FINAL DECISION
TransGrid transmission determination
2015−16 to 2017−18

Attachment 1 – maximum allowed revenue

(Substituted)
July 2015

AUSTRALIAN ENERGY REGULATOR

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Note

This attachment forms part of the AER's final decision on TransGrid's revenue proposal 2015–18. It should be read with other parts of the final decision.

The final 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

Contents

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
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

Shortened form	Extended form
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
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

1 Maximum allowed revenue

This attachment sets out the AER's final decision on the maximum allowed revenue (MAR) for the provision of prescribed transmission services for each year of TransGrid's 2014–18 period. Specifically, the attachment addresses:[1]

- the estimated total revenue cap, which is the sum of the annual expected MAR
- the annual building block revenue requirement
- the annual expected MAR
- the X factor.

We determine the TNSP's annual building block revenue requirement using a building block approach. We determine the X factors by smoothing the annual building block revenue requirement over the regulatory control period. The X factor is used in the CPI–X methodology to determine the annual expected MAR (smoothed).

1.1 Final decision

We do not accept TransGrid's revised proposed annual building block revenue requirement, annual expected MAR and total revenue cap. This is because we have not accepted the building block costs that TransGrid proposed in its revised proposal. We have calculated the X factor and the annual expected MAR (smoothed) to reflect our final decision on TransGrid's annual building block revenue requirement.

We determine a total annual building block revenue requirement for TransGrid of $3056.2 million ($ nominal) for the 2014–18 period. This is a reduction of $694.3 million ($ nominal) or 18.5 per cent to TransGrid's revised proposal and reflects the impact of our final decisions on the various building block costs.

We approved in our transitional determination the placeholder revenue for 2014–15 of $845.4 million for TransGrid.[2] Under the transitional rules, we are required to determine the revenue requirement for 2014–15 as part of this full determination process and do a true-up for the difference between the placeholder revenue and the revenue requirement. We have now determined the revenue requirement for 2014–15 of $726.9 million for TransGrid. The difference is therefore $118.5 million. We have applied this difference as part of the smoothing process to establish the annual expected MAR for the 2015–18 regulatory control period.

As a result of our smoothing of the annual building block revenue requirement, our final decision on the annual expected MAR and X factor for each regulatory year of the 2015–18 regulatory control period is set out in Table 1-1. Our final decision is to

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1 NER, cl. 6A.4.2(a)(1)–(3), 6A.5.3(c) and 6A.6.8.

2 This is the amount determined in our transitional decision for 2014–15, see AER, *TransGrid Transend, Transitional transmission determinations 2014–15*, March 2014, p.17.

approve an estimated total revenue cap of $2191.0 million ($ nominal) for TransGrid for the 2015–18 regulatory control period.[3] This is based on our approved X factors of 15.0 per cent in 2015–16, and 3.0 per cent per annum for 2016–17 and 2017–18.

Table 1-1 sets out our final decision on TransGrid's annual building block revenue requirement, the X factor, the annual expected MAR and the estimated total revenue cap for the 2014–18 period.

Table 1-1 AER's final decision on TransGrid's annual building block revenue requirement, annual expected MAR, estimated total revenue cap and X factor ($ million, nominal)

	2014–15	2015–16	2016–17	2017–18	Total
Return on capital	415.7	421.2	435.4	443.9	1716.2
Regulatory depreciation[a]	98.3	113.6	128.4	113.0	453.3
Operating expenditure	174.2	177.1	186.2	183.5	720.9
Efficiency benefit sharing scheme (carryover amounts)	21.6	13.9	16.1	12.7	64.2
Net tax allowance	17.1	18.8	32.6	33.0	101.5
Annual building block revenue requirement (unsmoothed)	726.9	744.6	798.7	786.0	3056.2
Annual expected MAR (smoothed)	**845.4**	**735.4**	**730.3**	**725.3**	**3036.4**[b]
X factor (%)[c]	n/a[d]	15.03%[e]	3.00%	3.00%	n/a

Source: AER analysis.

Note: TransGrid has an under-recovery of $71 million in its allowed MAR for 2013–14. Any decision by TransGrid to recover this revenue would affect transmission charges for its customers independently of the AER's determination for the 2014–18 period. The AER's decision on the annual expected MAR in this table does not include recovery of any of this amount in the 2014–18 period.

(a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening RAB.

(b) The estimated total revenue cap is equal to the total annual expected MAR.

(c) The X factor for 2016–17 and 2017–18 will be revised to reflect the annual return on debt update. Under the CPI–X framework, the X factor measures the real rate of change in annual expected revenue from one year to the next. A negative X factor represents a real increase in revenue. Conversely, a positive X factor represents a real decrease in revenue.

(d) TransGrid is not required to apply an X factor for 2014–15 because we set the 2014–15 MAR in this decision consistent with the placeholder MAR approved in the transitional determination. We have set the 2014–15 MAR equal to TransGrid's placeholder MAR ($845.4 million) for 2014–15. The MAR for 2014–15 is around 11.6 per cent lower than the approved MAR ($934.2 million) in the final year of the 2009–14 regulatory control period (2013–14) in real terms, or 9.5 per cent lower in nominal terms.

[3] Our smoothing involves a 'true-up' for the 2014–15 (transitional regulatory control period) placeholder revenue as required under clauses 11.58.4(i) and (j) of the NER.

(e) Applying the X factor for 2015–16 and the actual CPI of 1.72 per cent in accordance with the annual revenue adjustment formula set out in the transmission determination, the MAR for 2015–16 is $730.6 million.

1.2 TransGrid's revised proposal

TransGrid's revised proposal included a total (smoothed) revenue cap of $3751.4 million ($ nominal) for the 2014–18 period.

Table 1-2 sets out TransGrid's revised proposed annual building block revenue requirement, the X factor, the annual expected MAR and the estimated total revenue cap.

Table 1-2 TransGrid's revised proposed annual building block revenue requirement, annual expected MAR, estimated total revenue cap and X factor ($ million, nominal)

	2014–15	2015–16	2016–17	2017–18	Total
Return on capital	525.7	548.8	576.1	595.1	2245.7
Regulatory depreciation[a]	91.3	105.8	120.9	105.8	423.7
Operating expenditure	184.0	198.4	207.1	204.6	794.2
Efficiency benefit sharing scheme (carryover amounts)	23.1	14.2	16.6	25.7	79.7
Net tax allowance	39.3	42.5	62.0	63.4	207.3
Annual building block revenue requirement (unsmoothed)	863.4	909.7	982.8	999.6	3750.5
Annual expected MAR (smoothed)	**845.4**	**939.8**	**968.1**	**999.2**	**3751.4**[b]
X factor (%)	n/a	–8.45%	–0.50%	–0.60%	n/a

Source: TransGrid, *Revised proposed post-tax revenue model*, January 2015.

(a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening RAB.

(b) The estimated total revenue cap is equal to the total annual expected MAR.

1.3 AER's assessment approach

We did not change our assessment approach for the MAR from our draft decision. Section 1.3 of our draft decision details that approach.

1.4 Reasons for final decision

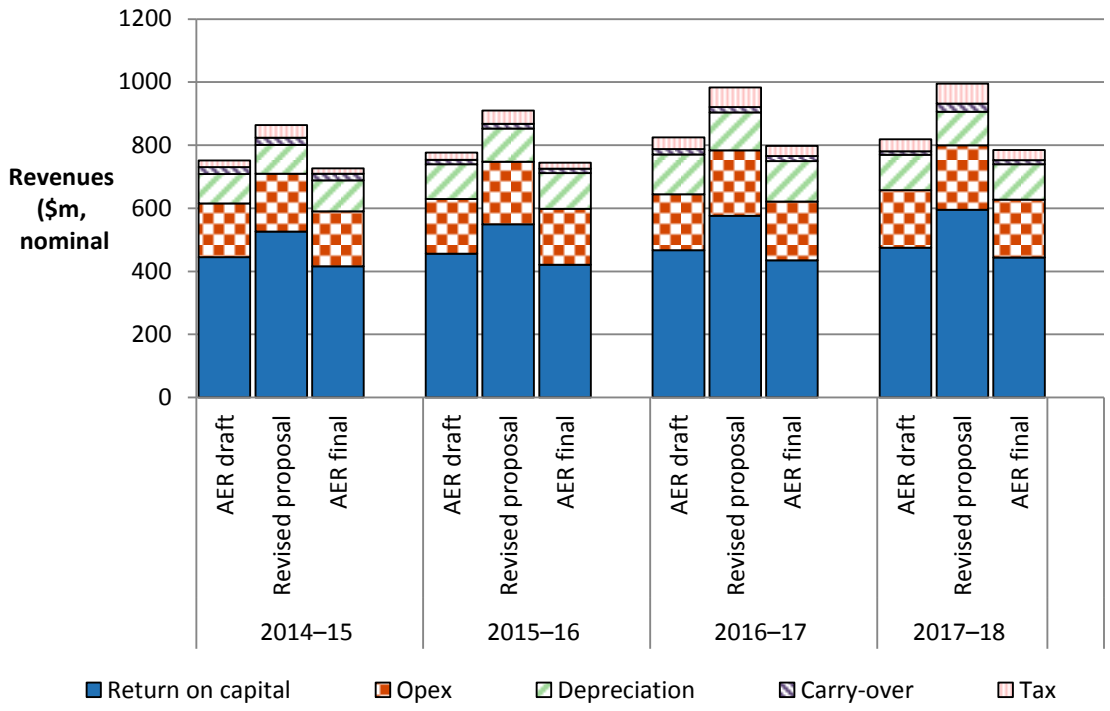
For this final decision, we determine a total annual building block revenue requirement of $3034.3 million ($ nominal) for TransGrid for the 2014–18 period. This compares to TransGrid's revised proposed total annual building block revenue requirement of $3751.4 million ($ nominal) for this period.

Figure 1-1 shows the building block components from our determination that make up the annual building block revenue requirement for TransGrid, and the corresponding components from its proposal.

We have calculated the annual building block revenue requirement for TransGrid based on our final decision on each of these building block components. The revenues are affected by our changes to TransGrid's revised proposed building blocks. These changes include:

- forecast operating expenditure (attachment 7)
- the rate of return (attachment 3)
- the forecast opening RAB (attachment 2) and forecast capital expenditure (attachment 6)
- forecast regulatory depreciation (attachment 5)
- the estimated cost of corporate income tax (attachment 8).

Figure 1-1 AER's final decision and TransGrid's revised proposed annual building block revenue requirement ($ million, nominal)



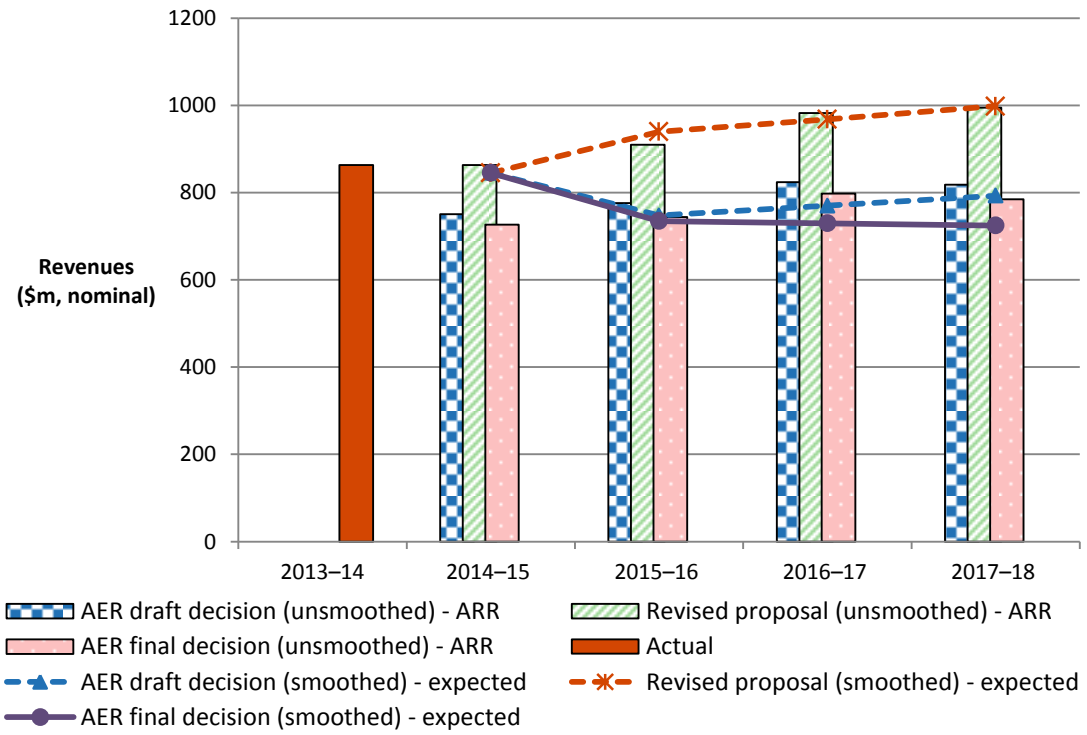
Source: AER analysis.

1.4.1 X factor, annual expected MAR and estimated total revenue cap

For this final decision, we determine X factors of 15.0 per cent for 2015–16, and 3.0 per cent per annum for 2016–17 and 2017–18 for TransGrid.[4] The net present value (NPV) of the annual building block revenue requirement is $2594.0 million ($ nominal) as at 1 July 2014. Based on this NPV and applying the CPI–X method (including the true-up requirement for the transitional regulatory control period), we determine that the annual expected MAR (smoothed) for TransGrid decreases from $845.4 million in 2014–15 to $725.3 million in 2017–18 ($ nominal). The resulting estimated total revenue cap for TransGrid is $3036.4 million for the 2014–18 period or $2191.0 million ($ nominal) for the 2015–18 regulatory control period.

Figure 1-2 shows our final decision on TransGrid's annual expected MAR (smoothed revenue) and the annual building block revenue requirement (unsmoothed revenue) for the 2014–18 period.

Figure 1-2 AER's final decision on TransGrid's annual expected MAR (smoothed) and annual building block revenue requirement (unsmoothed) ($ million, nominal)



Source: AER analysis.

[4] The X factors represent the rate of change in the real revenue path over the 2014–18 period under the CPI–X framework. They must equalise (in net present value terms) the total expected MAR to be earned by the service provider with the total building block revenue requirement for that period.

To determine the expected MAR for TransGrid, we first set the MAR for the first regulatory year (2014–15) at $845.4 million ($ nominal). This is equal to the placeholder revenue for 2014–15 that we determined for TransGrid in the transitional determination, and is $118.5 million higher than the 2014–15 annual building block revenue requirement, that is, the notional MAR for 2014–15. We then applied an X factor of 15.0 per cent for 2015–16 and 3.0 per cent for both 2016–17 and 2017–18 to determine the expected MAR in subsequent years.[5] This gives effect to the true-up requirements under the NER and ensures that the difference of $118.5 million is returned to customers over the 2015–18 regulatory control period (adjusted for the time value of money). This is achieved as part of the smoothing process to determine the appropriate X factors for the 2015–18 regulatory control period.

The smoothing profile of revenues has been impacted significantly by the shortened subsequent regulatory control period and the requirement for a true-up of the 2014–15 placeholder revenue. The true-up for 2014–15 in particular has a significant impact on the decrease in revenues from 2014–15 to 2015–16.

For this final decision, the expected revenue in the last year of the regulatory control period is not required to be as close as reasonably possible to the MAR for that year, due to the transitional provisions.[6] Typically, we would target a divergence of less than 3 per cent between the expected revenue and MAR for the last year of the regulatory control period, if this can promote smoother price changes over the regulatory control period. However, as a result of the shortened regulatory control period and the required true-up for 2014–15, we consider that our profile of X factors is reasonable. We have allowed the difference between smoothed and unsmoothed revenues in the last year of the 2014–18 period to diverge more than would be usual. This approach smooths the revenues further than in the draft decision and allows for a more gradual path for lower revenues over the 2014–18 period.

In the present circumstances, based on the X factors we have determined for TransGrid, the difference between the expected MAR and annual building block revenue requirement for 2017–18 is around 7.7 per cent.[7] While we consider this divergence is significant, the smoothing avoids the situation of a larger price decrease in 2015–16 followed by price increases for the remaining two years of the regulatory control period.

We note that TransGrid has an under-recovery of $71 million in its allowed MAR for 2013–14.[8] We understand that this under-recovery for TransGrid has arisen as a result of its decision to adopt a 'revenue freeze' in 2013–14. We have no role in considering the regulatory treatment of this under-recovery. TransGrid is able to recover in future

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5 NER, cl. 6A.5.3(c)(3).

6 NER, cl. 11.56.4(c).

7 Clause 11.58.4(c) of the NER removes the requirement under cl. 6A.6.8(c)(2) of the NER, that the X factors be set to minimise the variance, as far as reasonably possible, between expected MAR and annual building block revenue requirement of the last regulatory year of the regulatory control period .

8 TransGrid, *Transitional revenue proposal 2014/15*, January 2014, p. 65.

years any shortfall in revenue that is below the approved MAR. Any decision by TransGrid to recover this revenue would affect transmission charges for its customers independently of the AER's determination for the 2014–18 period.

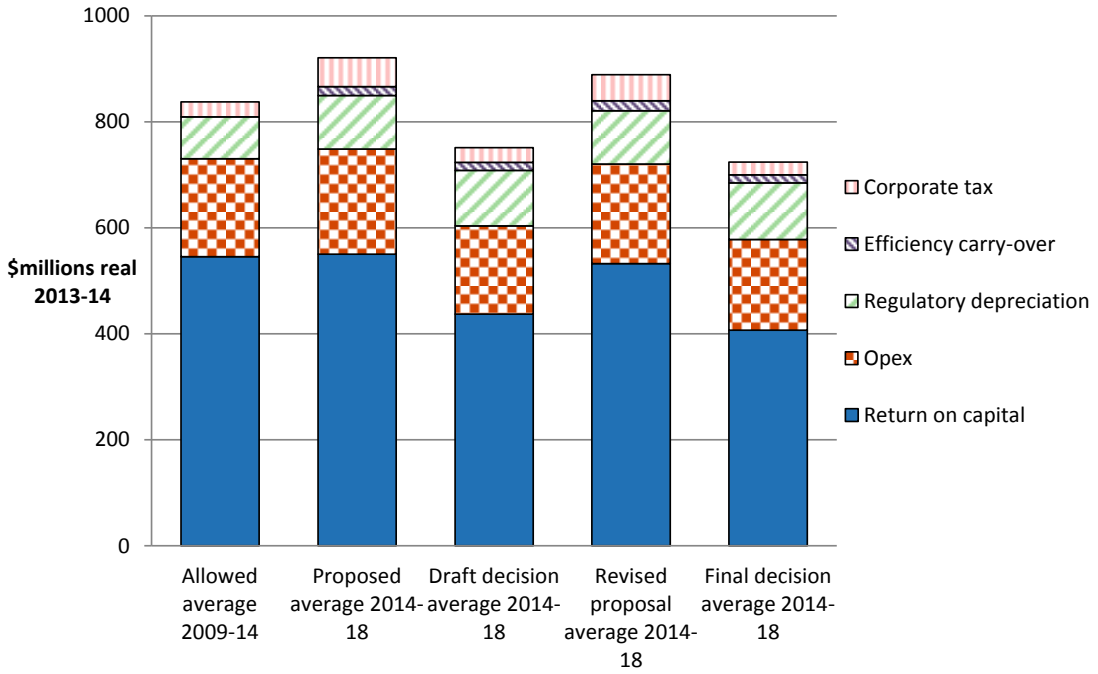
The average decrease in our approved expected MAR is about 6.0 per cent per annum ($ nominal) over the 2014–18 period.[9] This consists of an initial decrease of 9.5 per cent from 2013–14 to 2014–15, followed by another decrease of 13.0 per cent in 2015–16, and subsequent average annual decreases of 0.7 per cent during the remainder of the 2014–18 period.[10] Our final decision results in a decrease of 13.5 per cent in real terms ($2013–14) to TransGrid's total revenue relative to that in the 2009–14 regulatory control period. This decrease is primarily because of a lower rate of return, forecast opex and capex applied in this final decision for the 2014–18 period than were approved in the 2009–14 revenue cap decision. Our final decision on the lower opening RAB than was projected in the 2009–14 revenue cap decision also contributes to the decrease in revenues over the 2014–18 period.

Figure 1-3 compares our final and draft decision building blocks for TransGrid's 2014–18 period with TransGrid's proposed and revised revenue requirement for that same period, and the approved revenue for the 2009–14 regulatory control period.

[9] This is based on the approved MAR of $934.2 million for 2013–14. TransGrid's actual revenue to be recovered for 2013–14 is lower due to its 'revenue freeze', at $863 million.

[10] In 2013–14 real dollar terms, the average decrease in our approved expected MAR for TransGrid is 8.2 per cent per annum over the 2014–18 period. This consists an initial decrease of 11.6 per cent from 2014–15 to 2015–16, followed by another decrease of 15.0 per cent, and a subsequent average annual increase of 3.0 per cent during the remainder of the 2014–18 period.

Figure 1-3 Annual average of AER's final and draft decision building blocks compared to TransGrid's proposed and revised revenue requirement, and approved revenue for 2009–14 ($ million, 2013–14)



Source: AER analysis.

1.4.2 Shared assets

In the draft decision, we considered that TransGrid's forecast shared asset unregulated revenues do not meet the minimum threshold for adjustments to be made to its annual building block revenue requirement.[11] We continue to maintain this view. Our final decision is therefore consistent with our draft decision.

1.4.3 Indicative transmission charges and impact on electricity bills

The NER does not require an estimate of transmission charges for a revenue determination of a TNSP. Nonetheless, we typically provide some indicative transmission charges (and the resulting impact on annual electricity bills) flowing from the revenue determination. Although we assess TransGrid's proposed pricing methodology as part of this determination, actual transmission charges established at particular connection points are not determined by us. TransGrid establishes the

[11] AER, *Draft decision, TransGrid transmission determination 2015–16 to 2017–18, Attachment 1: Maximum allowed revenue*, November 2014, pp. 1-19.

transmission charges in accordance with its approved pricing methodology and the NER.[12]

Our final decision on TransGrid's expected MAR ultimately affects the annual electricity bills paid by customers. There are several steps required to translate our revenue decision into indicative transmission charges, and then to estimate bill impact.

First, because we regulate TransGrid's prescribed transmission services under a revenue cap, changes in the consumption of electricity will affect the transmission charges ultimately paid by consumers.

Second, although TransGrid is the main transmission network service provider in NSW and ACT, smaller components of the transmission network are owned and operated by Ausgrid, ActewAGL and Directlink. TransGrid is the coordinating TNSP for this region, and so it collects and administers all transmission revenues for the region. Hence, the transmission charges in NSW/ACT are also affected by the revenue determinations for Directlink's transmission network and Ausgrid's and ActewAGL's transmission assets.[13]

We therefore estimate the forecast average transmission charges in NSW/ACT by:

- taking the sum of:
    - the annual expected MAR determined for TransGrid in this final decision
    - the annual expected MAR determined for Directlink in that final decision[14]
    - the annual expected revenues for Ausgrid and ActewAGL's transmission assets[15]
- dividing it by the forecast annual energy delivered in NSW/ACT as published by AEMO.[16]

Based on this approach, we estimate that our final decision for these TNSPs will result in a decrease in annual average transmission charges from 2013–14 to 2017–18.[17] Figure 1-4 shows the indicative average transmission charges resulting from our final

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12 NER, clause 6A.24.1(d). TransGrid, as coordinating TNSP for NSW, includes Directlink's, Ausgrid's and ActewAGL's (transmission) revenue requirement in calculating the transmission charges applying to NSW/ACT.

13 While Ausgrid and ActewAGL are predominantly an electricity distribution business, they also own and operate some transmission assets. These assets operate in parallel and support TransGrid's transmission network to provide transmission network services to NSW and ACT.

14 Our final decision for Directlink can be found on our website at www.aer.gov.au. For this analysis, we used Directlink's expected MAR for the 2014–18 period to be consistent with TransGrid's 2014–18 period.

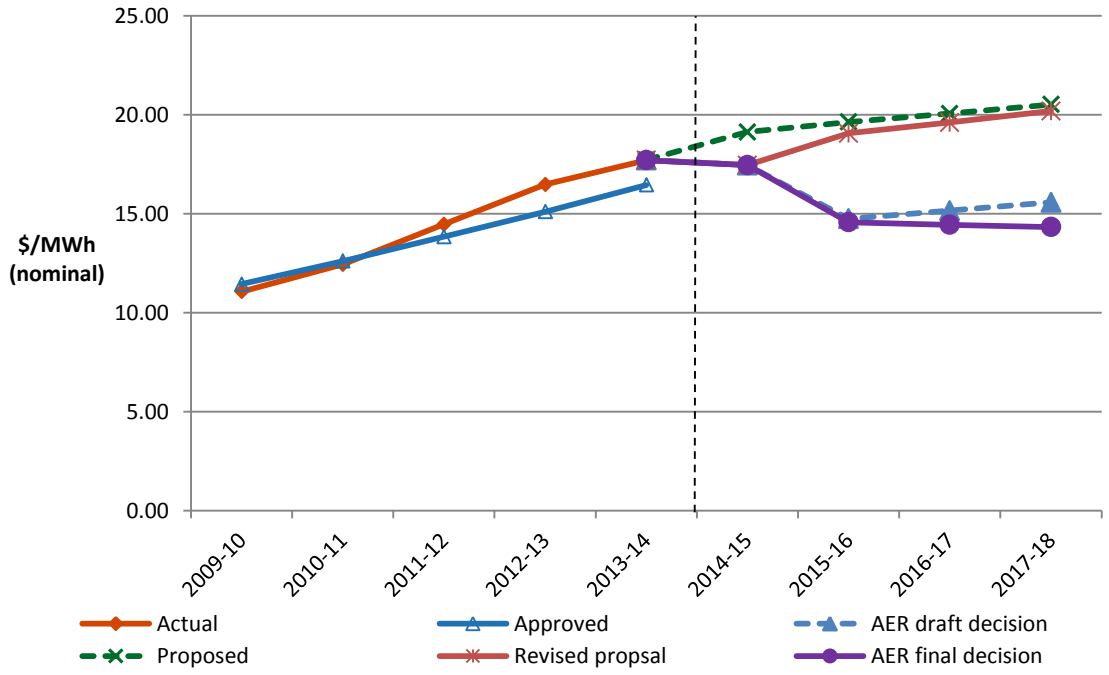
15 We made final decisions on Ausgrid and ActewAGL's proposed annual expected revenues for the 2014–19 period. Our final decisions for Ausgrid and Actew AGL can be found on our website at www.aer.gov.au. For this analysis, we used Ausgrid and ActewAGL's 2014–15 to 2017–18 transmission revenues from our final decision to be consistent with TransGrid's 2014–18 period.

16 AEMO, *National electricity forecasting report for the national electricity market*, June 2014, table 6, Medium.

17 On average, the final decision transmission revenues will decrease by 4.7 per cent ($ nominal) per annum from 2013–14 to 2017–18. The forecast energy delivered in NSW/ACT will slightly increase, by an average of 0.06 per cent per annum across that period. As a result, the indicative transmission charge will decrease by 4.8 per cent ($ nominal) per annum from 2013–14 to 2017–18.

decision compared with the average transmission charges from 2009 to 2014 in nominal dollar terms. The average transmission charges are forecast to decrease from around $17.7 per MWh in 2013–14 to $14.3 per MWh in 2017–18.

Figure 1-4 Indicative transmission charges from 2009–10 to 2017–18 for NSW and ACT ($/MWh, nominal)



Source: AER analysis.

Note: The 2013–14 values include a small component of ActewAGL's electricity distribution network charges, reflecting the notional allocation of ActewAGL assets reclassified from distribution to transmission in 2014–15. This provides the relevant starting point for comparisons across the 2014–18 period.

We then estimate the indicative impact of transmission charges on electricity bills. In NSW and the ACT, transmission charges represent approximately 7 per cent on average of a typical customer's annual electricity bill.[18] We expect that our final decisions, holding all other components of the bill constant, will reduce the average residential customer electricity bills in NSW and the ACT:

- For NSW, based on the lower transmission charges from our transitional determinations passing through to end customers, the average residential customer's annual electricity bill in NSW could be expected to decrease by about $2 or 0.1 per cent ($ nominal) in 2014–15. Based on the lower transmission charges from our final decisions passing through to customers, we would expect the average residential customer's annual electricity bill in NSW to decrease by a

[18] TransGrid, *Revenue proposal*, p. 18.

further $25 or 1.1 per cent ($ nominal) in 2015–16. This would then remain at approximately the same level from 2016–17 to 2017–18.

    - In comparison, if the TNSPs' revised proposals were accepted by us, the average annual electricity bills for residential customers in NSW would increase by approximately $5 or 0.2 per cent ($ nominal) per annum over the 2014–18 period.

- For the ACT, based on the lower transmission charges from our transitional determinations passing through to end customers, the average residential customer's annual electricity bill in the ACT could be expected to decrease by about $2 or 0.1 per cent ($ nominal) in 2014–15. Based on the lower transmission charges from our final decisions passing through to customers, we would expect the average residential customer's annual electricity bill in the ACT to decrease by a further $22 or 1.1 per cent ($ nominal) in 2015–16. This would then remain at approximately the same level from 2016–17 to 2017–18.

    - In comparison, if the TNSPs' revised proposals were accepted by us, the average annual electricity bills for residential customers in the ACT would increase by approximately $5 or 0.2 per cent ($ nominal) per annum over the 2014–18 period.

Our estimated potential impact is based on the typical annual electricity usage of 6500 kWh per annum for a residential customer in NSW.[19] For a residential customer in the ACT, our estimated potential impact is based on the typical annual electricity usage of 8000 kWh.[20] Customers with different usage will experience different changes in their bills. We also note that there are other factors, such as distribution network costs, wholesale and retail costs, which affect electricity bills.

Table 1-3 shows the estimated impact of our final decisions over the 2014–18 period compared with the TNSPs' revised proposals on the average annual electricity bills for residential customers in NSW and ACT.

[19] IPART, *Final report: Review of regulated retail prices for Electricity from 1 July 2013 to 30 June 2016*, June 2013, p. 5.

[20] ICRC, *Draft report-Standing offer electricity prices from 1 July 2014*, p. 160.

Table 1-3 AER's estimated impact of our transmission final decisions on the average annual electricity bills for residential customers in NSW and ACT over 2014–18 ($ nominal)

	2013–14	2014–15	2015–16	2016–17	2017–18
TNSP revised proposals					
NSW residential annual bill[a]	2227	2225	2239	2244	2249
Annual change		–2 (–0.1%)	14 (0.6%)	5 (0.2%)	5 (0.2%)
ACT residential annual bill[b]	1959	1957	1970	1974	1978
Annual change		–2 (–0.1%)	13 (0.6%)	4 (0.2%)	4 (0.2%)
AER final decision					
NSW residential annual bill[a]	2227	2225	2199	2198	2197
Annual change		–2 (–0.1%)	–25 (–1.1%)	–1 (–0.05%)	–1 (–0.05%)
ACT residential annual bill[b]	1959	1957	1935	1934	1933
Annual change		–2 (–0.1%)	–22 (–1.1%)	–1 (–0.05%)	–1 (–0.05%)

Source: AER analysis; AER, Energy Made Easy; IPART, *Final report: Review of regulated retail prices for electricity - from 1 July 2013 to 30 June 2016*, June 2013, p. 5; ICRC, *Draft report-Standing offer electricity prices from 1 July 2014*, p. 160.

(a) Based on the annual electricity bill for a typical consumption of 6500 kWh per year during the period 1 July 2013 to 30 June 2014. The bill reflects regulated charges in each distribution zone only. Sample postcode: Ausgrid (2112), Endeavour Energy (2500), Essential Energy (2650).

(b) Based on an average residential customer in the ACT consuming 8000 kWh of electricity per year.

Similarly, for an average small business customer in NSW and in the ACT that uses approximately 10 MWh of electricity per annum, our final decision for the TNSPs is expected to lead to lower average annual electricity bills.[21]

- For NSW, we estimate that based on the lower transmission charges arising from our transitional determination passing through to end customers, the average small business customer's annual electricity bill in NSW could be expected to decrease by about $4 or 0.1 per cent ($ nominal) in 2014–15. Based on the lower transmission charges from our final decisions passing through to customers, we would expect the average small business customer's annual electricity bill in NSW to decrease by a further $41 or 1.1 per cent ($ nominal) in 2015–16. This would then remain at approximately the same level from 2016–17 to 2017–18.
    - In comparison, if the TNSPs' revised proposals were accepted by us, the average annual electricity bills for small business customers in NSW would

[21] IPART, *Final report: Review of regulated retail prices for electricity - from 1 July 2013 to 30 June 2016*, June 2013, p. 5; ICRC, *Draft report-Standing offer electricity prices from 1 July 2014*, p. 160.

increase by approximately $9 or 0.2 per cent per annum ($ nominal) over the 2014–18 period.

- For the ACT, we estimate that based on the lower transmission charges arising from our transitional determination passing through to end customers, the average small business customer's annual electricity bill in the ACT could be expected to decrease by about $3 or 0.1 per cent ($ nominal) in 2014–15. Based on the lower transmission charges from our final decisions passing through to customers, we would expect the average small business customer's annual electricity bill in the ACT to decrease by a further $33 or 1.1 per cent ($ nominal) in 2015–16. This would then remain at approximately the same level from 2016–17 to 2017–18.
    - In comparison, if the TNSPs' revised proposals were accepted by us, the average annual electricity bills for small business customers in the ACT would increase by approximately $7 or 0.2 per cent ($ nominal) per annum over the 2014–18 period.

Table 1-4 shows our estimated impact of our final decisions over the 2014–18 period and the TNSPs' revised proposals on the average annual electricity bills for small business customers in NSW and ACT.

Table 1-4 AER's estimated impact of the transmission final decisions on the average annual electricity bills for small business customers in NSW and ACT over 2014–18 ($ nominal)

	2013–14	2014–15	2015–16	2016–17	2017–18
TNSP revised proposals					
NSW small business annual bill[a]	3584	3580	3603	3611	3619
Annual change		–4 (–0.1%)	23 (0.6%)	8 (0.2%)	8 (0.2%)
ACT small business annual bill[b]	2939	2936	2955	2961	2968
Annual change		–3 (–0.1%)	19 (0.6%)	6 (0.2%)	7 (0.2%)
AER final decision					
NSW small business annual bill[a]	3584	3580	3539	3537	3536
Annual change		–4 (–0.1%)	–41 (–1.1%)	–2 (0.05%)	–2 (0.05%)
ACT small business annual bill[b]	2939	2936	2903	2901	2900
Annual change		–3 (–0.1%)	–33 (–1.1%)	–1 (0.05%)	–1 (0.05%)

Source: AER analysis; AER, Energy Made Easy; IPART, *Final report: Review of regulated retail prices for electricity - from 1 July 2013 to 30 June 2016*, June 2013, p. 5; ICRC, *Draft report-Standing offer electricity prices from 1 July 2014*, p. 160.

(a) Based on the annual bill sourced from Energy Made Easy for a typical consumption of 10000 kWh per year during the period 1 July 2013 to 30 June 2014. The bill reflects regulated charges in each distribution zone only. Sample postcode: Ausgrid (2112), Endeavour Energy (2500), Essential Energy (2650).

(b) Based on an average small non-residential customer in the ACT consuming 10000 kWh of electricity per year.