

AusNet Electricity Services Pty Ltd

Electricity Distribution Price Review 2022-26

Appendix 14A: Rate of Return Averaging Periods

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Dear Arek,

As per Sections 7, 8, 23 and 24 of the AER's 2018 Rate of Return Instrument (the Instrument), AusNet Services' nominated averaging periods for each regulatory year of the regulatory control period are outlined in the attachment to this letter. AusNet Services has also had regard to the guidance provided by the AER (received by email on 25 October 2019) on how the Instrument should be applied to the Victorian Electricity Distribution Networks, given the change in regulatory period timing.

AusNet Services would like its averaging periods to remain confidential, as per footnote 3 of the Instrument and previous regulatory practice.

As required by the Instrument the risk free rate averaging period for the 2022-26 regulatory control period satisfies the following conditions:

- It is a period of 20 or more business days up to a maximum of 60 business days;
- It starts no earlier than 7 months prior to the commencement of the regulatory control period;
- It finishes no later than 3 months prior to the commencement of the regulatory control period; and
- Are nominated prior to the averaging period's commencement and by the date of submission of AusNet Services' Revenue Proposal.

As required by the Instrument the return on debt averaging periods for the 2022-26 regulatory control period satisfy the following conditions:

- They are over a period of 10 or more consecutive business days, up to a maximum of 12 months;
- Start no earlier than 16 months prior to the commencement of a regulatory year;
- Finish no later than 4 months prior to the commencement of a regulatory year;
- Are specified for each year within the regulatory control period;
- Do not overlap for each different regulatory year; and
- Are nominated prior to the start of the return on debt averaging period and by the date of submission of AusNet Services' Revenue Proposal.

In addition, averaging periods will also be applied to extension period revenues. AusNet Services has already nominated the return on debt averaging period to apply in the extension period, and

the AER has indicated staff acceptance of this period¹. This document includes the proposed risk free rate averaging period for the extension period. This is required to:

- Be over a period of 20 or more business days up to a maximum of 60 business days;
- Start no earlier than 7 months prior to the commencement of the extension period on 1 Jan 2021;
- Finish no later than 3 months prior to the commencement of the extension period on 1 Jan 2021;
- Be nominated prior to the averaging period's commencement and by the date of submission of AusNet Services' Revenue Proposal.

AusNet Services' proposed averaging periods have also been provided in the AER's Rate of Return Averaging Period Submission Template.

Should you have any questions in relation to this matter please contact Charlotte Eddy, Manager Economic Regulation, on 03 9695 6309.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Hallam', with a stylized, cursive script.

Tom Hallam
General Manager Regulation
AusNet Services

¹ Letter from Warwick Anderson to Charlotte Eddy; Re: *Averaging periods for upcoming regulatory control period affected by 6 month delay*; 20 December 2019

Attachment – Nominated Averaging Periods

**Risk Free Rate Averaging Period for the 1 January 2021 to 30 June 2021
Extension Period (60 business days)**

[illegible]

WITHIN PERIOD UPDATE: Averaging period to apply to the 1 July 2024 to 30 June 2025 regulatory year (15 business days)

[illegible]

WITHIN PERIOD UPDATE: Averaging period to apply to the 1 July 2024 to 30 June 2025 regulatory year (10 business days)

[illegible]

**Risk Free Rate Averaging Period for the 1 July 2021 to 30 June 2026
Regulatory Control Period (52 business days)**

[illegible]