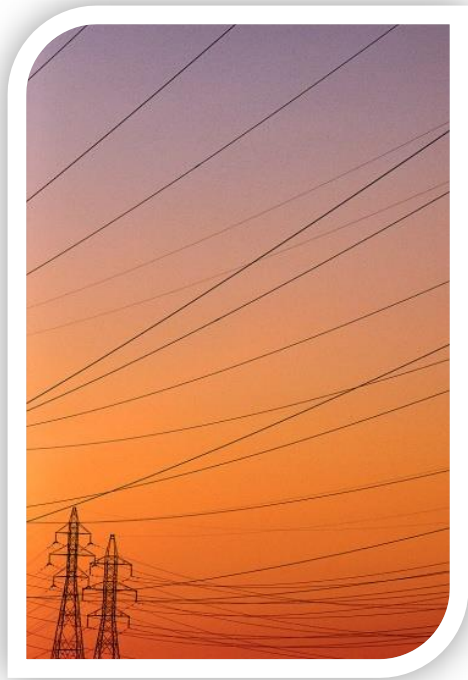


The Australian Energy Regulator



ElectraNet draft decision 2018-23

Predetermination conference

6 November 2017

Agenda

Time	Item
10:00 am	Registration
10:15 am	AER presentation of its draft decision (30 mins)
10:45 am	Consumer Challenge Panel (CCP) presentation (30 mins)
11:15 am	Q&A (30 mins)
11.45 am	AER: Next steps

Overview

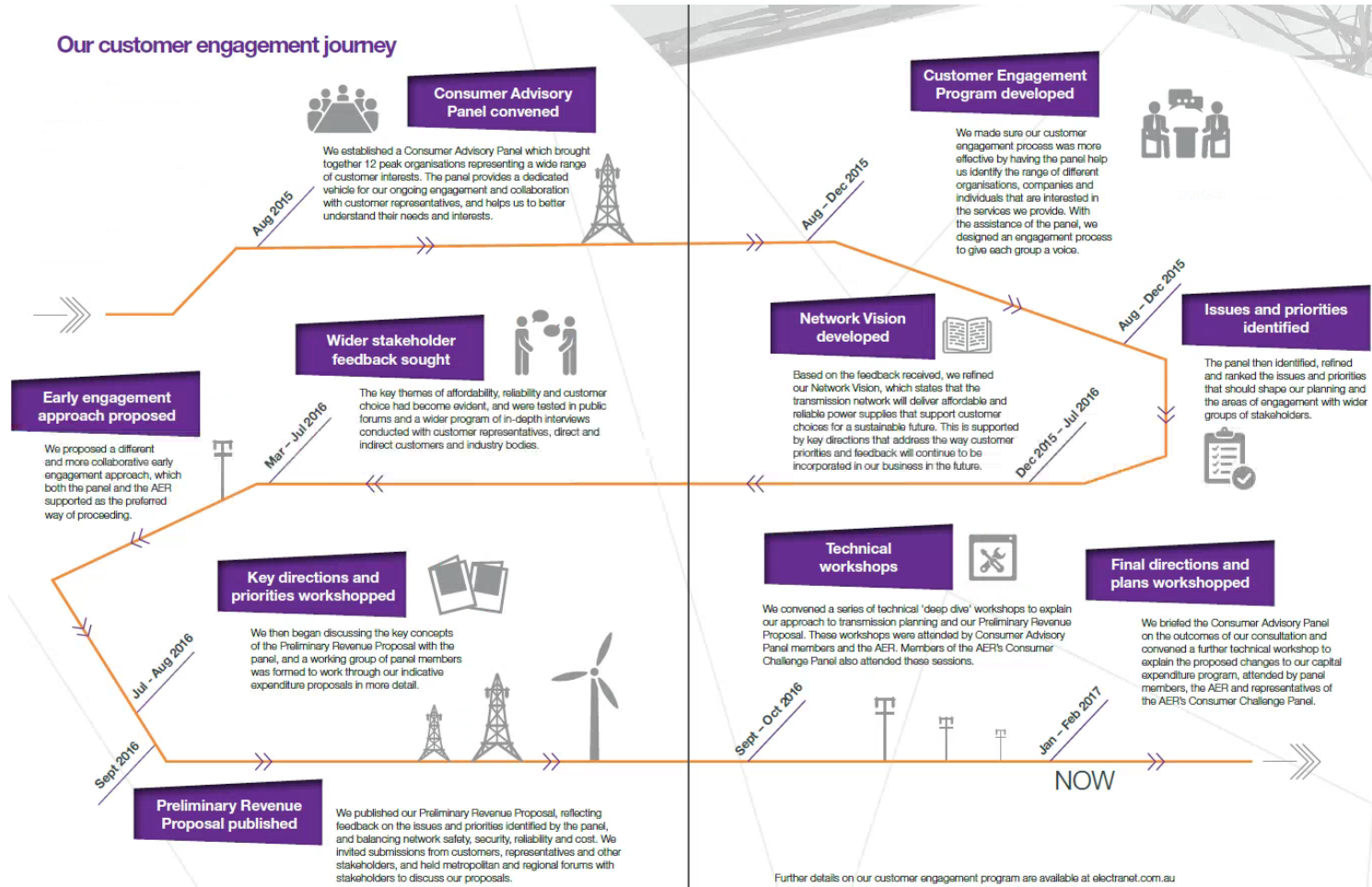
- On 26 October the AER released its draft decision for ElectraNet
- This presentation:
 - Outlines how the draft decision was made
 - Provides an overview of the decision
 - Sets out the next steps

Background

- Our draft decision is only the latest step in a comprehensive consultation
- ElectraNet initiated consultation with its customers 18 months before its proposal
- We released an issues paper, hosted a forum and called for submissions

ElectraNet's consultation

Our customer engagement journey



Further details on our customer engagement program are available at electranet.com.au

Black system event

- On 28 September 2016 South Australia suffered a “black system event” triggered by a violent storm
- We allowed ElectraNet a 8 week delay to submit its proposal
- ElectraNet proposed a 13% increase in capex as a result

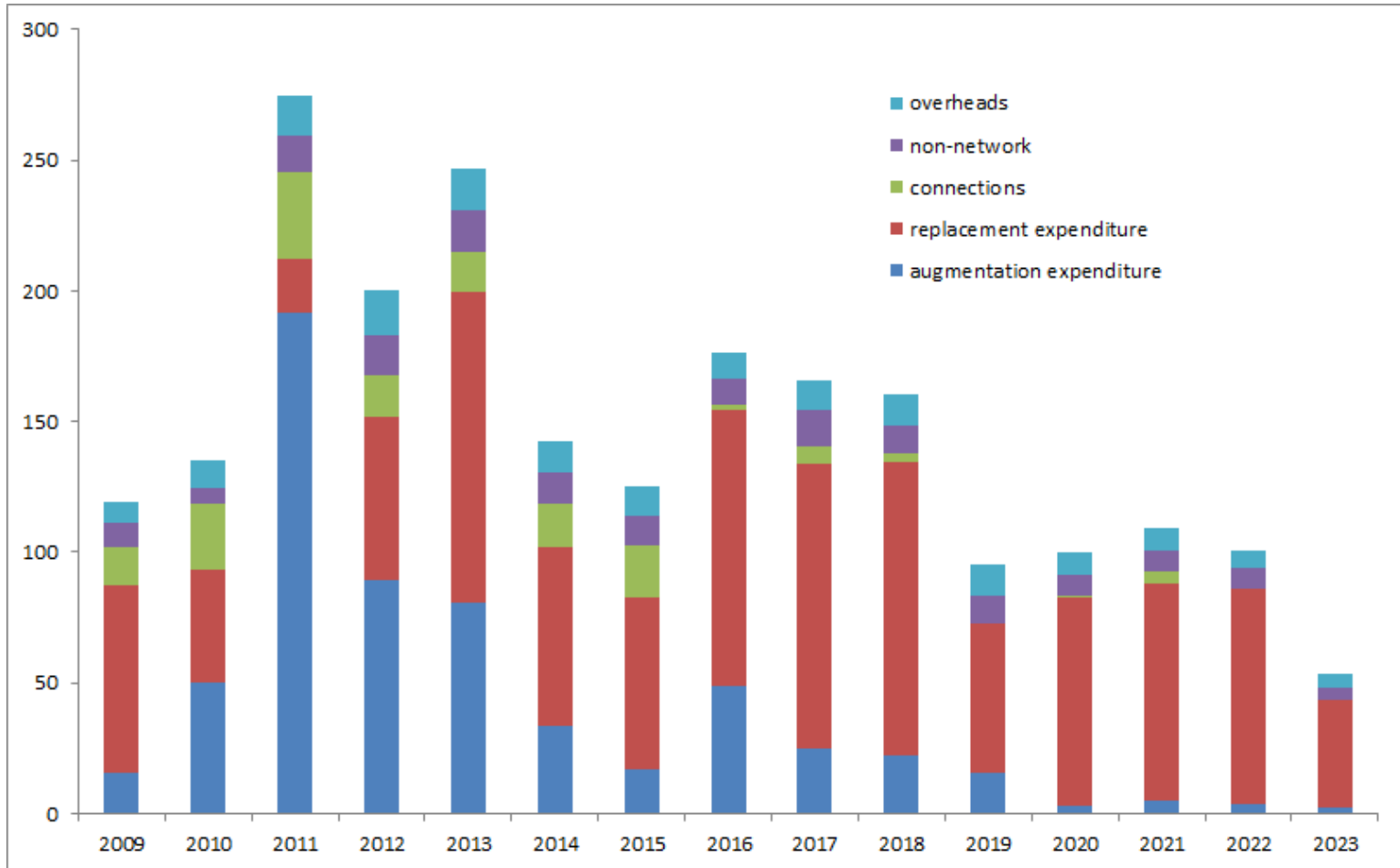
What was ElectraNet's proposal?

- ElectraNet proposed reductions in its capex, opex and RAB
- ElectraNet applied our rate of return guideline
- ElectraNet proposed a revenue reduction

Proposed opex



Proposed capex



What is our draft decision?

- We have accepted most aspects of ElectraNet's proposal (including capex and opex).
- The differences are:
 - Forecast inflation
 - Imputation credits
 - Return on capital

Forecast inflation

- We are currently reviewing our approach to forecasting inflation
- Our preliminary position, applied in our draft decision, is to maintain the current approach
- Submissions are due Monday, 6 November 2017

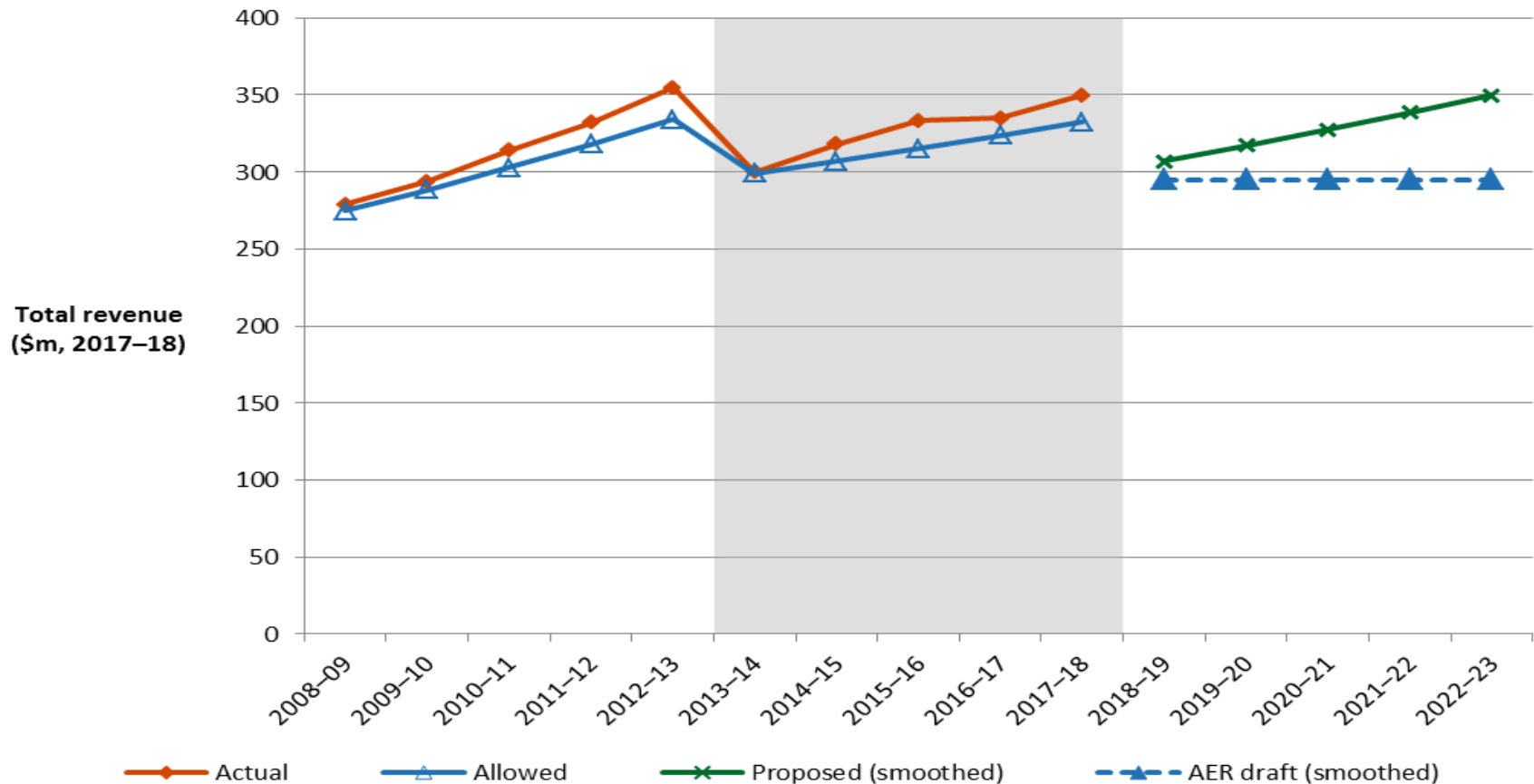
Value of imputation credits

- We have applied our current approach for all networks
- After ElectraNet submitted its regulatory proposal this approach was upheld by the Full Federal Court in May

Return on capital

- We agree with ElectraNet, but have used updated interest rates
- Interest rates are lower than they were when ElectraNet prepared its revenue proposal

What is our draft decision?



Potential bill impacts

- We estimate that our draft decision would lead to average annual residential electricity bills:
 - decreasing by about \$22 or 0.9% in 2018–19
 - being \$2 or 0.1% less than the current level in 2022-23
- However, we expect changes which we will consider in our final decision

What could lead to change?

- ElectraNet is likely to increase its opex forecast given:
 - changes to the management of power system frequency and
 - the System Security Market Frameworks review
- We have also allowed five “contingent projects”
 - Three for addressing current power system security and reliability issues
 - Two projects for reinforcing ElectraNet's network for specific load growth scenarios

Next steps

Review step	Date
Revised revenue proposal due	2 January 2018
Submissions due	29 January 2018
AER release of final decision	No later than 30 April 2018

AER contact: ElectraNet2018@ aer.gov.au