



AUSTRALIAN
ENERGY
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AusNet Services 2022–27 Electricity transmission - Draft decision Predetermination conference

Warwick Anderson, GM, Network Pricing – Conference chair

Thursday, 5 August 2021

10am–12pm

Predetermination conference – Agenda

Time	Item
10:00 – 10:10	AER: Welcome, introductions & housekeeping
10:10 – 10:30	AER: AusNet Services 2022–27 Electricity transmission Draft decision
10:30 – 10:50	Consumer Challenge Panel: Insights from the AER’s Consumer Challenge Panel
10:50 – 11:10	AusNet Services: Next steps for AusNet Services
11:10 – 11:50	Discussion/Q&A
11:50 – 12:00	AER: Thank you & close



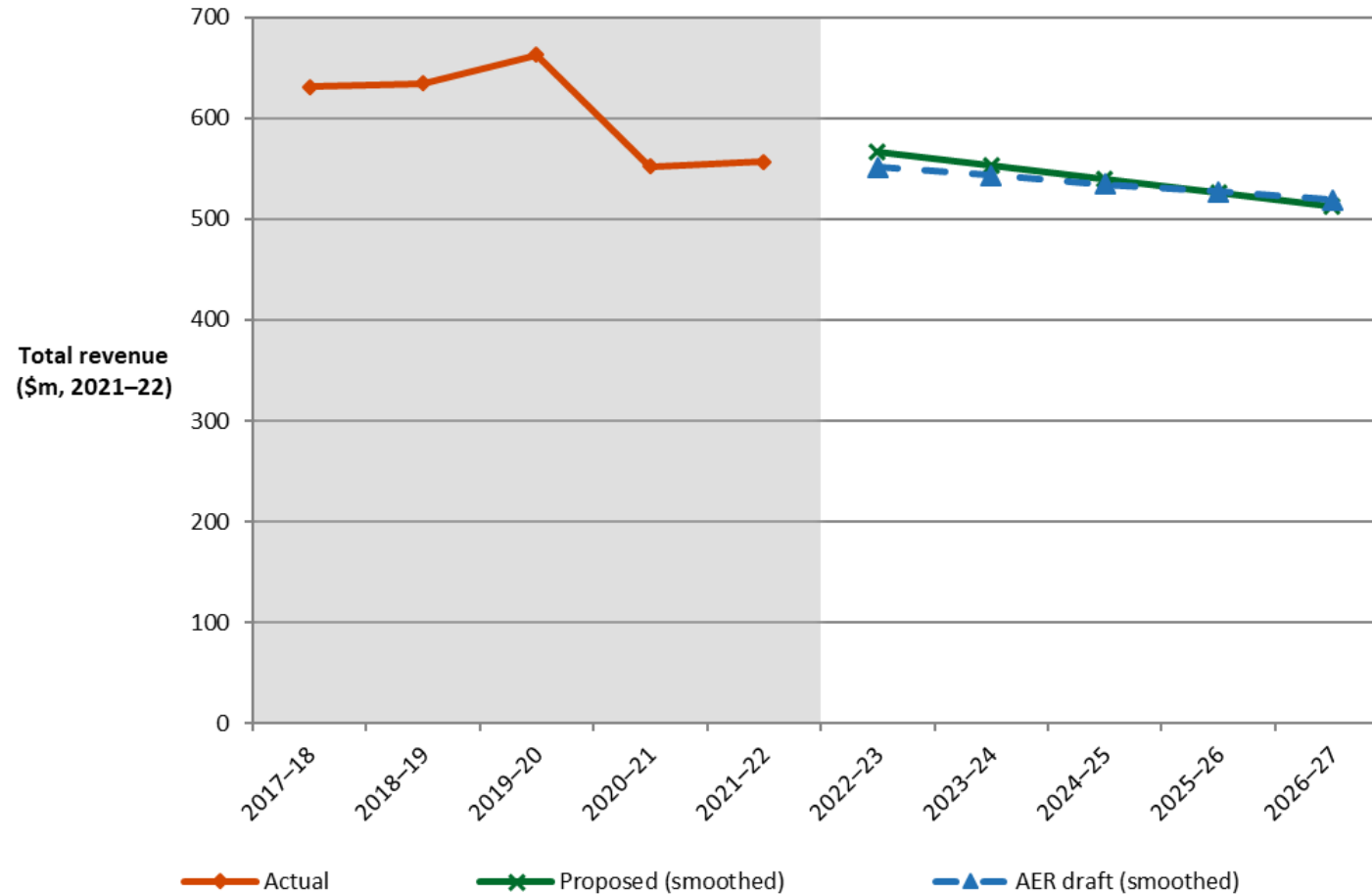
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AusNet Services 2022–27 Electricity transmission - Draft decision

Eric Groom, AER Board member

Our draft decision

Transmission revenue over time (\$million, 2021–22)



Potential changes from the initial and revised proposals

- Expect further information in revised proposal
- Placeholder values of zero dollars
- Updated demand forecasts expected

Key themes

- Ensuring consumers pay no more than necessary
- Engagement with consumers
- Evolving operating environment in Victoria

Ensuring consumers pay no more than necessary

- Safeguarding the security of electricity supply to consumers, where the use of technology and the necessity for cyber security is becoming more prevalent
- We accept that it is prudent to meet the higher cyber security capabilities required of a transmission provider
- Further information is required before we can substantiate the proposed step change cost is efficient for AusNet Services

Consumer engagement

- Draft assessment framework developed in Victorian draft decision:
 - Nature of engagement
 - Breadth and depth
 - Clearly evidenced impact
 - Proof point

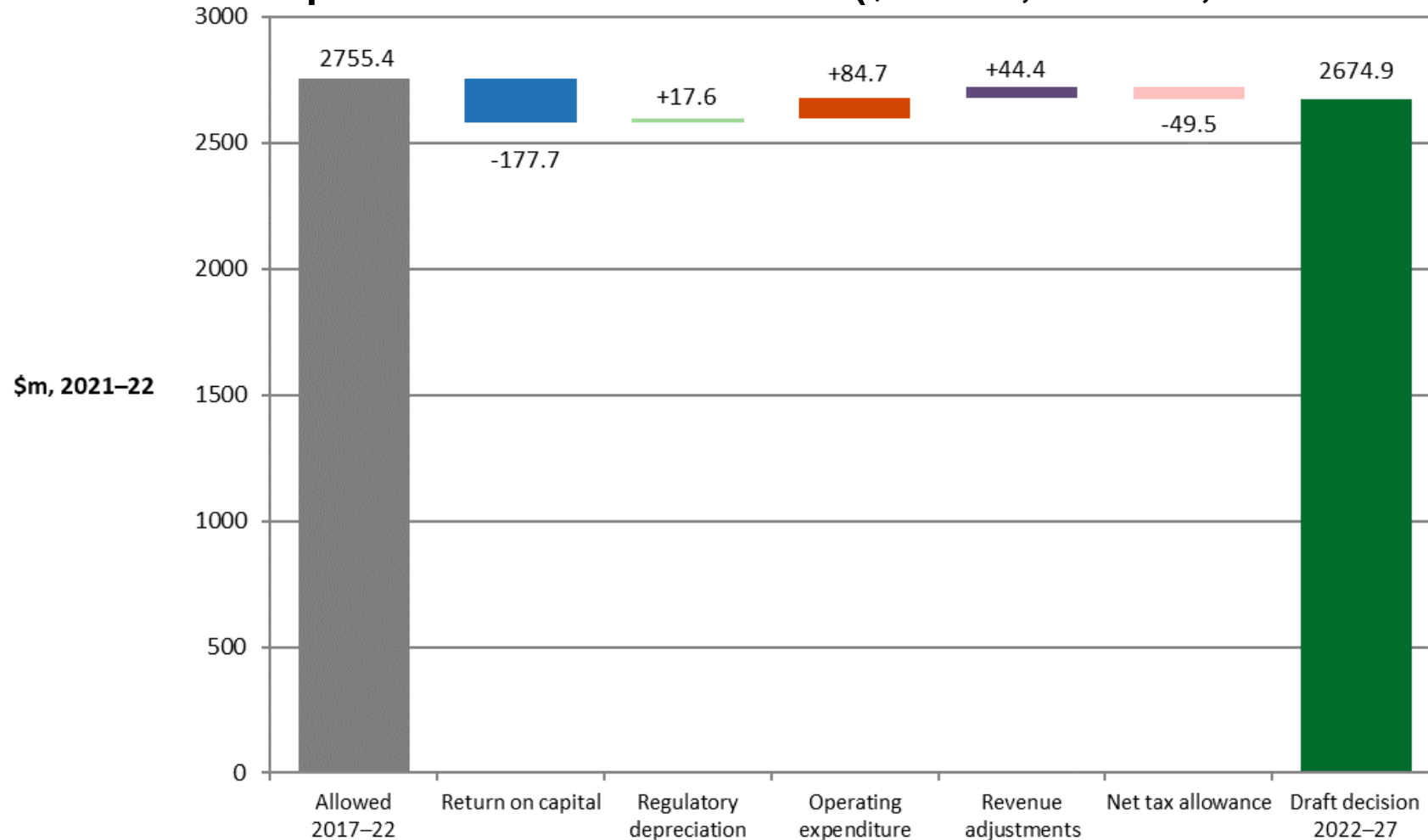
Evolving operating environment

- Victorian Government announcements on renewable energy zone requirements
- 2028 closure of Yallourn power station
- AEMO identifying declining system strength in Victoria due to the impact of falling minimum demand and PV growth on system voltage

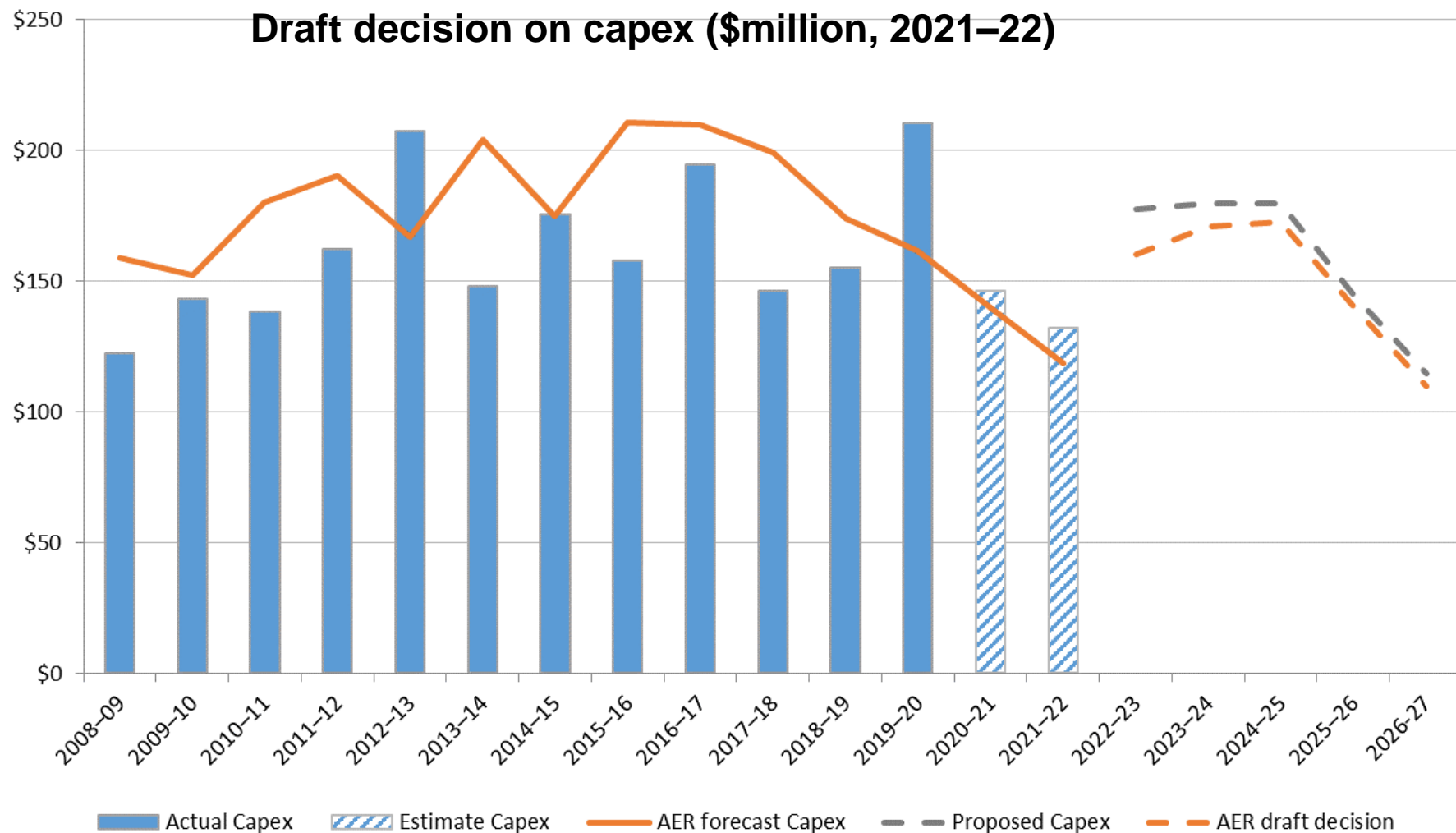
Key drivers

Change in total revenue from 2017–22 to 2022–27

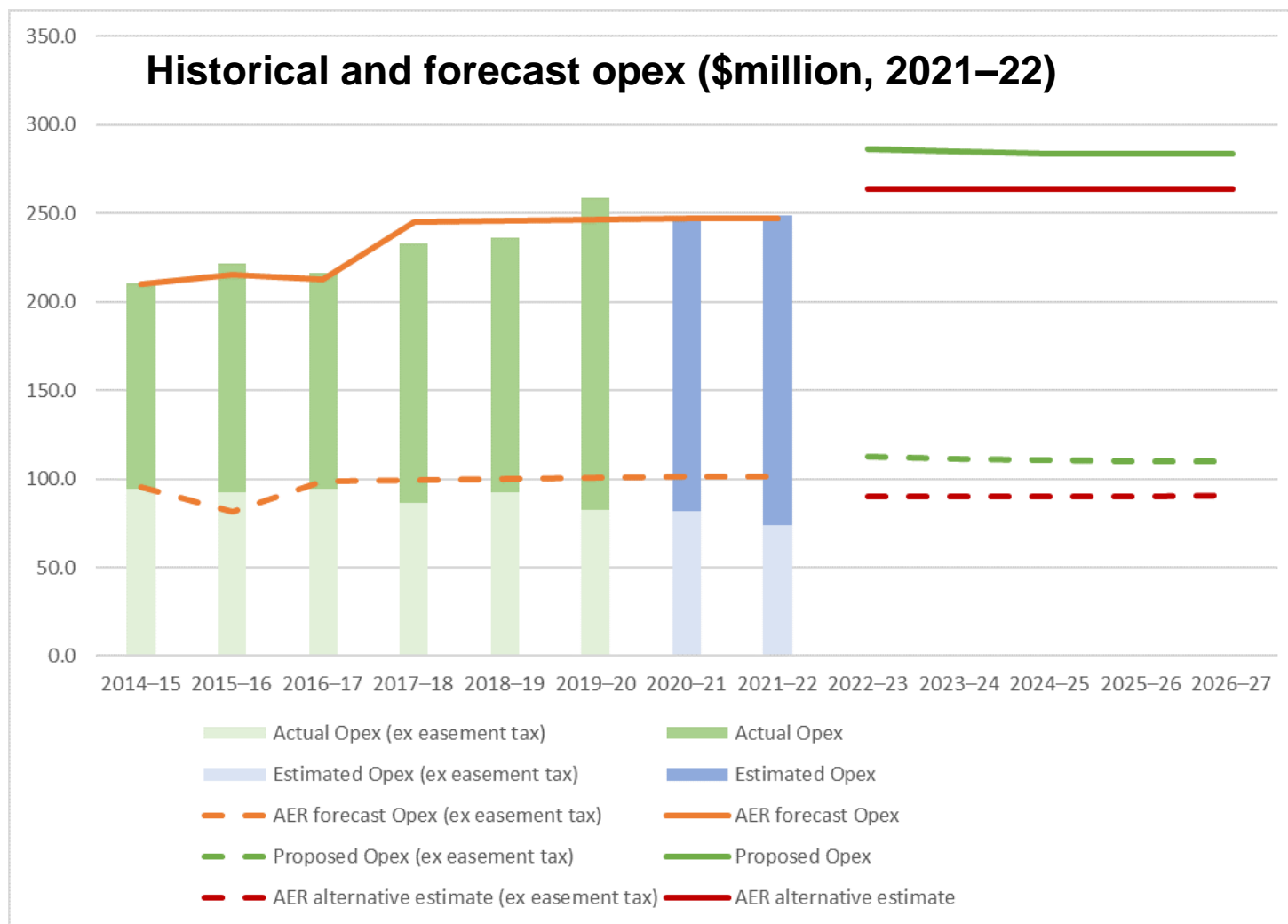
Approved allowance compared to AER draft decision (\$million, 2021–22, unsmoothed)



Our draft capex forecast

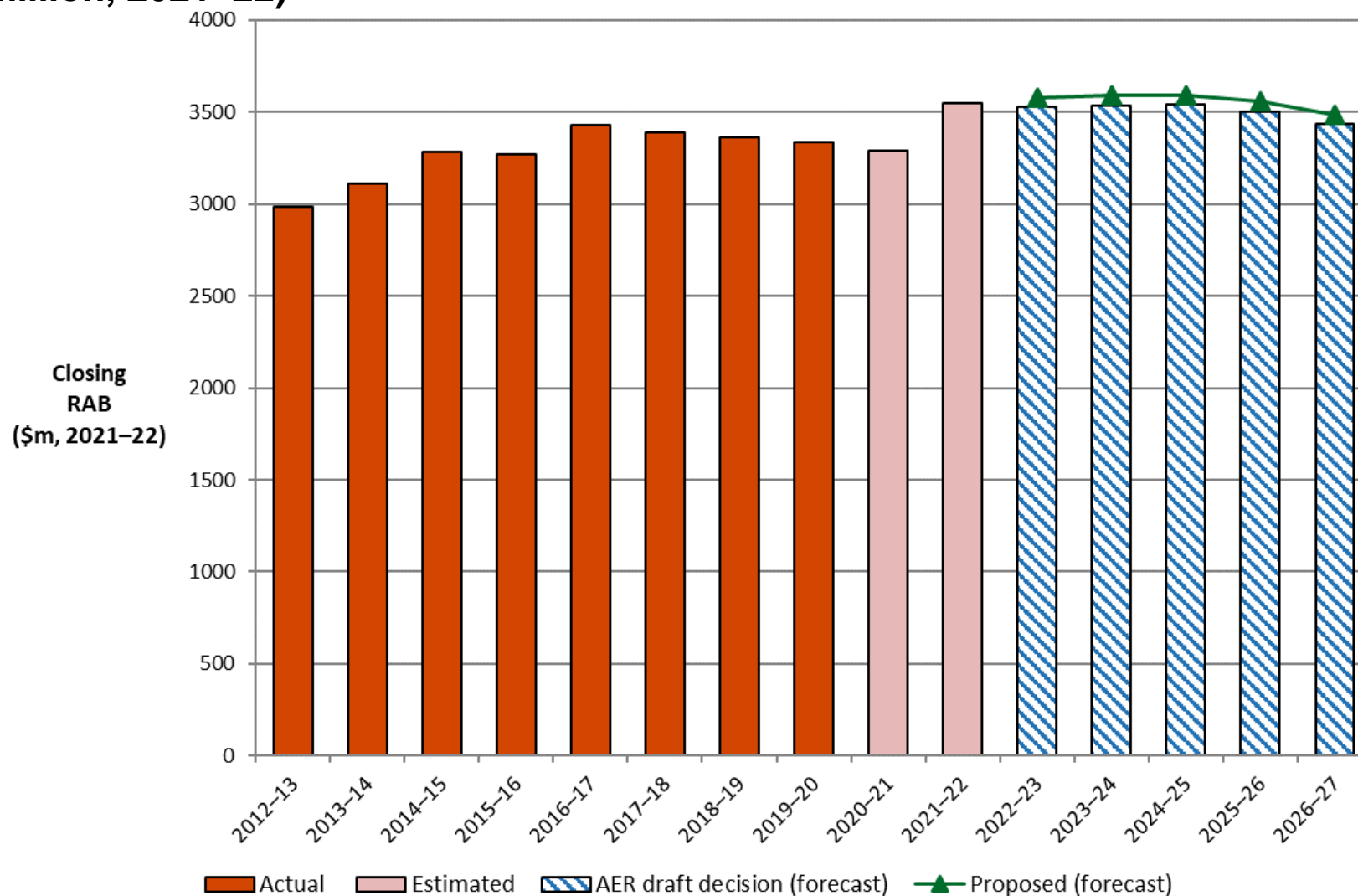


Our draft opex forecast



Regulatory Asset Base (RAB)

Value of RAB over time - actual RAB, proposed forecast RAB and AER draft decision (\$million, 2021–22)



Depreciation

AER's draft decision on AusNet Services' regulatory depreciation for the 2022–27 period

	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Straight-line depreciation	185.2	169.8	180.8	192.0	199.9	927.6
Less: inflation indexation on opening RAB	70.9	71.9	73.6	75.1	75.8	367.3
Regulatory depreciation	114.3	97.9	107.2	116.9	124.0	560.2

Source: AER analysis.

Incentive schemes

- Our draft decision is to apply:
 - opex efficiency benefit sharing scheme (EBSS)
 - capital expenditure sharing scheme (CESS)
 - service target performance incentive scheme (STPIS)
 - demand management innovation allowance mechanism (DMIAM).

Next steps

Milestone	Date
AusNet Services submitted its proposal	29 October 2020
AER issues paper published	11 December 2020
Public forum on AusNet Services' proposal held	16 December 2020
Submissions on AER's issues paper and AusNet Services' proposal close	12 February 2021
AER draft decision published	30 June 2021
Public forum on draft decision	5 August 2021
AusNet Services submit revised proposal	2 September 2021
Submissions on draft decision and revised proposal close	5 October 2021
AER final decision to be published	31 January 2022



Questions and answer session

- Please raise your hand if you would like to speak
- We will let you know when it is your turn to ask a question or make a comment



Conclusion – Thank you and next steps

1

AusNet Services' revised proposal is expected 2 September 2021

2

All stakeholders are invited to make submissions to AusNetServices2022@AER.gov.au on the draft decision and revised proposal by **5 October 2021**

3

Question and queries: AusNetServices2022@AER.gov.au