

# National Electricity Rules (NER) Compliance Checklist

2023-28 Transgrid Revenue Proposal

31 January 2022



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## National Electricity Rules Compliance Checklist

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This document details how Transgrid's 2023-28 Revenue Proposal complies with Version 173 of the National Electricity Rules (NER), 10 October 2021.

## NER Chapter 6A Compliance Checklist

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
<b>6A.4</b>	<b>Revenue determinations</b>	
<b>6A.4.1</b>	<b>Introduction</b>	
	(a) The procedure and approach for the making of a revenue determination for a Transmission Network Service Provider is contained in Part E of this Chapter 6A, and involves the submission to the AER of a Revenue Proposal by the Transmission Network Service Provider.	We submitted our 2023-28 Revenue Proposal to the Australian Energy Regulator (AER) on 31 January 2022.
	(b) Such a <i>Revenue Proposal</i> must comply with the requirements of this Chapter 6A, and in particular must: <ol style="list-style-type: none"> <li>(1) be prepared using the <i>post-tax revenue model</i> referred to in rule 6A.5;</li> <li>(2) comply with the requirements of, and contain or be accompanied by the information required by, any relevant <i>regulatory information instrument</i>; and</li> <li>(3) contain the information and matters specified in Schedule 6A.1.</li> </ol>	Our Revenue Proposal has been prepared using AER’s post-tax revenue model (PTRM) version 5 (completed PTRM). A separate checklist is provided to demonstrate compliance with AER’s Regulatory Information Notice (RIN). The requirements of schedule 6A.1 are addressed later in this checklist.
<b>6A.5</b>	<b>Post-tax revenue model</b>	
<b>6A5.1</b>	<b>Introduction</b>	
	(a) The process of preparing a revenue determination for a Transmission Network Service Provider involves the submission of a Revenue Proposal to the AER by the provider under clause 6A.10.1. The provider is required to prepare the Revenue Proposal using a post-tax revenue model in relation to that proposal, in accordance with the requirements of this Chapter 6A.	See our completed PTRM.
<b>6A.5.3</b>	<b>Contents of post-tax revenue model</b>	

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p>(a) The <i>post-tax revenue model</i> must set out the manner in which the following matters, referable only to the provision of <i>prescribed transmission services</i>, are to be calculated in respect of a <i>Transmission Network Service Provider</i> for a <i>regulatory control period</i>:</p> <ol style="list-style-type: none"> <li>(1) the <i>total revenue cap</i> for the provider for the period;</li> <li>(1) the <i>maximum allowed revenue</i> for the provider for each <i>regulatory year</i> of the period; and</li> <li>(2) the <i>annual building block revenue requirement</i> for the provider for each <i>regulatory year</i>, determined in accordance with clause 6A.5.4.</li> </ol>	As above.
	<p>(b) The <i>post-tax revenue model</i> must specify:</p> <ol style="list-style-type: none"> <li>(1) a methodology that the <i>AER</i> determines is likely to result in the best estimates of expected inflation;</li> <li>(2) the timing assumptions and associated discount rates that are to apply in relation to the calculation of the building blocks referred to in clause 6A.5.4;</li> <li>(3) the manner (if any) in which working capital is to be treated;</li> <li>(4) the manner in which the estimated cost of corporate income tax is to be calculated; and</li> <li>(5) <i>CPI - X</i> methodology that is to be applied in escalating the <i>maximum allowed revenue</i> for the provider for each <i>regulatory year</i> (other than the first <i>regulatory year</i>) of a <i>regulatory control period</i>.</li> </ol>	<p>See above. Also see the following chapters of our Revenue Proposal:</p> <ul style="list-style-type: none"> <li>• Chapter 10 - Rate of Return, inflation and debt and equity raising costs</li> <li>• Chapter 11 - Estimated cost of corporate income tax</li> <li>• Chapter 19 - MAR, X factors and price path.</li> </ul>
	<p>(c) The <i>post-tax revenue model</i> must be such that:</p> <ol style="list-style-type: none"> <li>(1) the net present value of the expected <i>maximum allowed revenue</i> for the provider for each <i>regulatory year</i> of the <i>regulatory control period</i> is equal to the net present value of the <i>annual building</i></li> </ol>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Completed PTRM, and</li> <li>• Chapter 19 of our Revenue Proposal - MAR, X factors and price path.</li> </ul>



NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p><i>block revenue requirement</i> for the provider for each <i>regulatory year</i>;</p> <p>(2) the <i>maximum allowed revenue</i> for the provider for the first <i>regulatory year</i> is expressed as a dollar amount;</p> <p>(3) the <i>maximum allowed revenue</i> for the provider for each <i>regulatory year</i> (other than the first <i>regulatory year</i>) is calculated by escalating the <i>maximum allowed revenue</i> for the provider for the previous <i>regulatory year</i> using a CPI - X methodology; and</p> <p>(4) the <i>total revenue cap</i> for the provider for a <i>regulatory control period</i> is calculated as the sum of the <i>maximum allowed revenues</i> for the provider for each <i>regulatory year</i>.</p>	
(d)	For the purposes of this clause 6A.5.3, the X factor is that determined in accordance with clause 6A.6.8.	<p>See our:</p> <ul style="list-style-type: none"> <li>• Completed PTRM, and</li> <li>• Chapter 19 of our Revenue Proposal - MAR, X factors and price path.</li> </ul>
<b>6A.5.4</b>	<b>Building blocks approach</b>	
(a)	<p>Building blocks generally</p> <p>The annual building block revenue requirement for a Transmission Network Service Provider for each regulatory year of a regulatory control period must be determined using a building blocks approach, under which the building blocks are:</p> <p>(1) indexation of the regulatory asset base - see paragraph (b)(1);</p> <p>(2) a return on capital for that year - see paragraph (b)(2);</p> <p>(3) the depreciation for that year - see paragraph (b)(3);</p> <p>(4) the estimated cost of corporate income tax of the <i>Transmission Network Service Provider</i> for that year - see paragraph (b)(4);</p> <p>(5) the revenue increments or decrements (if any) for that year arising from the application of any efficiency benefit sharing</p>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Completed PTRM, and</li> <li>• Revenue Proposal: <ul style="list-style-type: none"> <li>- Part B, including Chapter 19 - MAR, X factors and price path.</li> </ul> </li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p>scheme, capital expenditure sharing scheme, service target performance incentive scheme, small-scale incentive scheme or demand management innovation allowance mechanism - see paragraph (b)(5);</p> <p>(5A) the revenue decrements (if any) arising from the use of assets that provide <i>prescribed transmission services</i> to provide certain other services – see paragraph (b)(5A);</p> <p>(6) the forecast operating expenditure accepted or substituted by the <i>AER</i> for that year – see paragraph (b)(6); and</p> <p>(7) compensation for other risks - see paragraph (b)(7).</p>	
(b)	<p>Details about the building blocks</p> <p>For the purposes of paragraph (a):</p> <p>(1) for indexation of the regulatory asset base:</p> <p>(i) the regulatory asset base is calculated in accordance with clause 6A.6.1 and schedule 6A.2; and</p> <p>(ii) the building block comprises a negative adjustment equal to the amount referred to in clause S6A.2.4(c)(4) for that year;</p> <p>(2) the return on capital is calculated in accordance with clause 6A.6.2;</p> <p>(3) the depreciation is calculated in accordance with clause 6A.6.3;</p> <p>(4) the estimated cost of corporate income tax is determined in accordance with clause 6A.6.4;</p> <p>(5) the revenue increment or decrements referred to in subparagraph (a)(5) are those that arise as a result of the operation of any applicable <i>efficiency benefit sharing scheme, capital expenditure sharing scheme, service target performance incentive scheme, small-scale incentive scheme or demand</i></p>	See our completed PTRM and Part B of our Revenue Proposal.

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	<p><i>management innovation allowance mechanism</i>, as referred to in clauses 6A.6.5, 6A.6.5A, 6A.7.4, 6A.7.5 or 6A.7.6.</p> <p>(5A) the revenue decrements (if any) referred to in paragraph (a)(5A) are those that are determined by the <i>AER</i> under clause 6A.5.5 as a result of assets that provide <i>prescribed transmission services</i> being used to provide:</p> <p>(i) non-regulated transmission services; or</p> <p>(ii) services that are not <i>transmission services</i>.</p> <p>(6) the forecast operating expenditure is accepted or substituted by the <i>AER</i> in accordance with clause 6A.6.6(c), clause 6A.6.6(c1) or clause 6A.13.2(b)(3) and (5) (as the case may be); and</p> <p>(7) the compensation for other risks is such amounts as the <i>AER</i> determines are necessary for that year to compensate a <i>Transmission Network Service Provider</i> for risks that are not otherwise compensated for in the return on capital, including the risk referred to in clause S6A.2.3(b) of schedule 6A.2.</p>	
<b>6A.6</b>	<b>Matters relevant to the making of revenue determination</b>	
<b>6A.6.2</b>	<b>Return on capital</b>	
	<p>The return on capital for a <i>Transmission Network Service Provider</i> for a <i>regulatory year</i> (<b>RC<sub>t</sub></b>) is to be calculated using the following formula:</p> $RC_t = a_t \times v_t$ <p>where:</p> <p><math>a_t</math> is the allowed rate of return for the <i>Transmission Network Service Provider</i> for the regulatory year; and</p> <p><math>v_t</math> is the value, as at the beginning of the <i>regulatory year</i>, of the regulatory asset base for the transmission system owned, controlled or operated by the <i>Transmission Network Service Provider</i> (as established in accordance with clause 6A.6.1 and schedule 6A.2).</p>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Completed PTRM, and</li> <li>• Revenue Proposal: <ul style="list-style-type: none"> <li>- Chapter 9 - RAB and depreciation</li> <li>- Chapter 10 - Rate of Return, inflation and debt and equity raising costs</li> <li>- Chapter 11 - Estimated cost of corporate income tax</li> <li>- Chapter 19 - MAR, X factors and price path.</li> </ul> </li> </ul>



NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
<b>6A.6.3</b>	<b>Depreciation</b>	
	<p>(a) The depreciation for each <i>regulatory year</i>:</p> <ol style="list-style-type: none"> <li>(1) must be calculated on the value of the assets as included in the regulatory asset base, as at the beginning of that <i>regulatory year</i>, for the relevant <i>transmission system</i>; and</li> <li>(2) must be calculated:               <ol style="list-style-type: none"> <li>(i) providing such depreciation schedules conform with the requirements set out in paragraph (b), using the depreciation schedules for each asset or category of assets that are nominated in the relevant <i>Transmission Network Service Provider's Revenue Proposal</i>; or</li> <li>(ii) to the extent the depreciation schedules nominated in the provider's Revenue Proposal do not so conform, using the depreciation schedules determined for that purpose by the <i>AER</i> in its final decision on the <i>Transmission Network Service Provider's Revenue Proposal</i>.</li> </ol> </li> </ol>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Depreciation Model submitted with our Revenue Proposal, and</li> <li>• Chapter 9 (RAB and depreciation) of our Revenue Proposal.</li> </ul>
	<p>(b) The depreciation schedules referred to in paragraph (a) must conform to the following requirements:</p> <ol style="list-style-type: none"> <li>(1) except as provided in paragraph (c), the schedules must depreciate using a profile that reflects the nature of the assets or category of assets over the economic life of that asset or category of assets;</li> <li>(2) the sum of the real value of the depreciation that is attributable to any asset or category of assets over the economic life of that asset or category of assets (such real value being calculated as at the time the value of that asset or category of assets was first included in the regulatory asset base for the relevant <i>transmission system</i>) must be equivalent to the value at which</li> </ol>	<p>See above.</p>

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	<p>that asset or category of assets was first included in the regulatory asset base for the relevant <i>transmission system</i>; and</p> <p>(3) the economic life of the relevant assets and the depreciation methodologies and rates underpinning the calculation of depreciation for a given <i>regulatory control period</i> must be consistent with those determined for the same assets on a prospective basis in the <i>transmission determination</i> for that period.</p>	
(c)	<p>To the extent that:</p> <p>(1) an asset (or group of assets) the value of which forms part of the regulatory asset base for a <i>transmission system</i> is dedicated to one <i>Transmission Network User</i> (not being a <i>Distribution Network Service Provider</i>) or a small group of <i>Transmission Network Users</i>; and</p> <p>(2) the value of the assets (or group of assets), as included in the value of that <i>regulatory asset base</i> as at the beginning of the first <i>regulatory year</i> of the current <i>regulatory control period</i>, exceeds the <i>indexed amount</i>, as at the commencement of that <i>regulatory control period</i>, of \$20 million,</p> <p>that asset (or group of assets) must be depreciated on a straight line basis over the life at which that asset (or group of assets) was first included in the regulatory asset base for that <i>transmission system</i>.</p>	See above.
<b>6A.6.4</b>	<b>Estimated cost of corporate income tax</b>	
	<p>The estimated cost of corporate income tax of a <i>Transmission Network Service Provider</i> for each <i>regulatory year</i> (<b>ETC<sub>t</sub></b>) must be estimated in accordance with the following formula:</p> $ETC_t = (ETI_t \times r_t) (1 - \gamma)$ <p>where:</p>	See Chapter 11 (Estimated cost of corporate income tax) of our Revenue Proposal.

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	<p>ETI<sub>t</sub> is an estimate of the taxable income for that <i>regulatory year</i> that would be earned by a benchmark efficient entity as a result of the provision of <i>prescribed transmission services</i> if such an entity, rather than the <i>Transmission Network Service Provider</i>, operated the business of the <i>Transmission Network Service Provider</i>, such estimate being determined in accordance with the <i>post-tax revenue model</i>;</p> <p>r<sub>t</sub> is the expected statutory income tax rate for that <i>regulatory year</i> as determined by the <i>AER</i>; and</p> <p>γ is the allowed imputation credits for the <i>Transmission Network Service Provider</i> for the <i>regulatory year</i>.</p>	
6A.6.6	<b>Forecast operating expenditure</b>	
	<p>(a) A <i>Revenue Proposal</i> must include the total forecast operating expenditure for the relevant <i>regulatory control period</i> which the <i>Transmission Network Service Provider</i> considers is required in order to achieve each of the following (the <i>operating expenditure objectives</i>):</p> <ol style="list-style-type: none"> <li>(1) meet or manage the expected demand for <i>prescribed transmission services</i> over that period;</li> <li>(2) comply with all applicable regulatory obligations or requirements associated with the provision of <i>prescribed transmission services</i>;</li> <li>(3) to the extent that there is no applicable <i>regulatory obligation or requirement</i> in relation to:             <ol style="list-style-type: none"> <li>(i) the quality, reliability or security of supply of <i>prescribed transmission services</i>; or</li> <li>(ii) the reliability or security of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>,</li> </ol>             to the relevant extent:             <ol style="list-style-type: none"> <li>(iii) maintain the quality, reliability and security of supply of <i>prescribed transmission services</i>; and</li> </ol> </li> </ol>	See Chapter 7 (Opex forecasts) of our Revenue Proposal and our Opex Step Change Overview paper.

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<ul style="list-style-type: none"> <li>(iv) maintain the reliability and security of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>; and</li> <li>(4) maintain the safety of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>.</li> </ul>	
(b)	<p>The forecast of required operating expenditure of a <i>Transmission Network Service Provider</i> that is included in a <i>Revenue Proposal</i> must:</p> <ul style="list-style-type: none"> <li>(1) comply with the requirements of any relevant <i>regulatory information instrument</i>;</li> <li>(2) be for expenditure that is properly allocated to <i>prescribed transmission services</i> in accordance with the principles and policies set out in the <i>Cost Allocation Methodology</i> for the <i>Transmission Network Service Provider</i>; and</li> <li>(3) include both: <ul style="list-style-type: none"> <li>(i) the total of the forecast operating expenditure for the relevant <i>regulatory control period</i>; and</li> <li>(ii) the forecast operating expenditure for each <i>regulatory year</i> of the relevant <i>regulatory control period</i>.</li> </ul> </li> </ul>	<p>See Chapter 7 of our Revenue Proposal:</p> <ul style="list-style-type: none"> <li>• section 7.1 - Overview</li> <li>• section 7.6 – Our opex forecasts</li> </ul> <p>Also see our:</p> <ul style="list-style-type: none"> <li>• RIN Compliance Checklist</li> <li>• Opex forecast model.</li> </ul>
<b>6A.6.7</b>	<b>Forecast capital expenditure</b>	
(a)	<p>A <i>Revenue Proposal</i> must include the total forecast capital expenditure for the relevant <i>regulatory control period</i> which the <i>Transmission Network Service Provider</i> considers is required in order to achieve each of the following (the <i>capital expenditure objectives</i>):</p> <ul style="list-style-type: none"> <li>(1) meet or manage the expected demand for <i>prescribed transmission services</i> over that period;</li> <li>(2) comply with all applicable regulatory obligations or requirements associated with the provision of prescribed transmission services;</li> </ul>	<p>See our Revenue Proposal:</p> <ul style="list-style-type: none"> <li>• Chapter 5 - What we will deliver in 2023-28</li> <li>• Chapter 8 - Capex forecasts</li> </ul> <p>Also see our Capex Overview Papers:</p> <ul style="list-style-type: none"> <li>• Augex Overview Paper</li> <li>• Repex Overview Paper</li> </ul>

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	<p>(3) to the extent that there is no applicable <i>regulatory obligation or requirement</i> in relation to:</p> <p>(i) the quality, reliability or security of supply of <i>prescribed transmission services</i>; or</p> <p>(ii) the reliability or security of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>, to the relevant extent:</p> <p>(iii) maintain the quality, reliability and security of supply of <i>prescribed transmission services</i>; and</p> <p>(iv) maintain the reliability and security of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>; and</p> <p>(4) (4) maintain the safety of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>.</p>	<ul style="list-style-type: none"> <li>• Non-network Information Communications Technology (ICT) Overview Paper</li> <li>• Non-network Other Overview Paper</li> </ul>
	<p>(b) The forecast of required capital expenditure of a <i>Transmission Network Service Provider</i> that is included in a <i>Revenue Proposal</i> must:</p> <p>(1) comply with the requirements of any relevant <i>regulatory information instrument</i>;</p> <p>(2) be for expenditure that is properly allocated to <i>prescribed transmission services</i> in accordance with the principles and policies set out in the <i>Cost Allocation Methodology</i> for the <i>Transmission Network Service Provider</i>;</p> <p>(3) include both:</p> <p>(i) the total of the forecast capital expenditure for the relevant <i>regulatory control period</i>; and</p> <p>(ii) the forecast capital expenditure for each <i>regulatory year</i> of the relevant <i>regulatory control period</i>; and</p> <p>(4) <i>identify</i> any forecast capital expenditure:</p>	<p>See our:</p> <ul style="list-style-type: none"> <li>• RIN Compliance Checklist</li> <li>• Revenue Proposal Chapter 8, including: <ul style="list-style-type: none"> <li>- Section 8.5 Key capex assumptions</li> <li>- Section 8.1.2 Our new forecast capex for 2023-28 (excluding pre-approved forecast capex)</li> <li>- Section 8.8 Augex.</li> </ul> </li> <li>• Augex, Repex, ICT and Non-network other Capex Overview Papers</li> <li>• Capex model.</li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<ul style="list-style-type: none"> <li>(i) that is for a reliability augmentation; or</li> <li>(ii) that is for an option that has satisfied the regulatory investment test for distribution or regulatory investment test for transmission (as the case may be).</li> </ul>	
	Forecast capital expenditure and contingent projects	
(g)	<p>Paragraphs (h) - (k) apply where:</p> <ul style="list-style-type: none"> <li>(1) in a <i>regulatory control period</i> (the <b>first regulatory control period</b>) the <i>AER</i> determines under clause 6A.8.2(e)(1)(iii) that the likely completion date for a <i>contingent project</i> is a date which occurs in the immediately following <i>regulatory control period</i> (the <b>second regulatory control period</b>); and</li> <li>(2) there is an unspent amount of capital expenditure for that <i>contingent project</i> under paragraph (h).</li> </ul>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Revenue Proposal: <ul style="list-style-type: none"> <li>- Chapter 8 - section 8.1.1 Our pre-approved forecast capex for 2023-28</li> </ul> </li> <li>• Augex Overview Paper: <ul style="list-style-type: none"> <li>- Section 4.9 Contingent Projects.</li> </ul> </li> </ul>
(h)	<p>A <i>Transmission Network Service Provider's Revenue Proposal</i> for the second <i>regulatory control period</i>, must include in the forecast of required capital expenditure referred to in paragraph (a) an amount of any unspent capital expenditure for each <i>contingent project</i> as described in paragraph (g)(2), that equals the difference (if any) between:</p> <ul style="list-style-type: none"> <li>(1) the total capital expenditure for that <i>contingent project</i>, as determined by the <i>AER</i> in the first <i>regulatory control period</i> under clause 6A.8.2(e)(1)(ii); and</li> <li>(2) the total of the capital expenditure actually incurred (or estimated capital expenditure for any part of the first <i>regulatory control period</i> for which actual capital expenditure is not available) in the first <i>regulatory control period</i> for that <i>contingent project</i>.</li> </ul>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 8, including: <ul style="list-style-type: none"> <li>- Section 8.1.1 Our pre-approved forecast capex for 2023-28</li> <li>- Table 8-2 Forecast 2023-28 capex, including pre-approved forecast capex but excluding ISP and the NSW Electricity Infrastructure Roadmap projects</li> </ul> </li> <li>• Augex Overview Paper: <ul style="list-style-type: none"> <li>- Section 3 Comparison of Augex profile over time</li> <li>- Section 4.9 Contingent Projects.</li> </ul> </li> </ul>
(k)	<p>A <i>Revenue Proposal</i> in respect of the second <i>regulatory control period</i> must not include in the forecast of required capital expenditure referred to in paragraph (a) any capital expenditure for a <i>contingent project</i> for the first <i>regulatory control period</i>.</p>	See above.



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	<p>(1) to the extent that the capital expenditure was included in the amount of capital expenditure for that <i>contingent project</i> as determined in the first <i>regulatory control period</i> under clause 6A.8.2(e)(1)(i); and</p> <p>(2) the capital expenditure actually incurred (or estimated capital expenditure for any part of the first <i>regulatory control period</i> for which actual capital expenditure is not available) in the first <i>regulatory control period</i> for that <i>contingent project</i> exceeded the capital expenditure referred to in subparagraph (1).</p>	
<b>6A.6.8</b>	<b>The X factor</b>	
	<p>(c) The X factor for each <i>regulatory year</i> must be such that:</p> <p>(1) the net present value of the expected <i>maximum allowed revenue</i> for the relevant <i>Transmission Network Service Provider</i> for each <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>) is equal to the net present value of the <i>annual building block revenue requirement</i> for the provider for each <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>); and</p> <p>(2) the expected <i>maximum allowed revenue</i> for the provider for the last <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>) is as close as reasonably possible to the <i>annual building block revenue requirement</i> for the provider for that <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>).</p>	<p>See our:</p> <ul style="list-style-type: none"> <li>• PTRM submitted with our Revenue proposal, and</li> <li>• Revenue Proposal – Chapter 19 MAR, X factors and price path.</li> </ul>
	<p>(d) For the avoidance of doubt, there may be a different X factor that applies for different <i>regulatory years</i> of the <i>regulatory control period</i>.</p>	<p>See above.</p>
<b>6A.6.9</b>	<b>Pass through events</b>	

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	(a) A <i>Revenue Proposal</i> may include a proposal as to the events that should be defined as <i>pass through events</i> under clause 6A.7.3(a1)(5) having regard to the <i>nominated pass through event considerations</i> .	See Revenue Proposal Chapter 16 - Cost pass through events.
<b>6A.8</b>	<b>Contingent Projects</b>	
<b>6A.8.1</b>	<b>Acceptance of a Contingent Project in a revenue determination</b>	
	(a) A Revenue Proposal may include proposed contingent capital expenditure, which the Transmission Network Service Provider considers is reasonably required for the purpose of undertaking a proposed contingent project.	See our: <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 17 – Contingent Projects</li> <li>• Augex Overview Paper – Section 6</li> <li>• Reset RIN return Workbook 1, Table 7.2 – Contingent Projects</li> </ul>
	(b) The AER must determine that a proposed contingent project is a contingent project if the AER is satisfied that: <ol style="list-style-type: none"> <li>(1) the <i>proposed contingent project</i> is reasonably required to be undertaken in order to achieve any of the <i>capital expenditure objectives</i>;</li> <li>(2) the <i>proposed contingent capital expenditure</i>:               <ol style="list-style-type: none"> <li>(i) is not otherwise provided for (either in part or in whole) in the total of the forecast capital expenditure for the relevant <i>regulatory control period</i> which is accepted in accordance with clause 6A.6.7(c) or substituted in accordance with clauses 6A.13.2(b)(4) and (5) (as the case may be);</li> <li>(ii) reasonably reflects the <i>capital expenditure criteria</i>, taking into account the <i>capital expenditure factors</i>, in the context of the <i>proposed contingent project</i> as described in the Revenue Proposal; and</li> <li>(iii) exceeds either \$30 million or 5% of the value of the <i>maximum allowed revenue</i> for the relevant <i>Transmission</i></li> </ol> </li> </ol>	See above

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p style="text-align: center;"><i>Network Service Provider</i> for the first year of the <i>relevant regulatory control</i> period whichever is the larger amount;</p> <p>(3) the <i>proposed contingent project</i> and the <i>proposed contingent capital expenditure</i>, as described or set out in the <i>Revenue Proposal</i>, and the information provided in relation to these matters, complies with the requirements of any relevant <i>regulatory information instrument</i>; and</p> <p>(4) the <i>trigger events</i> in relation to the <i>proposed contingent project</i> which are proposed by the <i>Transmission Network Service Provider</i> in its Revenue Proposal are appropriate.</p>	
(c)	<p>In determining whether a trigger event in relation to a proposed contingent project is appropriate for the purposes of subparagraph (b)(4), the AER must have regard to the need for a trigger event:</p> <p>(1) to be reasonably specific and capable of objective verification;</p> <p>(2) to be a condition or event, which, if it occurs, makes the undertaking of the <i>proposed contingent project</i> reasonably necessary in order to achieve any of the <i>capital expenditure objectives</i>;</p> <p>(3) to be a condition or event that generates increased costs or categories of costs that relate to a specific location rather than a condition or event that affects the <i>transmission network</i> as a whole;</p> <p>(4) to be described in such terms that the occurrence of that event or condition is all that is required for the <i>revenue determination</i> to be amended under clause 6A.8.2; and</p> <p>(5) to be an event or condition, the occurrence of which is probable during the <i>regulatory control period</i>, but the inclusion of capital expenditure in relation to it under clause 6A.6.7 is not appropriate because:</p>	See above

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p>(i) it is not sufficiently certain that the event or condition will occur during the <i>regulatory control period</i> or if it may occur after that regulatory control period or not at all; or</p> <p>(ii) subject to the requirement to satisfy clause 6A.8.1(b)(2)(iii), the costs associated with the event or condition are not sufficiently certain.</p>	
<b>6A.10</b>	<b>Revenue Proposal and proposed pricing methodology</b>	
<b>6A.10.1B</b>	<b>Notification of approach to forecasting expenditure</b>	
	<p>(a) A <i>Transmission Network Service Provider</i> must inform the <i>AER</i> of the methodology it proposes to use to prepare the forecasts of operating expenditure and capital expenditure that form part of its <i>Revenue Proposal</i>.</p>	<p>We submitted our 2023-28 Expenditure Forecasting Methodology to the AER on 30 June 2021. This document can be found here:  <a href="https://www.aer.gov.au/system/files/TransGrid%20-%20Expenditure%20Forecasting%20Methodology%20-%20June%202021.pdf">https://www.aer.gov.au/system/files/TransGrid%20-%20Expenditure%20Forecasting%20Methodology%20-%20June%202021.pdf</a></p> <p>Also see our Revenue Proposal:</p> <ul style="list-style-type: none"> <li>• section 7.5 - Our opex forecasting approach</li> <li>• section 8.6 - Our expenditure forecasting methods.</li> </ul>
	<p>(b) A <i>Transmission Network Service Provider</i> must submit the information referred to in paragraph (a):</p> <ol style="list-style-type: none"> <li>(1) at least 24 months before the expiry of a <i>revenue determination</i> that applies to the <i>Transmission Network Service Provider</i>; or</li> <li>(2) if no <i>revenue determination</i> applies to the <i>Transmission Network Service Provider</i>, within 3 months after being required to do so by the <i>AER</i>.</li> </ol>	<p>We submitted our 2023-28 Expenditure Forecasting Methodology to the AER on 30 June 2021, which is 24 months before the expiry of Transgrid's revenue determination.</p>
<b>6A.10.1</b>	<b>Submission of proposal, pricing methodology and information</b>	
	<p>(a) A <i>Transmission Network Service Provider</i> must submit to the <i>AER</i> a <i>Revenue Proposal</i> and a proposed <i>pricing methodology</i> relating to the</p>	<p>Our Revenue Proposal and proposed pricing methodology were submitted to the AER on the 31 January 2022, which</p>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p><i>prescribed transmission services</i> that are provided by means of, or in connection with, a <i>transmission system</i> that is owned, controlled or operated by that <i>Transmission Network Service Provider</i>.</p> <p>(1) if any of those <i>prescribed transmission services</i> are subject to a <i>transmission determination</i>, 17 months before the expiry of the period in respect of which that <i>transmission determination</i> applies; or</p> <p>(2) if any of those <i>prescribed transmission services</i> are not subject to a <i>transmission determination</i>, 3 months after being required to do so by the <i>AER</i>.</p>	<p>is 17 months before the expiry of Transgrid's 2018-23 revenue determination.</p>
(c)	<p>The <i>Revenue Proposal</i> must comply with the requirements of, and must contain or be accompanied by such information as is required by, any <i>relevant regulatory information instrument</i>.</p>	<p>Our Revenue Proposal complies with the requirements of, and is accompanied by information required by, the Reset RIN. See our Reset RIN compliance checklist.</p>
(e)	<p>A proposed pricing methodology must:</p> <p>(1) give effect to and be consistent with the Pricing Principles for Prescribed Transmission Services; and</p> <p>(2) comply with the requirements of, and contain or be accompanied by such information as is required by, the <i>pricing methodology guidelines</i> made for that purpose under rule 6A.25.</p>	<p>See our Revenue Proposal Chapter 20 – Pricing Methodology.</p>
(f)	<p>The Revenue Proposal must also:</p> <p>(1) include a statement of whether it is consistent with the most recent <i>Integrated System Plan</i> and, if it is inconsistent, identify and give reasons for the inconsistency; and</p> <p>(2) identify any parts of the <i>Revenue Proposal</i> or the proposed pricing methodology the <i>Transmission Network Service Provider</i> claims to be confidential and wants suppressed from publication on that ground in accordance with the <i>Transmission Confidentiality Guidelines</i>.</p>	<p>See our</p> <ul style="list-style-type: none"> <li>• Revenue Proposal – Chapter 8: <ul style="list-style-type: none"> <li>- section 8.2 ISP and NSW Electricity Infrastructure Roadmap projects and</li> </ul> </li> <li>• Revenue Proposal Chapter 17: <ul style="list-style-type: none"> <li>- section 17.2 Actionable and future ISP projects.</li> </ul> </li> <li>• Confidentiality Claims document submitted as part of the Revenue Proposal.</li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
(g)	<p>The <i>Revenue Proposal</i> must be accompanied by an overview paper which includes each of the following matters:</p> <ol style="list-style-type: none"> <li>(1) a summary of the <i>Revenue Proposal</i> the purpose of which is to explain the <i>Revenue Proposal</i> in reasonably plain language to electricity consumers;</li> <li>(2) a description of how the <i>Transmission Network Service Provider</i> has engaged with electricity consumers and has sought to address any relevant concerns identified as a result of that engagement;</li> <li>(3) a description of the key risks and benefits of the <i>Revenue Proposal</i> for electricity consumers; and</li> <li>(4) a comparison of the <i>Transmission Network Service Provider's</i> proposed total revenue cap with its total revenue cap for the current <i>regulatory control period</i>.</li> </ol>	See our 2023-28 Revenue Proposal Overview.
(h)	<p>The Revenue Proposal must be accompanied by information required by the <i>Expenditure Forecast Assessment Guidelines</i> as set out in the framework and approach paper.</p>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Expenditure Forecasting Methodology</li> <li>• Revenue Proposal: <ul style="list-style-type: none"> <li>- Chapter 6 – Responses to Framework and Approach Paper</li> <li>- Chapter 7 – Opex forecasts, and</li> <li>- Chapter 8 – Capex forecasts</li> </ul> </li> <li>• Opex Step Change Overview Paper</li> <li>• Repex, Augex, ICT and Non-network Expenditure Overview Papers</li> <li>• Reset RIN return workbooks.</li> </ul>
<b>6A.16A</b>	<b>Transmission Confidentiality Guidelines</b>	



NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	(b) The <i>Transmission Confidentiality Guidelines</i> must specify the manner in which the <i>Transmission Network Service Provider</i> may make confidentiality claims in its <i>Revenue Proposal</i> and proposed <i>pricing methodology</i> , which may include categories of confidential information by reference to which <i>Transmission Network Service Providers</i> must classify any claims of confidentiality in their <i>Revenue Proposals</i> and proposed <i>pricing methodologies</i> .	Refer to the Confidentiality Claims document submitted as part of the Revenue Proposal.
<b>6A.19</b>	<b>Cost allocation</b>	
<b>6A.19.1</b>	<b>Duty to comply with Cost Allocation Methodology</b>	
	<i>A Transmission Network Service Provider</i> must comply with the <i>Cost Allocation Methodology</i> that has been approved in respect of that <i>Transmission Network Service Provider</i> from time to time by the <i>AER</i> under this rule 6A.19.	See our Revenue Proposal: <ul style="list-style-type: none"> <li>• Section 1.1.8 Our services</li> <li>• Table 7.3 Opex key assumptions</li> <li>• Table 8.5 Capex Key assumptions</li> </ul>
<b>Schedule 6A.1</b>	<b>Contents of Revenue Proposals</b>	
<b>S6A.1.1</b>	<b>Information and matter relating to capital expenditure</b>	
	<i>A Revenue Proposal</i> must contain at least the following information and matters relating to capital expenditure:	
	(1) a forecast of the required capital expenditure that complies with the requirements of clause 6A.6.7 and identifies the forecast capital expenditure by reference to well accepted categories such as: <ul style="list-style-type: none"> <li>(i) asset class (eg. <i>transmission lines, substations</i> etc); or</li> <li>(ii) category driver (eg. <i>regulatory obligations or requirements, replacement, reliability, net market benefit, business support</i> etc),</li> </ul> and identifies, in respect of proposed material assets:	See our: <ul style="list-style-type: none"> <li>• Revenue Proposal - Chapter 8 Capex forecasts</li> <li>• Completed PTRM</li> <li>• Capex model</li> <li>• Repex Overview Paper</li> <li>• Augex Overview Paper</li> <li>• ICT Expenditure Overview Paper</li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<ul style="list-style-type: none"> <li>(iii) the location of the proposed asset;</li> <li>(iv) the anticipated or known cost of the proposed asset; and</li> <li>(v) the categories of <i>transmission services</i> which are to be provided by the proposed asset;</li> </ul>	<ul style="list-style-type: none"> <li>• Non-network Other Expenditure Overview Paper</li> <li>• Supporting business cases submitted as part of the Revenue Proposal.</li> </ul>
(2)	the methodology used for developing the capital expenditure forecast;	<p>See our:</p> <ul style="list-style-type: none"> <li>• Expenditure Forecasting Methodology</li> <li>• Revenue Proposal Chapter 8 - Capex forecasts               <ul style="list-style-type: none"> <li>- section 8.6 Our expenditure forecasting methods</li> </ul> </li> <li>• Repex Overview Paper</li> <li>• Augex Overview Paper</li> <li>• ICT Expenditure Overview Paper</li> <li>• Non-network Other Expenditure Overview Paper</li> <li>• Supporting business cases submitted as part of the Revenue Proposal.</li> </ul>
(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;	<p>See our</p> <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 3 - Our key operational challenges               <ul style="list-style-type: none"> <li>- Section 3.2 Rapid localised demand growth</li> </ul> </li> <li>• Revenue Proposal Chapter 8 - Capex forecasts               <ul style="list-style-type: none"> <li>- Section 8.8.2 Major Projects (non-ISP)</li> </ul> </li> <li>• Augex Overview Paper section 7.2 - Forecasting method</li> <li>• Reset RIN return workbooks:               <ul style="list-style-type: none"> <li>- Workbook 1, Table 3.4 – Operational Data; and</li> <li>- Workbook 1, Table 5.4 – MD &amp; Utilisation – Spatial.</li> </ul> </li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
		<ul style="list-style-type: none"> <li>Transmission Annual Planning Report, provided as an attachment to our Revenue Proposal.</li> </ul>
(4)	the key assumptions that underlie the capital expenditure forecast;	See Chapter 8 of our Revenue Proposal: <ul style="list-style-type: none"> <li>section 8.5 - Key capex assumptions</li> </ul>
(5)	a certification of the reasonableness of the key assumptions by the directors of the <i>Transmission Network Service Provider</i> ;	See our Directors' certification of the key capex and opex assumptions, submitted as an Attachment to our Revenue Proposal.
(6)	capital expenditure for each of the past <i>regulatory years</i> of the previous and current <i>regulatory control period</i> , and the expected capital expenditure for each of the last two <i>regulatory years</i> of the current <i>regulatory control period</i> , categorised in the same way as for the capital expenditure forecast and separately identifying for each such <i>regulatory year</i> : <ul style="list-style-type: none"> <li>(i) margins paid or expected to be paid by the <i>Transmission Network Service Provider</i> in circumstances where those margins are referable to arrangements that do not reflect arm's length terms; and</li> <li>(ii) expenditure that should have been treated as operating expenditure in accordance with the policy submitted under paragraph (9) for that <i>regulatory year</i>;</li> </ul>	See our: <ul style="list-style-type: none"> <li>Revenue Proposal               <ul style="list-style-type: none"> <li>- Executive summary, and</li> <li>- section 8.1.2 Our new forecast capex for 2023-28 (excluding pre-approved forecast capex)</li> </ul> </li> <li>Repex Overview Paper</li> <li>Augex Overview Paper</li> <li>ICT Expenditure Overview Paper</li> <li>Non-network Other Expenditure Overview Paper</li> <li>Capex model.</li> </ul>
(7)	an explanation of any significant variations in the forecast capital expenditure from historical capital expenditure;	See our: <ul style="list-style-type: none"> <li>Revenue Proposal Chapter 8 – Capex forecasts</li> <li>Repex Overview Paper</li> <li>Augex Overview Paper</li> <li>ICT Expenditure Overview Paper</li> <li>Non-network Other Expenditure Overview Paper.</li> </ul>
(8)	any non-network options considered by the Transmission Network Service Provider; and	See our : <ul style="list-style-type: none"> <li>Revenue proposal Chapter 7 – Opex forecasts:</li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
		<ul style="list-style-type: none"> <li>- Section 7.5.3 Specific or category forecasts of the Revenue Proposal</li> <li>• Augex Overview Paper–               <ul style="list-style-type: none"> <li>- sections 4.1, 4.6, 4.10.3 and 7.9</li> <li>- supporting business cases referred to in section 9.</li> </ul> </li> </ul>
	(9) the policy that the <i>Transmission Network Service Provider</i> applies in capitalising operating expenditure.	See our: <ul style="list-style-type: none"> <li>• Expenditure Capitalisation standard submitted as part of our Revenue Proposal.</li> <li>• Reset RIN Return Workbook 1, Table 7.1.1 – Plans, Policies, Procedures and Strategies</li> </ul>
<b>S6A.1.2</b>	<b>Information and matter relating to operating expenditure</b>	
	<i>A Revenue Proposal</i> must contain at least the following information and matters relating to operating expenditure:	
	(1) a forecast of the required operating expenditure that complies with the requirements of clause 6A.6.6 and identifies the forecast operating expenditure by reference to well accepted categories such as: <ul style="list-style-type: none"> <li>(i) particular programs; or</li> <li>(ii) types of operating expenditure (eg. maintenance, payroll, materials etc),</li> </ul> and identifies in respect of each such category: <ul style="list-style-type: none"> <li>(iii) to what extent that forecast expenditure is on costs that are fixed and to what extent it is on costs that are variable; and</li> <li>(iv) the categories of <i>transmission services</i> to which that forecast expenditure relates;</li> </ul>	See our: <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 7 - Opex forecasts</li> <li>• Operating Expenditure Model submitted as part of the Revenue Proposal.</li> <li>• RIN Population Model WkB_1_3.2 tab.</li> </ul> Similar to other Transmission Network Service Providers, we do not record and forecast operating expenditure as fixed and variable costs.
	(2) the methodology used for developing the operating expenditure forecast;	See our:

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
		<ul style="list-style-type: none"> <li>Revenue Proposal Chapter 7 - Opex forecasts               <ul style="list-style-type: none"> <li>section 7.5 Our opex forecasting approach of the Revenue Proposal</li> </ul> </li> <li>Opex Step Change Overview Paper.</li> </ul>
(3)	the forecasts of key variables relied upon to derive the operating expenditure forecast and the methodology used for developing those forecasts of key variables;	See the following: <ul style="list-style-type: none"> <li>Our Revenue Proposal Chapter 7 – Opex forecasts:               <ul style="list-style-type: none"> <li>Section 7.5 Our opex forecasting approach of the Revenue Proposal</li> </ul> </li> <li>Opex Step Change Overview Paper</li> <li>HoustonKemp, Efficiency of Transgrid’s Base Year Operating Expenditure report</li> <li>BIS Oxford Economics, Labour Cost Escalation Forecasts to 2027-28 report</li> <li>Frontier, Benchmark Debt Raising Cost report</li> <li>AON, Insurance Premium Cost Forecast.</li> </ul>
(4)	the methodology used for determining the cost associated with planned maintenance programs designed to improve the performance of the relevant <i>transmission system</i> for the purposes of any <i>service target performance incentive scheme</i> that is to apply to the <i>Transmission Network Service Provider</i> in respect of the relevant <i>regulatory control period</i> ;	Not applicable as no planned maintenance programs are proposed in the Revenue Proposal to improve the performance of our transmission system for the purposes of STPIS.
(5)	the key assumptions that underlie the operating expenditure forecast;	See our Revenue Proposal Chapter 7 – Opex forecasts <ul style="list-style-type: none"> <li>Section 7.3 Key opex assumptions</li> </ul>
(6)	a certification of the reasonableness of the key assumptions by the directors of the <i>Transmission Network Service Provider</i> ;	See our Directors’ certification of the key capex and opex assumptions, submitted as an Attachment to our Revenue Proposal.
(7)	operating expenditure for each of the first three <i>regulatory years</i> of the current <i>regulatory control period</i> , and the expected operating expenditure	See our:

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	for each of the last two <i>regulatory years</i> of that <i>regulatory control period</i> , categorised in the same way as for the operating expenditure forecast;	<ul style="list-style-type: none"> <li>Revenue Proposal Chapter 7 – Opex forecasts               <ul style="list-style-type: none"> <li>Section 7.1 Overview</li> </ul> </li> <li>Opex Model submitted as part of the Revenue Proposal.</li> </ul>
	(8) an explanation of any significant variations in the forecast operating expenditure from historical operating expenditure; and	See our Revenue Proposal Chapter 7 – Opex forecasts <ul style="list-style-type: none"> <li>Section 7.1 Overview</li> </ul>
	(9) any non-network options considered by the Transmission Network Service Provider.	See our : <ul style="list-style-type: none"> <li>Revenue proposal Chapter 7 – Opex forecasts:               <ul style="list-style-type: none"> <li>Section 7.5.3 Specific or category forecasts of the Revenue Proposal</li> </ul> </li> <li>Augex Overview Paper - sections 4.1, 4.6 and 4.10.3.</li> </ul>
<b>S6A.1.3</b>	<b>Additional information and matters</b>	
	<i>A Revenue Proposal</i> must contain at least the following additional information and matters:	
	(1) an identification and explanation of any significant interactions between the forecast capital expenditure and forecast operating expenditure programs;	See our: <ul style="list-style-type: none"> <li>Expenditure Forecasting Methodology</li> <li>Revenue Proposal:               <ul style="list-style-type: none"> <li>Chapter 7 – Opex forecasts</li> <li>Chapter 8 – Capex forecasts</li> </ul> </li> </ul>
	(2) the values that the Transmission Network Service Provider proposes are to be attributed to the <i>performance incentive scheme parameters</i> for the purposes of the application to the <i>Transmission Network Service Provider</i> of any <i>service target performance incentive scheme</i> that has been specified in a <i>framework and approach paper</i> and that applies in respect of the relevant <i>regulatory control period</i> , and an explanation of how the values	See our: <ul style="list-style-type: none"> <li>Revenue Proposal Chapter 14 - Service Target Performance Incentive Scheme (STPIS)</li> <li>STPIS Service Component Probability Distribution Fitting provided as an attachment to our Revenue Proposal</li> </ul>



NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	proposed to be attributed to those parameters comply with any requirements relating to them set out in that scheme;	<ul style="list-style-type: none"> <li>• Reset RIN return workbooks:               <ul style="list-style-type: none"> <li>- Workbook 1 – table 7.9</li> <li>- Workbook 2 – MIC.</li> </ul> </li> </ul>
(3)	the values that the provider proposes are to be attributed to the <i>efficiency benefit sharing scheme parameters</i> for the purposes of the application to the <i>Transmission Network Service Provider</i> of any <i>efficiency benefit sharing scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the relevant <i>regulatory control period</i> , and an explanation of how the values proposed to be attributed to those parameters comply with any relevant requirements set out in that scheme;	See our: <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 12 - Efficiency Benefit Sharing Scheme</li> <li>• Reset RIN return workbook 6 – Efficiency benefit sharing scheme.</li> </ul>
(3A)	a description, including relevant explanatory material, of how the <i>Transmission Network Service Provider</i> proposes any <i>capital expenditure sharing scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming <i>revenue determination</i> should apply to it;	See our: <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 13 - Capital Expenditure Sharing Scheme</li> <li>• Reset RIN return workbook 5 – Capital expenditure sharing scheme.</li> </ul>
(3B)	a description, including relevant explanatory material, of how the <i>Transmission Network Service Provider</i> proposes any <i>small-scale incentive scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming <i>revenue determination</i> should apply to it;	<ul style="list-style-type: none"> <li>• See our Revenue Proposal Chapter 6 – Response to Framework and Approach</li> <li>• Not applicable to Transgrid as set out in AER’s Framework and Approach for Transgrid’s 2023-2028 regulatory control period.</li> </ul>
(3C)	a description, including relevant explanatory material, of how the <i>Transmission Network Service Provider</i> proposes any <i>demand management innovation allowance mechanism</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming <i>revenue determination</i> should apply to it;	See our Revenue Proposal Chapter 15 - Demand Management Innovation Allowance Mechanism.
(4)	the provider's calculation of: <ul style="list-style-type: none"> <li>(i) the estimated <i>total revenue cap</i> for it for the relevant <i>regulatory control period</i>; and</li> </ul>	See our:

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<ul style="list-style-type: none"> <li>(ii) the maximum allowed revenue for it for each regulatory year of the relevant regulatory control period, using the <i>post-tax revenue model</i> referred to in rule 6A.5, together with:</li> <li>(iii) details of all amounts, values and other inputs used by the <i>Transmission Network Service Provider</i> for that purpose;</li> <li>(iv) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A; and</li> <li>(v) an explanation of the calculation of the amounts referred to in subparagraphs (i) and (ii) and of the amounts, values and inputs referred to in subparagraph (iii);</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 19 - MAR, X factors and price path</li> <li>• PTRM submitted with our Revenue Proposal.</li> </ul>
(4A)	the Transmission Network Service Provider's calculation of the allowed rate of return for each regulatory year of the relevant regulatory control period;	See our Revenue Proposal Chapter 10 - Rate of return, inflation, debt and equity raising costs.
(4B)	the Transmission Network Service Provider's calculation of the allowed imputation credits for each regulatory year of the regulatory control period;	See our Revenue Proposal Chapter 11- Estimated cost of corporate income tax: <ul style="list-style-type: none"> <li>• section 11.1 Forecast income tax allowance of the Revenue Proposal.</li> </ul>
(5)	the provider's calculation of the regulatory asset base for the relevant <i>transmission system</i> for each <i>regulatory year</i> of the relevant <i>regulatory control period</i> using the <i>roll forward model</i> referred to in clause 6A.6.1, together with: <ul style="list-style-type: none"> <li>(i) details of all amounts, values and other inputs used by the <i>Transmission Network Service Provider</i> for that purpose;</li> <li>(ii) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A; and</li> </ul>	See our <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 9 - RAB and depreciation</li> <li>• Roll forward model submitted with our Revenue Proposal.</li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p>(iii) an explanation of the calculation of the regulatory asset base for each <i>regulatory year</i> of the relevant <i>regulatory control period</i> and of the amounts, values and inputs referred to in subparagraph (i);</p>	
(6)	[Deleted];	
(7)	<p>the depreciation schedules nominated by the <i>Transmission Network Service Provider</i> for the purposes of clause 6A.6.3, which categorise the relevant assets for these purposes by reference to well accepted categories such as:</p> <p>(i) asset class (eg <i>transmission lines</i> and <i>substations</i>); or</p> <p>(ii) category driver (eg <i>regulatory obligations</i> or <i>requirements</i>, replacement, <i>reliability</i>, net market benefit, and business support),</p> <p>and also by location, together with:</p> <p>(iii) details of all amounts, values and other inputs used by the <i>Transmission Network Service Provider</i> to compile those depreciation schedules;</p> <p>(iv) a demonstration that those depreciation schedules conform with the requirements set out in clause 6A.6.3(b); and</p> <p>(v) an explanation of the calculation of the amounts, values and inputs referred to in subparagraph (iii);</p>	<p>See our</p> <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 9 – RAB and Depreciation - Section 9.4 Depreciation methodology</li> <li>• Depreciation Model submitted with our Revenue Proposal</li> <li>• PTRM submitted with our Revenue Proposal.</li> </ul> <p>Transgrid has used the AER’s Depreciation Model and PTRM to establish the depreciation schedule by asset class. We do not depreciate by location.</p>
(8)	<p>the X factors nominated by the <i>Transmission Network Service Provider</i> for each <i>regulatory year</i> of the relevant <i>regulatory control period</i> for the purposes of clause 6A.6.8(a), together with a demonstration that those X factors comply with the requirements set out in clause 6A.6.8(b) of the <i>Rules</i>;</p>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 19 - MAR, X factors and price path</li> <li>• PTRM submitted with our Revenue Proposal.</li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
(9)	the commencement and length of the regulatory control period proposed by the Transmission Network Service Provider; and	See our Revenue Proposal Chapter 1 – About us and our Revenue Proposal <ul style="list-style-type: none"> <li>• section 1.1.1 - What we do.</li> </ul>
(10)	if the Transmission Network Service Provider is seeking a determination by the AER that a proposed contingent project is a contingent project for the purposes of the relevant revenue determination: <ul style="list-style-type: none"> <li>(i) a description of the <i>proposed contingent project</i>, including reasons why the <i>Transmission Network Service Provider</i> considers the project should be accepted as a <i>contingent project</i> for the <i>regulatory control period</i>;</li> <li>(ii) a forecast of the capital expenditure which the <i>Transmission Network Service Provider</i> considers is reasonably required for the purpose of undertaking the <i>proposed contingent project</i>;</li> <li>(iii) the methodology used for developing that forecast and the key assumptions that underlie it;</li> <li>(iv) information that demonstrates that the undertaking of the <i>proposed contingent project</i> is reasonably required in order to achieve one or more of the <i>capital expenditure objectives</i>;</li> <li>(v) information that demonstrates that the <i>proposed contingent capital expenditure</i> for the <i>proposed contingent project</i> complies with the requirements set out in clause 6A.8.1(b)(2) ; and</li> <li>(vi) the <i>trigger events</i> which are proposed in relation to the <i>proposed contingent project</i> and an explanation of how each of those conditions or events addresses the matters referred to in clause 6A.8.1(c).</li> </ul>	See our: <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 17 - Contingent projects</li> <li>• Augex Overview Paper:               <ul style="list-style-type: none"> <li>- section 6 - Contingent projects, and</li> <li>- section 7 - Forecasting method, inputs, models and assumptions.</li> </ul> </li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
Schedule 6A.2	Regulatory Asset Base	
S6A.2.1	Establishment of opening regulatory asset base for a regulatory control period	
	(f) Method of adjustment of value of regulatory asset base Except as otherwise provided in paragraph (c), (d) or (e) and subject to paragraph (g), the value of the regulatory asset base for a <i>transmission system</i> as at the beginning of the first <i>regulatory year</i> of a <i>regulatory control period</i> must be calculated by adjusting the value (the <b>previous value</b> ) of the regulatory asset base for that <i>transmission system</i> as at the beginning of the first <i>regulatory year</i> of the immediately preceding <i>regulatory control period</i> (the <b>previous control period</b> ) as follows:	See our: <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 9 – RAB and depreciation               <ul style="list-style-type: none"> <li>- Section 9.2 Establishing the opening RAB at 1 July 2023</li> </ul> </li> <li>• Roll-forward model submitted with our Revenue Proposal.</li> </ul>
	(1) The previous value of the regulatory asset base must be: <ul style="list-style-type: none"> <li>(i) increased by the amount of all capital expenditure incurred during the previous control period, including any capital expenditure determined for that period under clause 6A.8.2(e)(1)(i) in relation to <i>contingent projects</i> where the <i>revenue determination</i> has been amended by the <i>AER</i> in accordance with clause 6A.8.2(h) (regardless of whether such capital expenditure is above or below the forecast capital expenditure for the period that is adopted for the purposes of the <i>transmission determination</i> (if any) for that period); and</li> <li>(ii) reduced by the amount of any capital expenditure that has been recovered by way of a pass through under clause 6A.7.2 or clause 6A.7.3 where the amount of that capital expenditure would otherwise have been included in the value of the regulatory asset base.</li> </ul>	See above.

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p>(2) The previous value of the regulatory asset base must be increased by the amount of the estimated capital expenditure approved by the <i>AER</i> for any part of the previous control period for which actual capital expenditure is not available, including any capital expenditure in relation to <i>contingent projects</i> where the <i>total revenue cap</i> has been amended by the <i>AER</i> in accordance with clause 6A.8.2(h).</p>	See above.
	<p>(3) The previous value of the regulatory asset base must be adjusted for the difference between:</p> <ul style="list-style-type: none"> <li>(i) the estimated capital expenditure for any part of a previous <i>regulatory control period</i> where that estimated capital expenditure has been included in that value; and</li> <li>(ii) the actual capital expenditure for that part of the previous <i>regulatory control period</i>.</li> </ul> <p>This adjustment must also remove any benefit or penalty associated with any difference between the estimated and actual capital expenditure.</p>	See above.
	<p>(4) The previous value of the regulatory asset base must only be increased by actual or estimated capital expenditure to the extent that all such capital expenditure is properly allocated to the provision of <i>prescribed transmission services</i> in accordance with the <i>Cost Allocation Methodology</i> for the relevant <i>Transmission Network Service Provider</i>.</p>	See above.
	<p>(5) The previous value of the regulatory asset base must be reduced by the amount of depreciation of the regulatory asset base during the previous control period, calculated in accordance with the rates and methodologies allowed in the <i>transmission determination</i> (if any) for that period.</p>	See above.

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p>(6) The previous value of the regulatory asset base must be reduced by the disposal value of any asset where that asset has been disposed of during the previous control period.</p>	See above.
	<p>(7) The previous value of the regulatory asset base must be reduced by the value of any asset where the <i>AER</i> determines that the value of that asset should be removed in accordance with clause S6A.2.3.</p>	Not applicable to Transgrid's opening RAB at 1 July 2023.
	<p>(8) Without prejudice to the application of any other provision of this paragraph (f), the previous value of the regulatory asset base may be increased by the inclusion of:</p> <p>(i) past capital expenditure that has not been included in that value because that capital expenditure was incurred in connection with the provision of services that are not <i>prescribed transmission services</i>, and in these circumstances, such capital expenditure must only be included to the extent the asset in respect of which that capital expenditure was incurred is subsequently used for the provision of <i>prescribed transmission services</i>; and</p> <p>(ii) past capital expenditure that has not been included in that value, but only to the extent that such past capital expenditure:</p> <p>(A) relates to an asset that is used for the provision of <i>prescribed transmission services</i>;</p> <p>(B) is considered by the <i>AER</i> to be reasonably required in order to achieve one or more of the <i>capital expenditure objectives</i>;</p> <p>(C) is properly allocated to <i>prescribed transmission services</i> in accordance with the principles and policies set out in the <i>Cost Allocation Methodology</i></p>	<p>See our</p> <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 9 – RAB and depreciation <ul style="list-style-type: none"> <li>- Section 9.2 Establishing the opening RAB at 1 July 2023</li> </ul> </li> <li>• Roll-forward model submitted with our Revenue Proposal.</li> </ul>



NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p>for the relevant <i>Transmission Network Service Provider</i>, and</p> <p>(D) has not otherwise been recovered.</p>	
S6A.2.4	<p><b>Roll forward of regulatory asset base within the same regulatory control period</b></p>	
	<p>(a) Application of this clause</p> <p>This clause S6A.2.4 applies to the establishment of the value of the regulatory asset base for a <i>transmission system</i> as at the beginning of one <i>regulatory year</i> in a <i>regulatory control period</i> on the roll forward of the regulatory asset base to that <i>regulatory year</i> from the immediately preceding <i>regulatory year</i> (if any) in that <i>regulatory control period</i>.</p>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 9 – RAB and depreciation <ul style="list-style-type: none"> <li>- section 9.3 Forecast RAB over the 2023-2028 regulatory period</li> </ul> </li> <li>• PTRM submitted with our Revenue Proposal.</li> </ul>
	<p>(b) Roll forward model to comply with this clause</p> <p>The <i>roll forward model</i> referred to in clause 6A.6.1 must provide for that value to be established in accordance with the requirements of this clause S6A.2.4.</p>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Revenue Proposal Chapter 9 – RAB and depreciation <ul style="list-style-type: none"> <li>- section 9.2 Establishing the opening RAB at 1 July 2023</li> <li>- section 9.3 Forecast RAB over the 2023-2028 regulatory period</li> </ul> </li> <li>• Roll forward model submitted with our Revenue Proposal.</li> </ul>
	<p>(c) Method of adjustment of value of regulatory asset base</p> <p>The value of the regulatory asset base for a <i>transmission system</i> as at the beginning of the second or a subsequent year (<b>the later year</b>) in a <i>regulatory control period</i> must be calculated by adjusting the value (<b>the previous value</b>) of the regulatory asset base for that <i>transmission system</i> as at the beginning of the immediately preceding <i>regulatory year</i> (<b>the previous year</b>) in that <i>regulatory control period</i> as follows:</p> <p>(1) The previous value of the regulatory asset base must be increased by the amount of forecast capital expenditure</p>	<p>See our:</p> <ul style="list-style-type: none"> <li>• Revenue Proposal <ul style="list-style-type: none"> <li>- section 9.3 Forecast RAB over the 2023-2028 regulatory period</li> <li>- PTRM submitted with our Revenue Proposal.</li> </ul> </li> </ul>

NER Clause	NER Provision	Revenue Proposal cross-reference and other relevant documents
	<p>accepted or substituted by the <i>AER</i> for the previous year in accordance with clause 6A.6.7(c) or clauses 6A.13.2(b)(4) and (5) (as the case may be).</p> <p>(2) The previous value of the regulatory asset base must be reduced by the amount of depreciation included in the <i>annual building block revenue requirement</i> for the previous year.</p> <p>(3) The previous value of the regulatory asset base must be reduced by the disposal value of any asset included in that value where the asset is forecast to be disposed of during the previous year.</p> <p>(4) The previous value of the regulatory asset base must be increased by an amount necessary to maintain the real value of the regulatory asset base as at the beginning of the later year by adjusting that value for inflation.</p>	