

28/06/2017

Mr Warwick Anderson
General Manager, Networks (Finance and Reporting)
Australian Energy Regulator
GPO Box 3131
Canberra, ACT 2601

Dear Warwick

Submission to AER's Review of Expected Inflation 2017

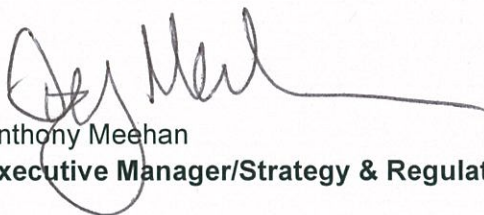
TransGrid welcomes the opportunity to make this submission in response to AER's discussion paper on review of expected inflation.

TransGrid believes that the current approach of using the inflation forecast based on the Monetary Policy from the Reserve Bank of Australia to forecast inflation should continue to be applied going forward. TransGrid notes that it currently bears a mis-match between forecast and actual inflation that is resulting in TransGrid receiving significantly reduced revenue than what would have been allowed if there had not been a mis-match in the current regulatory period. TransGrid is of the view that over the long run this mis-match will equalise out and on this basis TransGrid submits that the current approach should not be amended.

Should the AER determine a change in method is warranted at this time rather than affording businesses an opportunity to recover this lost revenue in future periods, then TransGrid believes businesses impacted by this change in approach would require compensation. It would be inconsistent with sound regulatory principles to amend a methodology with the effect of removing a potentially offsetting favourable outcome while not compensating shareholders for past losses arising from the previous application of the methodology.

Please contact Nicola Tully on 02 9284 3120 or Nicola.Tully@TransGrid.com.au should you wish to discuss this further.

Yours sincerely



Anthony Meehan
Executive Manager/Strategy & Regulation