

Appendix 1

Schedule of Information Required to Model TransGrid's Revenue for Regulatory Period 2004/05 to 2008/09

This schedule has been provided in accordance with Appendix A: Pro forma statements for setting the revenue caps of the Statement of principles for the regulation of transmission revenues – Information requirements guidelines (June 2002).

1. Setting the Revenue Cap Forecast - WACC Parameters

	Proposed Value
Nominal risk free rate (10 year)	5.01%
Real risk free rate (10 year)	2.87%
Expected inflation rate	2.08%
Debt as a long term portion of total funding	60.00%
Cost of debt margin over risk free rate	1.485%
Market risk premium	6.00%
Corporate tax rate	30.00%
Effective tax rate for equity	30.00%
Franking credits	0%
Asset Beta	0.45
Debt Beta	0.00
Equity Beta	1.12
Nominal Vanilla WACC	8.59%
Post-tax nominal return on equity	11.73%
Post-tax nominal WACC	7.42%
Pre-tax real WACC	8.35%

2. Setting the Revenue Cap Forecast - Initial Regulatory Assets as at 1 July 2004

Asset Class	Opening 'Roll Forward' RAB (as at 1 July 04) (\$'000)	Average Remaining Economic Lives ⁵⁹ (Yrs)	Standard Useful Lives (Yrs)	Tax Asset Base (as at 1 July 04) (\$'000)	Tax Remaining Lives (Yrs)	Tax Standard Lives (Yrs)
Transmission Lines	1,281,590	28.37	50	864,600	10.4	50
Underground Cables	191,893	44.12	45	65,700	24.4	45
Substations including buildings	873,247	25.99	40	596,100	14.1	40
SCADA and Communications	47,320	7.20	15	54,100	9.7	15
Non Network Assets	139,798	7.96	10	42,300	3.8	10
SMHEA Assets	57,680	13.13	40	N/A	N/A	N/A
Accelerated Lines ⁶⁰	5,930	3	N/A	N/A	N/A	N/A
Accelerated Substations	1,990	3	N/A	N/A	N/A	N/A
Easements and Land	447,944	N/A	N/A	476,400	N/A	N/A

⁵⁹ Subject to review as discussed in Section 8.7.1 *Determining Remaining Asset Lives for Depreciation Purposes* and Section 8.7.4 *Clarifying the Regulatory Principles to Apply to Depreciation*

⁶⁰ Asset Classes *Accelerated Lines* and *Accelerated Substations* contain assets that have been identified as 'at risk of stranding' for the 1 July 2004 to 30 June 2009 regulatory period. Please refer to *8.7.3 Accelerated Depreciation* for more information.

3. Setting the Revenue Cap Forecast - Capital Expenditure

Asset Class	FY2005 ⁶¹ (\$'000)	FY2006 (\$'000)	FY2007 (\$'000)	FY2008 (\$'000)	FY2009 (\$'000)
Transmission Lines	56,350	82,800	125,070	132,430	96,450
Underground Cables	20	130	380	570	5,700
Substations including buildings	128,970	154,070	153,940	117,035	138,130
SCADA and Communications	23,900	10,530	13,400	10,580	13,750
Non Network Assets	14,030	12,730	10,340	11,070	14,000
SMHEA Assets	N/A	N/A	N/A	N/A	N/A
Easements and Land	13,870	11,910	24,670	21,970	14,150

Note: The Capital Expenditure for FY2005 to FY2009 is:

1. Based on the Scenario Planning Methodology. The allocation of dollars per **asset class** and **per year** is TransGrid's best estimate as at 30 June 2003.
2. Represented on a forecast cash flow basis and is exclusive of Interest During Construction (IDC) or other financing costs.
3. Exclusive of CPI i.e. all dollars are in real terms.

⁶¹ FY (Financial Year), eg. FY2005 refers to 1 July 2004 to 30 June 2005.

4. Setting the Revenue Cap Forecast - Disposals

Asset Class	FY2005 (\$'000)	FY2006 (\$'000)	FY2007 (\$'000)	FY2008 (\$'000)	FY2009 (\$'000)
Transmission Lines	-	-	-	-	-
Underground Cables	-	-	-	-	-
Substations including buildings	-	-	-	-	-
SCADA and Communications	-	-	-	-	-
Non Network Assets	5,000	5,000	5,000	5,000	5,000
SMHEA Assets	-	-	-	-	-
Easements and Land	-	-	-	-	-

5. Setting the Revenue Cap Forecast - Customer Contributions

Asset Class	FY2005 (\$'000)	FY2006 (\$'000)	FY2007 (\$'000)	FY2008 (\$'000)	FY2009 (\$'000)
Transmission Lines	N/A	N/A	N/A	N/A	N/A
Underground Cables	N/A	N/A	N/A	N/A	N/A
Substations including buildings	N/A	N/A	N/A	N/A	N/A
SCADA and Communications	N/A	N/A	N/A	N/A	N/A
Non Network Assets	N/A	N/A	N/A	N/A	N/A
SMHEA Assets	N/A	N/A	N/A	N/A	N/A
Easements and Land	N/A	N/A	N/A	N/A	N/A

Note: The Customer Contributions for FY2005 to FY2009 is not applicable (N/A). TransGrid does not forecast any Customer Contributions for any Capital Expenditure projects proposed for the FY2005 to FY2009 regulatory period.

6. Setting the Revenue Cap Forecast - Operational Expenditure & Working Capital

	FY2005 (\$'000)	FY2006 (\$'000)	FY2007 (\$'000)	FY2008 (\$'000)	FY2009 (\$'000)
Operational Expenditure (Real)	123,700	126,800	130,000	133,200	136,600
Inflation Factor at 2.08%	1.0208	1.042	1.0637	1.085	1.108
Operational Expenditure (Nominal)	126,272.96	132,129.74	138,281.90	144,632.83	151,409.81
Equity Raising Costs	2,804.21	2,982.42	3,194.99	3,464.74	3,703.03
Operational Expenditure (Total)	129,077.17	135,112.16	141,476.89	148,097.55	155,113.11
Working Capital	10,308	10,567	10,833	11,100	11,383

Note: The Operational Expenditure (Real) for FY2005 to FY2009 is on forecast cash flow basis. Working Capital numbers are exclusive of CPI i.e. all dollars are in real terms.