

Thursday, 30 March 2023

Ms Kami Kaur
Acting General Manager, REZ Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Email: kami.kaur@aer.gov.au

Dear Ms Kaur

Waratah Super Battery (WSB) 2023 Adjustment Proposal – Foreign exchange rate

We are writing to advise the Australian Energy Regulator (AER) that a 'change in foreign exchange rate' event for the WSB contestable System Integrity Protection Scheme (SIPS) services occurred on [REDACTED]. We are therefore submitting this 2023 Adjustment Proposal for WSB SIPS services.

The AER's Revenue Determination for WSB SIPS services

On 17 October 2022, we submitted to the AER our revenue proposal for WSB SIPS services under the NSW regulatory framework comprising the Electricity Infrastructure Investment Act 2020 (EII Act), the EII Regulations and AER Revenue Determination Guideline for NSW Contestable Network Projects (Guideline).¹ Our revenue proposal sought approval for the schedule of payments for the SIPS services provided by Akaysha Energy for a period of up to 5.5 years (SIPS services Revenue Proposal). These payments reflect the contractual arrangements between Akaysha Energy and Transgrid, which was the outcome of the competitive assessment process.

On 14 December 2022, the AER published its Revenue Determination for SIPS services² (Final Decision). The AER's Final Decision:

- approved the proposed schedule of payments that we make to Akaysha Energy for the provision of SIPS services, and
- includes an adjustment event to update the approved schedule of payments when a 'change in foreign exchange rate' adjustment event is triggered.

¹ AER, [Revenue Determination Guideline for NSW contestable network projects](#), August 2022

² AER, [WSB System Integrity Protection Scheme Service Revenue Determination](#), December 2022

The adjustment mechanism provides that should the AER be satisfied that the triggers have occurred then as part of its review of an Annual Adjustment Proposal, it will develop a revised schedule of payments that will be used by the Scheme Financial Vehicle (SFV) to pay us so that we can in turn pay Akaysha Energy.

Change in foreign exchange rate adjustment event

The ‘change in foreign exchange rate’ event is defined as:

Payment amounts will be adjusted to reflect any difference between the AUD/USD exchange rate at the date of Contract Close and the forecast exchange rate included in the contractual arrangements.

We consider that the ‘change in foreign exchange rate’ event has been triggered [REDACTED]. This requires the AER to assess the event and publish a revised schedule of payments based on the actual exchange rate and does not require the revenue determination to be remade.³

We note that this adjustment event reflects an equivalent adjustment provision in the contractual SIPS service agreement with Akaysha Energy (contractual arrangements).

Our 2023 Adjustment Proposal

Under the AER’s Guideline and its Final Decision for SIPS services, we must lodge our 2023 Adjustment Proposal by 30 March 2023.⁴

This letter and Attachments A to G comprise our 2023 Adjustment Proposal, which has been prepared in accordance with the requirements of:

- the EII Act and Regulations
- the AER’s Guideline,
- the AER’s Final Decision for SIPS services, and
- contractual arrangements between Akaysha Energy and Transgrid, in relation to the adjustment event.

The key aspects of our 2023 Adjustment Proposal are:

- the actual AUD/USD foreign exchange (actual exchange rate) rate of [REDACTED], provided by Akaysha Energy and verified by EnergyCo, and
- an updated REZ Service Payment (RSP) schedule, which reflects the actual exchange rate.

The Attachments comprising our 2023 Adjustment Proposal are detailed in Table 1:

Table 1: Attachments comprising our 2023 Adjustment Proposal

Attachment	Name	Content / purpose
A	Compliance with AER’s Adjustment Proposal requirements - PUBLIC	This demonstrates how we have complied with the requirements of the AER’s Guideline and Final SIPS Services Decision.

³ AER, [WSB System Integrity Protection Scheme Service Revenue Determination](#) (Final Decision for SIPS services), December 2022, p. 29

⁴ This is no later than 63 business days before the start of the next regulatory year commencing 1 July 2024

Attachment	Name	Content / purpose
B	Compliance with the change in foreign exchange rate adjustment mechanism - CONFIDENTIAL	This demonstrates how we have complied with the requirements of the SIPS Service Agreement and AER's Final Decision.
C	Confidentiality claims - PUBLIC	This details the matters for which we are claiming confidentiality.
D	Statutory declaration - PUBLIC	A statutory declaration made by our Chief Executive Officer attesting that the information provided in our 2023 Annual Adjustment Proposal is consistent with the AER's Final Decision and the contractual arrangements.
E	Transgrid's WSB Battery Information Notice Workbook - CONFIDENTIAL (Note – this confidential workbook is an update of the final template provided as part of Transgrid's revenue proposal)	This workbook has been updated to reflect the REZ Service Payment (RSP) schedule based on the actual AUD/USD foreign exchange rate of [REDACTED]. Based on advice from the AER, we have applied the AER's nominated inflation forecasts, determined in October 2022, to convert the total RSP nominal value to real June 2023 dollars. ⁶ We have not made any other changes or modified the underlying formulas in this Attachment.
F	WSB Battery Financial Model - CONFIDENTIAL (Note – this model is an update of the final model provided as part of Transgrid's revenue proposal)	This model has been updated to reflect the actual AUD/USD foreign exchange rate of [REDACTED]. We have not made any other changes or modified the underlying formulas in this Attachment.
G1 and G2	Actual foreign exchange rate - CONFIDENTIAL	This provides evidence from Akaysha Energy of the actual AUD/USD foreign exchange rate at contract close and EnergyCo's endorsement.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁶ We have used the cumulative inflation index in Attachment E (see row 11 of sheet "3. Schedule of payments") to derive the real \$June 2023 dollar value of the total RSP (nominal). We discussed with the AER whether we should update this for the latest inflation forecasts, however the AER advised that we should continue to use the nominated inflation forecasts from October 2022.

[Redacted]

Please feel free to contact me on [Redacted] if you would like to discuss any aspect of our 2023 Adjustment Proposal for WSB SIPS services.

Yours sincerely

Stephanie McDougall

Stephanie McDougall
General Manager of Regulation