



**DRAFT DECISION**  
**ElectraNet transmission**  
**determination**  
**2018 to 2023**

**Attachment 8 – Corporate**  
**income tax**

October 2017

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## Note

This attachment forms part of the AER's draft decision on ElectraNet's transmission determination for 2018–23. It should be read with all other parts of the draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 – Maximum allowed revenue

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Value of imputation credits

Attachment 5 – Regulatory depreciation

Attachment 6 – Capital expenditure

Attachment 7 – Operating expenditure

Attachment 8 – Corporate income tax

Attachment 9 – Efficiency benefit sharing scheme

Attachment 10 – Capital expenditure sharing scheme

Attachment 11 – Service target performance incentive scheme

Attachment 12 – Pricing methodology

Attachment 13 – Pass through events

Attachment 14 – Negotiated services

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## Shortened forms

| Shortened form | Extended form                            |
|----------------|--|
| AARR           | aggregate annual revenue requirement     |
| AEMC           | Australian Energy Market Commission      |
| AEMO           | Australian Energy Market Operator        |
| AER            | Australian Energy Regulator              |
| ASRR           | annual service revenue requirement       |
| augex          | augmentation expenditure                 |
| capex          | capital expenditure                      |
| CCP            | Consumer Challenge Panel                 |
| CESS           | capital expenditure sharing scheme       |
| CPI            | consumer price index                     |
| DMIA           | demand management innovation allowance   |
| DRP            | debt risk premium                        |
| EBSS           | efficiency benefit sharing scheme        |
| ERP            | equity risk premium                      |
| MAR            | maximum allowed revenue                  |
| MRP            | market risk premium                      |
| NEL            | national electricity law                 |
| NEM            | national electricity market              |
| NEO            | national electricity objective           |
| NER            | national electricity rules               |
| NSP            | network service provider                 |
| NTSC           | negotiated transmission service criteria |
| opex           | operating expenditure                    |
| PPI            | partial performance indicators           |
| PTRM           | post-tax revenue model                   |
| RAB            | regulatory asset base                    |
| RBA            | Reserve Bank of Australia                |
| repex          | replacement expenditure                  |
| RFM            | roll forward model                       |
| RIN            | regulatory information notice            |

| Shortened form | Extended form                               |
|----------------|---|
| RPP            | revenue and pricing principles              |
| SLCAPM         | Sharpe-Lintner capital asset pricing model  |
| STPIS          | service target performance incentive scheme |
| TNSP           | transmission network service provider       |
| TUoS           | transmission use of system                  |
| WACC           | weighted average cost of capital            |

## 8 Corporate income tax

Our revenue determination includes the estimated cost of corporate income tax for ElectraNet's 2018–23 regulatory control period.<sup>1</sup> Under the post-tax framework, a corporate income tax allowance is calculated as part of the building block assessment using our post-tax revenue model (PTRM). This amount allows ElectraNet to recover the costs associated with the estimated corporate income tax payable during the 2018–23 regulatory control period.

This attachment sets out our draft decision on ElectraNet's proposed corporate income tax allowance for the 2018–23 regulatory control period. It also presents our assessment of its proposed opening tax asset base (TAB), its proposed standard tax asset lives, and the year-by-year depreciation approach that it has used to estimate tax depreciation for the purpose of calculating tax expenses.

### 8.1 Draft decision

We do not accept ElectraNet's proposed cost of corporate income tax allowance of \$79.3 million (\$ nominal). Our draft decision on the estimated cost of corporate income tax is \$37.2 million (\$ nominal) over the 2018–23 regulatory control period. This represents a reduction of \$42.1 million (or 53.1 per cent) from ElectraNet's proposal.

The reduction reflects our amendments to ElectraNet's proposed inputs for forecasting the cost of corporate income tax including:

- the opening TAB at 1 July 2018 (section 8.4.2)
- the standard tax asset lives (section 8.4.4)
- the tax treatment of revenue adjustments (section **Error! Reference source not found.**)
- the value of imputation credits—gamma (attachment 4).

Our adjustments to the return on capital (attachments 2, 3 and 6)<sup>2</sup>, the return of capital (attachment 5) and the revenue adjustment building blocks (attachment 1) affect revenues, which in turn impact the tax calculation. The changes affecting revenues are discussed in attachment 1.

Table 8.1 sets out our draft decision on the estimated cost of corporate income tax allowance for ElectraNet over the 2018–23 regulatory control period.

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<sup>1</sup> NER, cl. 6A.5.4(a)(4).

<sup>2</sup> The forecast capex amount is a key input for calculating the return of and return on capital building blocks. Attachment 6 sets out our draft decision on ElectraNet's forecast capex.

**Table 8.1 AER's draft decision on ElectraNet's cost of corporate income tax allowance for the 2018–23 regulatory control period (\$ million, nominal)**

|   | 2018–19    | 2019–20    | 2020–21    | 2021–22    | 2022–23    | Total       |
|---|------------|------------|------------|------------|------------|-------------|
| Tax payable                               | 7.3        | 11.4       | 13.2       | 14.6       | 15.5       | 62.0        |
| Less: value of imputation credits         | 2.9        | 4.6        | 5.3        | 5.8        | 6.2        | 24.8        |
| <b>Net corporate income tax allowance</b> | <b>4.4</b> | <b>6.8</b> | <b>7.9</b> | <b>8.7</b> | <b>9.3</b> | <b>37.2</b> |

Source: AER analysis.

## 8.2 ElectraNet's proposal

ElectraNet proposed a forecast cost of corporate income tax of \$79.2 million (\$ nominal) using the AER's PTRM and a separate model containing a TAB depreciation schedule. ElectraNet adopted the straight-line tax depreciation approach with the following inputs for the PTRM:<sup>3</sup>

- an opening TAB as at 1 July 2018 of \$1926.4 million (\$ nominal)
- depreciation of the opening TAB at 1 July 2018 for each asset class applying the year-by-year tracking approach calculated in the depreciation model
- an expected statutory income tax rate of 30 per cent per year
- a value for gamma of 0.25
- standard tax asset lives broadly as approved at the 2013–18 transmission determination and in accordance with those values prescribed by the Commissioner for taxation in tax ruling 2015/2. In addition, ElectraNet has proposed a standard tax asset life of 10 years for the new 'Communications - other (post 2018)' asset class, 30 years for the new 'Synchronous condensers' asset class and maintaining a standard tax asset life of 27 years for the asset class renamed as 'Transmission lines - life extension'.

Table 8.2 sets out ElectraNet's proposed corporate income tax allowance for the 2018–23 regulatory control period.

<sup>3</sup> ElectraNet, *Revenue proposal, PTRM*, March 2017.



**Table 8.2 ElectraNet's proposed corporate income tax allowance for the 2018–23 regulatory control period (\$ million, nominal)**

|   | 2018–19     | 2019–20     | 2020–21     | 2021–22     | 2022–23     | Total       |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Tax payable                               | 15.9        | 20.1        | 22.0        | 23.4        | 24.3        | 105.7       |
| Less: value of imputation credits         | 4.0         | 5.0         | 5.5         | 5.8         | 6.1         | 26.4        |
| <b>Net corporate income tax allowance</b> | <b>11.9</b> | <b>15.1</b> | <b>16.5</b> | <b>17.5</b> | <b>18.2</b> | <b>79.3</b> |

Source: ElectraNet, *Revenue proposal, Attachment 8 Corporate income tax*, March 2017, p. 6.

### 8.3 Assessment approach

We make an estimate of taxable income for each regulatory year as part of our revenue determination. Our estimate is for the taxable income a benchmark efficient entity would earn for providing prescribed transmission services if it operated ElectraNet's business.<sup>4</sup> Our approach for calculating a TNSP's cost of corporate income tax is set out in our PTRM and involves the following steps:<sup>5</sup>

1. We estimate the annual taxable income that would be earned by a benchmark efficient entity operating the TNSP's business.<sup>6</sup> A TNSP's taxable income is calculated by reducing the approved forecast revenues by benchmark estimates of tax expenses. Using the PTRM, we model the TNSP's benchmark tax expenses, including interest tax expense and tax depreciation, over the regulatory control period. The interest tax expense is estimated using the benchmark 60 per cent gearing. Tax depreciation is calculated using a separate value for the TAB, and standard and remaining tax asset lives for taxation purposes. All tax expenses (including other expenses such as opex) are offset against the TNSP's forecast revenue to estimate the taxable income.
2. The statutory income tax rate is then applied to the estimated annual taxable income (after adjustment for any tax loss carried forward) to arrive at a notional amount of tax payable.
3. We apply a discount to that notional amount of tax payable to account for the assumed utilisation of imputation credits (gamma) by investors.
4. The tax payable net of assumed utilised imputation credits represents the corporate income tax allowance and is included as a separate building block in determining the TNSP's annual building block revenue requirement.

<sup>4</sup> NER, cl. 6A.6.4.

<sup>5</sup> The PTRM must specify the manner in which the estimated cost of corporate income tax is to be calculated: NER, cl. 6A.5.3(b)(4).

<sup>6</sup> NER, cl. 6A.6.4.

The corporate income tax allowance is an output of our PTRM. We therefore assess ElectraNet's proposed cost of corporate income tax allowance by analysing the proposed inputs to the PTRM for calculating that allowance. These inputs include:

- **The opening TAB as at the commencement of the 2018–23 regulatory control period:** We consider that the roll forward of the opening TAB should be based on the approved opening TAB as at commencement of the 2013–18 regulatory control period and ElectraNet's actual capex incurred during that period and the final year (2012–13) of the previous regulatory control period.<sup>7</sup>
- **The standard tax asset life for each asset class:** We assess ElectraNet's proposed standard tax asset lives, where necessary, against those prescribed by the Commissioner for taxation in tax ruling 2017/2<sup>8</sup> and the approved standard tax asset lives in ElectraNet's transmission determination for the 2013–18 regulatory control period.
- **The remaining tax asset life for each asset class at the commencement of the 2018–23 regulatory control period:** Our roll forward model (RFM) determines the remaining tax asset lives using the weighted average method.<sup>9</sup> We consider the weighted average method provides a better reflection of the mix of assets within an asset class. We will assess the outcomes of other approaches against the outcomes of this preferred method in the RFM.
- **The income tax rate:** The statutory income tax rate is 30 per cent per year.
- **The value of gamma:** We determine the gamma input value to be 0.4. Refer to attachment 4 for detailed discussion on this matter.

We received a submission from the CCP on ElectraNet's proposed corporate income tax. The CCP submitted that the AER's current approach may overestimate the tax expense of the benchmark efficient entity. The submission expressed concerns that the reported actual tax paid and effective tax rate for infrastructure owners may be much less than the forecast of 30 per cent per year, due to their specific organisational structure. The CCP also submitted that the AER should review its approach to the estimation of tax expense of the benchmark efficient entity as part of its next review of the *Rate of return* guideline.<sup>10</sup>

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<sup>7</sup> The tax depreciation is therefore recalculated based on actual capex. The same tax depreciation approach of using actual capex applies to the roll forward of the TAB at the next reset.

<sup>8</sup> ATO, *Taxation Ruling Income tax: effective life of depreciating assets (applicable from 1 July 2017)*, June 2017, <http://law.ato.gov.au/atolaw/view.htm?docid=%22TXR%2FTR20172%2FNAT%2FATO%2F00001%22>, accessed on 21 July 2017.

<sup>9</sup> The weighted average method involves weighting the remaining life of each capital stream within an asset class (that is, the opening tax capital value and the capital expenditures for each year) by the closing tax capital value of that capital stream as a proportion of the total closing tax capital value of the asset class as a whole. The resulting individual values for each capital stream are then added together to obtain the overall weighted average remaining life of the asset class.

<sup>10</sup> CCP, *CCP subpanel 9 — Response to proposals from ElectraNet*, 12 July 2017, pp. 55-56.

As noted above, we are required to estimate the cost of corporate income tax based on a benchmark efficient entity operating the TNSP's business.<sup>11</sup> This estimate must be determined in accordance with the manner set out in the PTRM.<sup>12</sup> The PTRM models benchmark cash flows and applies the statutory income tax rate of 30 per cent per year for estimating the forecast tax payment, in accordance with the requirements of the NER.<sup>13</sup> We note that for this draft decision our approach in the PTRM models an effective tax rate of 23.3 per cent for ElectraNet, which is less than the statutory rate, in estimating the corporate income tax allowance. We have consistently applied this approach to all regulated gas and electricity network businesses to date. The CCP acknowledged that the current approach is embedded within the PTRM and should not be changed for this ElectraNet transmission determination. We agree with the CCP that the current approach should remain unchanged for this reset. Any amendment to the current approach may require a broader review of the current framework.

### 8.3.1 Interrelationships

The cost of corporate income tax building block feeds directly into the annual building block revenue requirement. This tax allowance is determined by four factors:

- pre-tax revenues
- tax expenses (including tax depreciation)
- the corporate tax rate
- gamma—the expected proportion of company tax that is returned to investors through the utilisation of imputation credits—which is offset against the corporate income tax allowance. This is discussed further in attachment 4.

Of these four factors, the corporate tax rate is set externally by the Government. The higher the tax rate the higher the required tax allowance.

The pre-tax revenues depend on all the building block components. Any factor that affects revenue will therefore affect pre-tax revenues. Higher pre-tax revenues can increase the tax allowance.<sup>14</sup>

Depending on the source of the revenue increase, the tax increase may be equal to or less than proportional to the company tax rate.<sup>15</sup>

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<sup>11</sup> NER, cl. 6A.6.4.

<sup>12</sup> NER, cl. 6A.6.4 and 6A.5.3(b)(4).

<sup>13</sup> NER, cl. 6A.6.4.

<sup>14</sup> In fact, there is an iterative relationship between tax and revenues. That is, revenues lead to tax, being applied, which increases revenues and leads to slightly more tax and so on. The PTRM is therefore set up to run an iterative process until the revenue and tax allowances become stable.

<sup>15</sup> For example, although increased opex adds to revenue requirement, these expenses are also offset against the revenues as deductions in determining tax, so there is no net impact in this case. A higher return on equity, in contrast, gives rise to no offsetting tax expenses and therefore increases the tax allowance in proportion to the company tax rate.

The tax expenses (or deductions) depend on various building block components and their size. Some components give rise to tax expenses, such as opex, interest payments and tax depreciation of assets. However, others do not, such as increases in return on equity. Higher tax expenses offset revenues as deductions in the tax calculation and therefore reduce the cost of corporate income tax allowance (all things being equal). Tax expenses include:

- Interest on debt – Interest is a tax offset. The size of which depends on the ratio of debt to equity and therefore the proportion of the RAB funded through debt. It also depends on the allowed return on debt and the size of the RAB.
- General expenses – In the main these expenses will match the opex allowance.
- Tax depreciation – A separate TAB is maintained for the TNSPs reflecting tax rules. This TAB is affected by many of the same factors as the RAB, such as capex, although unlike the RAB value it is maintained at its historical cost with no indexation. The TAB is also affected by the depreciation rate or asset lives assigned for tax depreciation purposes.

A ten per cent increase in the corporate income tax allowance would cause revenues to increase by about 0.5 per cent. Our draft decision gamma of 0.4 compared to the proposed gamma of 0.25 decreases the corporate income tax allowance by 24.4 per cent and total revenue is reduced by about 1.1 per cent.<sup>16</sup>

## 8.4 Reasons for draft decision

We do not accept ElectraNet's proposed cost of corporate income tax of \$79.3 million (\$ nominal). We have instead determined a cost of corporate income tax of \$37.2 million. This represents a reduction of \$42.1 million (or 53.1 per cent) from ElectraNet's proposal.

This is because we adjusted the following proposed inputs to the PTRM for tax purposes:

- the opening TAB value at 1 July 2018 (section 8.4.2)
- the standard tax asset lives (section 8.4.4)
- the value for gamma (attachment 4).

We have accepted the proposed year-by-year tracking approach for calculating ElectraNet's tax depreciation of its existing assets (section 8.4.1).

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<sup>16</sup> We have analysed the sensitivity of the corporate income tax allowance relative to total revenue, and compared the effects of the two gamma values based on the inputs from ElectraNet's proposed PTRM.

Our adjustments to the return on capital (attachments 2, 3 and 6)<sup>17</sup>, the return of capital (attachment 5) and the revenue adjustment building blocks (attachment 1) affect revenues, and therefore also impact the forecast corporate income tax allowance.

### 8.4.1 Transition to year-by-year tracking approach

We accept ElectraNet's proposed approach to transition to a year-by-year tracking for tax depreciation of existing assets. This is consistent with our draft decision to accept ElectraNet's proposed year-by-year tracking approach for regulatory depreciation purposes (attachment 5). Under this approach, the capex for each year of a regulatory control period is depreciated individually for tax purposes. It will result in each tax asset class having an expanding list of sub-assets to reflect the regulatory year in which capital expenditures on those assets occurred. This extra data helps track remaining tax asset values and associated tax depreciation, and is therefore consistent with the NER.

The year-by-year tracking depreciation approach increases depreciation in the short term compared to our preferred approach. For tax depreciation, it therefore increases tax expenses and decreases the tax allowance and the overall revenue, all things being equal. The impact of applying the year-by-year tracking approach to tax depreciation to ElectraNet's proposal is relatively modest, decreasing overall revenues by 0.3 per cent over the period compared to our preferred approach.<sup>18</sup>

We are satisfied the application of the year-by-year tracking method to calculate ElectraNet's tax depreciation of existing assets provides an estimate of the tax depreciation amount for a benchmark efficient service provider as required by the NER.<sup>19</sup> The use of year-by-year tracking means it is no longer necessary to explicitly calculate remaining tax asset lives as at 1 July 2018.<sup>20</sup>

### 8.4.2 Opening tax asset base at 1 July 2018

We accept ElectraNet's proposed method to establish the opening TAB at 1 July 2018 as it is based on the approach set out in our RFM template. Based on the proposed approach we have determined the opening TAB value as at 1 July 2018 of \$1926.9 million (\$ nominal) for ElectraNet. This is slightly higher than the proposed amount. It reflects our amendments for minor input errors for capex and asset disposals over the 2013–18 regulatory control period proposed by ElectraNet (attachment 2).<sup>21</sup>

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<sup>17</sup> The forecast capex amount is a key input for calculating the return of and return on capital building blocks. Attachment 6 sets out our draft decision on ElectraNet's forecast capex.

<sup>18</sup> We have analysed the effect of the year-by-year tracking approach based on the inputs from ElectraNet's proposed PTRM.

<sup>19</sup> NER, cl. 6A.6.4.

<sup>20</sup> Remaining tax asset lives as at 1 July 2013 and standard tax asset lives are used in the year-by-year tracking method, and these are consistent with our 2013–18 transmission determination for ElectraNet.

<sup>21</sup> See section 2.4 of attachment 2 of this draft decision. At the time of this draft decision, the roll forward of ElectraNet's TAB includes estimated capex values for 2016–17 and 2017–18. We will update the 2016–17

Table 8.3 sets out our draft decision on the roll forward of ElectraNet's TAB values.

**Table 8.3 AER's draft decision on ElectraNet's TAB roll forward for the 2013–18 regulatory control period (\$ million, nominal)**

|                                  | 2013–14 | 2014–15 | 2015–16 | 2016–17 <sup>b</sup> | 2017–18 <sup>b</sup> |
|----------------------------------|---------|---------|---------|----------------------|----------------------|
| Opening TAB                      | 1340.7  | 1510.7  | 1541.8  | 1604.4               | 1802.8               |
| Capital expenditure <sup>a</sup> | 220.6   | 92.6    | 130.6   | 268.5                | 208.8                |
| Less: tax depreciation           | 50.6    | 61.5    | 68.0    | 70.0                 | 84.8                 |
| Closing TAB                      | 1510.7  | 1541.8  | 1604.4  | 1802.8               | 1926.9               |

Source: AER analysis.

(a) As commissioned, net of disposals.

(b) Based on estimated capex.

### 8.4.3 Accelerated tax depreciation

ElectraNet has proposed accelerated regulatory depreciation of redundant assets and certain assets due for replacement over the 2018–23 regulatory control period. It proposed to fully depreciate the remaining RAB value of these assets over 5 years (the 2018–23 regulatory control period), but has not proposed an associated accelerated tax depreciation of these assets in respect of their remaining TAB values.<sup>22</sup> Our draft decision accepts ElectraNet's proposed accelerated depreciation of the RAB value of these assets (attachment 5) and we consider that the depreciation profile of these assets should be treated consistently for both RAB and TAB purposes. Accordingly, our draft decision is to also accelerate the depreciation of the TAB value of these assets over 5 years.

In response to an information request from us, ElectraNet provided the residual TAB values for the assets subjected to accelerated depreciation.<sup>23</sup> We have therefore reallocated \$17.2 million of the TAB value to the 'Accelerated depreciation' asset class.<sup>24</sup>

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estimated capex values with the actual values for the final decision, and may further update the estimate of 2017–18 capex.

<sup>22</sup> ElectraNet, *Revenue proposal, attachment 5 Regulatory depreciation*, March 2017, p. 8; ElectraNet, *Revenue proposal, PTRM*, March 2017.

<sup>23</sup> ElectraNet, *Response to AER information request IR006*, 11 July 2017.

<sup>24</sup> Reallocated to 'Accelerated depreciation' asset class from asset classes: 'Communications - civil', 'Communications - other', 'Substation primary plant', 'Substation establishment', 'Substation fences', 'Substation secondary systems - electro-mechanical' and 'Transmission lines - overhead'. For each of these asset classes the adjustment for accelerated depreciation is equal to the re-allocated TAB amount divided by (the average remaining tax asset life at 1 July 2013 minus 5 years). This is consistent with the adjustment for accelerated regulatory depreciation.

## 8.4.4 Standard tax asset lives

We accept the majority of ElectraNet's proposed standard tax asset lives because they are broadly:

- consistent with the values prescribed by the Commissioner for taxation in tax ruling 2017/2<sup>25</sup>
- the same as those approved standard tax asset lives for the 2013–18 regulatory control period.

We accept ElectraNet's proposed standard tax asset life of 10 years for the 'Communications - other (post 2018)' asset class. This proposed standard tax asset life is equal to the proposed standard asset life as used for regulatory depreciation and is comparable to standard tax asset lives used by other TNSPs for telecommunication assets. This is similar to the standard tax asset life prescribed by the Commissioner for these asset types in tax ruling 2017/2.

However, we do not accept ElectraNet's proposed standard tax asset life of 27 years for the 'Transmission lines - life extension' asset class. Our draft decision is to increase the proposed life to 48.1 years, which is consistent with our draft decision for this asset class on the standard asset life for regulatory depreciation purposes (attachment 5). The standard asset life was increased to better reflect the economic life of the assets in this asset class for the 2018–23 regulatory control period. Consequently, we consider it is appropriate to set the standard tax asset life equal to the life used for regulatory depreciation purposes.

Further, we do not accept ElectraNet's proposed standard tax asset life of 30 years for the 'Synchronous condensers' asset class. Our draft decision is to omit the standard tax asset life for this asset class and this is consistent with our draft decision for this asset class on the standard asset life for regulatory depreciation purposes (attachment 5). We note that there is no capex proposed to be allocated to the 'Synchronous condensers' asset class because such assets are dependent on contingent projects which by nature are uncertain. Therefore we do not consider it appropriate to assign a standard tax asset life for this draft decision. We will assign the standard tax asset life once the contingent project is triggered.<sup>26</sup>

With these adjustments, we are satisfied that the standard tax asset lives are appropriate for applying over the 2018–23 regulatory control period. We are also satisfied the proposed standard tax asset lives provide an appropriate estimate of the tax depreciation amount for a benchmark efficient TNSP as required by the NER.<sup>27</sup>

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<sup>25</sup> ATO, *Taxation Ruling Income tax: effective life of depreciating assets (applicable from 1 July 2017)*, June 2017, <http://law.ato.gov.au/atolaw/view.htm?docid=%22TXR%2FTR20172%2FNAT%2FATO%2F00001%22>, accessed on 21 July 2017.

<sup>26</sup> Approval will occur in accordance with the contingent project provisions in the NER, in particular, cl. 6A.8.2.

<sup>27</sup> NER, cl. 6A.6.4.

Table 8.4 sets out our draft decision on ElectraNet's standard tax asset lives for the 2018–23 regulatory control period.

**Table 8.4 AER's draft decision on ElectraNet's standard tax asset lives as at 1 July 2018 (years)**

| Asset class  | Standard tax asset life |
|--|-------------------------|
| Commercial buildings                                     | 40.0                    |
| Communications - civil                                   | 12.5                    |
| Communications - other                                   | 12.5                    |
| Computers, software, and office machines                 | 3.3                     |
| Easement   | n/a                     |
| Land   | n/a                     |
| Network switching centres                                | 4.0                     |
| Office furniture, movable plant, and misc                | 12.8                    |
| Refurbishment  | 43.8                    |
| Substation primary plant                                 | 40.0                    |
| Substation demountable buildings                         | 40.0                    |
| Substation establishment                                 | 40.0                    |
| Substation fences  | 40.0                    |
| Substation secondary systems - electromechanical         | 12.5                    |
| Substation secondary systems - electronic                | 12.5                    |
| Transmission lines - overhead                            | 47.5                    |
| Transmission lines - underground                         | 47.5                    |
| Accelerated depreciation                                 | 5.0                     |
| Refurbishment projects 2008-2013                         | 40.0                    |
| Equity raising cost - 2003 Opening RAB and 2003-08 capex | 43.0                    |
| Equity raising cost 2013-2018                            | 5.0                     |
| Transmission lines - life extension                      | 48.1                    |
| Communications - other (post 2018)                       | 10.0                    |

Source: AER analysis.

n/a: not applicable. We have not assigned a standard tax asset life to some asset classes because the assets allocated to those asset classes are not subject to tax depreciation.