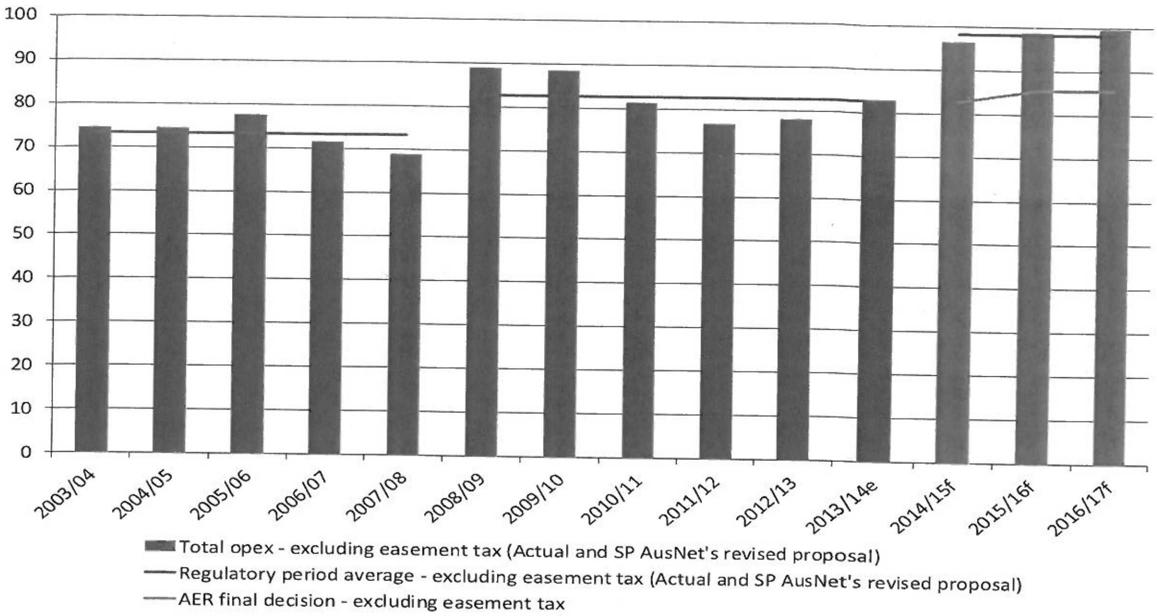
Figure 3. AER's final decision, total opex (less easement land tax)* ($ million, 2013–14)



Source: AER analysis.

Note: Easement land tax is excluded from non-controllable opex in this chart because, positive or negative variations (>1% MAR) between the actual tax paid and the forecast approved by us will be recovered/reimbursed via an annual recovery mechanism. It comprises 51% of the proposal. (e) 2013-14 data is a budget estimate (f) refers to forecast.

Table 3. AER final decision, 2014–15 to 2016–17 ($ million, 2013–14)

	2014-15	2015-16	2016-17	Total
Controllable opex				
Base opex	70.9	70.9	70.9	212.6
Step changes	1.9	2.4	2.1	6.4
Trend	5.0	6.5	7.6	19.2
Subtotal: controllable	77.7	79.8	80.6	238.2
Non-controllable opex				
Self-insurance	1.7	1.7	1.6	5.0
Availability incentive scheme	2.3	2.3	2.3	6.8
Debt raising costs	1.5	1.6	1.6	4.7
Easement land tax	100.9	103.4	100.9	305.3
Subtotal: non-controllable	106.4	109.0	106.4	321.8
TOTAL	184.2	188.8	187.0	560.0

Source: AER analysis.

3.6.4 Easement land tax

Victoria's land tax regime extends to easements held by SP AusNet. SP AusNet is required to forecast its easement land tax liability as part of the forecast opex. Where the forecast we accept in this determination differs (higher or lower) from the actual tax paid, SP AusNet is entitled to apply for a cost pass through.[494]

SP AusNet proposed an easement land tax forecast of $305.3 million for the 2014–17 regulatory control period. We are satisfied that this forecast reflects a realistic expectation of the easement land tax likely to be incurred in the 2014–17 regulatory control period because:

- the forecast average annual tax liability of $101.7 million is relatively close the actual tax SP AusNet incurred in 2012–13 ($101.6 million)
- SP AusNet's forecast easement land tax assumes it will increase at the same rate as CPI.[495]

The EUCV was concerned that SP AusNet does not include easement land tax in its forecast opex after the government ceases to require it.[496] The EUCV considered that as the easement land tax is linked to providing Alcoa with discounted electricity costs and that commitment ceases in the near future, the easement land tax should not continue to apply to SP AusNet. We are satisfied that SP AusNet's forecast easement land tax meets the opex criteria because we have not received any evidence that the tax will change in the 2014–17 regulatory control period. Further, if it does change, any difference between the forecast and the actual tax paid will be addressed through the cost pass through mechanism.

We note that a TNSP must submit a negative cost pass through within 60 business days of becoming aware of the event (this moves to 90 business days under the new rules) (see NER 6A.7.3(f)). However, if, during the next regulatory period, we become aware that an event has occurred that will trigger a negative cost pass through, (such as a change to the easement land tax assessment or valuation base resulting in an actual easement land tax obligation that is less than our allowance), then we can take action to instigate the negative cost pass through under NER 6A.7.3(g).[497]

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494 NER, clauses 6A.7.3 and 11.6.21.

495 *Valuation of Land Tax Act 1960* (Vic), s 5B: valuations of transmission easements by the Valuer–General occur every two years in even numbered years.

496 EUCV, *Submission to the AER: AER draft decision and SP AusNet revised proposal*, October 2013, p. 29.

497 Under the new rules there is an additional requirement for the AER to notify the TNSP that the issue has come to its attention before making a pass through decision under NER 6A.7.3(g).