

30 October 2015

Ms Paula Conboy
Chair
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Locked Bag 14051
Melbourne City Mail Centre
Victoria 8001 Australia
T: 1300 360 795
www.ausnetservices.com.au

Dear Ms Conboy,

AusNet Services' Electricity Transmission Revenue Proposal 2017-22

Please find attached AusNet Services' Revenue Proposal for the regulatory control period 1 April 2017 to 31 March 2022 in accordance with the National Electricity Rules and the AER's Regulatory Information Notice. All supporting information has been handed to the AER's Melbourne offices in person.

The current regulatory period has been one of unprecedented change in the industry. Energy consumption has fallen and there is increasing uncertainty around forecasts for both energy consumption and peak demand. In addition, AEMO's estimate of the value that customers place on reliability has been revised and is now substantially lower than previously.

The Revenue Proposal has been developed to respond to these changes, most notably through a substantial reduction in forecast capital works. In addition, an accelerated depreciation allowance for new investments is proposed. This approach will help to align cost recovery with expected network utilisation.

The Revenue Proposal constrains real price growth to an annual average of 1.8%. For a typical Victorian residential consumer this is equivalent to an increase in a typical Victorian residential user's \$1,541 annual bill by \$7 in real terms on 1 April 2017 and remaining at this level until 30 March 2022. This will allow AusNet Services to continue to meet our obligations and to begin to address future uncertainties in a way which is in the long-term interests of consumers.

Also attached is AusNet Services' proposed Cost Allocation Methodology. This has been updated for a number of changes that have occurred since the approval of the current Cost Allocation Methodology. However, these changes do not impact the cost allocation itself and will not alter the expenditure forecasts that form part of the Revenue Proposal, which has been prepared under AusNet Services' existing approved Cost Allocation Methodology.

All information provided as part of the Revenue Proposal may be publically disclosed unless identified as confidential in the Confidentiality Response template.

I look forward to discussing the Revenue Proposal with your Board in the near future.

Sincerely,



Nino Ficca
Chairman
AusNet Transmission Group Pty Ltd