

Appendix 1A

SPI PowerNet Pty Ltd

**Transmission Revenue Reset (TRR)
2014/15 – 2016/17**

Compliance Checklist

28 February 2013

The following checklist provides an explanation of how SP AusNet has addressed each of the requirements listed in the “Revenue Proposal” sheet of the Excel spreadsheet that forms Appendix D of the AER Submission Guidelines.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.1	<p>A TNSP’s revenue proposal must be accompanied by all audit assurances that the AER requires under s. 2.8 of these guidelines.</p> <p>Section 2.8 states:</p> <p>(b) The AER requires that an audit of the historic capex and opex information is performed before, and be provided to the AER to accompany, the submission of a TNSP’s Revenue proposal.</p> <p>(c) The audit of historic capex and opex information must be a regulatory audit report as outlined in these guidelines (see examples set out at appendix C) and must cover at a minimum the following matters:</p> <p>(1) basis and application of cost allocation methodology</p> <p>(2) arithmetic accuracy</p> <p>(3) reconciliation to financial statements.</p>	<p>Chapter 3 sets out information on SP AusNet’s historic cost performance for the current regulatory control period (2008/09 – 2013/14). The information provided is based upon audited regulatory accounts for 2008/09 – 2011/12 and forecasts for 2012/13 – 2013/14.</p> <p>KPMG audit reports are provided in a supporting document to this Revenue Proposal, as shown in the Document Register List.</p>
4.3.2	<p>A TNSP’s revenue proposal must be accompanied by a directors’ responsibility statement as required under s. 2.10 of these guidelines.</p>	<p>The directors’ responsibility statement is provided as Appendix 1B to the Revenue Proposal.</p>

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.3(a)(1), (NER:6A.6.7(a))	<p>In accordance with clause 6A.10.2(b)(4) and clause S6A.1.1 of the NER, a TNSP's revenue proposal must contain at least the following information and matters relating to capital expenditure:</p> <p>Forecasts of the capital expenditure for each year of the relevant regulatory control period which comply with clause 6A.6.7(a) of the NER [the capex objectives] and which identify the forecast capital expenditure by reference to well accepted categories such as:</p> <p>A. asset class (e.g. transmission lines, substations etc), or</p> <p>B. category driver (e.g. regulatory obligation, replacement, reliability, net market benefit, business support etc.)</p> <p>and which identify, in respect of proposed material assets:</p> <p>C. the location of the proposed asset</p> <p>D. the anticipated or known cost of the proposed asset</p> <p>E. the categories of transmission services which are to be provided by the proposed asset.</p>	<p>Section 4.5 presents a forecast of the annual capital expenditure which SP AusNet considers is required in order to achieve the capital expenditure objectives set out in clause 6A.6.7(a) of the NER. Forecasts are presented in the following categories: CBD Rebuilds, Major Stations Replacement, Asset Replacement, Safety and Compliance, Non System.</p> <p>The detailed information on the asset classes, expenditure drivers and other information required by clause S6A.1.1(1) of the NER is provided in the following sections:</p> <ul style="list-style-type: none"> • Section 4.6, in relation to the Station Rebuilding and Refurbishment Program; • Section 4.7, in relation to Asset Replacement Programs; • Section 4.8, in relation to Safety, Security and Compliance capex; and • Section 4.9, in relation to Non-system Capital Expenditure. <p>It should be noted that the asset specific information required in relation to proposed material assets is provided where it is meaningful to do so. For example, station rebuilding and refurbishment identifies the location of the assets, whereas the safety and security and compliance capex does not. A description of the categories of transmission services to be provided by each proposed capital expenditure category is set out in section 4.5.</p>
4.3.3(a)(2), (NER:S6A.1.1)	The methodology used for developing the capital expenditure forecasts.	Section 4.3 describes SP AusNet's capital expenditure forecasting methodology.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.3(a)(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.	As explained in section 1.1 and chapter 2 of the revenue proposal, SP AusNet is not responsible for making transmission augmentation investment decisions, so the costs and revenues associated with any transmission augmentations over the forthcoming period are excluded from the revenue cap. However, as explained in section 4.4.1, SP AusNet uses AEMO's published terminal station demand forecasts in sensitivity analysis to test the robustness of project economic evaluations. AEMO's terminal station demand forecasts are provided in Appendix 4B to this Revenue Proposal.
4.3.3(a)(4)	The key assumptions that underlie the capital expenditure forecasts.	Section 4.4 sets out assumptions and inputs.
4.3.3(a)(5)	A certification of the reasonableness of the key assumptions by the directors of the TNSP as part of the directors' responsibility statement required under s. 4.3.2 of these guidelines.	A certification of the reasonableness of the key assumptions by the directors is included as part of the directors' responsibility statement, which is provided as Appendix 1B to the Revenue Proposal.
4.3.3(a)(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.	The required information is presented in section 3.3 of the revenue proposal.
4.3.3(a)(7)	An explanation of any significant variations in the forecast capital expenditure from historical capital expenditure.	Section 4.1.2 explains the significant variations in the forecast capital expenditure from historical capital expenditure.
4.3.3(b)	<p>A TNSP's revenue proposal must:</p> <p>(1) include in the forecast of capital expenditure referred to in subsection (a) an amount of any unspent capital expenditure for a contingent project of the kind described in clause 6A.6.7(e) of the NER</p> <p>(2) not include in the forecast of capital expenditure referred to in subsection (a) an amount of any capital expenditure for a contingent project of the kind described in clause 6A.6.7(h) of the NER.</p>	Section 4.1.2, footnote 10 explains that the AER's January 2008 Revenue Determination for SP AusNet did not identify any contingent projects for the current regulatory period. Therefore, the capital expenditure forecasts presented in this Revenue Proposal do not include any unspent capital expenditure for a contingent project. SP AusNet also confirms that the capital expenditure forecasts do not include any amounts relating to the contingent projects described in section 4.6.9 of the revenue proposal.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.3(c)	<p>A TNSP's revenue proposal must contain an explanation of why it considers that its forecast of capital expenditure is required to:</p> <ol style="list-style-type: none"> (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. 	<p>Explanatory information is provided throughout chapter 4 of the revenue proposal, as follows:</p> <ul style="list-style-type: none"> • Section 4.2.2 identifies the applicable Laws, Codes & Standards, and notes that compliance with these instruments is a significant capex driver. • Section 4.3 describes the forecasting methodology, including project selection and economic evaluation methodologies, noting that these aim to ensure the identification of efficient capital expenditure plans. Reference is also made to SP AusNet's Asset Management Strategy. • Section 4.4 sets out key assumptions and inputs, which are consistent with the identification of efficient capex forecasts that meet the capex objectives. • Section 4.5 provides high-level information on the drivers of the capex forecasts, which explains why SP AusNet considers that its capex forecast is required to meet the capex objectives. • Sections 4.6 to 4.9 inclusive provide more detailed explanatory information on each of the major expenditure categories. • Section 4.10 summarises the expected benefits of the capital program.
4.3.3(d)	<p>The TNSP must complete all relevant fields where possible of the capital expenditure pro forma statements in appendix A, as follows:</p> <ul style="list-style-type: none"> • Pro forma 3.1 to 3.4 inclusive, in relation to historic capex; • Pro forma 4.1 to 4.4 inclusive, in relation to forecast capex. 	<p>The pro forma statements are provided as a supporting document to this Revenue Proposal, as shown in the Document Register List.</p>

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.4(a)(1)	<p>Forecasts of the operating expenditure for each year of the relevant regulatory control period which comply with clause 6A.6.6(a) of the NER [the opex objectives] and which identify the forecast operating expenditure by reference to well accepted categories such as:</p> <p>A. particular programs, or</p> <p>B. types of operating expenditure (e.g. maintenance, payroll, materials etc.) and which identify in respect of each such category:</p> <p>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</p> <p>D. the categories of transmission services to which that forecast expenditure relates.</p>	<p>Section 5.1.2 explains that SP AusNet's forecast of total opex is built up from forecasts of its controllable and non-controllable opex. Table 5.22 in section 5.13 also shows total forecast operating expenditure across the period, including for each category of non-controllable opex.</p> <p>Section 5.3.1, footnote 18 explains that the method by which SP AusNet's operating costs are recorded and forecast does not categorise information in terms of fixed and variable costs. SP AusNet notes that its forecasts are consistent with the categories of cost recorded in the annual Regulatory Accounts, which the AER has approved each year.</p> <p>Section 5.5 provides a break-down of base year opex into the following categories: management fee, taxes and leases, other corporate, IT, HR, finance, H&S, system operation, support SR, maintenance.</p> <p>Annual forecasts of other (non-controllable) opex - which comprises self-insurance, debt and equity raising costs, Availability Incentive Scheme (AIS) rebates, EBSS carry-over amounts and easement land tax - are detailed in section 5.12.</p> <p>Section 5.13 presents the annual forecast of total opex in the following categories: Controllable Opex, Self-insurance, Debt raising costs, Equity raising costs, Easement land tax, AIS rebates, EBSS payments.</p> <p>Section 5.1.1 notes that the opex forecasts relate to prescribed transmission services. Section 5.1.2 explains that it is not feasible to ascribe operating expenditure categories to particular categories of transmission service.</p>
4.3.4(a)(2)	The methodology used for developing the operating expenditure forecasts.	Section 5.3 sets out the operating expenditure forecasting methodology.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.4(a)(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.	Information on key variables used in the opex forecast is provided in section 5.4.
4.3.4(a)(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.	<p>Section 5.4.9 states that the opex forecast does not include the costs of activities that are specifically designed to improve the performance of the transmission system for the purpose of the STPIS that will apply in the forthcoming period.</p> <p>The forecasting methodology for maintenance is explained in section 5.3, noting that routine asset maintenance is treated as a recurrent cost. Non-recurrent maintenance activities are included in asset works, as explained in section 5.11.</p>
4.3.4(a)(5)	The key assumptions that underlie the operating expenditure forecasts.	Information on the key assumptions underlying the opex forecast is provided in section 5.4.
4.3.4(a)(6)	A certification of the reasonableness of the key assumptions by the directors of the TNSP as part of the directors' responsibility statement required under s. 4.3.2 of these guidelines.	A certification of the reasonableness of the key assumptions by the directors is included as part of the directors' responsibility statement, which is provided as Appendix 1B to the Revenue Proposal.
4.3.4(a)(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.	A detailed discussion of actual and expected opex in the current regulatory control period, including controllable opex (Table 3.5), and non-controllable opex (Table 3.6), is provided in sections 3.4.1 to 3.4.4.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.4(a)(8)	An explanation of any significant variations in the forecast operating expenditure from historical operating expenditure.	<p>Section 5.6 notes that principal differences between historic and forecast opex arise from the following factors:</p> <ul style="list-style-type: none"> • labour cost increases, as explained in section 5.4.2; • insurance premium costs, as explained in section 5.7.1; • the roll in of Group 3 assets, as explained in section 5.4.6; and • step changes, as explained in section 5.10.
4.3.4(b)	<p>A TNSP's revenue proposal must contain a justification for its forecast of operating expenditure on the basis that it is required to:</p> <ol style="list-style-type: none"> (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. 	<p>Explanatory information is provided throughout chapter 5 of the revenue proposal, which is focused on this requirement. The information includes the following:</p> <ul style="list-style-type: none"> • Section 5.2.2 identifies the applicable Laws, Codes and Standards, and notes that compliance with these is a significant opex driver. • Section 5.5 sets out information to demonstrate that SP AusNet's base year opex is efficient. • Section 5.9 explains that the substitution possibilities between capex and opex have been taken into account in SP AusNet's forecasts. • Section 5.10 provides information demonstrating that SP AusNet's forecasts of opex step changes reflect efficient costs required to meet the opex objectives. • Section 5.11 provides information on the zero-based forecast of asset works expenditures, which are justified in terms of, inter alia, managing operational risk to maintain reliability, safety and security of supply of services. • Section 5.13 provides information to substantiate Other (Non-controllable) Costs.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.4(c)	(1) The AER will require that a business provide an explanation for the profile of expenditure sufficient to demonstrate that the operating expenditure incurred in the regulatory period is related to operational needs as they arose and does not entail instances of cost-shifting.	Section 3.4 provides an explanation of the profile of operating expenditure in the current period. Section 5.1 provides a high level explanation of the profile of forecast operating expenditure for the forthcoming regulatory period.
	(2) A TNSP must provide a detailed description of any changes in capitalisation policies that have arisen in the current regulatory control period, or that are proposed to apply in the next regulatory control period. This description must be accompanied by a calculation of the impact of those changes in capitalisation policy.	Sections 4.1.2, footnote 9, and 5.1.2, footnote 19, state that SP AusNet's forecasts of capex and opex are consistent with its capitalisation policy, which has not changed in the current regulatory control period.
	(3) The operating expenditure forecast must include any necessary adjustments for changes in responsibilities that result from compliance with a new or amended law or licence, or other statutory or regulatory requirement.	Compliance obligations are described in section 5.2.2, and changed compliance obligations are set out in sections 5.10.3 and 5.11.4. Section 5.10.5 includes compliance-driven opex in relation to new ICT systems.
	(4) A TNSP must include in its revenue proposal its proposed basis for accounting for growth in demand in the next regulatory control period. This must be accompanied by evidence that the proposed adjustment mechanism accurately reflects the impact of changes in expected growth in demand from a baseline forecast (positive and negative) on operating expenditure.	Section 1.1 states that the revenue proposal does not consider future transmission system augmentations, so the expected costs and revenues associated with any future augmentations (i.e. demand growth) are excluded from SP AusNet's proposed revenue cap.
4.3.4(d)	<p>The TNSP must complete all relevant fields where possible of the capital expenditure pro forma statements in appendix A, as follows:</p> <ul style="list-style-type: none"> • Pro forma 1.1 to 1.7 inclusive, in relation to historic opex; • Pro forma 2.1 to 2.6 inclusive, in relation to forecast opex. 	The pro forma statements are provided as a supporting document to the Revenue Proposal, as shown in the Document Register List.
4.3.5	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.	Section 5.9 provides information on the trade-off and interaction between operating and capital expenditure.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.6(a)(1)	A TNSP's revenue proposal must contain 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 during the relevant regulatory control period.	<p>The required information is set out in:</p> <ul style="list-style-type: none"> • Section 6.2 in relation to service component parameters; • Section 6.3 in relation to the market impact component; and • Section 6.4 in relation to the Network Capability Component. <p>Further supporting information is provided in Appendices 6A and 6B to the Revenue Proposal.</p>
4.3.6(a)(2)	A TNSP's revenue proposal must contain 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.	<p>As noted above, the required information is set out in:</p> <ul style="list-style-type: none"> • Section 6.2 in relation to service component parameters; • Section 6.3 in relation to the market impact component; • Section 6.4 in relation to the Network Capability Component. <p>Further supporting information is provided in Appendices 6A and 6B to the Revenue Proposal.</p>
4.3.6(b)	A TNSP must complete and submit the pro forma statement relating to the STPIS to the AER as part of its revenue proposal.	The pro forma statements are provided as a supporting document to the Revenue Proposal, as shown in the Document Register List.
4.3.7(a)	<p>A revenue proposal must contain:</p> <p>(1) the values that the TNSP proposes are to be attributed to the efficiency benefit sharing scheme parameters</p> <p>(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.</p>	Section 10.4 of the revenue proposal states that SP AusNet will be subject to the AER's final Efficiency Benefit Sharing Scheme (September 2007).
4.3.7(b)	A TNSP must complete and submit the pro forma statement relating to the EBSS parameters to the AER as part of its revenue proposal.	The pro forma statements are provided as a supporting document to the Revenue Proposal, as shown in the Document Register List.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.8(a)-(e)	Under clause S6A.1.3(4) of schedule 6A.1 of the NER, a revenue proposal must contain: (a) the TNSP's calculation of the estimated total revenue cap for the relevant regulatory control period	The proposed revenue cap is set out in section 12.8.
	(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 NER, together with:	The calculation of the maximum allowed revenue is set out in sections 12.7 and 12.8.
	(c) details of all amounts, values and other inputs used to generate the calculations	Chapter 12 provides a summary of the amounts, values and other inputs used to generate the MAR and revenue cap calculations. It also explains that the preceding chapters of the revenue proposal provide information that explains and substantiates the various building block components. The PTRM completed by SP AusNet and provided as part of the revenue proposal shows all the 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 NER	The required information is presented throughout the following chapters: <ul style="list-style-type: none"> • Chapter 4 (Capital Expenditure) • Chapter 5 (Operating Expenditure) • Chapter 7 (Regulatory Asset Base) • Chapter 8 (Depreciation) • Chapter 9 (Cost of Capital and Taxation) • Chapter 10 (Efficiency Benefit Sharing Scheme) • Chapter 12 (Maximum Allowed Revenue)
	(e) an explanation of the calculation of the amounts referred to in subsections (a) and (b), together with an explanation of the amounts, values and inputs referred to in subsection (c).	As above.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.9(a)-(c)	<p>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, together with:</p> <ul style="list-style-type: none"> (a) details of all amounts, values and other inputs used by the TNSP (b) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of part C of chapter 6A of the NER (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 subsection (a). 	<p>Section 7.2 provides information to demonstrate that the roll forward of the 2008 RAB to 1 April 2014 (the start of the forthcoming regulatory period) accords with the relevant requirements of Part C of chapter 6A of the NER.</p> <p>Section 7.3 provides a summary of the amounts, values and inputs used by SP AusNet to derive its forecast RAB value for each year of the forthcoming regulatory control period.</p> <p>The RFM and PTRM provide details of the amounts, values and other inputs used, and are provided as supporting documents to the Revenue Proposal.</p>
4.3.10	<p>Under clause S6A.1.3(6) of schedule 6A.1 of the NER, 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 according to clause 6A.6.2(c)(2) of the NER.</p>	<p>Section 9.6 provides this information.</p>
4.3.11(a)	<p>Under clause S6A.1.3(7) of schedule 6A.1 of the NER, a revenue proposal must contain:</p> <ul style="list-style-type: none"> (1) the depreciation schedules nominated by the TNSP for the purposes of clause 6A.6.3 of the NER. The depreciation schedules must categorise the relevant assets by reference to well accepted categories such as: <ul style="list-style-type: none"> 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 (3) a demonstration that the depreciation schedules conform with the requirements set out in clause 6A.6.3(b) of the NER. 	<p>Section 8.2 sets out the information required. The PTRM sets out the values, inputs and calculations used to calculate depreciation, and is provided as a supporting document to the Revenue Proposal.</p>
4.3.11(b)	<p>The AER has developed the pro forma statement 7.2 at appendix A to assist TNSPs to provide to the AER the required information relating to its depreciation schedules. A TNSP may prepare and submit this pro forma statement to the AER as part of its revenue proposal.</p>	<p>The pro forma statements are provided as a supporting document to the Revenue Proposal, as shown in the Document Register List.</p>

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.12	Under clause S6A.1.3(8) of schedule 6A.1 of the NER, 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 NER, together with a demonstration that those X factors comply with the requirements set out in clause 6A.6.8(b) of the NER.	The required information is set out in section 12.8.
4.3.13	Under clause S6A.1.3(9) of schedule 6A.1 of the NER, a revenue proposal must contain the commencement and length of the regulatory control period proposed by the TNSP.	Section 1.1 specifies the commencement date and length of the regulatory control period.
4.3.14	<p>Under clause S6A.1.3(10) of schedule 6A.1 of the NER, 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:</p> <ul style="list-style-type: none"> (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 to meet one or more of the objectives referred to in clause 6A.8.1(b)(1) of the NER (e) information that demonstrates that the proposed contingent capital expenditure for the proposed contingent project complies with requirements set out in clause 6A.8.1(b)(2) of the NER (f) the proposed trigger events relating 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 NER. 	Section 4.6.9 addresses these requirements. More detailed descriptions of the forecast contingent projects and explanations of how they meet the requirements of the Rules are provided in Appendix 4G.
4.3.15(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 NER, together with a demonstration that this calculation complies with the requirements set out in clause 6A.6.2(b) of the NER.	Chapter 9 presents the required information.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.15(b)	A TNSP must prepare and submit the pro forma statement on the WACC to the AER as part of its revenue proposal.	The pro forma statements are provided as a supporting document to the Revenue Proposal, as shown in the Document Register List.
4.3.16	<p>(a) A TNSP's revenue proposal must contain:</p> <p>(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</p> <p>(2) the assumptions on which the demand forecasts have been based, and full and detailed explanations of the basis of their preparation.</p> <p>(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 AEMO.</p>	<p>As explained in section 1.1 and chapter 2 of the revenue proposal, SP AusNet is not responsible for making transmission augmentation investment decisions, so the costs and revenues associated with any transmission augmentations over the forthcoming period are excluded from the revenue cap.</p> <p>As explained in section 4.4.1, SP AusNet uses AEMO's published terminal station demand forecasts in sensitivity analysis to test the robustness of project economic evaluations. AEMO's terminal station demand forecasts are provided in Appendix 4B to this Revenue Proposal.</p>
4.3.17	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 NER, together with a demonstration that the calculation complies with the requirements of that clause.	Section 9.10 provides information addressing these requirements. Further details regarding the calculation is provided in the PTRM, which is included as part of the Revenue Proposal.
4.3.18	A TNSP must prepare its revenue proposal using a post-tax revenue model according to the requirements of chapter 6A of the NER. 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.	As already noted, the PTRM is provided as part of the Revenue Proposal, as shown in the Document Register List.

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.19	<p>A TNSP's revenue proposal must be accompanied by:</p> <ul style="list-style-type: none"> (1) a completed roll forward model (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 NER, together with: <ul style="list-style-type: none"> 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 NER 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. 	<p>As already noted, the completed RFM is provided as part of the revenue proposal, as shown in the Document Register List.</p> <p>Chapter 7 provides high-level information that addresses the requirements of Guideline sections 4.3.19(2)(A), (B) and (C).</p>
4.3.20(a)	<p>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 NER.</p>	<p>No such request has been received.</p>

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.21	<p>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:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> 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 credible self insurance for those events C. self-insurance details setting out the specific risks 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. 	<p>Section 5.12.1 sets out information in relation to SP AusNet's proposed treatment of self-insured risks, and an explanation of calculations, values and inputs. Section 5.12.1 cross refers to a supporting actuarial report prepared by AON. The Board's resolution to self-insure is provided as Appendix 5B to the Revenue Proposal.</p>
4.3.22	<p>A TNSP's revenue proposal must contain:</p> <ul style="list-style-type: none"> (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 	<p>Section 1.1 identifies the prescribed transmission services to which the revenue proposal relates, and section 2.2.2 clarifies that the costs and revenues of future augmentations are excluded from the proposed revenue cap.</p> <p>Chapter 6 (Service Performance Incentive Schemes) provides information on the quality, reliability and security of supply of prescribed transmission services provided by SP AusNet.</p>

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
	(c) the reliability, safety and security of the transmission system provided by the TNSP in the supply of prescribed transmission services.	<p>Chapter 6 (Service Performance Incentive Schemes) provides information on the reliability, safety and security of the transmission system provided by SP AusNet in the supply of prescribed transmission services.</p> <p>Section 2.5.2 notes SP AusNet's safety obligations under the Occupational Health and Safety Act (2004) and Electricity Safety Act (1998).</p> <p>Section 2.8.1.1 notes the importance of the electricity safety management scheme (ESMS) for transmission, which was accepted by Energy Safe Victoria on 29 March 2011.</p>
4.3.23	<p>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 also indicate the location of new major network assets proposed to be constructed over the regulatory control period and should identify:</p> <p>(a) the different ratings of the transmission lines</p> <p>(b) other major network assets.</p>	<p>Section 2.6 provides maps showing the locations and voltages of existing major assets. Section 4.6 describes the major projects that comprise the Station Rebuilding and Refurbishment Program. A description of the locations of the projects is also provided in section 4.6.</p>

Guideline section	Summary of requirements	How section was addressed in Revenue Proposal
4.3.24	<p>A TNSP's revenue proposal must contain the following:</p> <p>(a) details of the following information relating to any material related party transactions whose costs are attributed to, or allocated between, categories of transmission services provided by the TNSP:</p> <ul style="list-style-type: none"> 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 the procurement process was a competitive process. <p>(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.</p>	Section 2.9 and Appendix 2B of the revenue proposal address these requirements.

The following checklist provides an explanation of how SP AusNet has addressed each of the requirements listed in the “Negotiating Framework” sheet of the Excel spreadsheet that forms Appendix D of the AER Submission Guidelines.

Guideline section	Summary of requirements	Appendix D: How section was addressed in Revenue Proposal
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.	Section 8 of the Negotiating Framework states that the commercial information provided by SP AusNet will include a description of the nature of the negotiated transmission service, including details of what SP AusNet would provide as part of that service and the terms and conditions on which that service will be provided.
5.2(c)	Consistent with clause 6A.9.5(c)(1) of the NER, 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.	Section 4 of the Negotiating Framework requires each party to negotiate in good faith the terms and conditions of access for the provision of the negotiated transmission service sought by the Service Applicant.
5.2(d)	Consistent with clause 6A.9.5(c)(2) of the NER, 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.	Section 8 of the Negotiating Framework requires each Negotiating Party to provide to the other Negotiating Parties all such commercial information it may reasonably require to enable that other Negotiating Party to engage in effective negotiation for the provision of the relevant negotiated transmission service.
5.2(e)	<p>Consistent with clause 6A.9.5(c)(3) of the NER, a TNSP’s negotiating framework must specify a requirement for the TNSP to:</p> <p>(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</p> <p>(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).</p>	<p>In relation to SP AusNet, section 8 of the Negotiating Framework requires SP AusNet to:</p> <ul style="list-style-type: none"> • identify and inform the Service Applicant of the reasonable costs, and/or the increase or decrease in costs (as appropriate), of providing a negotiated transmission service that is a connection service; • demonstrate to the Service Applicant, upon request, that the charges for providing the relevant negotiated transmission service reflect those costs, and/or cost increment or decrement (as appropriate).

Guideline section	Summary of requirements	Appendix D: How section was addressed in Revenue Proposal
5.2(f)	Consistent with clause 6A.9.1(1) of the NER, 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 according to the TNSP's approved cost allocation methodology.	Section 7 of the Negotiating Framework states: "Charges for negotiated transmission services must be in accordance with the principles set out in clause 6A.9.1 of the Rules. Accordingly, an offer to connect will include charges which are 'based on the costs incurred in providing that service, determined in accordance with the principles and policies set out in the Cost Allocation Methodology' (as per clause 6A.9.1(1)), and taking into account all other applicable Negotiated Transmission Service Principles."
5.2(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.	Section 8 of the Negotiating Framework states that the commercial information provided by SP AusNet will include a description of the nature of the negotiated transmission service, including details of what SP AusNet would provide as part of that service and the terms and conditions on which that service will be provided.
5.2(h)	Consistent with clause 6A.9.5(c)(4) of the NER, 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.	This requirement is satisfied by the provisions set out in section 8 of the Negotiating Framework (see above).
5.2(i)	Consistent with clause 6A.9.5(c)(5) of the NER, 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	Section 5 of the Negotiating Framework provides that: <ul style="list-style-type: none"> • Applications for negotiated transmission services must be commenced, progressed and finalised in accordance with the timeframes and requirements set out in Chapter 5 of the Rules, unless otherwise agreed between the Negotiating Parties. In addition, SP AusNet will make an offer to connect within any time period specified in its transmission licence. As at the date of this negotiating framework, that period is 65 Business Days after receiving all information SP AusNet reasonably requires to make the connection offer. • SP AusNet will give the Service Applicant a preliminary program in response to the connection enquiry as required by clause 5.3.3(b)(6) of the Rules, which will include reasonable milestones for provision of an offer to connect and for execution of a connection agreement.

Guideline section	Summary of requirements	Appendix D: How section was addressed in Revenue Proposal
	(2) each party to the negotiation to use its reasonable endeavours to adhere to those time periods during the negotiation.	Section 5 of the Negotiating Framework provides that the Negotiating Parties must use reasonable endeavours to adhere to the time periods referred to in that section, subject to section 12 (which provides for suspension of time periods).
5.2(j)	Consistent with clause 6A.9.5(c)(6) of the NER, a TNSP's negotiating framework must specify a requirement for the TNSP to provide a process for dispute resolution that provides that all disputes about the price at which negotiated transmission services are to be provided are to be dealt with according to schedule 6A.3 of the NER.	Section 10 of the Negotiating Framework states that all disputes as to the terms and conditions of access for the provision of a negotiated transmission service are to be dealt with in accordance with Part K of Chapter 6A of the Rules.
5.2(k)	Consistent with clause 6A.9.5(c)(7) of the NER, 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.	<p>Section 6 of the Negotiating Framework states that prior to commencing negotiations, the Service Applicant must pay an application fee to AEMO and/or SP AusNet (as applicable), such amounts not being more than necessary to:</p> <ul style="list-style-type: none"> • cover the reasonable costs of AEMO and/or SP AusNet (as applicable) anticipated to arise from investigating the application to connect and preparing the associated offer to connect; and • meet the reasonable costs anticipated to be incurred by other Network Service Providers, to the extent that their participation in the assessment of the application to connect will be required.