Draft Decision

Murraylink Transmission Determination 2023 to 2028

(1 July 2023 to 30 June 2028)

Attachment 1
Maximum allowed revenue

September 2022

AER AUSTRALIAN ENERGY REGULATOR

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Note

This attachment forms part of the AER's draft decision on Murraylink's 2023–28 transmission determination. 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 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency benefit sharing scheme

Attachment 9 – Capital expenditure sharing scheme

Attachment 10 – Service target performance incentive scheme

Attachment 11 – Pricing methodology

Attachment 12 – Negotiated services

Contents

1 Maximum allowed revenue

This attachment sets out our draft decision on Murraylink's maximum allowed revenue (MAR) for the provision of prescribed transmission services over the 2023–28 regulatory control period. Specifically, it sets out our draft decision on:[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 factors.

We determine Murraylink'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 factors are used in the CPI–X methodology to determine the annual expected MAR.

1.1 Draft decision

We determine a total annual building block revenue requirement of $87.7 million ($ nominal, unsmoothed) for Murraylink for the 2023–28 period. Our determination represents an increase of $12.0 million (15.9%) to Murraylink's proposal. This is largely driven by our draft decision approving a higher return on capital building block, which is $13.0 million higher than that proposed by Murraylink. This is due to a higher rate of return reflecting updated market data as required by the binding 2018 *Rate of Return Instrument* (Instrument)[2], and also a higher opening RAB as at 1 July 2023 determined in this draft decision reflecting updated CPI values (Attachment 2).[3] For the reasons discussed in the attachments to the draft determination, our decisions on Murraylink's proposed building block costs have a consequential impact on its annual building block revenue requirement.

We determine the annual expected MAR (smoothed) and X factor for each regulatory year of the 2023–28 period by smoothing the annual building block revenue requirement. Our draft decision is to approve an estimated total revenue cap of $87.4 million ($ nominal, smoothed) for Murraylink for the 2023–28 period. Our approved X factor for 2024–25 to 2027–28 is 0.00% per annum.[4] This compares with Murraylink's proposed X factor of –3.69% per annum.

At the time of making this draft decision, we have used placeholder values for certain components such as the rate of return and expected inflation. We will make further updates

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

2   AER, *Rate of Return Instrument*, December 2018.

3   Our draft decision on the higher opening RAB as at 1 July 2023 is primarily a result of indexation on the RAB due to the CPI values for 2021–22 (actual) and 2022–23 (estimated) which are much higher than Murraylink's proposed values.

4   Murraylink is not required to apply an X factor for 2023–24 because we set the 2023–24 MAR in this decision.

for these values as part of our final decision. It is for this reason that we expect the total revenue cap approved in our final decision to be different to this draft decision.

Table 1.1 sets out our draft decision on Murraylink's annual building block revenue requirement, the X factor, the annual expected MAR and the estimated total revenue cap for the 2023–28 period.

Table 1.1   AER's draft decision on Murraylink's annual building block revenue requirement, annual expected MAR, estimated total revenue cap and X factor ($ million, nominal)

	2023–24	2024–25	2025–26	2026–27	2027–28	Total
Return on capital	7.3	7.5	7.7	7.7	7.5	37.6
Regulatory depreciation[a]	3.3	3.9	5.4	6.0	6.5	25.1
Operating expenditure[b]	4.7	4.8	5.0	5.1	5.3	24.9
Revenue adjustments[c]	–0.6	–0.2	0.0	0.1	–0.9	–1.6
Net tax allowance	0.3	0.3	0.2	0.4	0.6	1.7
Annual building block revenue requirement (unsmoothed)	14.9	16.4	18.3	19.3	18.9	87.7
Annual expected MAR (smoothed)	**16.5**	**17.0**	**17.5**	**18.0**	**18.5**	**87.4[d]**
X factor (%)[e]	n/a[f]	0.00%	0.00%	0.00%	0.00%	n/a

Source: AER analysis.

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

(b)   Includes debt raising costs.

(c)   Includes revenue adjustments from the efficiency benefit sharing scheme (EBSS) and capital expenditure sharing scheme (CESS).

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

(e)   The X factors 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 smoothed 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.

(f)   Murraylink is not required to apply an X factor for 2023–24 because we set the 2023–24 MAR in this decision. The MAR for 2023–24 is around 11.7% lower than the approved MAR for 2022–23 in real terms, or 9.1% lower in nominal terms.

1.2 Murraylink's proposal

Murraylink proposed a total (smoothed) revenue cap of $75.7 million ($ nominal) for the 2023–28 period.

Table 1.2 sets out Murraylink's proposed annual building block revenue requirement, the X factor, the annual expected MAR and the estimated total revenue cap.

Table 1.2   Murraylink's proposed annual building block revenue requirement, annual expected MAR, estimated total revenue cap and X factor ($ million, nominal)

	2023–24	2024–25	2025–26	2026–27	2027–28	Total
Return on capital	5.0	5.0	5.0	4.9	4.7	24.6
Regulatory depreciation[a]	3.5	4.1	5.5	6.0	6.4	25.5
Operating expenditure[b]	4.7	4.8	4.9	5.0	5.1	24.5
Revenue adjustments[c]	0.1	0.2	0.0	0.1	0.2	0.6
Net tax allowance	0.1	0.1	0.0	0.1	0.3	0.6
Annual building block revenue requirement (unsmoothed)	13.4	14.1	15.4	16.1	16.7	75.7
Annual expected MAR (smoothed)	**13.4**	**14.2**	**15.1**	**16.0**	**17.0**	**75.7[d]**
X factor (%)[e]	n/a[f]	–3.69%	–3.69%	–3.69%	–3.69%	n/a

Source: Murraylink, *2023–28 Revenue proposal, Post-tax revenue model,* January 2022.

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

(b)   Includes debt raising costs.

(c)   Includes revenue adjustments from EBSS and CESS.

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

(e)   The X factors 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 smoothed 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.

(f)   Murraylink is not required to apply an X factor for 2023–24 because we set the 2023–24 MAR in this decision.

1.3 Assessment approach

In this section, we describe the building block approach used to determine Murraylink's expected MAR. We also set out the annual revenue adjustment to be applied to Murraylink's MAR over the 2023–28 period.

1.3.1 The building block approach

The expected MAR is calculated using the post-tax revenue model (PTRM).[5] The PTRM must be such that the expected MAR for each year of the regulatory control period is equal to the net present value (NPV) of the annual building block revenue requirement.[6] The total revenue cap is the sum of the MARs for the regulatory control period.[7] In turn, the annual building block revenue requirement must be determined using a building block approach.[8] Therefore, we adopt a building block approach when making our decision on Murraylink's total revenue cap and expected MAR for each regulatory year of the regulatory control period. Under this approach, we determine the value of the building block costs that make up the annual building block revenue requirement for each regulatory year. These building block costs are set out in section 1.3.2.

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5   NER, cll. 6A.5.1 and 6A.5.3.

6   NER, cl. 6A.5.3(c)(1).

7   NER, cl. 6A.5.3(c)(4).

8   NER, cl. 6A.5.4.

We developed the PTRM, which brings together the various building block costs and calculates the annual building block revenue requirement for each year of the regulatory control period.[9] The PTRM also calculates the X factors required under the CPI–X methodology which is used to escalate the expected MAR for each year (other than the first year) of the regulatory control period.[10] Using the X factors and annual building block revenue requirement, the annual expected MAR (smoothed) is forecast for each year of the regulatory control period. Murraylink's revenue proposal must be prepared using our PTRM.[11] This draft decision uses version 5.1 of the PTRM, which was published after Murraylink submitted its revenue proposal.[12] This new version of the PTRM applies the same changes set out in the AER's final position paper on the treatment of inflation in its regulatory framework and makes a minor amendment to the expected inflation calculation (related to regulatory control periods greater than 5 years).[13]

The annual building block revenue requirement can be lumpy over the regulatory control period. To minimise price shocks, revenues are smoothed within a regulatory control period while maintaining the principle of cost recovery under the building block approach. Smoothing requires diverting some of the cost recovery to adjacent years within the regulatory control period so that the NPV of the annual expected MAR (smoothed revenues) is equal to the NPV of the annual building block revenue requirement (unsmoothed revenues). That is, a smoothed profile of the expected MAR is determined for the regulatory control period under the CPI–X methodology.

The expected MAR for the first year is generally set equal to the annual building block revenue requirement for the first year of the regulatory control period. At times, it may be more appropriate to set the expected MAR for the first year to align with the MAR from the last year of the previous regulatory control period to avoid any large revenue variation between periods (or P_0):[14]

$$MAR_1 \quad = \quad AR_1 \text{ or } MAR_L$$

where:

MAR_1 = the maximum allowed revenue for year 1 of the regulatory control period

AR_1 = the annual building block revenue requirement for year 1 of the regulatory control period

MAR_L ~ the maximum allowed revenue for the last year of the previous regulatory control period.

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[9] NER, cl. 6A.5.

[10] NER, cll. 6A.5.3(b)(5), (c)(3) and (d) and 6A.6.8.

[11] NER, cl. 6A.5.1(a).

[12] AER, *Electricity transmission network service providers: Post-tax revenue model (version 5.1)*, May 2022.

[13] AER, *Final position, Regulatory treatment of inflation*, December 2020, pp. 6–8.

[14] The MAR for year 1 of the next regulatory control period may include adjustment for the performance incentive that applied during the previous regulatory control period, and under or over recovery adjustments from previous regulatory years.

In this determination for Murraylink, we first calculate annual building block revenue requirements for each year of the 2023–28 period. To do this, we consider the various costs facing Murraylink and the trade-offs and interactions between these costs, service quality and across years. This reflects our holistic assessment of Murraylink's proposal.

We understand the trade-offs that occur between building block costs and test the sensitivity of these costs to their various driver elements. These trade-offs are discussed in the interrelationships section of the various attachments to this draft decision and are reflected in the calculations made in the PTRM.[15] Such understanding allows us to exercise judgement in determining the final inputs into the PTRM and the annual building block revenue requirements that result from this modelling.

Having determined the total annual building block revenue requirement for the 2023–28 period, we smooth the annual building block revenue requirements for each regulatory year across that period. This step reduces revenue variations between years, and calculates the expected MAR and X factor for each year.[16] The X factors equalise (in NPV terms) the total expected revenue cap to be earned by Murraylink with the total building block revenue requirement for the 2023–28 period.[17] The X factor profile must also minimise, as far as reasonably possible, the variance between the expected MAR and annual building block revenue requirement for the last regulatory year of the period.[18] By minimising this divergence, it helps to manage the prospect of a significant revenue change (and consequently prices) between the last year of the 2023–28 period, and first year of the following 2028–33 period. We consider a divergence of up to 3% between the expected MAR and annual building block revenue requirement for the last year of the regulatory control period is reasonable, if this can promote smoother price changes over the regulatory control period.

The building block costs (and the elements that drive those costs) used to determine the unsmoothed annual building block revenue requirements are set out in section 1.3.2.

1.3.2 The building block costs

The efficient costs to be recovered by Murraylink can be thought of as being made up of various building block costs. Our draft decision assesses each of the building block costs and the elements that drive these costs. The building block costs are approved reflecting trade-offs and interactions between the cost elements, service quality and across years.

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[15]   There are trade-offs that are not modelled in the PTRM but are reflected in the inputs to the PTRM. For example, service quality is not explicitly modelled in the PTRM, but the trade-offs between service quality and price are reflected in the forecast capex and opex inputs to the model. Other trade-offs are obvious from the calculations in the PTRM. For example, while it may be expected that a lower regulatory asset base would also lower revenues, the PTRM shows that this will not occur if the reduction in the regulatory asset base is due solely to an increase in the depreciation rate. In such circumstances, revenues increase as the increased depreciation amount more than offsets the reduction in the return on capital caused by the lower regulatory asset base.

[16]   NER, cl. 6A.6.8(a).

[17]   NER, cl. 6A.6.8(c)(1).

[18]   NER, cl. 6A.6.8(c)(2).

Table 1.3 shows the building block costs that form the annual building block revenue requirement for each year and where discussion on the elements that drive these costs can be found within this draft determination.

Table 1.3   Building block costs

Building block costs	Attachments where elements are discussed
Return on capital	Regulatory asset base (Attachment 2) Rate of return (Attachment 3) Capital expenditure (Attachment 5)
Regulatory depreciation (return of capital)	Regulatory asset base (Attachment 2) Regulatory depreciation (Attachment 4) Capital expenditure (Attachment 5)
Operating expenditure	Operating expenditure (Attachment 6)
Estimated cost of corporate tax	Corporate income tax (Attachment 7)

Other revenue adjustments
 	
     Adjustment for shared assets
 	
     Operating efficiency benefits/penalties
 	
     Capital efficiency benefits/penalties
 	
     Demand management innovation allowance
	Maximum allowed revenue (Attachment 1)
	
	 Efficiency benefit sharing scheme (Attachment 8)
	
	 Capital expenditure sharing scheme (Attachment 9)
	
	 Demand management innovation allowance mechanism (Attachment 11)

1.3.3 Annual revenue adjustment process

The PTRM incorporates an expected inflation rate to calculate the expected MAR in nominal dollar terms, whereas the actual MAR from the second year onwards is adjusted for actual inflation. As discussed in the Instrument, we will also update Murraylink's return on debt annually.[19] This means the actual MAR from the second year onwards will also be adjusted for revised X factors after the annual return on debt update. This annual revenue adjustment process is set out below.

To enable the formula for the annual revenue adjustment process to operate correctly, we will refer to the expected MAR determined in this decision using the building block costs as the allowed revenue (AR). This is because the expected MAR determined using the building block costs does not incorporate performance incentive scheme revenue adjustments and pass through amounts that may apply to each regulatory year.

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[19]   AER, *Rate of Return Instrument*, December 2018, cl. 24, Note 29.

The AR for the subsequent year of the regulatory control period requires an annual adjustment based on the previous year's allowed revenue.[20] That is, the subsequent year's allowed revenue is determined by adjusting the previous year's allowed revenue for actual inflation and the X factor determined after the annual return on debt update:

$$AR_t \quad = \quad AR_{t-1} \times (1 + \Delta CPI) \times (1 - X_t)$$

where:

AR	=	the allowed revenue
t	=	time period/financial year (for t = 2 (2024–25), 3 (2025–26), 4 (2026–27), 5 (2027–28))
ΔCPI	=	the annual percentage change in the ABS Consumer price index all groups, weighted average of eight capital cities from December in year $t - 2$ to December in year $t - 1$
X	=	the smoothing factor determined in accordance with the PTRM as approved in the AER's final decision, and annually revised for the return on debt update in accordance with the formula specified in the *Rate of Return Instrument* calculated for the relevant year.[21]

The MAR used for transmission pricing is determined annually as part of the annual revenue adjustment process in accordance with the National Electricity Rules (NER). The MAR is determined each year by adding to (or deducting from) the allowed revenue:

- the service target performance incentive scheme revenue increment (or revenue decrement)[22]

- any approved pass through amounts.[23]

The annual MAR is established according to the following formula:

$$MAR_t \quad = \quad \text{(allowed revenue)} + \text{(performance incentive)} + \text{(pass through)}$$

$$= \quad AR_t + \left(\left(AR_{t-2} \times \frac{1}{2} \right) + \left(AR_{t-1} \times \frac{1}{2} \right) \right) \times S_{ct} + P_t$$

where:

MAR	=	the maximum allowed revenue

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[20]   In the case of making the annual adjustment for year 2, the previous year's AR would be the same as the approved expected MAR for year 1 as contained in the PTRM.

[21]   AER, *Rate of Return Instrument*, December 2018, cl. 9.

[22]   NER, cl. 6A.7.4.

[23]   NER, cll. 6A.7.2 and 6A.7.3.

AR	=	the allowed revenue
S	=	the percentage revenue increment or decrement determined in accordance with the service target performance incentive scheme
P	=	the pass through amount (positive or negative) that the AER has determined in accordance with clauses 6A.7.2 and 6A.7.3 of the NER
t	=	time period/financial year (for t = 2 (2024–25), 3 (2025–26), 4 (2026–27), 5 (2027–28))
ct	=	time period/calendar year (for ct = 2 (2023), 3 (2024), 4 (2025), 5 (2026)).

Murraylink may also adjust the MAR for under- or over-recovery amounts.[24] That is, if the revenue amounts earned from providing prescribed transmission services in previous regulatory years are higher or lower than the sum of the approved MAR for those years, the difference can be included in the subsequent year's MAR. In the case of an under-recovery, the amount is added to the subsequent year's MAR. In the case of an over-recovery, the amount is subtracted from the subsequent year's MAR.

Table 1.4 sets out the timing of the annual calculation of the AR and performance incentive.

Table 1.4   Timing of the calculation of allowed revenues and the performance incentive for Murraylink

t	Allowed revenue (financial year)	ct	Performance incentive (calendar year)
2	1 July 2024 – 30 June 2025	2	1 January 2023 – 31 December 2023
3	1 July 2025 – 30 June 2026	3	1 January 2024 – 31 December 2024
4	1 July 2026 – 30 June 2027	4	1 January 2025 – 31 December 2025
5	1 July 2027 – 30 June 2028	5	1 January 2026 – 31 December 2026

Note: The performance incentive for the period 1 January 2022 to 31 December 2022 is to be applied to the AR determined for 2023–24 (AR_1).

We are not required to determine the transmission charges for Murraylink. Nonetheless, we provide the indicative transmission charges that flow from this revenue determination as discussed in section 1.4.3.

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24   NER, cl. 6A.23.3(e)(5).

1.4 Reasons for draft decision

We determine a total annual building block revenue requirement of $87.7 million (nominal, unsmoothed) for Murraylink for the 2023–28 period. This is an increase of $12.0 million (15.9%) to Murraylink's proposed total annual building block revenue requirement of $75.7 million for this period. This increase reflects the impact of our draft decision on the various building block costs. In particular, we have determined:

- a higher opening RAB as at 1 July 2023 (Attachment 2), based on CPI inputs for 2021–22 and 2022–23 reflecting more up-to-date values.

- a higher rate of return (Attachment 3), reflecting updated market data as required by the binding Instrument.[25] The update for market data results in a higher rate of return on both debt and equity.

These amendments have resulted in an increase of $13.0 million (52.8%) in the return on capital building block in our draft decision compared to the proposed value.

Figure 1.1 shows the building block components from our determination that make up the annual building block revenue requirement for Murraylink, and the corresponding components from its proposal.

The most significant changes we made to Murraylink's proposed building blocks include (in nominal terms):

- an increase in the return on capital of $13.0 million (52.8%) (Attachments 2 and 3)

- an increase in the cost of corporate income tax of $1.1 million (Attachment 7)

- a reduction in the revenue adjustments of $2.1 million (Attachments 8 and 9).

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[25]   AER, *Rate of Return Instrument*, December 2018.

Figure 1.1   AER's draft decision and Murraylink's proposed annual building block revenue requirement ($ million, nominal)
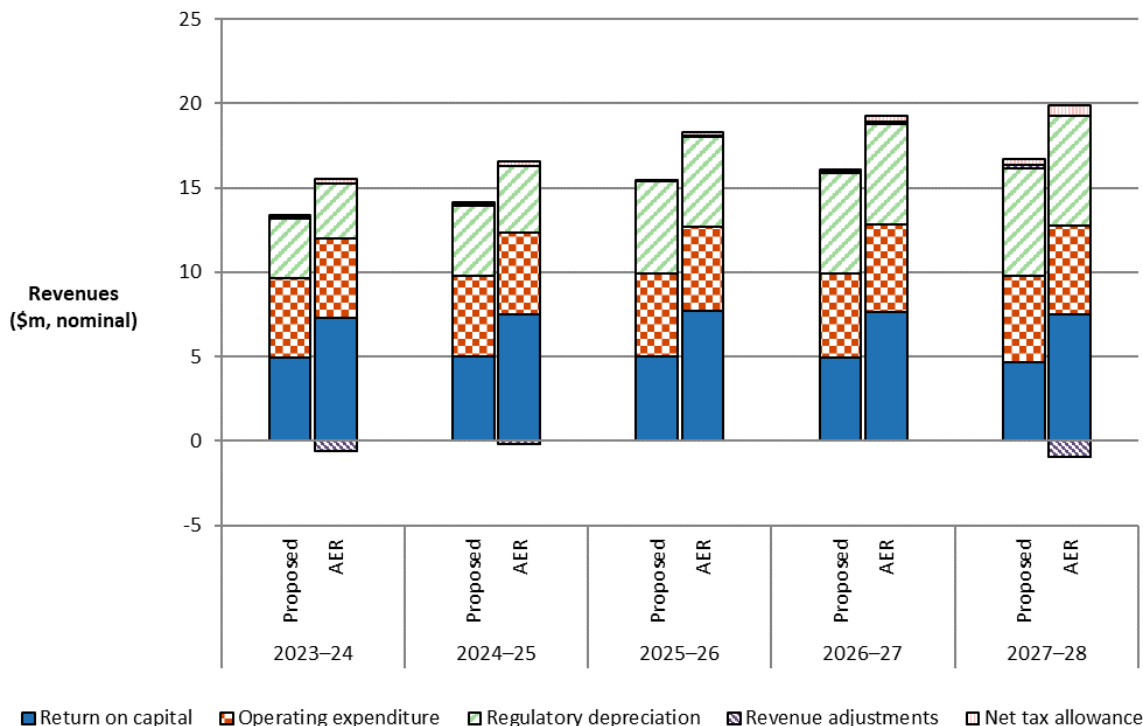
Source: AER analysis; Murraylink, *2023–28 Revenue proposal, Post-tax revenue model*, January 2022.

Note: Revenue adjustments include EBSS and CESS carryover amounts. Opex includes debt raising costs.

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

For this draft decision, we determine an X factor for Murraylink of 0.00% per annum for the four years of the regulatory control period from 2024–25 to 2027–28.[26] The NPV of the annual building block revenue requirement is $74.0 million (nominal) as at 1 July 2023. Based on this NPV and applying the CPI–X method, we determine that the annual expected MAR (smoothed) for Murraylink is $16.5 million in 2023–24 increasing to $18.5 million in 2027–28. The resulting estimated total revenue cap for Murraylink is $87.4 million for the 2023–28 period.

Figure 1.2 shows our draft decision on Murraylink's annual expected MAR (smoothed revenue) and the annual building block revenue requirement (unsmoothed revenue) for the 2023–28 period.

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[26]   Murraylink is not required to apply an X factor for 2023–24 because we set the 2023–24 MAR in this decision.

Figure 1.2   AER's draft decision on Murraylink's revenue for the 2023–28 regulatory control period ($ million, nominal)
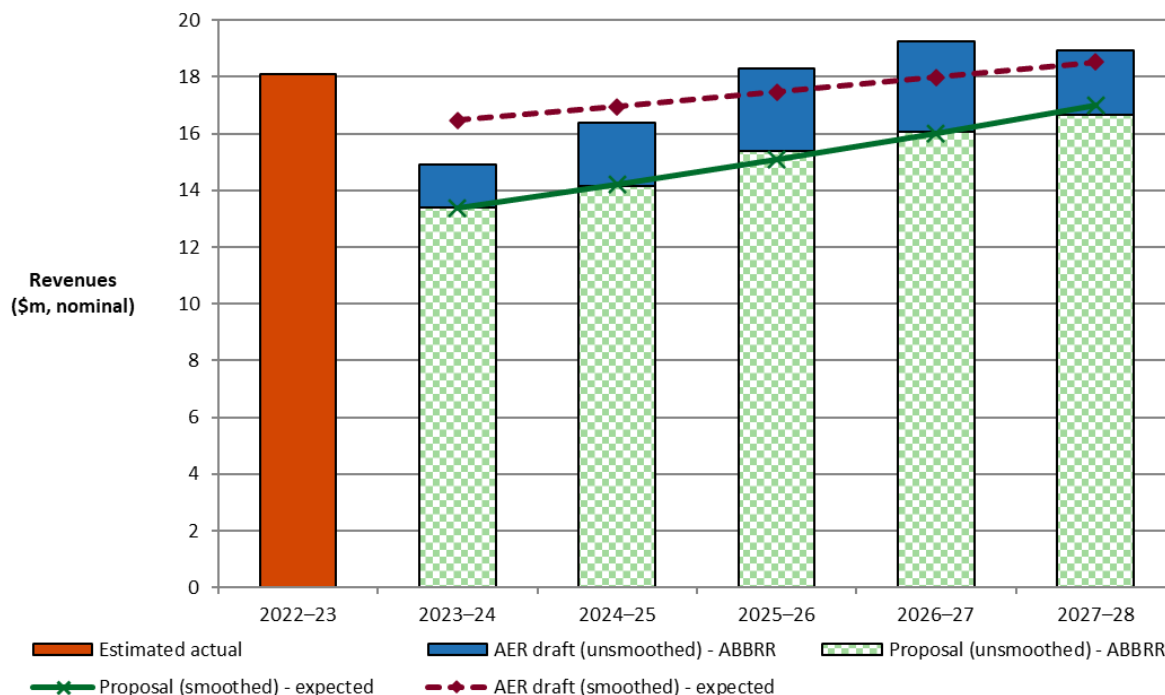
Source: AER analysis.

Note: Annual building block revenue requirement (ABBRR).

To determine the expected MAR for Murraylink, we have set the MAR for the first regulatory year at $16.5 million ($ nominal), which is $1.6 million higher than the annual building block revenue requirement. We then apply an expected inflation rate of 3.00% per annum and an X factor of 0.00% per annum to determine the expected MAR in subsequent years.[27] We consider that our profile of X factors results in an expected MAR in the last year of the regulatory control period that is as close as reasonably possible to the annual building block revenue requirement for that year.[28]

Our draft decision results in an average increase of 0.5% per annum ($ nominal) in the expected MAR over the 2023–28 period.[29] This consists of an initial decrease of 9.1% from 2022–23 to 2023–24, followed by an average annual increase of 3.0% over the remainder of the 2023–28 period.[30]

Our draft decision also results in a decrease in the total annual unsmoothed revenue of 8.2% to that allowed in the 2018–23 period, in real terms ($2022–23). This is primarily because we

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[27]   NER, cl. 6A.5.3(c)(3).

[28]   NER, cl. 6A.6.8(c)(2). We consider a divergence of up to 3% between the expected MAR and annual building block revenue requirement for the last year of the regulatory control period is appropriate, if this can achieve smoother price changes for users over the regulatory control period. In the present circumstances, based on the X factors we have determined for Murraylink, this divergence is around 2%.

[29]   In real 2022–23 dollar terms, our approved expected MAR for Murraylink results in an average decrease of 2.46% per annum over the 2023–28 period.

[30]   In real 2022–23 dollar terms, this is an initial decrease of 11.7% from 2022–23 to 2023–24 and no real changes for the remainder of the 2023–28 period.

have determined lower return on capital and opex amounts in this draft decision for the 2023–28 period than those approved in the 2018–23 determination.

Figure 1.3 compares our draft decision building blocks with Murraylink's proposal for the 2023–28 period, and the approved unsmoothed revenue for the 2018–23 period.

Figure 1.3   Total revenue by building block components ($ million, 2022–23)
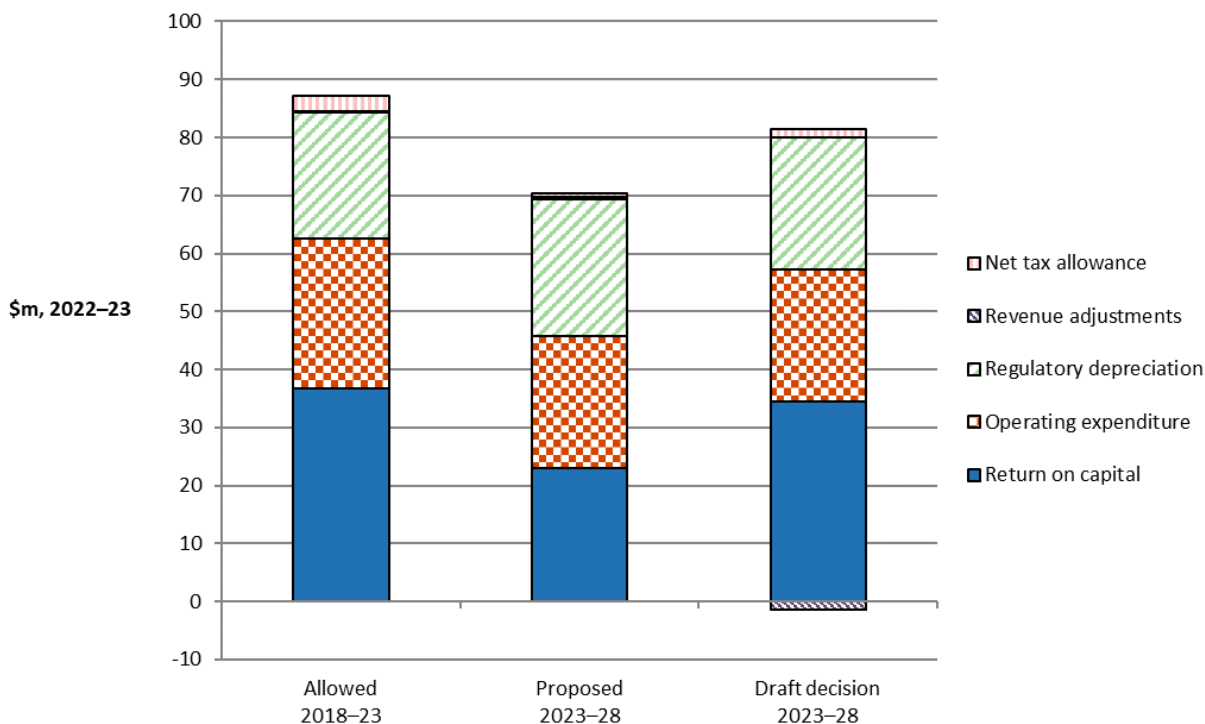
Source: AER analysis.

1.4.2 Shared assets

Service providers may use assets to provide both prescribed transmission services we regulate and unregulated services, for example by the stringing of telecommunications cables on the electricity network poles for the provision of telecommunication services. These assets are called 'shared assets'.[31] If the revenue from shared assets is material,[32] 10% of the unregulated revenues that a service provider earns from shared assets will be used to reduce the service provider's revenue for prescribed transmission services.[33]

Shared asset revenue reductions are subject to a materiality threshold. Unregulated use of shared assets is material when a service provider's annual average unregulated revenues

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[31]   NER, cl. 6A.5.5.

[32]   The shared asset principles establish that use of share assets should be material before cost reductions are applied. The NER does not define materiality in this context. Our approach to what constitutes a material use of shared assets is that unregulated use of shared assets in a specific regulatory year is material when a service provider's annual average unregulated revenue from shared assets is expected to be greater than 1% of its MAR for that regulatory year.

[33]   AER, *Shared asset guideline*, November 2013, Appendix A, p. 15.

from shared assets in a specific regulatory year is expected to be greater than 1% of its expected MAR for that regulatory year.[34]

Murraylink does not have any shared assets.[35] We accept that Murraylink does not provide any unregulated services and therefore does not earn unregulated revenue.

1.4.3 Indicative average transmission charges

Murraylink is an interconnector that delivers electricity between the South Australian and Victorian regions of the National Electricity Market. Its regulated revenue is recovered through transmission charges in South Australia and Victoria established by the coordinating network service providers.[36] Charges are allocated according to the value of Murraylink's assets in each State. Therefore, our draft decision on Murraylink's expected MAR will ultimately have some effect on the annual electricity bills paid by customers in South Australia and Victoria.

We are currently assessing ElectraNet's revenue proposal for the 2023–28 period, which coincides with Murraylink's regulatory control period.[37] Therefore, we have provided an estimate of the combined effect of the draft decisions for the ElectraNet and Murraylink transmission determinations on forecast average transmission charges in South Australia over the 2023–28 period. This is included in our draft decision for ElectraNet's 2023–28 transmission determination.[38]

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[34] Ibid, pp. 8–9.

[35] Murraylink, *Attachment 03 – Reset RIN – workbook 1 – Forecast and historical – 220131 – Public*, January 2022.

[36] The respective coordinating network service providers in South Australia and Victoria are ElectraNet and AEMO.

[37] ElectraNet is the main transmission network service provider for South Australia. AusNet Services is the main transmission network service provider for Victoria. AusNet Services' transmission determination for the 2022–27 regulatory control period was completed in January 2022, and therefore does not align with Murraylink's regulatory control period. As a result, the bill impact for Victorian customers in AusNet Services' transmission determination published in January 2022 did not incorporate this draft decision for Murraylink.

[38] AER, *Draft Decision, ElectraNet 2023–28 – Attachment 1 – Maximum Allowed Revenue*, September 2022, pp. 13–14.

Glossary

Term	Definition
ABS	Australian Bureau of Statistics
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AR	Allowed revenue
Capex	Capital expenditure
CESS	Capital expenditure sharing scheme
CPI	Consumer price index
EBSS	Efficiency benefit sharing scheme
Instrument	2018 Rate of Return Instrument
MAR	Maximum allowed revenue
NER	National Electricity Rules
NPV	Net present value
Opex	Operating expenditure
PTRM	Post-tax revenue model
RAB	Regulatory asset base
TNSP	Transmission network service provider