

Regulatory Information Notice Compliance Checklist

Waratah Super Battery (WSB) non-contestable Revenue Proposal

30 June 2023

A decorative graphic consisting of numerous thin, parallel green lines that curve and sweep across the bottom and right sides of the page, creating a sense of motion and energy.

Contents

WSB non-contestable Regulatory Information Notice Compliance Checklist2

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This document details how Transgrid's WSB non-contestable Revenue Proposal complies with the WSB non-contestable Regulatory Information Notice (RIN) issued by the AER on 2023, in particular section 5 of the RIN.

RIN Clause	Provision	Revenue Proposal cross-reference and other relevant documents
5.1 Requirement to provide other information this notice		
5.1.1	<i>Transgrid</i> must prepare and provide the <i>AER</i> with the other information set out in section 5 of this <i>notice</i> .	Information is provided in accordance with these requirements. See rows below.
5.2 Information used for the purposes of preparing the revenue proposal		
Consultant reports, material assumptions, etc		
5.2.1	Provide information used for the purposes of preparing the <i>revenue proposal</i> including:	
(a)	all consultants' reports commissioned and relied upon in whole or in part;	Consultants' reports are listed in the Document Register submitted with our Revenue Proposal.
(b)	all <i>material</i> assumptions relied upon;	See our: <ul style="list-style-type: none"> Revenue Proposal: <ul style="list-style-type: none"> Section 4.2 - Key opex assumptions Section 5.2 - Key capex assumptions Consultants' reports listed in our Document Register
(c)	a table that references each response to this section 5 and where it is provided in or as part of the <i>revenue proposal</i> ;	This document (Regulatory Information Notice Compliance Checklist) provides the required information.
(d)	a table that references each document provided in or as part of the <i>revenue proposal</i> and its relationship to other documents provided; and	See our Document Register.
(e)	each document identified in the table referred to in (d) above must be given a meaningful filename in the form: Transgrid – [Author] – [Title] – [Date] – [Public/Confidential], where:	All documents have been labelled in accordance with these requirements.

RIN Clause	Provision	Revenue Proposal cross-reference and other relevant documents
	<p>Author is the author of the file if not <i>Transgrid</i>, for example a consultant or other third party;</p> <p>Title provides a meaningful description of the content of document, with limited reliance on acronyms or cross references, for example “Appendix 1A” is not meaningful, but “Appendix 1A – Cost allocation method” is;</p> <p>Date is a relevant date associated with the file, generally the date the document was created; and</p> <p>Public/Confidential identifies if the file in its entirety can be published (public); or if it contains any information which is the subject of a claim for confidentiality in accordance with paragraph 26 of this <i>notice</i> (confidential).</p>	
5.2.2	<p>For each <i>material</i> assumption identified above provide:</p> <p>(a) its source or basis;</p> <p>(b) if applicable, its quantum;</p> <p>(c) whether, and how, the assumption has been applied and was taken into account; and</p> <p>(d) the effect or impact of the assumption on the capital and operating expenditure forecasts in the <i>forthcoming regulatory control period</i> taking into account the sensitivity of the forecast expenditure to the assumption.</p>	<p>See our Revenue Proposal:</p> <ul style="list-style-type: none"> • Chapter 4 – Opex forecasts <ul style="list-style-type: none"> - Section 4.2 – Key opex assumptions • Chapter 5 – Capex forecast <ul style="list-style-type: none"> - Section 5.2 – Key capex assumptions <p>The assumptions are summarised in these sections, and, where relevant, explained in further detail in the subsequent sections of chapters 4 and 5. Where assumptions are directly relevant to the expenditure forecasts, they will be identified as inputs to our Capex Model and Opex Forecast Model.</p>
5.2.3	<p>Provide reconciliation of the capital and operating expenditure forecasts provided in the <i>regulatory templates</i> to the proposed capital and operating allowances in the <i>post-tax revenue model</i> for the <i>forthcoming regulatory control period</i>.</p>	<p>The expenditure forecasts in the regulatory templates reconcile with the proposed allowances in our completed post-tax revenue model (PTRM).</p>
Models		
5.2.4	<p>Provide the model(s) that have been used to calculate the total revenue and schedule of payments for the <i>WSB Project</i></p>	<p>See PTRM and expenditure models.</p>
5.2.5	<p>Provide the following:</p>	

RIN Clause	Provision	Revenue Proposal cross-reference and other relevant documents
	(a) the model(s) <i>Transgrid</i> used to develop its total <i>forecast capex</i>	See our Capex Model and completed PTRM.
	(b) the model(s) used to derive and apply materials price changes, including any model(s) developed by a third party	Not applicable as we are not proposing material price changes.
	(c) the model(s) <i>Transgrid</i> used to develop its total forecast <i>opex</i>	See our Opex Model and completed PTRM.
	(d) the model(s) which demonstrate how <i>Transgrid's</i> proposed depreciation schedule satisfies 6A.6.3(d) of <i>EII Chapter 6A</i> and Regulation 47D(3).	See our Depreciation Model
5.3 Services provided by Transgrid		
5.3.1	Provide:	
	(a) the name and a brief description of each category of <i>regulated network services</i> provided by <i>Transgrid</i> that is the subject of the <i>revenue proposal</i> ;	See our Revenue Proposal section 1.4 Our services.
	(b) a brief description of the required quality, reliability, and security of supply of each category of <i>regulated network services</i> provided by <i>Transgrid</i> ; and	See above.
	(c) a brief description of the required <i>reliability</i> , safety and security of the <i>transmission system</i> provided by <i>Transgrid</i> in the supply of <i>regulated network services</i> .	See our Revenue Proposal section 1.4 Our services.
5.4 Capital expenditure		
General		
5.4.1	Provide justification for <i>Transgrid's</i> total forecast capex, including the following information:	
	(a) why the total <i>forecast capex</i> is required for <i>Transgrid</i> to achieve each of the objectives in clause 6A.6.7(a) of the <i>EII Chapter 6A</i> ;	See our: <ul style="list-style-type: none"> • Revenue Proposal – <ul style="list-style-type: none"> - Chapter 3 – What we have heard from our customers - Chapter 4 – Forecast Opex - Chapter 5 – Forecast Capex
	(b) how <i>Transgrid's</i> total <i>forecast capex</i> reasonably reflects each of the criteria in clause 6A.6.7(c) of the <i>EII Chapter 6A</i> ;	
	(c) how <i>Transgrid's</i> total <i>forecast capex</i> accounts for the factors in clause 6A.6.7(e) of the <i>EII Chapter 6A</i>	

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	(d) an explanation of how the plans, policies, <i>procedures</i> and <i>regulatory requirements</i> identified in <i>Workbook 1, regulatory templates 10 and 11</i> have been used to develop <i>forecast capex</i> .	See our: <ul style="list-style-type: none"> • Revenue Proposal – <ul style="list-style-type: none"> - Chapter 2 – About the WSB Project - Chapter 5 – Forecast Capex • Deliverability Plan
5.4.2	Provide the methodology <i>Transgrid</i> used to develop its total <i>forecast capex</i> , including:	
	(a) a description of how Transgrid prepared the forecast capex, including: <ul style="list-style-type: none"> (i) how its preparation differed or related to budgetary, planning and governance processes used in the normal operation of <i>Transgrid's</i> business; (ii) the processes for ensuring amounts are free of error and other quality assurance steps. 	<ul style="list-style-type: none"> • For item (a)(i), see our our Revenue Proposal section 5.4 – Capex forecasting methodology, Labour and Indirect Costs Methodology and our Deliverability Plan. These explains that our forecast has been prepared consistently with the approach taken for budgetary, planning and governance processes used in the normal running of our business. • For item (a)(ii), the Capex Model includes various checks to ensure that direct capex is appropriately adjusted for inflation and labour cost escalation, and allocated to categories and RAB asset classes. The model also includes checks related to capitalised overheads. The model was peer reviewed for accuracy. In addition, the forecast capex was reviewed internally and externally as set out in our Revenue Proposal section 5.12 independent external validation.
	(b) any source material used (including documentation or any other items containing quantitative data); and	See our Capex Model and completed PTRM.
	(c) calculations that demonstrate how information from the source material has been manipulated or transformed to generate information provided in the <i>regulatory templates</i> in <i>Workbook 1</i> .	Refer to RIN output tables in our Capex Model and Opex Model.

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5.4.3	Identify which items of Transgrid’s forecast capex are:	See our Revenue Proposal section 5.4 – Capex forecasting methodology. For item (f) refer to our Other Construction Costs Forecast Methodology
	(a) derived directly from competitive tender processes;	
	(b) based upon competitive tender processes for similar <i>projects</i> ;	
	(c) based upon estimates obtained from <i>contractors</i> or manufacturers;	
	(d) based upon independent benchmarks;	
	(e) based upon actual historical costs for similar <i>projects</i> ; and	
	(f) reflective of any amounts for risk, uncertainty or other unspecified contingency factors, and if so, how these amounts were calculated and deemed reasonable and prudent.	
5.4.4	Provide all documents which were <i>materially</i> relied upon and relate to the <i>deliverability</i> of forecast capex and explain the proposed <i>deliverability</i>	See our Revenue Proposal section 5.11 – Deliverability plan
Non-network alternatives		
5.4.5	Identify the <i>policies and strategies</i> and <i>procedures</i> in the response to <i>Workbook 1, regulatory template 10</i> which relate to the selection of efficient <i>non-network</i> solutions	The Minister’s Order sets out the scope of WSB non-contestable works, which encompasses augmentation to transmission lines and substations and implementation of System Integrity Protection Scheme (SIPS) control. To comply with the Minister’s Order, non-network solutions cannot be used for WSB non-contestable.
5.4.6	Explain the extent to which the provision for efficient <i>non-network</i> alternatives has been considered in the development of the <i>forecast capex</i> and <i>forecast opex</i> proposals.	See above.
5.4.7	Identify each <i>non-network</i> alternative that <i>Transgrid</i> has selected to commence during the <i>forthcoming regulatory control period</i>	See above.
5.5 Forecast input price changes		
5.5.1	Provide:	
	(a) Information supporting or relied upon that explain the change in the price of goods and services purchased by <i>Transgrid</i> , including evidence that	Section 4.4.4 of the Revenue Proposal explains that we are not forecasting increases in materials

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		any materials price forecasting method explains the price of materials previously purchased by <i>Transgrid</i>	costs in our opex forecasts. In relation to capex, our forecasting methodology and procurement approach are explained in sections 5.4 and 5.5. These sections explain that the majority of the capex will be determined through competitive tender.
5.5.2		Provide also an explanation of:	
	(a)	the methodology underlying the calculation of each price change, including: <ul style="list-style-type: none"> (i) sources; (ii) data conversions; (iii) the operation of any model(s) provided under paragraph 5.2.5(b); and (iv) the use of any assumptions such as lags or productivity gains. 	See our: <ul style="list-style-type: none"> • Revenue Proposal section 4.4; and • our supporting Opex Model, which is provided alongside our Revenue Proposal.
	(b)	whether the same price changes have been used in developing both the <i>forecast capex</i> proposal and <i>forecast opex</i> proposal; and	The forecasting methods are substantially different from one another, but have been developed on a consistent basis including using common inputs where relevant. Section 4.4.1 of the Revenue Proposal provides additional commentary on the alignment of capex and opex.
	(c)	if the same price changes have not been used in developing both the <i>forecast capex</i> proposal and <i>forecast opex</i> proposal, why it is appropriate for different expenditure escalators to apply.	See above.
5.6 Operating and maintenance expenditure			
Total forecast operating and maintenance expenditure (opex)			
5.6.1		Provide:	
	(a)	justification for <i>Transgrid's</i> total forecast <i>opex</i> proposal, including:	See our: <ul style="list-style-type: none"> • Revenue Proposal Chapter 4 – Forecast Opex • Opex Forecasting Methodology section 4.4.

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	<p>(i) why the proposed total forecast <i>opex</i> is required for <i>Transgrid</i> to achieve each of the objectives in clause 6A.6.6(a) of the <i>EII Chapter 6A</i>;</p> <p>(ii) how <i>Transgrid's</i> proposed total forecast <i>opex</i> reasonably reflects each of the criteria in clause 6A.6.6(c) of the <i>EII Chapter 6A</i>; and</p> <p>(iii) how <i>Transgrid's</i> proposed total forecast <i>opex</i> accounts for the factors in clause 6A.6.6(e) of the <i>EII Chapter 6A</i>.</p>	
5.6.2	Provide:	Our forecasting methodology in section 4.4 of the Revenue Proposal explains that 'no base year' is available, which means that the forecasts are developed on a bottom up basis. Our forecasts do not include 'non-recurrent' costs as such, although our expenditure is profiled across the forecast period in accordance with the methodology described.
	(a) the quantum of non-recurrent costs for each year of the <i>forthcoming regulatory control period</i> ; and	
	(b) an explanation of each non-recurrent cost.	
5.7 Pre-period costs		
5.7.1	Provide any costs that <i>Transgrid</i> has incurred during the <i>pre-period</i> (in real dollars) for carrying out the <i>WSB Project</i> as set out in the <i>Minister's direction</i> broken down into:	See our PTRM and RIN return Workbook 1, worksheets: <ul style="list-style-type: none"> • 4. Expenditure summary • 5. Network capital costs • 6. Non-network • 9. Operating costs
	(a) Capital costs as incurred by asset class	
	(b) Operating and maintenance costs	
5.7.2	Set out the basis upon which <i>Transgrid</i> considers the <i>pre-period</i> costs provided in response to section 5.7.1 of this <i>notice</i> are prudent, reasonable and efficient with reference to the clause 6A.6.7 of <i>EII Chapter 6A</i>	See our: <ul style="list-style-type: none"> • Revenue Proposal section 4.3 – Pre-period opex • Revenue Proposal section 5.3 – Pre-period capex • Capex Forecasting Methodology section 5.4

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5.7.3		Set out how <i>Transgrid</i> considers its <i>pre-period</i> costs should be treated in calculating the amounts payable to <i>Transgrid</i> for carrying out the <i>WSB Project</i>	See our Revenue Proposal Chapter 6 – RAB and depreciation, including sections 6.2.1 and 6.2.2
5.7.4		Indicate whether financing costs have been added to costs incurred in the <i>pre-period</i> in calculating amounts payable to <i>Transgrid</i> and how those financing costs have been calculated.	See our Revenue Proposal section 6.2.2
5.7.5		Data for the 2022-2023 financial year which is provided in <i>Workbook 1, regulatory template 12. Pre-period costs</i> is to be audited in accordance with the requirements set out in section 6.3 of this <i>notice</i> . The audit report is to be submitted to the <i>AER</i> by no later than 9 November 2023.	Our WSB 2022-23 audit report will be submitted with our WSB non-contestable Revised Revenue Proposal.
5.8 Total revenue cap and maximum allowed revenue			
5.8.1		Provide <i>Transgrid</i> 's calculation of the:	
	(a)	estimated total revenue cap for the <i>forthcoming regulatory control period</i> ; and	See our: <ul style="list-style-type: none"> Revenue Proposal Chapter 11 – Maximum Allowed Revenue Completed PTRM.
	(b)	maximum allowed revenue for each year of the <i>forthcoming regulatory control period</i> using the <i>AER</i> 's <i>post-tax revenue model</i> , which is to be submitted as part of <i>Transgrid</i> 's <i>revenue proposal</i>	See our completed PTRM.
5.8.2		Provide details of any departure from the <i>AER</i> 's <i>post-tax revenue model</i> for the calculations referred to above and the reasons for that departure.	No departures from <i>AER</i> 's PTRM.
5.9 Rate of return			
5.9.1		For the purposes of assessing <i>Transgrid</i> 's proposal we require it to provide 'placeholder' averaging periods which will be made public and have been used to calculate an indicative rate of return in <i>Transgrid</i> 's <i>revenue proposal</i> .	See our Revenue Proposal Chapter 7 - Rate of return, inflation, debt and equity raising costs
5.10 Related party transactions			
5.10.1		Identify and describe all other entities which:	

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	(a) are a <i>related party</i> to <i>Transgrid</i> and contribute to the provision of <i>regulated network services</i> ; or	Not applicable.
	(b) have the capacity to determine the outcome of decisions about <i>Transgrid's</i> financial and operating policies.	See above.
5.10.2	Provide a diagram of the organisational structure depicting the relationships between all the entities identified in the response to this section 5.10	See above.
5.10.3	Identify:	See above.
	(a) all arrangements or <i>contracts</i> between <i>Transgrid</i> and any of the other entities identified in the response to this section 5.10 currently in place or expected to be in place during the <i>pre-period</i> and <i>forthcoming regulatory control period</i> which relate directly or indirectly to the provision of <i>regulated network services</i> ; and	
	(b) the service or services that are the subject of each arrangement or <i>contract</i> .	
5.10.4	For each service identified as the subject of each arrangement or <i>contract</i> :	See above.
	(a) provide: <ul style="list-style-type: none"> (i) a description of the process used to procure the service; and (ii) supporting documentation including, but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, <i>contracts</i> between <i>Transgrid</i> and the relevant provider; 	
	(b) explain: <ul style="list-style-type: none"> (i) why that service is the subject of an arrangement or <i>contract</i> (i.e. why it is outsourced) instead of being undertaken by <i>Transgrid</i> itself; (ii) whether the services procured were provided under a standalone <i>contract</i> or provided as part of a broader operational agreement (or similar); 	

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	(iii) whether the services were procured on a genuinely competitive basis and if not, why; and (iv) whether the service (or any component thereof) was further outsourced to another provider by the <i>related party</i> .	