

Friday, 20 September 2019

Sebastian Roberts
General Manager
Networks & Pipelines
AER

Dear Sebastian

Re: Negative Cost Pass through - Murraylink

I am writing to you to inform you of a negative cost pass through event that has occurred at Murraylink.¹

The AER accepted the inclusion of a cost pass through event for connection charges² as part of the Murraylink Transmission Determination for the 2018-23 period.

The cost pass through would occur where the total connection charges from AusNet Services and ElectraNet materially differed from the forecast connection charges included in the Forecast Operating Expenditure approved by the AER. The definition of material is that the change in connection costs must exceed one per cent of the maximum allowed revenue for Murraylink for the relevant regulatory year.³

An event has occurred that satisfies both these criteria and therefore there is a negative cost pass through amount to be included in the 2020/21 revenue calculation for Murraylink.

The negative change event is a lowering of the connection charges by ElectraNet levied on Murraylink. The full year connection charge costs for Murraylink for the 2019 financial year are set out in the table below

Connection Charge	Amount (\$ nominal)
ElectraNet	324,373
AusNet	238,836
Total	563,210

The nominal value of the connection charges included in the forecast operating expenditure for 2018/19 is \$1,007,416. This means the actual connection charges is lower than the forecast amount by \$444,206.

When adjusted for the time value of money using the Nominal WACC from the AER's cost of debt update PTRM in \$2020/21 the negative cost pass through amount is **\$496,183**.

¹ National Electricity Rules 6A.7.3(f)

² National Electricity Rules 6A.6.9(b)

³ AER, Murraylink Draft Determination, Attachment 13, p 11

ElectraNet have advised Directlink that the connection charge included a capital component that was no longer required. Based on this Directlink expects to notify the AER of cost pass throughs for all years of the current transmission determination period but is currently unable to calculate their exact quantum.

The calculation of the cost pass through is set out in the attached model.

Yours Sincerely

A handwritten signature in blue ink, appearing to be 'Mark Allen', written in a cursive style.

Mark Allen
Regulatory Manager