

COMMONWEALTH OF AUSTRALIA

National Electricity Law



IN THE AUSTRALIAN COMPETITION TRIBUNAL

File No 3 of 2010

**RE: APPLICATION UNDER S 71B OF THE NATIONAL ELECTRICITY LAW FOR
A REVIEW OF A DISTRIBUTION DETERMINATION MADE BY THE
AUSTRALIAN ENERGY REGULATOR IN RELATION TO ERGON ENERGY
CORPORATION LIMITED PURSUANT TO CLAUSE 6.11.1 OF THE
NATIONAL ELECTRICITY RULES**

BY: ERGON ENERGY CORPORATION LIMITED (ACN 078 646 062)

DETERMINATION

TRIBUNAL: Justice Middleton (Deputy President)
Mr R Davey
Mr R Shogren

DATE OF ORDER: 19 May 2011

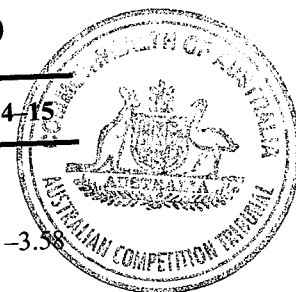
WHERE MADE: Melbourne

THE TRIBUNAL DETERMINES THAT:

1. Pursuant to s 71P(2)(a) of the *National Electricity Law*, the "Final decision - Queensland Distribution Determination 2010-11 to 2014-15" (**Final Decision**) made by the Australian Energy Regulator in May 2010 (and referred to in the "Ergon Energy Distribution Determination 2010-11 to 2014-15" dated 4 May 2010 (**Determination**)) is varied in the terms set out in paragraphs (a) to (z) below.

(a) Table 7.8 of the Final Decision is amended as follows:

Table 7.8: AER conclusion on the Qld DNSPs' real cost escalators (per cent)



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<i>Escalators applying to both DNSPs</i>							
Aluminium	-18.76	-6.96	23.00	-1.20	0.40	-2.62	-3.58
Copper	-27.33	17.42	20.03	-5.42	-4.19	-7.48	-8.63
Steel	7.09	-28.29	33.03	1.00	0.80	-2.29	-3.25
Crude oil	-17.34	-3.69	25.80	-2.97	0.24	-1.74	-2.46
Exchange rates	0.744	0.856	0.721	0.738	0.725	0.728	0.738
Inflation rate	1.46	3.00	2.50	2.75	2.50	2.50	2.50
<i>Energex</i>							
Materials	-5.05	-5.31	10.71	-0.42	0.11	-1.2	-1.67
Land and easements	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Construction	-0.09	1.90	0.31	1.10	2.66	2.51	0.81
Internal labour	0.12	2.22	0.20	0.86	1.27	1.52	1.63
Contract labour	0.99	0.97	0.83	0.78	1.22	1.50	1.61
<i>Ergon Energy</i>							
Commercial land	4.20	5.50	5.40	5.00	5.00	5.40	5.80
Rural land	6.80	8.10	8.00	7.60	7.60	8.00	8.40
Construction	-0.09	1.90	0.31	1.10	2.66	2.51	0.81
Internal labour	0.18	1.83	0.21 1.95	0.75 0.57	1.19	1.50	1.60
Contract labour	1.15	1.08	0.98	0.88	1.29	1.53	1.64

Source: AER analysis, except Energex's materials cost escalator, which is a composite based on materials inputs listed in this table – source Energex, response to AER modelling request, 9 April 2010, confidential.

(b) Table 7.22 and Table 12 of the Final Decision are amended as follows

Table 7.22 & 12: AER conclusion on Ergon Energy's capex allowance (\$m, 2009-10)



	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Ergon Energy revised proposed capex	1123.2	1222.1	1232.0	1293.5	1403.4	6274.1
Adjustment to CIA capex	-19.6	-102.1	-114.9	-127.3	-135.6	-499.6
Adjustment to CICW capex	-73.9	-103.2	-56.5	-68.4	-100.4	-402.3
Adjustment to asset replacement capex	-9.9	-19.4	-30.9	-30.0	-28.6	-118.8
Adjustment to reliability and quality improvement capex	-0.7	-2.6	-5.2	-7.9	-9.5	-25.9
Adjustment to non-system capex	-17.9	-27.8	-32.8	-17.8	-24.7	-121.0
	-2.9	-2.9	-2.8	-2.8	-2.8	-14.0
Adjustment to other system capex (smart meters)	-5.3	-0.2	-	-	-	-5.5
Adjustment to shared costs	-0.0	-0.1	-0.2	-0.4	-0.6	-1.3
Re-inclusion of shared costs that were included in growth, asset replacement, reliability, other system and non-system capex deductions	18.6	51.1	29.4	33.9	34.6	167.6
	21.9	44.8	37.7	38.1	40.6	183.2
Adjustment to cost escalators	-36.7	-70.2	-63.8	-57.8	-50.0	-278.4
	-36.6	-69.9	-63.6	-57.3	-49.4	-276.8

AER capex	977.8	947.7	957.1	1017.9	1088.5	4988.9
allowance	996.2	966.5	995.6	1037.5	1117.1	5112.9

Notes: Total may not add due to rounding. The shared costs included in deductions one to six above should not be removed from Ergon Energy's capex allowance. This is because, with the exception of an adjustment for ICT Services, the AER has not proposed any adjustments to Ergon Energy's shared costs.



(c) Table 8.12 of the Final Decision is amended as follows:

Table 8.12: AER conclusions on Ergon Energy's real cost escalators (per cent)

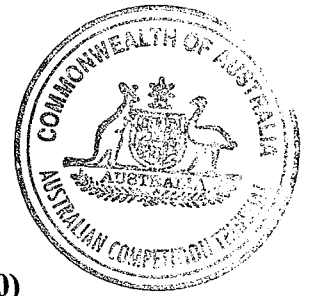
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Aluminium	-18.76	-6.96	23.00	-1.20	0.40	-2.62	-3.58
Copper	-27.33	17.42	20.03	-5.42	-4.19	-7.48	-8.63
Steel	7.09	-28.29	33.03	1.00	0.80	-2.29	-3.25
Crude oil	-17.34	-3.69	25.80	-2.97	0.24	-1.74	-2.46
Exchange rates	0.744	0.856	0.721	0.738	0.725	0.728	0.738
Inflation rate	1.46	3.00	2.50	2.75	2.50	2.50	2.50
Commercial land	4.20	5.50	5.40	5.00	5.00	5.40	5.80
Rural land	6.80	8.10	8.00	7.60	7.60	8.00	8.40
Construction	-0.09	1.90	0.31	1.10	2.66	2.51	0.81
Internal labour	0.18	1.83	0.21 1.95	0.75 0.57	1.19	1.50	1.60
Contract labour	1.15	1.08	0.98	0.88	1.29	1.53	1.64

(d) Table 8.13 of the Final Decision is amended as follows:

Table 8.13: Impact of the application of AER input cost escalators on Ergon Energy's opex forecasts (\$m, 2009-10)

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Impact of AER's revised escalators, modelled by Ergon Energy	-5.69 -3.1	-8.44 -6.1	-10.02 -7.7	-10.64 -8.3	-10.64 -8.2	-45.44 -33.3

Note: Totals may not add due to rounding.



(e) Table 8.18 of the Final Decision is amended as follows:

Table 8.18: AER conclusion on Qld DNSP's debt raising costs (\$m, 2009–10)

	2010–11	2011–12	2012–13	2013–14	2014–15	Total
Energex	4.1	4.6	5.0	5.5	5.9	25.1
Ergon Energy	3.7	4.1	4.4	4.8	5.1	22.1
					5.2	22.2

Note: Total may not add due to rounding.



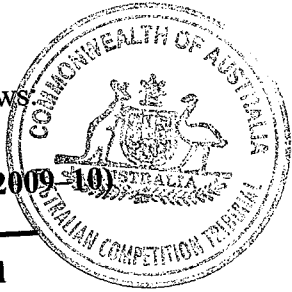
(f) Table 8.19 of the Final Decision is amended as follows:

Table 8.19: AER conclusion on benchmark equity raising cost (\$m, nominal)

Cash flow analysis	Energex	Ergon Energy	Notes
Dividends	1301.8 1052.3	886.7 720.1	Set to distribute imputation credits assumed in the PTRM
Dividends reinvested	390.5 315.7	266.0 216.0	30% of dividends paid
Cost of dividend reinvestment plans	3.9 3.2	2.7 2.2	Dividends reinvested multiplied by benchmark cost (1%)
Capex funding requirement	5703.7	4681.1 4813.7	This is the forecast capex funding requirement (not the capex value that includes a half year WACC adjustment)
Debt component	3292.1	2489.1 2572.2	Set to equal 60% of RAB increase (not capex)
Equity component	2411.6	2192.0 2241.5	Residual of capex funding requirement and debt component
Retained cash flows available for reinvestment	1376.7 1767.0	1770.9 2043.4	Includes dividends reinvested
External equity requirement	1034.9 644.6	421.2 198.1	Equal to equity component less retained cash flows
External equity raising cost	31.0 19.3	12.6 5.9	External equity requirement multiplied by benchmark direct cost (3%)
Total equity raising cost	35.0 22.5	15.3 8.1	Sum of dividend reinvestment plan cost and external equity raising cost
Total equity raising cost (\$2009–10)	32.7 21.2	14.2 7.6	To be added to the RAB at the start of the next regulatory control period

(g) Table 8.21 and Table 14 of the Final Decision are amended as follows.

Table 8.21 & 14: AER conclusion on Ergon Energy's total opex allowance (\$m, 2009-10)



	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Ergon Energy's proposed forecast opex ^a	372.7	387.7	389.2	388.8	379.3	1917.7
Adjustments to controllable opex	-20.1	-21.9	-21.1	-23.8	-25.9	-112.7
Adjustments to self insurance	-3.3	-3.3	-3.4	-3.5	-3.6	-17.2
Adjustment to debt raising costs	-0.1	-0.1	-0.3	-0.4	-0.6	-1.5
	0	0	0	0	0.1	0.1
Adjustment to input cost escalators	-5.7	-8.4	-10.0	-10.6	-10.6	-45.4
	-3.1	-6.1	-7.7	-8.3	-8.2	-33.3
Adjustment for overheads	7.8	14.4	13.8	12.3	12.1	60.4
	7.1	14.0	12.3	12.8	12.6	58.8
Total AER approved opex allowance	351.3	368.4	368.2	362.7	350.6	1801.2
	353.3	370.4	369.3	366.0	354.1	1813.2

Note: Totals may not add due to rounding.
 This amount includes debt raising costs. This amount excludes proposed equity raising costs.
 The AER will allow Ergon Energy to amortise a total amount of \$14.276 million (\$2009-10) in benchmark equity raising costs for the next regulatory control period.



(h) Table 9.2 and Table 16 of the Final Decision is amended as follows:

Table 9.2 & 16: AER conclusion on corporate income tax allowances (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Energex	32.5	35.1	38.5	42.5	45.6	194.3
	80.6	87.4	96.0	105.9	113.5	483.3
Ergon Energy	9.6	27.4	29.6	34.4	33.4	134.4
	23.8	68.3	73.8	85.9	83.6	335.4

Note: Totals may not add due to rounding.

(i) Table 10.4 and Table 18 of the Final Decision are amended as follows:

Table 10.4 & 18: AER conclusion on regulatory depreciation for the Qld DNSPs (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Energex	78.5	87.2	98.1	110.2	111.5	485.5
				110.3	111.6	485.6
Ergon Energy	145.0	146.9	150.3	164.1	144.6	750.9
		147.0	150.4	164.3	144.8	751.3

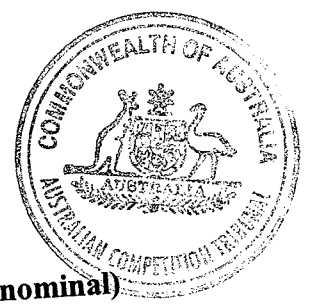
Note: Regulatory depreciation represents the net effect of the straight line depreciation of the Qld DNSPs' assets and the indexation of those assets due to inflation. These depreciation allowances included equity raising costs that were amortised. The depreciation allowance for Ergon Energy does not include its accelerated depreciation claim for destroyed assets. These assets are accounted for separately in the PTRM.



(j) Table 13.2 of the Final Decision is amended as follows:

Table 13.2: AER conclusion on Ergon Energy forecast controllable opex for EBSS purposes (\$m, 2009–10)

	2010–11	2011–12	2012–13	2013–14	2014–15
Total forecast opex	351.3	368.4	368.2	362.7	350.6
	353.3	370.4	369.3	366.0	354.1
Adjustment for debt raising costs	-3.7	-4.1	-4.4	-4.8	-5.1
					-5.2
Adjustment for insurance costs	-3.0	-3.0	-3.0	-3.0	-3.0
Adjustment for self insurance costs	-0.8	-0.8	-0.8	-0.8	-0.8
	-0.7	-0.7	-0.7	-0.7	-0.7
Adjustment for non-network alternatives	-11.6	-12.3	-12.4	-12.5	-12.5
Adjustment for superannuation costs	-4.5	-4.3	-1.2	-1.1	-0.9
Adjustment for DMIA	-1.0	-1.0	-1.0	-1.0	-1.0
Total opex for EBSS purposes	326.7	342.9	345.4	339.5	327.3
	328.8	344.9	346.6	343.0	330.7



(k) Table 16.8 of the Final Decision is amended as follows:

Table 16.8: AER's roll forward of Ergon Energy's regulatory asset base (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15
Opening RAB	7148.9	8050.7	8928.8	9839.8	10 833.2
		8063.3	8961.8	9915.6	10 931.3
Net capex ^a	1046.8	1025.0	1061.3	1157.5	1269.4
	1059.3	1045.4	1104.2	1179.9	1302.9
Indexation of the opening RAB	180.2	202.9	225.0	248.0	273.0
		203.2	225.8	249.8	275.5
Straight-line depreciation	-325.1	-349.8	-375.3	-412.1	-417.5
		-350.2	-376.2	-414.1	-420.2
Closing RAB	8050.7	8928.8	9839.8	10 833.2	11 958.0
	8063.3	8961.8	9915.6	10 931.3	12 089.4

Note: The straight-line depreciation less the indexation of the opening RAB provides the regulatory depreciation building block allowance.

(a) In accordance with the timing assumptions of the PTRM, the nominal capex values include a half WACC allowance to compensate for the average six-month period before capex is added to the RAB for revenue modelling purposes. Net capex also includes capitalised equity raising costs.

(l) Table 16.9 of the Final Decision is amended as follows:

Table 16.9: AER decision on Ergon Energy's net tax allowance (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15
Tax payable	27.4	78.4	84.6	98.3	95.4
	31.7	91.1	98.4	114.6	111.5
Value of imputation credits	-17.8	-50.9	-55.0	-63.9	-62.0
	-7.9	-22.8	-24.6	-28.6	-27.9
Net tax allowance	9.6	27.4	29.6	34.4	33.4
	23.8	68.3	73.8	85.9	83.6

Note: Totals may not add due to rounding.



(k) Table 16.8 of the Final Decision is amended as follows:

Table 16.8: AER's roll forward of Ergon Energy's regulatory asset base (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15
Opening RAB	7148.9	8050.7	8928.8	9839.8	10 833.2
		8063.3	8961.8	9915.6	10 931.3
Net capex ^a	1046.8	1025.0	1061.3	1157.5	1269.4
	1059.3	1045.4	1104.2	1179.9	1302.9
Indexation of the opening RAB	180.2	202.9	225.0	248.0	273.0
		203.2	225.8	249.8	275.5
Straight-line depreciation	-325.1	-349.8	-375.3	-412.1	-417.5
		-350.2	-376.2	-414.1	-420.2
Closing RAB	8050.7	8928.8	9839.8	10 833.2	11 958.0
	8063.3	8961.8	9915.6	10 931.3	12 089.4

Note: The straight-line depreciation less the indexation of the opening RAB provides the regulatory depreciation building block allowance.

(a) In accordance with the timing assumptions of the PTRM, the nominal capex values include a half WACC allowance to compensate for the average six-month period before capex is added to the RAB for revenue modelling purposes. Net capex also includes capitalised equity raising costs.

(l) Table 16.9 of the Final Decision is amended as follows:

Table 16.9: AER decision on Ergon Energy's net tax allowance (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15
Tax payable	27.4	78.4	84.6	98.3	95.4
	31.7	91.1	98.4	114.6	111.5
Value of imputation credits	-17.8	-50.9	-55.0	-63.9	-62.0
	-7.9	-22.8	-24.6	-28.6	-27.9
Net tax allowance	9.6	27.4	29.6	34.4	33.4
	23.8	68.3	73.8	85.9	83.6

Note: Totals may not add due to rounding.



(m) Table 6.12 and Table 23 of the Final Decision are amended as follows

Table 16.12 & 23: AER decision on Ergon Energy's annual revenue requirements and X factors (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15
Regulatory depreciation ^a	145.0	146.9	150.3	164.1	144.6
		147.0	150.4	164.3	144.8
Return on capital ^a	694.7	782.4	867.7	956.2	1052.8
		783.6	870.9	963.6	1062.3
Operating expenditure ^b	360.2	387.2	396.7	400.7	397.1
	362.2	389.3	398.0	404.4	401.0
Tax allowance	9.6	27.4	29.6	34.4	33.4
	23.8	68.3	73.8	85.9	83.6
Capital contributions	-111.8	-115.8	-120.4	-130.7	-141.5
Revenue from shared assets	-3.2	-3.3	-3.4	-3.4	-3.5
Accelerated depreciation	10.5				
Annual revenue requirements	1105.0	1224.8	1320.5	1421.3	1482.7
	1121.0	1269.2	1369.2	1484.0	1546.6
Expected revenues	1123.1	1210.1	1303.9	1404.9	1513.8
		1237.8	1364.1	1503.4	1570.1
Forecast CPI (%)	2.52	2.52	2.52	2.52	2.52
X factors ^c (%)	-29.61	-5.10	-5.10	-5.10	-5.10
		-7.50	-7.50	-7.50	-1.87

(a) Includes equity raising costs.

(b) Includes debt raising costs, demand management incentive allowance and self insurance.

(c) Negative values for X indicate real revenue increases under the CPI-X formula.

(n) Table 16.13 and Table 24 of the Final Decision are amended as follows:

Table 16.13 & 24: Retail price impacts (per cent)



	2010-11	2011-12	2012-13	2013-14	2014-15
<i>Ergon Energy proposal</i>					
Real impacts	14.2	1.3	1.3	1.3	1.3
Nominal impacts	15.5	2.4	2.4	2.4	2.4
<i>AER decision (amended by Tribunal)</i>					
Real impacts	10.3	0.8	0.8	0.8	0.8
		1.7	1.7	1.7	-0.4
Nominal impacts	11.6	1.8	1.8	1.8	1.8
		2.8	2.8	2.8	0.6

Note: Calculations assume distribution network charges make up 40 per cent of retail electricity prices and 3.0 per cent demand growth per annum for the next regulatory control period. Inflation of 2.52 per cent assumed for calculating the nominal impacts.

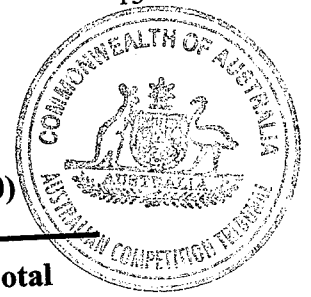


(o) Table F.5 of the Final Decision is amended as follows:

Table F.5: AER conclusion on real cost escalators for Energex and Ergon Energy (per cent)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<i>Escalators applying to both DNSPs</i>							
Aluminium	-18.76	-6.96	23.00	-1.20	0.40	-2.62	-3.58
Copper	-27.33	17.42	20.03	-5.42	-4.19	-7.48	-8.63
Steel	7.09	-28.29	33.03	1.00	0.80	-2.29	-3.25
Crude oil	-17.34	-3.69	25.80	-2.97	0.24	-1.74	-2.46
Exchange rates	0.744	0.856	0.721	0.738	0.725	0.728	0.738
Inflation rate	1.46	3.00	2.50	2.75	2.50	2.50	2.50
<i>Energex</i>							
Materials ^a	-5.05	-5.31	10.71	-0.42	0.11	-1.20	-1.67
Land and easements	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Construction	-0.09	1.90	0.31	1.10	2.66	2.51	0.81
Internal labour	0.12	2.22	0.20	0.86	1.27	1.52	1.63
Contract labour	0.99	0.97	0.83	0.78	1.22	1.50	1.61
<i>Ergon Energy</i>							
Commercial land	4.20	5.50	5.40	5.00	5.00	5.40	5.80
Rural land	6.80	8.10	8.00	7.60	7.60	8.00	8.40
Construction	-0.09	1.90	0.31	1.10	2.66	2.51	0.81
Internal labour	0.18	1.83	0.21 1.95	0.75 0.57	1.19	1.50	1.60
Contract labour	1.15	1.08	0.98	0.88	1.29	1.53	1.64

Source: AER analysis. Energex's materials cost escalator is a composite based on materials inputs listed in this table. Source: Energex, Response to AER modelling request (Energex FD), 9 April 2010, confidential.



(p) (Table 17.13 of the Final Decision is amended as follows:

Table 17.13: AER conclusion Ergon Energy's capex allowance (\$m, 2009–10)

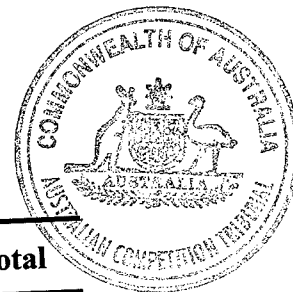
	2010–11	2011–12	2012–13	2013–14	2014–15	Total
Ergon Energy proposed capex	9.6	10.0	10.3	10.5	10.7	51.1
Adjustments to demand forecasts	-4.7	-5.0	-5.2	-5.3	-5.4	-25.6
Re-inclusion of shared costs	0.0	0.1	0.1	0.1	0.0	0.3
Adjustments to cost escalators	-0.3	-0.3	-0.4	-0.4	-0.4	-1.9
	-0.3	-0.4	-0.4	-0.4	-0.5	-2.0
	0.0	0.0	0.0	0.0	0.0	0.0
Total adjustments	-5.0	-5.3	-5.5	-5.7	-5.8	-27.3
			-5.6		-5.9	-27.5
AER capex allowance	4.6	4.7	4.8	4.8	4.9	23.8
			4.7		4.8	23.6

Source: Ergon Energy, response to information request PRP1028c, 22 April 2010.

Note: Totals may not add due to rounding. The shared costs included in the deductions above should not be removed from Ergon Energy's capex allowance as the AER has not adjusted Ergon Energy's shared costs.

(q) Table 17.14 of the Final Decision is amended as follows:

Table 17.14: AER conclusion Ergon Energy's opex allowance (\$m, 2009–10)



	2010–11	2011–12	2012–13	2013–14	2014–15	Total
Ergon Energy proposed opex	14.6	14.3	14.3	14.7	15.0	72.9
Adjustments to demand forecasts	-0.9	-1.1	-1.2	-1.3	-1.5	-6.0
Re-inclusion of shared costs	0.2	0.4	0.3	0.3	0.3	1.5
Adjustments to cost escalators	-0.1	0.0	-0.1	-0.2	-0.2	-0.6
	-0.2	-0.3	-0.4	-0.4	-0.5	-1.8
	0.0	0.0	0.0	0.0	0.0	0.0
Total adjustments	-1.0	-1.0	-1.2	-1.5	-1.6	-6.3
	-1.1		-1.3		-1.7	-6.5
AER opex allowance	13.7	13.3	13.1	13.2	13.3	66.6
	13.6		13.0			66.4

Source: Ergon Energy, response to information request PRP1028c, 22 April 2010.

Note: Totals may not add due to rounding. The shared costs included in the deductions above should not be removed from Ergon Energy's opex allowance as the AER has not adjusted Ergon Energy's shared costs.



(r) Table 17.15 and Table 26 of the Final Decision are amended as follows:

Table 17.15 & 26: AER conclusion Ergon Energy's approved revenue requirement
(\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15
Regulatory depreciation	6.3	6.8	7.3	7.9	8.4
Return on capital	6.8	6.7	6.5	6.3	6.1
Opex	14.0	14.0	14.1 14.0	14.6	15.1
Tax allowance	0.8	0.8	0.8	0.8	0.8
	1.9	1.9	2.0	2.0	2.0
Annual revenue requirement ^a	27.9	28.3	28.7	29.6	30.5
	29.0	29.4	29.8	30.7	31.6
Forecast CPI (%)	2.52	2.52	2.52	2.52	2.52
X factors ^b (%)	-73.99	-1.00	-1.00	-1.00	-1.00
		-4.00	-3.20	-2.70	1.27
Smoothed annual revenue requirement	27.1	28.0	29.0	30.0	31.1
		28.9	30.5	32.1	32.5

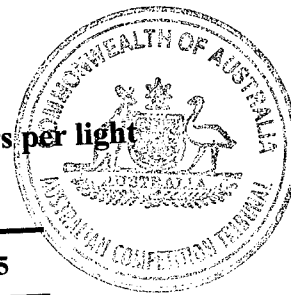
Note: Totals may not add due to rounding.

(a) This is the smoothed annual revenue requirement.

(b) A negative X factor indicates a price increase.

(s) Table 17.16 of the Final Decision is amended as follows:

Table 17.16: AER conclusion Ergon Energy's street lighting prices (dollars per light per day, GST exclusive)



	2010-11a	2011-12	2012-13	2013-14	2014-15
East – major	0.84	0.86 0.89	0.88 0.93	0.90 0.97	0.93 0.97
Price path (%)	79.69	2.30 5.35	2.32 4.54	2.31 4.03	2.31 0.00
East – minor	0.50	0.51 0.53	0.53 0.55	0.54 0.58	0.55 0.58
Price path (%)	79.69	2.30 5.35	2.32 4.54	2.31 4.03	2.31 0.00
West – major	0.84	0.87 0.89	0.88 0.93	0.90 0.97	0.93 0.97
Price path (%)	79.69	2.48 5.35	2.14 4.54	2.31 4.03	2.31 0.00
West – minor	0.50	0.52 0.53	0.53 0.55	0.54 0.58	0.55 0.58
Price path (%)	79.69	2.50 5.35	2.12 4.54	2.31 4.03	2.31 0.00
Mt Isa – major	0.84	0.86 0.89	0.88 0.93	0.90 0.97	0.93 0.97
Price path (%)	79.69	2.30 5.35	2.32 4.54	2.31 4.03	2.31 0.00
Mt Isa – minor	0.50	0.51 0.53	0.53 0.55	0.54 0.58	0.55 0.58
Price path (%)	79.69	2.30 5.35	2.32 4.54	2.31 4.03	2.31 0.00

Source: Ergon Energy, response to information request, 6 May 2010.

Note: A positive price path indicates a price increase.

(a) The first year price path shows the percentage change in prices between 2009-10 and 2010-11.

- (t) The formula applicable to Ergon Energy set out at page 371 of the confidential version (page 370 of the public version) of the Final Decision is to apply only to the prices of fee based services.
- (u) The formula that is to be used to derive prices for quoted services is as follows:

$$P_i = L_i + M_i + OC_i + CA_i + GST_i$$

where:

L_i is the cost of labour involved in the delivery of the service (inclusive of on costs and overheads), calculated as the product of an hourly rate and the time spent by the personnel. This amount includes both travel time and time spent delivering the service.

M_i is the cost of non-capitalised materials expended in the delivery of the service (inclusive of overheads).

OC_i is other one off costs (inclusive of overheads) relating to the delivery of the service, including:

- (a) the hire or supply of assets and equipment;
- (b) the supply of services such as contractors and external labour;
and
- (c) the cost of permits.

Other costs are to be charged to customers at their cost to Ergon Energy plus overheads.

CA_i reflects the return on and return of non-system capital employed in the delivery of the service (for example, trucks and IT systems), which is calculated as a dollar per dollar of labour expenditure in accordance with section 18.3.3.3 of this decision.

GST_i the goods and services tax component of the service charge

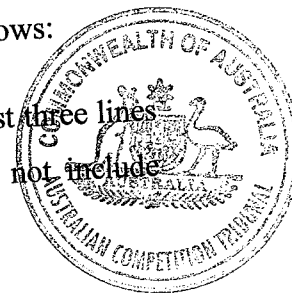
- (v) In addition to the requirements specified in section 18.3.5 of the Final Decision, Ergon Energy's annual pricing proposal must report on any departures from its procurement processes and procedures in delivering quoted services that include other costs.



(w) Table I.4 in Appendix I to the Final Decision is amended as follows:

(i) a note is added to each illustrative configuration in the first three lines of Table I.4 stating "this illustrative configuration does not include other costs";

(ii) the fourth line of Table I.4 is deleted and the following line inserted in its place:



Quoted service	2010-11	2011-12	2012-13	2013-14	2014-15
Removal or relocation of Ergon Energy assets at customer request	25 562.64	26 492.03	27 415.75	28 388.09	29 400.78

(x) The following information is added to Table I.4 in Appendix I to the Final Decision:

Quoted service, continued	2010-11	2011-12	2012-13	2013-14	2014-15
Relocation of Assets 1*	221 542.23	229 571.44	238 049.50	247 333.57	257 177.66
Relocation of Assets 2*	53 339.94	55 273.07	57 343.74	59 626.05	62 056.56
Relocation of Assets 3*	887 264.33	919 295.10	953 048.28	990 027.80	1 029 199.50
Emergency Recoverable Works 1*	15 027.46	15 564.55	16 146.12	16 793.30	17 483.84
Relocation of Assets 4*	367 831.52	381 251.69	395 118.06	410 113.80	425 915.50
Relocation of Assets 5*	106 834.46	110 729.48	114 806.12	119 242.76	123 936.70
Emergency Recoverable Works 2*	24 614.67	25 491.69	26 448.12	27 516.90	28 659.30
Relocation of Assets 6*	81 921.45	84 933.91	88 001.78	91 286.89	94 734.66
Relocation of Assets 7*	86 109.07	89 250.64	92 499.80	96 015.25	99 720.79
Large Customer Connection 1*	1 088 303.29	1 128 704.09	1 169 771.18	1 213 587.10	1 259 582.56
Large Customer Connection 2*	657 147.24	681 336.95	706 245.00	733 069.73	761 326.76

Note: *These illustrative examples were received as part of Ergon Energy's submission to the AER in response to the Australian Competition Tribunal's direction to the AER that it serve and file a report on 'other costs'.

- (y) Table J.20 in the confidential version of Appendix J to the Final Decision is deleted and the table in Confidential Annexure A to these orders is inserted in its place.
- (z) The information in Confidential Annexure B to these orders is added to the confidential version of Appendix J to the Final Decision for the purposes of capping the first year's price of the other costs individual formula component and applying the indicative price path for the remaining years of the regulatory control period.
2. Pursuant to section 71P(2)(a) of the National Electricity Law, the Determination, to the extent that it relates to the Customer Service Costs of Ergon Energy Corporation Limited (as referred to in paragraph 12 of the Application for Review filed by Ergon Energy Corporation Limited), is affirmed.
3. Pursuant to section 71P(2)(a) of the National Electricity Law, the Determination, to the extent that it classified the Street Lighting Services of Ergon Energy Corporation Limited as alternative control services (as referred to in paragraph 13 of the Application for Review filed by Ergon Energy Corporation Limited), is affirmed.
4. Pursuant to section 71P(2)(a) of the National Electricity Law, the Determination, to the extent that it relates to the Service Target Performance Incentive Scheme applicable to Ergon Energy Corporation Limited (as referred to in paragraph 4 of the Application for Review filed by Ergon Energy Corporation Limited), is affirmed.
5. There be no order as to costs.

Dated entered: 19 May 2010



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 REGISTRAR

Australian Competition Tribunal