complies with these *Guidelines*.

4.5 Submission of revised Revenue Proposal

A *TNSP* may submit a revised *Revenue Proposal* in accordance with clause 6A.12.3 of the *National Electricity Rules*.

4.6 Disclosure of information in the Revenue Proposal

- (a) The AER is permitted to publish all of the information that is required to be provided by a *TNSP* in, or to accompany, its *Revenue Proposal* under section 4.3 of these *Guidelines* other than the following sections of these *Guidelines*, which shall be treated as “protected information” for the purposes of clause 6A.18.1(a)(2) of the *National Electricity Rules*:
 - (1) Section 4.3.8(c) to (e);
 - (2) Section 4.3.90 to (c);
 - (3) Section 4.3.11;
 - (4) Section 4.3.14;
 - (5) Section 4.3.19; and
 - (6) Section 4.3.21(a) and (b).
- (b) The AER will publish a *TNSP’s Revenue Proposal* in accordance with the requirements of clause 6A.11.3(a) of the *National Electricity Rules*.

5. Negotiating framework

5.1 Introduction

- (a) The *negotiating framework* is a document prepared by the *TNSP* that sets out the procedure to be followed in relation to negotiations between the *TNSP* and any person (a *service applicant* or applicant) who wishes to receive a *negotiated transmission service* from the *TNSP*, as to the price and other terms and conditions at which the service is to be provided.
- (b) In accordance with clause 6A.10.1(b) of the *National Electricity Rules*, a *TNSP* must submit to the AER a proposed *negotiating framework* at the same time as it submits a *Revenue Proposal*.
- (c) In accordance with clauses 6A.10.1(c) and 6A.10.1(d) of the *National Electricity Rules*, a *TNSP's* proposed *negotiating framework* must also comply with the requirements of these *Guidelines* and clause 6A.9.5 of the *National Electricity Rules*.
- (d) This section outlines the specific information required to be included in a *TNSP's* proposed *negotiating framework*.

5.2 Minimum information requirements

- (a) A *TNSP's negotiating framework* must contain, or be accompanied by, the information specified in this section 5.2.
- (b) A *TNSP's negotiating framework* must specify a requirement for the *TNSP* to provide a description to the *service applicant* of the nature of the *negotiated transmission service* that is the subject of negotiation, including details of what the *TNSP* would provide to the *service applicant* as part of that service.
- (c) Consistent with clause 6A.9.5(c)(1) of the *National Electricity Rules*, a *TNSP's negotiating framework* must specify a requirement for the *TNSP* and a *service applicant* to negotiate in good faith the price at which the *negotiated transmission service* is to be provided.
- (d) Consistent with clause 6A.9.5(c)(2) of the *National Electricity Rules*, a *TNSP's negotiating framework* must specify a requirement for the *TNSP* to provide all such commercial information as a *service applicant* may reasonably require to enable that applicant to engage in effective negotiation with the *TNSP* as to the price at which the *negotiated transmission service* is to be provided, including the cost information described below.
- (e) Consistent with clause 6A.9.5(c)(3) of the *National Electricity Rules*, a *TNSP's negotiating framework* must specify a requirement for the *TNSP* to:

- (1) identify, and inform a *service applicant* of the reasonable costs, and/or the increase or decrease in costs (as appropriate), of providing the *negotiated transmission service*;
 - (2) demonstrate to a *service applicant* that the charges for providing the *negotiated transmission service* reflect those costs and/or the cost increment or decrement (as appropriate); and
- (f) Consistent with clause 6A.9.1(1) of the *National Electricity Rules*, a *TNSP's negotiating framework* must specify a requirement for the *TNSP* to base its price for a *negotiated transmission service* on the costs incurred in providing that service, determined in accordance with the *TNSP's approved cost allocation methodology*.
 - (g) A *TNSP's negotiating framework* must specify a requirement for the *TNSP* to provide the *service applicant* with the terms and conditions on which the *TNSP* would provide its *negotiated transmission service* to the *service applicant*.
 - (h) Consistent with clause 6A.9.5(c)(4) of the *National Electricity Rules*, a *TNSP's negotiating framework* must specify a requirement for a *service applicant* to provide all such commercial information as the *TNSP* may reasonably require to enable the *TNSP* to engage in effective negotiation with that applicant as to the price at which the *negotiated transmission service* is to be provided.
 - (i) Consistent with clause 6A.9.5(c)(5) of the *National Electricity Rules*, a *TNSP's negotiating framework* must specify a requirement for:
 - (1) the *TNSP* to provide a reasonable period of time for commencing, progressing and finalising negotiations with a *service applicant* as to the price at which the *negotiated transmission service* is to be provided; and
 - (2) each party to the negotiation to use its reasonable endeavours to adhere to those time periods during the negotiation.
 - (j) Consistent with clause 6A.9.5(c)(6) of the *National Electricity Rules*, a *TNSP's negotiating framework* must specify a requirement for the *TNSP* to provide a process for dispute resolution which provides that all disputes as to the price at which *negotiated transmission services* are to be provided are to be dealt with in accordance with schedule 6A.3 of the *National Electricity Rules*.
 - (k) Consistent with clause 6A.9.5(c)(7) of the *National Electricity Rules*, a *TNSP's negotiating framework* must specify for payment by a *service applicant* of the *TNSP's* reasonable direct expenses incurred in processing the application to provide the *negotiated transmission service*.

5.3 Other matters

- (a) In accordance with clause 6A.9.5(d) of the *National Electricity Rules*, notwithstanding sections 5.1 and 5.2 of these *Guidelines*, the *negotiating framework* must not be inconsistent with any of the requirements of clauses 5.3, 5.4A, and [old clause 6.4.7]

and Part C of Chapter 6 of the *National Electricity Rules* and, in the event of any inconsistency, those requirements prevail.

- (b) In accordance with clause 6A.9.5(e) of the *National Electricity Rules*, each *TNSP* and *service applicant* that is negotiating for the provision of a *negotiated transmission service* by the *TNSP* must comply with the requirements of the *negotiating framework* in accordance with its terms.
- (c) Consistent with clause 6A.9.5(f) of the *National Electricity Rules*, a reference in this section 5 of these *Guidelines* to the price at which a service is to be provided includes a reference to an *access charge*.
- (d) Nothing in this section 5 of these *Guidelines* or in clause 6A.9 of the *National Electricity Rules* is to be taken as imposing an obligation on a *TNSP* to provide any service to the *service applicant*.

5.4 Resubmission of negotiating framework or information

In accordance with the requirements of clause 6A.11.2 of the *National Electricity Rules*, if the AER notifies a *TNSP* of a determination under clause 6A.11.1 of the *National Electricity Rules*, the *TNSP* must, as soon as practicable thereafter, resubmit its *negotiating framework* or the required information (as the case may be) in a form that complies with these *Guidelines*.

5.5 Submission of revised negotiating framework

A *TNSP* may submit a revised *negotiating framework* in accordance with clause 6A.12.3 of the *National Electricity Rules*.

5.6 Disclosure of information in the negotiating framework

- (a) For the purposes of clause 6A.18.1(a)(2) of the *National Electricity Rules*, the AER is permitted to publish all of the information that is required to be provided by a *TNSP* in, or to accompany, its *negotiating framework* under section 5.2 of these *Guidelines*.
- (b) The AER will publish a *TNSP's* proposed *negotiating framework* in accordance with the requirements of clause 6A.11.3(a) of the *National Electricity Rules*.

5.7 Confidential information

Confidential information that is required to be provided by a *TNSP* or a *service applicant* is governed by the clause 6A.9.6 of the *National Electricity Rules*.

6. Glossary

These *Guidelines* use the following definitions.

actual cost means the amount paid to the non-*related party* supplier of goods and/or services, and/or the prudent or efficient cost to a *TNSP* or a *related party* of providing the goods and/or services

agreed-upon procedures report means an agreed-upon procedures engagement report, prepared in accordance with Australian Auditing Standard AUS 904. The objective is for the *auditor* to carry out procedures of an audit nature specified by the AER and to report factual findings.

auditor means a registered company auditor independent of a *TNSP*.

audit report on a special purpose financial report means an audit report on regulatory information submitted to the AER by a *TNSP* prepared in accordance with Australian Auditing Standard AUS 802, and in accordance with a financial reporting framework such as these *Guidelines*, other than accounting standards and UIG consensus views.

audit report on prospective financial information means an audit report on the forecast regulatory information prepared in accordance with Australian Auditing Standard AUS 804, and in accordance with a financial reporting framework such as these *Guidelines*, other than Accounting Standards and UIG consensus views.

Australian Accounting Standards Board is the body established under subsection 226(1) of the Australian Securities and Investments Commission Act 1989 which is continued in existence by section 261 of Australian Securities and Investments Commission Act 2001.

Australian Energy Markets Commission or ***AEMC*** has the meaning set out in the *National Electricity Law*.

Australian Energy Regulator or ***AER*** has the meaning set out in the *National Electricity Law*.

certified annual statement has the meaning given in clause 6A.17.1(a) of the *National Electricity Rules*.

competitive process means competitive letting of a contract. For example, it is a procurement process in which entities other than *related parties* have the capability to provide the goods and/or services in an economically efficient and effective manner are included, on equitable terms, in the invitation to tender a price for the goods and/or services.

Director means a director of a *TNSP*.

Directors' responsibility statement means a statement signed and dated by not less than two directors of a *TNSP*, which states whether in the directors' opinion, the regulatory information, statements, schedules and work papers listed in Appendix A of these *Guidelines*:

- Present fairly the statement of financial performance and statement of cash flows information required by these *Guidelines*, of each business segment for the regulatory accounting period;
- Present fairly the statement of financial position information required by these *Guidelines*, for each business segment at the *regulatory accounting date*;
- Have been made out in accordance with applicable and appropriate accounting principles and policies; and
- Have been prepared in accordance with the AER's requirements, set out in these *Guidelines*.

discretionary heading means an account heading within regulatory information submitted to the AER by a *TNSP* that may be defined by a *TNSP*.

financing transaction is an accounting entry in regulatory information submitted to the AER by a *TNSP* the effect of which is to provide:

- A decrement to financing or interest costs in the statement of financial performance;
- In relation to prescribed transmission services, a related:
 - Decrement to earnings before interest and tax;
 - Increase in asset values.

Guidelines means these *submission guidelines*.

immaterial means not *material*.

mandatory heading means a mandatory account heading within the pro forma statements contained in Appendix A.

material or materiality has the meaning set out at section 2.5 of the *Guidelines*.

National Electricity Law means the National Electricity Law set out in schedule to the National Electricity (South Australia) Act 1996.

National Electricity Rules means the rules, as defined in the *National Electricity Law*.

negotiating framework determination has the meaning set out in clause 6A.9.3 of the *National Electricity Rules*.

regulatory accounting date means the end date of a *regulatory accounting period*.

regulatory accounting period means a period on which a single set of regulatory financial statements report.

regulatory audit report means an auditor's report on regulatory information submitted to the AER by a *TNSP*. A regulatory audit report may include either:

- *An audit report on a special purpose financial information;*
- *An agreed-upon procedures report;*
- *A review of financial reports;*
- *An audit report on prospective financial information; or*
- A combination of the above reports.

related party means, in relation to all business segments within a *TNSP* either:

- (a) any entity that, at any time during the *regulatory accounting period*, has control or material influence over a *TNSP*;
- (b) any entity that, at any time during the *regulatory accounting period*, is subject to control or material influence by a *TNSP*;
- (c) any entity that, at any time during the *regulatory accounting period*, is controlled by the same entity that controls a *TNSP*;
- (d) any entity that, at any time during the *regulatory accounting period*, is controlled by an entity that materially influences a *TNSP*;
- (e) any entity that, at any time during the *regulatory accounting period*, is materially influenced by an entity with control over a *TNSP*;
- (f) any entity that, at any time during the *regulatory accounting period*, is materially influenced by an entity with material influence over a *TNSP*;
- (g) any entity that, at any time during the *regulatory accounting period*, controlled or materially influenced by an entity which is subject to control or material influence by a *TNSP*;
- (h) any director of a *TNSP* or any of their director-related entities;
- (i) any director of any entity identified as a related party in sub-section (a) to (g) above, or any of their director-related entities; or
- (j) any other business segment within a *TNSP*.

but excludes any other entity (except those identified as a related party under sub-section (h)) where the related party relationship results solely from normal dealings of:

- (k) financial institutions;
- (l) authorised trustee corporations (as defined in the Corporations Law) ;
- (m) fund managers;
- (n) trade unions;

- (o) statutory authorities;
- (p) government departments; or
- (q) local governments.

related party transaction means a transaction, or a number of transactions intended to achieve a common commercial effect, conducted with a *related party*.

review of financial reports means a review of a financial report, prepared in accordance with Australian Auditing Standard AUS 902. An *auditor* should carry out procedures sufficient to enable them to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to their attention that causes them to believe that the financial report is not prepared, in all material aspects, in accordance with an identified financial reporting framework, e.g. these *Guidelines*. The review report contains a clear written expression of negative assurance.

submission guidelines means these *Guidelines*.

third party benefit transactions means a transaction, or a number of transactions intended to achieve a common commercial effect, conducted with a third party.

Appendix A: Pro forma statements

This is the list of the pro forma statements that a TNSP must use in order to provide the information required as part of its revenue proposal to the AER.

Historic Operating Expenditure	
1.1	Historic Opex by Category - Summary
1.2	Historic Opex by Category - Any part year
1.3	Historic Opex by Category Year 1
1.4	Historic Opex by Category Year 2
1.5	Historic Opex by Category Year 3
1.6	Historic Opex by Category Year 4
1.7	Historic Opex by Category Year 5
Forecast Operating Expenditure	
2.1	Forecast Opex by Category - Summary
2.2	Forecast Opex by Category Year 6
2.3	Forecast Opex by Category Year 7
2.4	Forecast Opex by Category Year 8
2.5	Forecast Opex by Category Year 9
2.6	Forecast Opex by Category Year 10
Historic Capital Expenditure	
3.1	Historic Capex by Category
3.2	Historic Capex by Asset Class
3.3	Historic Capex - Network
3.4	Historic Capex - Non-Network

Forecast Capital Expenditure	
4.1	Forecast Capex by Category
4.2	Forecast Capex by Asset Class
4.3	Forecast Capex - Network
4.4	Forecast Capex - Non-Network
Commentary	
5.1	Commentary on Opex
5.2	Commentary on Historic Capex
5.3	Commentary on Forecast Capex
Instructions / Definitions	
6.1	Opex Instructions
6.2	Historic Capex Instructions
6.3	Forecast Capex Instructions
Other Matters	
7.1	Weighted Average Cost of Capital
7.2	Depreciation
7.3	Performance Incentive Scheme Parameters
7.4	Efficiency Benefit Sharing Parameters

Electronic copies of these Pro Forma are available at: <http://www.aer.gov.au>.

Appendix B: Example of a Directors' responsibility statement

The directors of [the TNSP] hereby certify that:

- In accordance with Schedule 6A.1.1(5), the key assumptions used in the capital expenditure forecasts are reasonable;
- In accordance with Schedule 6A.1.2(6), the key assumptions used in the operating expenditure forecasts are reasonable; and
- All information provided in support of this Revenue Proposal is, in the opinion of the Directors, a reasonable representation of the historic and forecast capital and operation expenditure of [the TNSP].

Signed in accordance with a resolution of directors:

[Name of director] Dated
Director

[Name of director] Dated
Director

Appendix C: Examples of regulatory audit reports

Example Audit Report on a Special Purpose Financial Report

Example Review of Financial Report

Example Report of Factual Findings from Agreed-Upon Procedures

Example Audit of Prospective Financial Information

Example: Audit report on a special purpose financial report

[Date]

[NAME]
[TITLE]
Australian Energy Regulator
GPO Box 560J
Melbourne VIC 3001

The Chief Executive Officer
[*The TNSP*]

Dear _____

REGULATORY FINANCIAL STATEMENTS

PERIOD ENDED [*period end*]

Scope

We have audited the regulatory financial statements and other required statements, schedules and work papers (other required statements) of [the TNSP] for the regulatory accounting period ended 30 June [200x].

These statements are special purpose financial reports consisting of the statements, schedules and work papers listed in appendix A of the AER's *Transmission Network Service Provider Submission Guidelines* set out on pages [] to [].

[The TNSP]'s directors are responsible for preparing and presenting the regulatory financial statements and other required statements. The directors have determined that the accounting principles and policies used are appropriate to meet the requirements of the AER's *Transmission Network Service Provider Submission Guidelines*.

We have conducted an independent audit of the regulatory financial statements and other required statements to express an opinion on them to the AER and the directors on their preparation and presentation. No opinion is expressed about whether the accounting principles and policies used are appropriate to the needs of the AER.

The statements have been prepared to fulfil the requirements of the AER. We have prepared this report to submit to the AER and for the disclosure of [the TNSP] and it is not to be used for any other purpose than that. We disclaim any responsibility for any reliance on this report, or on the regulatory financial statements and other required statements to which it relates, to any person other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and

other disclosures in the statements, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion about whether, in all material respects, the regulatory financial statements and other required statements are presented fairly in accordance with the regulatory accounting principles and policies and the requirements of the AER. These principles and policies do not require all accounting standards be applied nor other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the regulatory financial statements and other required statements present fairly the financial position of [the TNSP] as at [period end], the results of its operations and its cash flows for the period then ended, as required by the AER .

Yours faithfully

[Name of Auditor]

Chartered Accountants

[Name of signatory]

[Position of signatory]

Example: Review of financial report

[Date]

[NAME]
[TITLE]
Australian Energy Regulator
GPO Box 560J
Melbourne VIC 3001

The Chief Executive Officer
[*The TNSP*]

Dear _____

REGULATORY FINANCIAL STATEMENTS

PERIOD ENDED [*period end*]

Scope

We have reviewed the regulatory financial statements and other required statements, schedules and work papers of [the TNSP] for the regulatory accounting period ended 30 June [200x]. The regulatory financial statements and other required statements are listed in appendix A of the AER's *Transmission Network Service Provider Submission Guidelines* set out on pages [] to [].

[The TNSP]'s directors are responsible for preparing and presenting the regulatory financial statements and other required statements and the information contained therein. We have reviewed the statements to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that they are not presented fairly as required by the AER.

The statements have been prepared to fulfil the AER's requirements. This report is for submission to the AER and for the directors of [the TNSP] and is not to be used for any other purpose. We disclaim any responsibility for any reliance on this report, or on the regulatory financial statements and other required statements to which it relates, to any person other than that for which it was prepared.

Our review has been conducted in accordance with Australian Auditing Standards that apply to review engagements. A review is limited primarily to inquiries of company personnel and analysis of the financial data. These procedures do not provide all the evidence necessary in an audit, and thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the regulatory financial statements and other required statements of [the TNSP] for the period 30 June [200x], ended 30 June [200x], period end, does not fairly present the regulatory information in accordance with the AER's *Transmission Network Service Provider Submission Guidelines*.

Yours faithfully

[*Name of Auditor*]

Chartered Accountants

[*Name of signatory*]

[*Position of signatory*]

Example: Report of factual findings from agreed-upon procedures

[Date]

[NAME]
[TITLE]
Australian Energy Regulator
GPO Box 560J
Melbourne VIC 3001

The Chief Executive Officer
[The TNSP]

Dear _____

REGULATORY FINANCIAL STATEMENTS

PERIOD ENDED [*period end*]

Scope

We have performed the procedures agreed with you as detailed in the written instructions of [date] and described below with respect to the regulatory financial statements and other required statements, schedules and work papers of [TNSP] for the period ending [date] set forth in the attached schedules [describe and reference the schedules].

Our engagement was undertaken in accordance with Australian Auditing Standards that apply to agreed-upon procedures engagements. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of [those who engaged the auditor]. The procedures were performed solely to assist you in evaluating [e.g. the compliance of TNSP] with paragraphs [detail paragraphs considered] of the AER's *Transmission Network Service Provider Submission Guidelines* and are summarised as follows:

- [Agreed upon procedure]
- [Agreed upon procedure]
- [Agreed upon procedure]

Because the above procedures do not constitute either an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards that apply to review engagements, we do not express any assurance on the regulatory financial statements and other required statements of [the TNSP]. Had we performed additional procedures or an audit in accordance with Australian Auditing Standards or a review in

accordance with the standards, other matters might have come to our attention that would have been reported to you.

Findings

We report as follows:

- (a) With respect to 1 above ...
- (b) With respect to 2 above ...
- (c) With respect to 3 above ...

[Detail any exceptions noted]

Our report is solely for the purpose set forth in the first paragraph of this report and for submission to the AER and is not to be used for any other purpose or distributed to any other party. This report refers only to the accounts and items specified above and does not extend to any financial report of [the TNSP], taken as a whole.

Yours faithfully

[*Name of Auditor*]

[*Chartered Accountants*]

[*Name of signatory*]

[*Position of signatory*]

Example: Report on prospective financial information

(Example 1: Best-estimate assumptions—a forecast, where a statement of negative assurance is issued on the reasonableness of management’s assumptions. The review was carried out based on the requirements of AUS 804, adapted for review engagements under AUS 902.)

Source—Australian Auditing Standard 804 ‘Audit of prospective financial information’

[Date]

[NAME]
[TITLE]
Australian Energy Regulator
GPO Box 560J
Melbourne VIC 3001

The Chief Executive Officer
[*The TNSP*]

Dear _____

PROSPECTIVE FINANCIAL INFORMATION

PERIOD ENDED [*period end*]

Scope

We have reviewed the forecast of [TNSP] for the [period] as set out on pages ... to The directors of [TNSP] are responsible for preparing and presenting the forecast and the information it contains, including the assumptions as set out in note ... on which the forecast is based. We have conducted an independent review of the forecast to express an opinion on it to the AER and the directors of [TNSP].

The forecast has been prepared for distribution to the AER and the directors of [TNSP] to help the AER set a revenue cap for [TNSP]. We disclaim any responsibility for any reliance on this report or on the forecast to which it relates to any person other than to the AER and the directors of [TNSP] or for any purpose other than that for which it was prepared.

Our review has been conducted in accordance with Australian Auditing Standards that apply to review engagements. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the forecast and the evaluation of accounting policies. These procedures have been undertaken so that we can form an opinion on whether anything has come to our attention which causes us to believe that management’s assumptions as set out in note ... do not provide a reasonable basis for the

preparation of the forecast. These procedures will also help us decide whether¹, in all material respects, the forecast is properly prepared on the basis of the assumptions as set out in note ... and is presented fairly in accordance with the *Transmission Network Service Provider Submission Guidelines* of the AER. The forecast must also be based consistently with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period] ended [date])² so as to present a view of the [TNSP] which is consistent with our understanding of the [TNSP's] past, current and future operations.

(Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which prospective financial information is based, such evidence is generally future oriented and therefore speculative in nature. Given the nature of the evidence available in assessing the reasonableness of management's assumptions, we are not in a position to obtain the level of assurance necessary to express a positive opinion on those assumptions. Accordingly, we provide a lesser level of assurance on the reasonableness of management's assumptions.)³

The opinion expressed in this report has been formed on the above basis.

Statement

Based on our review, which is not an audit, of the evidence supporting the assumptions, nothing has come to our attention that causes us to believe that the assumptions as set out in note ... do not provide a reasonable basis for the preparation of the forecast.

In our opinion,

- (a) the forecast is properly prepared on the basis of the assumptions as set out in note ...
- (b) the forecast is presented fairly in accordance with:
 - (i) the AER's *Transmission Network Service Provider Submission Guidelines*
 - (ii) on a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period]⁴ ended [date] (except for the changes in accounting policies as disclosed in note ...).⁵

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.

¹ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

² Where appropriate.

³ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

⁴ Where appropriate.

⁵ Where appropriate.

Accordingly, we express no opinion as to whether the forecast will be achieved.

Yours faithfully

[Name of Auditor]

[Chartered Accountants]

[Name of signatory]

[Position of signatory]

Example: Report on prospective financial information

(Example 2: Hypothetical assumptions—a projection. The review was carried out based on the requirements of AUS 804, adapted for review engagements under AUS 902)

Source—Australian Auditing Standard 804 ‘Audit of prospective financial information’

[Date]

[NAME]
[TITLE]
Australian Energy Regulator
GPO Box 560J
Melbourne VIC 3001

The Chief Executive Officer
[*The TNSP*]

Dear _____

Scope

We have reviewed the projection of [TNSP] for the [period] as set out on pages ... to The directors of [TNSP] are responsible for preparing and presenting the projection and the information it contains, including the assumptions as set out in note ... on which the projection is based. We have conducted an independent review of the projection to express an opinion on it to the AER.

The projection has been prepared for distribution to the AER and the directors of [TNSP]] to help the AER set a revenue cap for [the TNSP]. We disclaim any responsibility for any reliance on this report or on the projection to which it relates to any person other than to [the AER [and the directors of the TNSP] or for any purpose other than that for which it was prepared. In addition, the projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur. Consequently, readers are cautioned that this projection may not be appropriate for purposes other than that described above.

Our review has been conducted in accordance with Australian Auditing Standards that apply to review engagements. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the projection and the evaluation of accounting policies. Because hypothetical assumptions relate to future events and management actions, which are not necessarily expected to take place, we are not in a position to, and do not express an opinion on the hypothetical assumptions. The procedures

have been undertaken so that we can form an opinion on whether anything has come to our attention which causes us to believe that management's best-estimate assumptions as set out in note ... do not provide a reasonable basis for the preparation of the projection given the occurrence of the hypothetical assumptions. These procedures will also help us decide whether⁶, in all material respects, the forecast is properly prepared on the basis of the assumptions as set out in note ... and is presented fairly in accordance with the AER's *Transmission Network Service Provider Submission Guidelines* (and on a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period] ended [date])⁷ so as to present a view of the [TNSP] which is consistent with our understanding of the [TNSP's] past, current and future operations.

(Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the best-estimate assumptions on which prospective financial information is based, such evidence is generally future oriented and therefore speculative in nature. Given the nature of the evidence available in assessing the reasonableness of management's best-estimate assumptions, we are not in a position to obtain the level of assurance necessary to express a positive opinion on those assumptions. Accordingly, we provide a lesser level of assurance on the reasonableness of management's assumptions.)⁸

The opinion expressed in this report has been formed on the above basis.

Statement

(Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the best-estimate assumptions as set out in note . . . do not provide a reasonable basis for the preparation of the projection, given the occurrence of the hypothetical assumptions.)⁹

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the assumptions as set out in note . . . do not provide a reasonable basis for the preparation of the projection.

In our opinion,

- (a) the projection is properly prepared on the basis of the assumptions as set out in note ...
- (b) the projection is presented fairly in accordance with:
 - (i) the AER's *Transmission Network Service Provider Submission Guidelines*
 - (ii) a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period] ended [date]¹⁰ (except for the changes in accounting policies as disclosed in note ...).¹¹

⁶ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

⁷ Where appropriate.

⁸ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

⁹ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

¹⁰ Where appropriate.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projection since other anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the projection will be achieved.

Yours faithfully

[*Name of Auditor*]

[*Chartered Accountants*]

[*Name of signatory*]

[*Position of signatory*]

¹¹ Where appropriate.