

On 30 September 2008 the Australian Competition Tribunal (Tribunal) made orders varying the Australian Energy Regulator's (AER) *ElectraNet transmission determination 2008–09 to 2012–13* by increasing the opening regulatory asset base of ElectraNet by the sum of \$36.1 million, adjusted for CPI movements from 1 July 2000.

On 28 January 2009 the Tribunal made further orders on the increased maximum allowed revenues for ElectraNet during 2008–09 to 2012–13 (next regulatory control period) as a result of the adjusted regulatory asset base. In accordance with the Tribunal's decision, the AER has set out below updated calculations of the regulatory asset base and maximum allowed revenues for ElectraNet in the AER's transmission determination (final decision) dated 11 April 2008.

Table 1 sets out the updated opening regulatory asset base for the next regulatory control period and replaces table 2.2 of the AER's 2008 transmission determination (final decision).

**Table 1: ElectraNet's opening RAB for the next regulatory control period (\$m, nominal)**

	2003 (Jan to Jun)	2003–04	2004–05	2005–06	2006–07	2007–08 <sup>a</sup>
Opening RAB	823.75	832.83	883.96	958.36	1029.45	1082.89
Forecast capex (adjusted for actual CPI) <sup>b</sup>	10.14	73.37	96.36	88.27	79.32	53.86
CPI adjustment on opening RAB	16.65	16.50	20.86	28.59	25.08	45.93
Straight-line depreciation (adjusted for actual CPI)	-17.71	-38.75	-42.81	-45.78	-50.95	-48.20
Closing RAB	832.83	883.96	958.36	1029.45	1082.89	1134.48
Add: prudent capex over 2002 decision <sup>c</sup>						9.47
Add: return on difference <sup>d</sup>						3.04
Add: prudent assets under construction						50.99
Add: easement landowner compensation costs						29.10
Add: easement transaction or acquisition costs						46.77
Add: readmitted optimised assets						17.44
Add: equity raising cost for 2003 opening RAB and capex						20.54
Opening RAB at 1 July 2008						1311.82

- (a) Updated with actual CPI for 2007–08 (March to March). Based on updated forecasts of commissioned assets and assets under construction.
- (b) The capex values include a half WACC allowance to compensate for the average six-month period before capex is added to the RAB for revenue modelling purposes.
- (c) Includes the difference between actual and forecast capex of \$5.1 million from 1 July to 31 December 2002 and \$4.9 million from 1 January 2003 to 30 June 2008. The cash values for disposal of assets have been deducted.
- (d) This relates to the difference between actual and forecast capex of \$5.1 million for 1 July 2002 to 31 December 2002.

Table 2 sets out the updated forecast roll forward of the regulatory asset base for the next regulatory control period and replaces table 7.5 of the AER's 2008 transmission determination (final decision).

**Table 2: AER's forecast roll forward of ElectraNet's regulatory asset base (\$m, nominal)**

	2008-09	2009-10	2010-11	2011-12	2012-13
Opening RAB	1311.82	1425.40	1585.75	1714.68	1865.51
Net capital expenditure	133.30	179.86	151.62	175.21	85.97
Inflation adjustment on opening RAB	34.44	37.42	41.63	45.01	48.97
Straight-line depreciation	-54.16	-56.93	-64.31	-69.39	-71.72
Closing RAB	1425.40	1585.75	1714.68	1865.51	1928.72

Note: The straight-line depreciation less the inflation adjustment on the opening RAB provides the regulatory depreciation building block allowance.

Table 3 sets out the updated annual building block calculations for the next regulatory control period and replaces table 7.9 of the AER's 2008 transmission determination (final decision).

**Table 3: AER's final decision on annual building block revenue requirement (\$m, nominal)**

	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Return on capital	139.65	151.74	168.81	182.54	198.59	841.33
Regulatory depreciation	19.72	19.51	22.68	24.38	22.75	109.05
Opex allowance	57.30	60.64	64.38	68.90	73.10	324.32
Opex efficiency (glide path) allowance <sup>a</sup>	3.55	2.92	2.25	1.54	0.79	11.04
Net tax allowance	9.76	10.45	11.17	11.24	11.20	53.83
Annual building block revenue requirement (unsmoothed)	229.99	245.26	269.29	288.59	306.43	1339.57

(a) An allowance for opex efficiency resulting in the current regulatory period.

Table 4 sets out the updated maximum allowed revenues and X factors for the next regulatory control period, and replaces table 7.10 of the AER's 2008 transmission determination (final decision).

**Table 4: AER's final decision on the maximum allowed revenue (\$m, nominal)**

	2008-09	2009-10	2010-11	2011-12	2012-13	Total
MAR (smoothed)	229.99	247.56	266.47	286.83	308.74	1339.58
X factor	- <sup>a</sup>	-4.89 %	-4.89 %	-4.89 %	-4.89 %	-

(a) The MAR for 2008-09 is set as \$229.99 million and ElectraNet is not required to apply an X factor. The MAR in the first year of the next regulatory control period (2008-09) is around 23.11 per cent higher than the MAR in the final year of the current regulatory period (2007-08).