# **APPENDIX 3**

Submission Guidelines – Other matters



## **Service Target Performance Incentive Scheme Parameters**

#### Instructions:

TNSPs are required to list all appropriate parameters for the revenue reset period, grouped under the relevant subheading.

TNSPs must list the relevant unit for each parameter, what weighting that sub-parameters is given and the targets for the reset period.

Targets must be provided for each year of the revenue reset period. Proposed caps and collars for those targets should also be included.

These should be included in the format X / Y / Z, where X is the collar, Y is the target and Z is the cap.

	Unit	Weighting	Proposed Targets						
Measure	Offic	Factor (%)	2009-10	2010-11	2011-12	2012-13	2013-14		
Circuit Availability Parameter									
Transmission line circuit availability (critical)	per cent	20	97.90 / 99.13 / 99.75	97.90 / 99.13 / 99.75	97.90 / 99.13 / 99.75	97.90 / 99.13 / 99.75	97.90 / 99.13 / 99.75		
Transmission line circuit availability (non-critical)	per cent	10	98.48 / 98.97 / 99.47	98.48 / 98.97 / 99.47	98.48 / 98.97 / 99.47	98.48 / 98.97 / 99.47	98.48 / 98.97 / 99.47		
Transformer circuit availability	per cent	15	98.67 / 99.28 / 99.59	98.67 / 99.28 / 99.59	98.67 / 99.28 / 99.59	98.67 / 99.28 / 99.59	98.67 / 99.28 / 99.59		
Loss of Supply Parameter									
Loss of Supply > 0.1 system minute	frequency	20	21 / 15 / 9	21 / 15 / 9	21 / 15 / 9	21 / 15 / 9	21 / 15 / 9		
Loss of Supply > 1.0 system minute	frequency	35	4/2/0	4/2/0	4/2/0	4/2/0	4/2/0		
Outage Parameter									
Average outage duration (transmission lines)	minutes	0	529 / 326 / 124	529 / 326 / 124	529 / 326 / 124	529 / 326 / 124	529 / 326 / 124		
Average outage duration (transformers)	minutes	0	1428 / 712 / 354	1428 / 712 / 354	1428 / 712 / 354	1428 / 712 / 354	1428 / 712 / 354		

# Depreciation

# Inputs for Post-Tax Revenue Model

	2009-10 (\$m Nominal)		Ī	Forecast Capex - as commissioned (\$m Real 2008-09)				
Asset Class	Opening WDV	Ave Lives Remaining	Standard Lives	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

\$ 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				