

APPENDIX 3

Submission Guidelines – Other matters

Depreciation

Inputs for Post-Tax Revenue Model

| Asset Class | 2009-10 (\$m Nominal) | Ave Lives Remaining | Standard Lives | Forecast Capex - as commissioned (\$m Real 2008-09) | | | | |
|---|-----------------------|---------------------|----------------|---|---------|---------|---------|---------|
| | Opening WDV | | | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Transmission Lines and Cables | 297.2 | 21.0 | 60.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transmission Substations | 393.7 | 28.1 | 50.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Protection and Control | 48.9 | 8.6 | 15.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Refurbishment | 23.2 | 10.0 | 15.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 8.8 | 5.0 | n/a | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other - IT | 23.0 | 2.0 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other - General | -4.3 | 3.0 | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other - Buildings | 21.3 | 36.2 | 40.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Land and Easements | 89.0 | n/a | n/a | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transmission line assets - long life (60) | | | 60 | 8.0 | 139.2 | 11.8 | 25.5 | 9.1 |
| Transmission line assets - medium life (45) | | | 45 | 0.0 | 0.0 | 25.7 | 0.0 | 0.0 |
| Transmission line assets - short life (10) | | | 10 | 1.3 | 10.9 | 1.0 | 1.3 | 0.1 |
| Substation assets - long life (60) | | | 60 | 4.5 | 26.3 | 8.9 | 16.8 | 13.7 |
| Substation assets - medium life (45) | | | 45 | 18.3 | 66.3 | 22.6 | 39.4 | 38.5 |
| Substation assets - short life (15) | | | 15 | 10.2 | 4.5 | 3.7 | 5.1 | 4.1 |
| Protection and control - short life (15) | | | 15 | 9.8 | 32.6 | 6.6 | 11.2 | 21.2 |
| Protection and control - short life (4) | | | 4 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| Transmission operations - short life (10) | | | 10 | 3.4 | 3.9 | 2.7 | 1.6 | 6.9 |
| Transmission operations - short life (4) | | | 4 | 0.2 | 0.0 | 0.1 | 0.0 | 0.0 |
| Other - medium life (40) | | | 40 | 8.5 | 5.6 | 5.7 | 3.4 | 0.0 |
| Other - short life (5) | | | 5 | 1.7 | 3.0 | 1.9 | 2.0 | 3.8 |
| Other - short life (4) | | | 4 | 1.8 | 4.7 | 2.8 | 1.8 | 2.6 |
| Land and Easements | | | n/a | 0.0 | 1.4 | 3.4 | 12.2 | 10.7 |
| Total | 900.9 | | | 68.0 | 298.6 | 96.8 | 120.4 | 110.8 |

Based on these inputs, the PTRM will calculate the amount of economic depreciation annually. These amounts will then be entered into the depreciation schedule below.

Depreciation Schedule

\$ million nominal

| Asset Class | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Total |
|---|-------------|-------------|-------------|-------------|-------------|--------------|
| Transmission Lines and Cables | 8.0 | 8.4 | 8.9 | 9.3 | 9.8 | 44.4 |
| Transmission Substations | 6.4 | 6.8 | 7.2 | 7.6 | 8.0 | 36.0 |
| Protection and Control | 4.8 | 5.0 | 5.2 | 5.4 | 5.7 | 26.1 |
| Refurbishment | 1.9 | 2.0 | 2.1 | 2.2 | 2.3 | 10.4 |
| Other | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 | 8.8 |
| Other - IT | 11.3 | 11.7 | 0.0 | 0.0 | 0.0 | 23.0 |
| Other - General | -1.4 | -1.4 | -1.5 | 0.0 | 0.0 | -4.3 |
| Other - Buildings | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 |
| Land and Easements | -1.7 | -1.8 | -1.8 | -1.8 | -1.9 | -9.0 |
| Transmission line assets - long life (60) | 0.0 | -1.1 | 0.1 | 0.0 | 0.2 | -0.8 |
| Transmission line assets - medium life (45) | 0.0 | 0.0 | -0.3 | 0.1 | 0.1 | -0.1 |
| Transmission line assets - short life (10) | 0.0 | 0.0 | 1.1 | 1.2 | 1.4 | 3.8 |
| Substation assets - long life (60) | 0.0 | -0.3 | -0.2 | -0.3 | -0.3 | -1.0 |
| Substation assets - medium life (45) | 0.0 | -0.6 | 0.1 | 0.0 | 0.2 | -0.3 |
| Substation assets - short life (15) | 0.0 | 0.5 | 0.8 | 1.0 | 1.3 | 3.5 |
| Protection and control - short life (15) | 0.0 | 0.3 | 2.2 | 2.6 | 3.2 | 8.3 |
| Protection and control - short life (4) | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 |
| Transmission operations - short life (10) | 0.0 | 0.3 | 0.7 | 0.9 | 1.1 | 3.0 |
| Transmission operations - short life (4) | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.3 |
| Other - medium life (40) | 0.0 | 0.1 | 0.2 | 0.3 | 0.3 | 0.9 |
| Other - short life (5) | 0.0 | 0.3 | 0.9 | 1.4 | 1.8 | 4.4 |
| Other - short life (4) | 0.0 | 0.4 | 1.7 | 2.4 | 3.0 | 7.5 |
| Land and Easements | 0.0 | 0.0 | -0.1 | -0.1 | -0.4 | -0.6 |
| Total Economic Depreciation | 30.9 | 32.5 | 29.2 | 34.3 | 38.1 | 165.0 |

7.1 Weighted Average Cost of Capital

Setting the Revenue Cap Forecast - Rate of Return ("WACC")

Notes for the preparation of information on this proforma:

1. The proforma sets out the minimum inputs required by the AER to model a **TNSP's** estimate of WACC.
2. The minimum inputs set out in the proforma are averages for the five-year regulatory period.
3. A post-tax nominal WACC framework involves the use of a cash flow modelling approach to derive the revenue requirement.
4. A **TNSP** shall provide to the **AER**:
 - (a) an estimate of its post-tax nominal return on equity; post-tax nominal WACC; and pre-tax real WACC.
 - (b) the assumptions underlying the estimation.
 - (c) full and detailed explanations of the basis of any calculations.
 - (d) references to any sources of information or precedents.

Setting the Revenue Cap Forecast - Rate of Return ("WACC")

TNSP: Transend Networks Pty Ltd

Reporting date: 13-Jan-09

Proposed value
%

| | |
|---|-------|
| Nominal risk free rate | 4.66 |
| Real risk free rate | 2.67 |
| Inflation Rate | 1.94 |
| Proportion of debt funding | 60.00 |
| Nominal pre-tax cost of debt | 8.52 |
| Cost of debt margin over the risk free rate | 3.86 |
| Market risk premium | 6.00 |
| Corporate tax rate | 30.00 |
| Effective tax rate for equity | 24.4 |
| Proportion of franking credits attributed to shareholders | 50.00 |
| Equity beta | 1.00 |
| Post-tax nominal return on equity | 10.66 |
| Nominal vanilla WACC | 9.38 |