

7 March 2019

Mr Warwick Anderson
General Manager - Networks Financing and Reporting
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Dear Warwick

PROPOSED PTRM AMENDMENTS - VERSION 4

Thank you for the opportunity to provide comment on the recent proposed changes to the PTRM, consequent upon AER's review of taxation which concluded in December 2018. We note that the AER has only made changes to the electricity versions of the PTRM and that gas will come later. We also note that the AER has yet to propose changes to its roll-forward model. We look forward to the opportunity to comment on both of these models in due course.

Overall, we can see only a few small issues in the PTRM, which otherwise faithfully implements the findings from the December 2018 tax review. We would direct the AER to the ENA's submission on this point, which provides more detail.

You also asked us to provide answers to the following two questions:

Question 1: Do you have any concerns with the approach of using the RAB standard asset life input to the PTRM as the constraint in the DV formula?

Of the two options the AER considers in its Explanatory Statement, the RAB standard life approach is preferred, as it would lead to less volatility in prices for consumers. However, we would suggest the AER also examine a third alternative whereby assets are allowed to depreciate in perpetuity without any write-off at the end of a regulatory or tax asset life as this reduces still further the potential for price volatility. The ENA submission has more detail in this respect. We understand that the ESC in Victoria previously followed this approach, and that it matches more closely ATO practice in this regard.

Question 2: Besides the three asset classes identified above, are there any other asset classes that you consider should not be subject to the DV method of tax depreciation?

We do not consider that there are any asset classes, other than those noted by the AER, which should not be subject to the DV method of tax depreciation.

If you have any further queries in respect of this submission, please do not hesitate in contacting Nick Wills-Johnson on [REDACTED].

Yours sincerely



Craig deLaine
General Manager – People and Strategy