

16 July 2013

Warwick Anderson
General Manager – Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email SPAusNetTransmission.2014@aer.gov.au

Dear Warwick,

Identified Additional Costs – SP AusNet Electricity Transmission Revenue Proposal 2014/15 – 2016/17

Developments since the submission of the Electricity Transmission Revenue Proposal in February 2013 have brought to light additional costs which properly form part of SP AusNet's forecast capex and opex under the National Electricity Rules.

SP AusNet has discussed this matter with AER staff, and provides this letter to inform the AER officially of the additional costs before it makes its Draft Determination, thereby enabling the costs to be assessed and consulted on in the TRR determination process.

The additional costs SP AusNet seeks to include in its forecast expenditure for the 2014/15 – 2016/17 regulatory control period are:

- opex related to the restructure of the Victorian Fire Services Levy (FSL) and the shifting of these into land rates (an approximate \$2.3M step change commencing in 2013/14); and
- capex related to moving distributor-owned assets at Richmond Terminal Station (approximately \$7.6M) and West Melbourne Terminal Station (approximately \$15.2M) which is required to deliver the rebuilds of these terminal stations.

At this stage, the additional costs are high level estimates. SP AusNet will submit updated forecast models that incorporate the additional forecast expenditure to the AER at the start of August, along with further material explaining the costs and demonstrating that the expenditure reasonably reflects the operating expenditure criteria and the capital expenditure criteria (as appropriate). Our Revised Proposal will include more accurate cost forecasts (for example the FSL step change will be costed based on the rates notices we receive in August, which will include the actual increase due to the FSL for 2013-14). The material provided in August will, however, be sufficient to enable the AER to assess the forecast expenditure in the Draft Determination, and for stakeholders and SP AusNet to respond in their submissions and the Revised Proposal respectively.

SP AusNet understands the importance of the consultation requirements under the National Electricity Rules. To facilitate transparency and provide an opportunity for stakeholder consultation, SP AusNet is happy for this letter to be published on the AER website to provide notice of this variation to stakeholders.

Should the AER require further information in relation to this issue, SP AusNet is happy to assist. If you have any questions regarding the information disclosed, please do not hesitate to contact our TRR Lead, Anh Mai on 03 9695 6627.

Yours sincerely,



John Howarth
Manager, Regulation and Network Strategy

cc. Pradeep Fernando, A/Director Network Regulation