

Draft Decision

ActewAGL

1 July 2010 to 30 June 2015

Mr Mike Buckley, General Manager

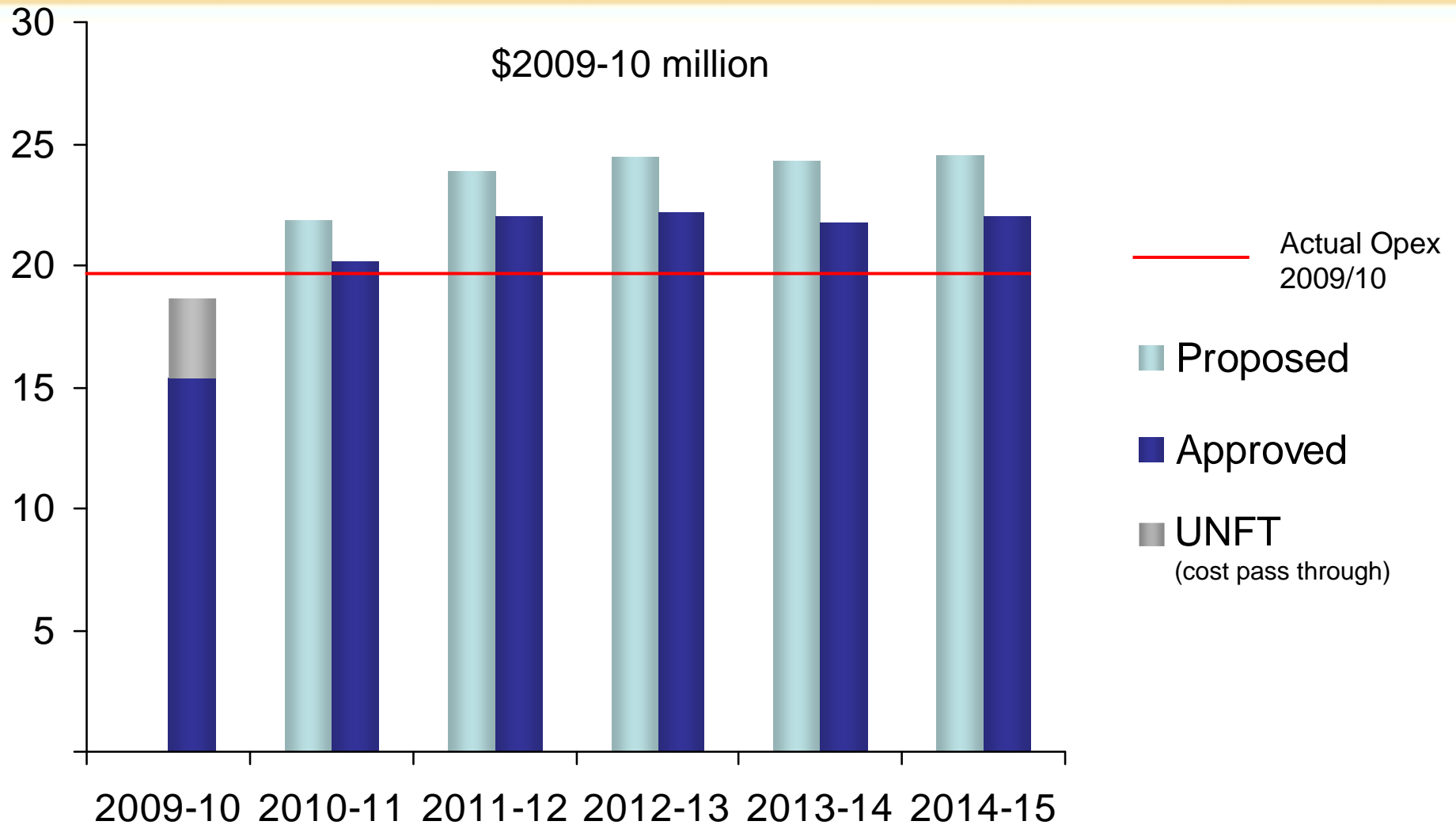
Background

- ActewAGL Network
 - Owner: Actew Corp & Jemena Limited
 - Operated by: Jemena Asset Management (JAM)
- Access arrangement revision for 1 July 2010 to 30 June 2015
- Review process

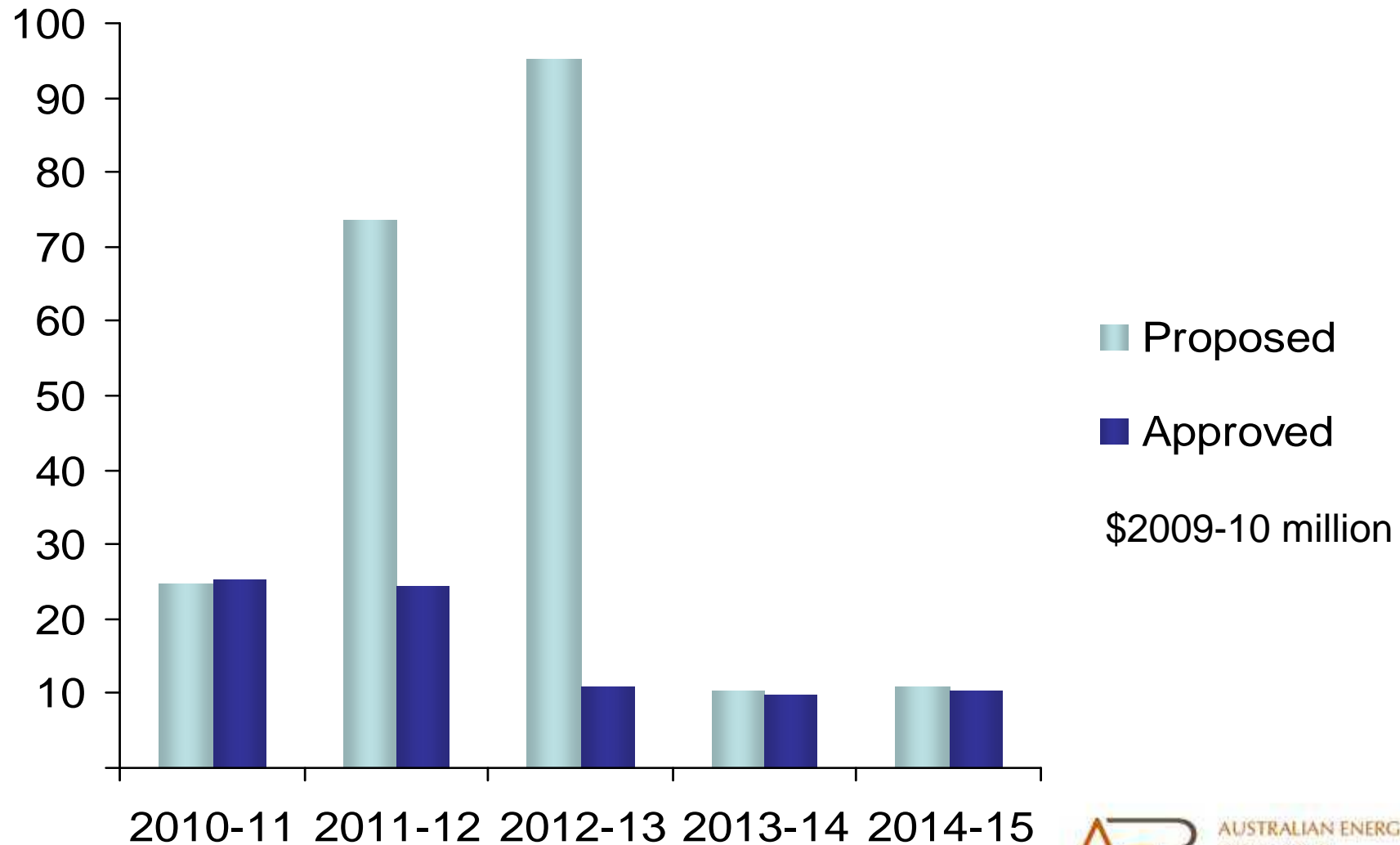
Overview

- Comprehensive & well supported proposal
- Substantive issues include:
 - Efficiency of operating costs
 - Increase in proposed capex
 - Higher proposed return on capital
- Higher initial tariffs of 11.6% translating as an average per annum increase of 7.8% over the 5 year period

Operating expenditure



Capital expenditure



Capital expenditure - HFL

- Expected to provide 88TJ of gas
- Represents 1257% of the summer peak per day and 126% of the winter peak per day
- AER issues:
 - Upstream gas supply
 - Risk mitigation strategies and improved information
 - Inadequacy of ActewAGL's business case
 - Nature of services

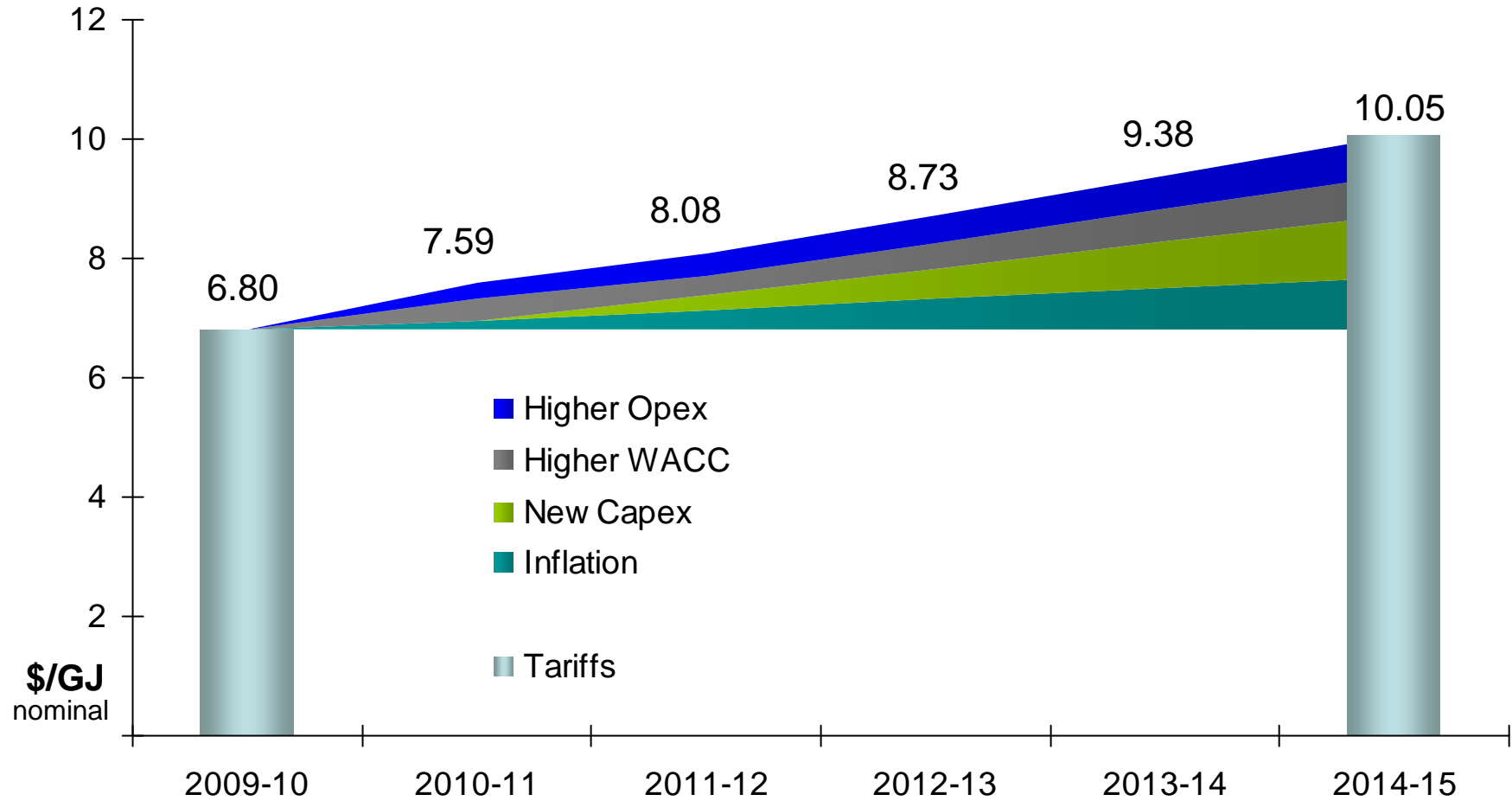
WACC

	Past AA (converted to post tax)	Proposed	Approved
Nominal Vanilla WACC (%)	8.6	11.09	10.14
MRP (%)	6	7.5	6.5
Equity Beta	0.9	1.0	0.8
DRP (%)	1.25	4.96	4.28
Gamma	N/A	0.65	0.65

Tariffs

	Nominal Initial Increase (Nominal, %)	Average Annual Increase (Nominal, %)
Tariff	11.6	7.8
Contract	-11.1	2.5
Meter Data	23.9	6.1

Components of tariff change



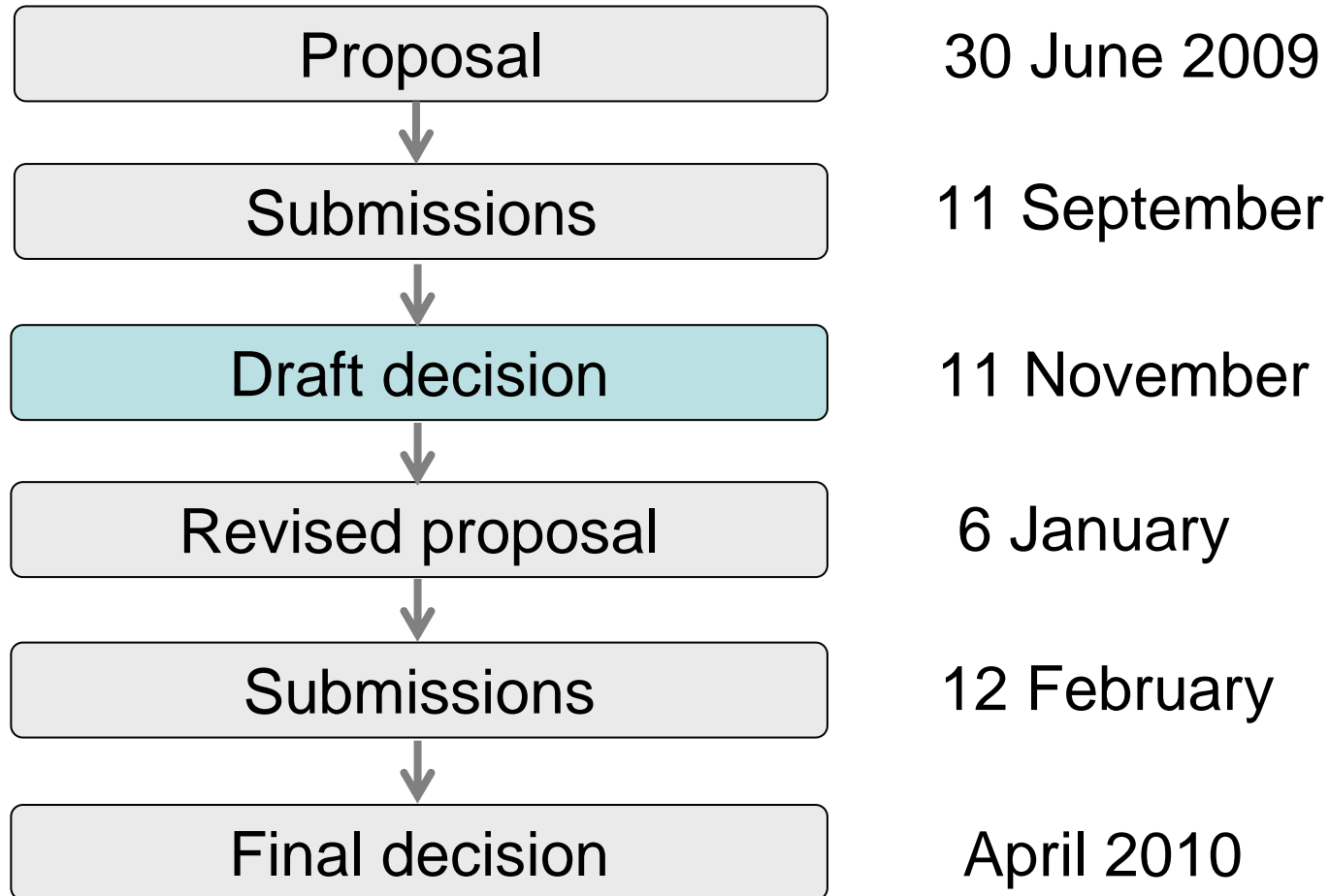
Tariff variations

- Tariffs change annually by CPI to adjust for changes in inflation
- Tariffs may also change as a result of the cost pass through mechanism
- Cost pass throughs approved for:
 - STTM
 - CPRS
 - National Energy Customer Framework

Non-tariff terms & conditions

- Extensions policy provides the AER with more discretion as to what extensions are included under the access arrangement
- Trigger events included to account for national customer and gas connections policy developments

Process – where to from here?



Questions

