



**2026-31 HCC RNI Project**

## **Attachment 9.3 Material assumptions**

**16 May 2025**



## Contents

1.1	Regulatory requirements.....	1
1.2	Interpretation of ‘material assumption’ .....	1
1.3	Reasonableness of material assumptions .....	1
1.4	Overview of this document.....	1

# **1 Background**

This document sets out the material assumptions that underlie Ausgrid's forecasts of capital and operating expenditure and revenue for the Hunter-Central Coast Renewable Energy Zone (**REZ**) Network Infrastructure (**RNI**) project.

## **1.1 Regulatory requirements**

Section 5.3.1(b) of the Information Notice requires Ausgrid to provide all material assumptions relied upon in preparing its revenue proposal.<sup>1</sup>

## **1.2 Interpretation of 'material assumption'**

The term 'material assumption' is not a defined term in EII Chapter 6A, the NER or the National Electricity Law. Unlike "key assumptions" - which are critical for expenditure forecasting - "material assumptions" indicate a broader scope and encompass a wider range of underlying premises that are significant to the overall regulatory assessment.

## **1.3 Reasonableness of material assumptions**

In accordance with the above interpretation, Ausgrid has undertaken a process where we identified assumptions underpinning our forecast opex and capex (or categories of capex) and assessed the materiality of each assumption to ensure that only material assumptions are captured.

## **1.4 Overview of this document**

This document identifies each material assumption, including how it relates to our forecast expenditure, and the basis on which we have adopted these material assumptions (Section 2).

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<sup>1</sup> Australian Energy Regulator, Information Notice Issued to Ausgrid for the Hunter Coast project (non contestable), April 2024.

## 2 Material assumptions

Table 1 lists the material assumptions which we consider to be material when developing our proposed forecasts for the 2026-31 regulatory period.

**Table 1: Summary of material assumptions**

Category	Assumption	Source and application (including quantum if applicable)	Impact of the assumption on the capital and operating expenditure forecasts in the forthcoming control period
1. Rate of return	Placeholder cost of debt	The cost of debt used in the PTRM will not be known for the first regulatory year at the time when the AER makes its final determination for the HCC RNI project. As a result, we have nominated a placeholder averaging period. The cost of debt will be updated as part of the automatic adjustments.	This assumption does not impact on the capital and operating expenditure
2. Rate of return	Placeholder cost of equity	The cost of equity used in the PTRM will not be known for the first regulatory year at the time when the AER makes its final determination for the HCC RNI project. As a result, we have nominated a placeholder averaging period. The cost of equity will be updated as part of the automatic adjustments.	This assumption does not impact on the capital and operating expenditure
3. Rate of return	Placeholder Nominal vanilla WACC (fixed real time varying)	Nominal vanilla WACC (fixed real time varying) in the PTRM used to escalate the pre-period expenditure for the RAB opening value will not be known when the AER makes its final determination for the HCC RNI project. As a result, we have adopted the Nominal FY26 NER WACC. The Nominal vanilla WACC (fixed real time varying) will be updated	This assumption does not impact on the capital and operating expenditure because this is an interim solution.

Category	Assumption	Source and application (including quantum if applicable)	Impact of the assumption on the capital and operating expenditure forecasts in the forthcoming control period
		as part of the automatic adjustments once the actual inflation is known.	
4. Asset life	Asset life for the Infrastructure Planner Fee	The Infrastructure Planner Fee being a new asset class in the Post Tax Revenue Model, we based its asset life on the duration of the project Deed's default term.	This assumption impacts the regulatory depreciation of this new tariff class.