Checklist of requirements for AusNet Services' Transmission Revenue Proposal Version 74 of Chapter 6A, and clause 11.59.4 of the National Electricity Rules

Clause	Requirement	AusNet Services' response
6A.4.1	**Revenue determinations - Introduction** (b) A Revenue Proposal must comply with the requirements of this Chapter 6A, and in particular must: (1) be prepared using the post-tax revenue model referred to in rule 6A.5; (2) comply with the requirements of, and contain or be accompanied by the information required by, any relevant regulatory information instrument; and (3) contain the information and matters specified in Schedule 6A.1.	The Revenue Proposal has been prepared in accordance with the post-tax revenue model. A separate checklist is provided in relation to the RIN. The requirements of schedule 6A.1 are addressed later in this checklist.
6A.6.2	**Return on capital** **Calculation of return on capital** (a) The return on capital for each regulatory year must be calculated by applying a rate of return for the relevant Transmission Network Service Provider for that regulatory year that is determined in accordance with this clause 6A.6.2 (the allowed rate of return) to the value of the regulatory asset base for the relevant transmission system as at the beginning of that regulatory year (as established in accordance with clause 6A.6.1 and schedule 6A.2).	Details of rate of return calculations and estimates are set out in Chapter 10.
	Allowed rate of return (b) The allowed rate of return is to be determined such that it achieves the allowed rate of return objective.	As above
	(c) The allowed rate of return objective is that the rate of return for a Transmission Network Service Provider is to be commensurate with the efficient financing costs of a benchmark efficient entity with a similar degree of risk as that which applies to the Transmission Network Service Provider in respect of the provision of prescribed transmission services (the allowed rate of return objective).	As above
	(d) Subject to paragraph (b), the allowed rate of return for a regulatory year must be: (1) a weighted average of the return on equity for the regulatory control period in which that regulatory year occurs (as estimated under paragraph (f)) and the return on debt for that regulatory year (as estimated under paragraph (h)); and (2) determined on a nominal vanilla basis that is consistent with the estimate of the value of imputation credits referred to in clause 6A.6.4.	As above

Clause	Requirement	AusNet Services' response
6A.6.2	(e) In determining the allowed rate of return, regard must be had to: (1) relevant estimation methods, financial models, market data and other evidence; (2) the desirability of using an approach that leads to the consistent application of any estimates of financial parameters that are relevant to the estimates of, and that are common to, the return on equity and the return on debt; and (3) any interrelationships between estimates of financial parameters that are relevant to the estimates of the return on equity and the return on debt.	As above
	Return on equity (f) The return on equity for a regulatory control period must be estimated such that it contributes to the achievement of the allowed rate of return objective.	Details of AusNet Services' estimate of the return on equity are provided in Section 10.4
	(g) In estimating the return on equity under paragraph (f), regard must be had to the prevailing conditions in the market for equity funds.	As above
	Return on debt (h) The return on debt for a regulatory year must be estimated such that it contributes to the achievement of the allowed rate of return objective.	Details of AusNet Services' estimate of the return on debt are provided in Section 10.5
	(i) The return on debt may be estimated using a methodology which results in either: (1) the return on debt for each regulatory year in the regulatory control period being the same; or (2) the return on debt (and consequently the allowed rate of return) being, or potentially being, different for different regulatory years in the regulatory control period.	As above
	(j) Subject to paragraph (h), the methodology adopted to estimate the return on debt may, without limitation, be designed to result in the return on debt reflecting: (1) the return that would be required by debt investors in a benchmark efficient entity if it raised debt at the time or shortly before the making of the revenue determination for the regulatory control period; (2) the average return that would have been required by debt investors in a benchmark efficient entity if it raised debt over an historical period prior to the commencement of a regulatory year in the regulatory control period; or (3) some combination of the returns referred to in subparagraphs (1) and (2).	As above

Clause	Requirement	AusNet Services' response
6A.6.2	(k) In estimating the return on debt under paragraph (h), regard must be had to the following factors: (1) the desirability of minimising any difference between the return on debt and the return on debt of a benchmark efficient entity referred to in the allowed rate of return objective; (2) the interrelationship between the return on equity and the return on debt; (3) the incentives that the return on debt may provide in relation to capital expenditure over the regulatory control period, including as to the timing of any capital expenditure; and (4) any impacts (including in relation to the costs of servicing debt across regulatory control periods) on a benchmark efficient entity referred to in the allowed rate of return objective that could arise as a result of changing the methodology that is used to estimate the return on debt from one regulatory control period to the next.	As above
	(l) If the return on debt is to be estimated using a methodology of the type referred to in paragraph (i)(2) then a resulting change to the Transmission Network Service Provider's annual building block revenue requirement must be effected through the automatic application of a formula that is specified in the revenue determination.	As above
6A.6.3	**Depreciation** (a) The depreciation for each regulatory year: (1) must be calculated on the value of the assets as included in the regulatory asset base, as at the beginning of that regulatory year, for the relevant transmission system; and (2) must be calculated: (i) providing such depreciation schedules conform with the requirements set out in paragraph (b), using the depreciation schedules for each asset or category of assets that are nominated in the relevant Transmission Network Service Provider's Revenue Proposal; or (ii) to the extent the depreciation schedules nominated in the provider's Revenue Proposal do not so conform, using the depreciation schedules determined for that purpose by the AER in its final decision on the provider's Revenue Proposal.	Chapter 9 describes AusNet Services' depreciation methodology. As detailed in this chapter, the approach adopted complies with clauses 6A.6.3(a)(1) and (2).

Clause	Requirement	AusNet Services' response
6A.6.3	(b) The depreciation schedules referred to in paragraph (a) must conform to the following requirements: (1) except as provided in paragraph (c), the schedules must depreciate using a profile that reflects the nature of the assets or category of assets over the economic life of that asset or category of assets; (2) the sum of the real value of the depreciation that is attributable to any asset or category of assets over the economic life of that asset or category of assets (such real value being calculated as at the time the value of that asset or category of assets was first included in the regulatory asset base for the relevant transmission system) must be equivalent to the value at which that asset or category of assets was first included in the regulatory asset base for the relevant transmission system; and (3) the economic life of the relevant assets and the depreciation methodologies and rates underpinning the calculation of actual depreciation for a given regulatory control period must be consistent with those determined for the same assets on a prospective basis in the transmission determination for that period.	AusNet Services' depreciation methodology conforms to these requirements. Section 9.3 describes AusNet Services' depreciation methodology, and standard asset lives. Section 9.5 provides an explanation and justification of AusNet Services' approach to depreciation. The actual depreciation for the current regulatory period is presented in section 8.2 (RAB chapter), and complies with the requirements of clause 6A.6.3(b)(3).
	(c) To the extent that: (1) an asset (or group of assets) the value of which forms part of the regulatory asset base for a transmission system is dedicated to one Transmission Network User (not being a Distribution Network Service Provider) or a small group of Transmission Network Users; and (2) the value of the assets (or group of assets), as included in the value of that regulatory asset base as at the beginning of the first regulatory year of the current regulatory control period, exceeds the indexed amount, as at the commencement of that regulatory control period, of $20 million, that asset (or group of assets) must be depreciated on a straight line basis over the life at which that asset (or group of assets) was first included in the regulatory asset base for that transmission system.	Section 9.3.1 explains that AusNet Services will continue to depreciate existing assets on a straight line basis using the same standard asset lives as applied during the current regulatory period. Section 9.5.2 explains that assets to be decommissioned dedicated to a single, or small group of, network users (such as Morwell Power Station), have a value of less than $20m and therefore the constraints under this clause do not apply.
6A.6.4	**Estimated cost of corporate income tax** The estimated cost of corporate income tax of a Transmission Network Service Provider for each regulatory year (ETC_t) must be calculated in accordance with the following formula: $ETC_t = (ETI_t \times r_t)(1 - \gamma)$ where: ETI_t is an estimate of the taxable income for that regulatory year that would be earned by a benchmark efficient entity as a result of the provision of prescribed transmission services if such an entity, rather than the Transmission Network Service Provider, operated the business of the Transmission Network Service Provider, such estimate being determined in accordance with the post-tax revenue model; r_t is the expected statutory income tax rate for that regulatory year as determined by the AER; and γ is the value of imputation credits.	Details are set out in Chapter 11.

Clause	Requirement	AusNet Services' response
6A.6.6	**Forecast operating expenditure** (a) A Revenue Proposal must include the total forecast operating expenditure for the relevant regulatory control period which the Transmission Network Service Provider considers is required in order to achieve each of the following (the operating expenditure objectives): (1) meet or manage the expected demand for prescribed transmission services over that period; (2) comply with all applicable regulatory obligations associated with the provision of prescribed transmission services; (3) to the extent that there is no applicable regulatory obligation or requirement in relation to: (i) the quality, reliability or security of supply of prescribed transmission services; or (ii) the reliability or security of the transmission system through the supply of prescribed transmission services, to the relevant extent; and (iii) maintain the quality, reliability and security of supply of prescribed transmission services; and (iv) maintain the reliability and security of the transmission system through the supply of prescribed transmission services; and (4) maintain the safety of the transmission system through the supply of prescribed transmission services.	Section 5.2 notes this requirement, and explains that Chapter 5 applies a forecasting methodology that satisfies the operating expenditure objectives.
	(b) The forecast of required operating expenditure of a Transmission Network Service Provider that is included in a Revenue Proposal must: (1) comply with the requirements of any relevant regulatory information instrument;	See separate RIN compliance checklist.
	(2) be for expenditure that is properly allocated to prescribed transmission services in accordance with the principles and policies set out in the Cost Allocation Methodology for the Transmission Network Service Provider; and	Sections 5.2 and 5.4.8 note that the forecasts have been prepared in accordance with AusNet Services' approved cost allocation methodology.
	(3) include both: (i) the total of the forecast operating expenditure for the relevant regulatory control period; and	Table 5.1 in Section 5.2.2 provides this information.
	(ii) the forecast of the operating expenditure for each regulatory year of the relevant regulatory control period.	As above.

Clause	Requirement	AusNet Services' response
6A.6.6	(c) Subject to paragraph (c1), the AER must accept the forecast of required operating expenditure of a Transmission Network Service Provider that is included in a Revenue Proposal if the AER is satisfied that the total of the forecast operating expenditure for the regulatory control period reasonably reflects each of the following (the operating expenditure criteria): (1) the efficient costs of achieving the operating expenditure objectives; (2) the costs that a prudent operator would require to achieve the operating expenditure objectives; and (3) a realistic expectation of the demand forecast and cost inputs required to achieve the operating expenditure objectives.	Sections 5.6 to 5.13 provide information to demonstrate that the forecast operating expenditure satisfies these criteria.
	(c1) If: (1) a Transmission Network Service Provider made network support payments in accordance with a relevant agreement for network support services in the previous regulatory control period; and (2) the Transmission Network Service Provider must continue to make network support payments to fulfil obligations under the relevant agreement for network support services in the relevant regulatory control period, the AER must accept the forecast of required operating expenditure of the Transmission Network Service Provider included in a Revenue Proposal in relation to the remainder of costs required to meet obligations under the relevant agreement for network support services in the relevant regulatory control period.	N/A. AusNet Services has not entered into any such arrangements.
	(d) Subject to paragraph (c1), if the AER is not satisfied as referred to in paragraph (c), it must not accept the forecast of required operating expenditure of a Transmission Network Service Provider that is included in a Revenue Proposal.	N/A. These requirements apply to the AER, not AusNet Services.
	(e) In deciding whether or not the AER is satisfied as referred to in paragraph (c), the AER must have regard to the following ('the operating expenditure factors'): (1) [deleted]; (2) [deleted]; (3) [deleted]; (4) the most recent annual benchmarking report that has been published under clause 6A.31 and the benchmark operating expenditure that would be incurred by an efficient Transmission Network Service Provider over the relevant regulatory control period; (5) the actual and expected operating expenditure of the Transmission Network Service Provider during any preceding regulatory control periods;	These requirements apply to the AER, not AusNet Services, and therefore no compliance issues arise. However, the following points are noted in relation to each of these provisions: (4) Opex benchmarking information is provided in Section 2.3.4 and 5.6.4. (5) Details of recent actual opex performance are provided in Section 5.2.2.

Clause	Requirement	AusNet Services' response
6A.6.6	(5A) the extent to which the operating expenditure forecast includes expenditure to address the concerns of electricity consumers as identified by the Transmission Network Service Provider in the course of its engagement with electricity consumers; (6) the relative prices of operating and capital inputs; (7) the substitution possibilities between operating and capital expenditure; (8) whether the operating expenditure forecast is consistent with any incentive scheme or schemes that apply to the Transmission Network Service Provider under clauses 6A.6.5, 6A.7.4 or 6A.7.5; (9) the extent the operating expenditure forecast is referable to arrangements with a person other than the Transmission Network Service Provider that, in the opinion of the AER, do not reflect arm's length terms; and (10) whether the operating expenditure forecast includes an amount relating to a project that should more appropriately be included as a contingent project under clause 6A.8.1(b); (11) the most recent NTNDP and any submissions made by AEMO, in accordance with the Rules, on the forecast of the Transmission Network Service Provider's required operating expenditure; (12) the extent to which the Transmission Network Service Provider has considered and made provision for efficient and prudent non-network alternatives; (13) any relevant project assessment conclusions report required under clause 5.16.4; and (14) any other factor the AER considers relevant and which the AER has notified the Transmission Network Service Provider in writing, prior to the submission of its revised Revenue Proposal under clause 6A.12.3, is an operating expenditure factor. (f) [Deleted].	(5A) Chapter 3 sets out information on AusNet Services' consumer engagement, and explains how the Revenue Proposal addresses consumers' concerns. Sections 3.6.2 and 5.4.2 comment specifically on operating expenditure. (6) Section 4.4.9 explains that AusNet Services' expenditure forecasts seek to optimise the mix of capex and opex. (7) See above (8) Section 5.3 explains that AusNet Services has applied the base-step-trend opex forecasting method, noting that the regulatory regime - including the EBSS - provides incentives for NSPs to achieve and reveal efficient costs (see section 5.6.1). Section 5.4.12 explains that the forecasts are consistent with the STPIS that applies to AusNet Services. (9) Section 1.1 explains that the forecasts in the revenue proposal has the forecasts in the revenue proposal reflect arm's length arrangements and do not include related party margins. (10) Information on proposed contingent projects is set out in Section 4.8.11. (11) As AEMO is responsible for planning the shared network, the NTNDP is not directly relevant to this Revenue Proposal. This is explained in section 4.2.1. (12) As explained in 4.4.9, apart from some opex/capex substitution opportunities, no viable alternatives to network replacement have been identified for the forthcoming period. (13) N/A. Please see comments in relation to equivalent capex provision below. (14) N/A

Clause	Requirement	AusNet Services' response
6A.6.7	**Forecast capital expenditure** (a) A Revenue Proposal must include the total forecast capital expenditure for the relevant regulatory control period which the Transmission Network Service Provider considers is required in order to achieve each of the following ('the capital expenditure objectives'): (1) meet the expected demand for prescribed transmission services over that period; (2) comply with all applicable regulatory obligations associated with the provision of prescribed transmission services; (3) to the extent that there is no applicable regulatory obligation or requirement in relation to: (i) the quality, reliability or security of supply of prescribed transmission services; or (ii) the reliability or security of the transmission system through the supply of prescribed transmission services, to the relevant extent: (iii) maintain the quality, reliability and security of supply of prescribed transmission services; and (iv) maintain the reliability and security of the transmission system through the supply of prescribed transmission services; and (4) maintain the safety of the transmission system through the supply of prescribed transmission services.	Section 4.2 and the information provided in chapter 4 demonstrate that the expenditure forecast complies with the capital expenditure objectives.
	(b) The forecast of required capital expenditure of a Transmission Network Service Provider that is included in a Revenue Proposal must: (1) comply with the requirements of any relevant regulatory information instrument;	See separate RIN compliance checklist.
	(2) be for expenditure that is properly allocated to prescribed transmission services in accordance with the principles and policies set out in the Cost Allocation Methodology for the Transmission Network Service Provider;	Section 1.1 confirms that the revenue proposal has been prepared in accordance with the approved Cost Allocation Methodology.
	(3) include both: (i) the total of the forecast capital expenditure for the relevant regulatory control period; and	Table 4.6, section 4.6 provides this information.
	(ii) the forecast of the capital expenditure for each regulatory year of the relevant regulatory control period; and	As above.
	(4) identify any forecast capital expenditure: (i) that is for a *reliability augmentation*; or (ii) that is for an option that has satisfied the regulatory investment test for distribution or regulatory investment test for transmission (as the case may be).	AEMO is responsible for augmentation capital expenditure in Victoria. AusNet Services has not included any forecast capital expenditure for augmentation in the revenue proposal.

Clause	Requirement	AusNet Services' response
6A.6.7	(c) The AER must accept the forecast of required capital expenditure of a Transmission Network Service Provider that is included in a Revenue Proposal if the AER is satisfied that the total of the forecast capital expenditure for the regulatory control period reasonably reflects each of the following (capital expenditure criteria): (1) the efficient costs of achieving the capital expenditure objectives; (2) the costs that a prudent operator would require to achieve the capital expenditure objectives; and (3) a realistic expectation of the demand forecast and cost inputs required to achieve the capital expenditure objectives.	Clause 6A.6.7 is not a requirement on AusNet Services. However, sections 4.2 to 4.13 present information to demonstrate that the forecast capital expenditure satisfies these criteria.
	(d) If the AER is not satisfied as referred to in paragraph (c), it must not accept the forecast of required capital expenditure of a Transmission Network Service Provider.	N/A. These requirements apply to the AER, not AusNet Services.
	(e) In deciding whether or not the AER is satisfied as referred to in paragraph (c), the AER must have regard to the following ('the capital expenditure factors'): (1) [Deleted] (2) [Deleted] (3) [Deleted] (4) the most recent annual benchmarking report that has been published under clause 6A.31 and benchmark capital expenditure that would be incurred by an efficient Transmission Network Service Provider over the relevant regulatory control period; (5) the actual and expected capital expenditure of the Transmission Network Service Provider during any preceding regulatory control periods;	These requirements apply to the AER, not AusNet Services, and therefore no compliance issues arise. However, the following points are noted in relation to each of these provisions: (4) Capex benchmarking information is provided in Section 4.5. (5) Details of recent actual capex performance are provided in sections 4.2.2 and 4.7. Expenditure forecasts are presented alongside recent actuals in Figure 4.2.

Clause	Requirement	AusNet Services' response
6A.6.7	(5A) the extent to which the capital expenditure forecast includes expenditure to address the concerns of electricity consumers as identified by the Transmission Network Service Provider in the course of its engagement with electricity consumers (6) the relative prices of operating and capital inputs; (7) the substitution possibilities between operating and capital expenditure; (8) whether the capital expenditure forecast is consistent with any incentive scheme or schemes that apply to the Transmission Network Service Provider under clauses 6A.6.5A, 6A.7.4 or 6A.7.5; (9) the extent to which the capital expenditure forecast is referable to arrangements with a person other than the Transmission Network Service Provider that, in the opinion of the AER, do not reflect arm's length terms; (10) whether the capital expenditure forecast includes an amount relating to a project that should more appropriately be included as a contingent project under clause 6A.8.1(b); (11) the most recent NTNDP, and any submissions made by AEMO, in accordance with the Rules, on the forecast of the Transmission Network Service Provider's required capital expenditure; (12) the extent to which the Transmission Network Service Provider has considered and made provision for efficient and prudent non-network alternatives; (13) any relevant project assessment conclusions report required under clause 5.16.4; and (14) any other factor the AER considers relevant and which the AER has notified the Transmission Network Service Provider in writing, prior to the submission of its revised Revenue Proposal under clause 6A.12.3, is a capital expenditure factor. (f) [Deleted]	(5A) Chapter 3 sets out information on AusNet Services' consumer engagement, and Section 3.6.1 and 4.2.4 explains how consumers' concerns have been addressed by AusNet Services in the preparation of the capex forecasts. (6) Section 4.4.9 explains how AusNet Services seeks to optimise the mix of capex and opex. (7) See above (8) Section 4.4.3 discusses the updated estimate of the VCR. As explained in sections 4.14 and 7.3 AusNet Services has proposed adjustments to the loss of supply event frequency STPIS parameters to reflect the reduction in the VCR. (9) Section 1.1 explains that the forecasts in the revenue proposal reflect arm's length terms. (10) Information on proposed contingent projects is provided in Section 4.8.11. (11)AEMO is responsible for planning the shared transmission network. Section 4.4.2 explains the role of demand forecasts in AusNet Services' economic evaluation of asset replacement decisions. (12) As already noted, no viable alternatives to network replacement have been identified for the forthcoming period. (13) Not applicable. Under clause 5.16.3 the RIT-T does not apply to expenditure that is maintenance or replacement and is not intended to augment the transmission network (including replacement transmission network assets). (14) N/A

Clause	Requirement	AusNet Services' response
6A.6.8	**The X factor**	
	(c) The X factor for each regulatory year must be such that:	
	(1) the net present value of the expected maximum allowed revenue for the relevant Transmission Network Service Provider for each regulatory year (as calculated in accordance with the post-tax revenue model) is equal to the net present value of the annual building block revenue requirement for the provider for each regulatory year (as calculated in accordance with the post-tax revenue model); and	Section 13.10 explains that the X factor has been calculated in accordance with these requirements.
	(2) the expected maximum allowed revenue for the provider for the last regulatory year (as calculated in accordance with the post-tax revenue model) is as close as reasonably possible to the annual building block revenue requirement for the provider for that regulatory year (as calculated in accordance with the post-tax revenue model).	Section 13.10 explains that the X factor has been calculated in accordance with these requirements.
	(d) For the avoidance of doubt, there may be a different X factor that applies for different regulatory years of the regulatory control period.	Section 13.10 sets out the proposed X factors.
6A.6.9	**Pass through events**	
	(a) A Revenue Proposal may include a proposal as to the events that should be defined as pass through events under clause 6A.7.3(a1)(5) having regard to the nominated pass through event considerations.	Chapter 12 presents AusNet Services' proposals in accordance with these requirements.
	(b) In determining whether to accept the pass through events nominated by a Transmission Network Service Provider in its Revenue Proposal under paragraph (a), the AER must take into account the nominated pass through event considerations.	Section 12.4 sets out the proposed pass through provisions, having regard to the pass through event considerations.
6A.8	**Contingent Projects**	
6A.8.1	(a) A Revenue Proposal may include proposed contingent capital expenditure, which the Transmission Network Service Provider considers is reasonably required for the purpose of undertaking a proposed contingent project.	Section 4.8.11 sets out AusNet Services' proposed contingent project capital expenditure.

Clause	Requirement	AusNet Services' response
6A.9	**Negotiated transmission services**	
6A.9.1	**Principles relating to access to negotiated transmission services**	
	The following principles constitute the Negotiated Transmission Services Principles: (1) the price for a negotiated transmission service should be based on the costs incurred in providing that service, determined in accordance with the principles and policies set out in the Cost Allocation Methodology for the relevant Transmission Network Service Provider; (2) subject to subparagraphs (3) and (4), the price for a negotiated transmission service should be at least equal to the avoided cost of providing it but no more than the cost of providing it on a stand alone basis; (3) if the negotiated transmission service is the provision of a shared transmission service that: (i) exceeds the network performance requirements (if any) which that shared transmission service is required to meet under any jurisdictional electricity legislation; or (ii) exceeds the network performance requirements set out in schedules 5.1a and 5.1, then the differential between the price for that service and the price for the shared transmission service which meets (but does not exceed) the network performance requirements under any jurisdictional electricity legislation or as set out in schedules 5.1a and 5.1 (as the case may be) should reflect the increase in the Transmission Network Service Provider's incremental cost of providing that service; (4) if the negotiated transmission service is the provision of a shared transmission service that does not meet (and does not exceed) the network performance requirements set out in schedules 5.1a and 5.1, the differential between the price for that service and the price for the shared transmission service which meets (but does not exceed) the network performance requirements set out in schedules 5.1a and 5.1 should reflect the amount of the Transmission Network Service Provider's avoided cost of providing that service;	Chapter 15 and Appendix 15A set out the proposed negotiating framework.

Clause	Requirement	AusNet Services' response
6A.9.1	(5) the price for a negotiated transmission service must be the same for all Transmission Network Users unless there is a material difference in the costs of providing the negotiated transmission service to different Transmission Network Users or classes of Transmission Network Users; (6) the price for a negotiated transmission service should be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person, in which case such adjustment should reflect the extent to which the costs of that asset is being recovered through charges to that other person; (7) the price for a negotiated transmission service should be such as to enable the Transmission Network Service Provider to recover the efficient costs of complying with all regulatory obligations associated with the provision of the negotiated transmission service; (8) any access charges should be based on the costs reasonably incurred by the Transmission Network Service Provider in providing transmission network user access and (in the case of compensation referred to in clauses 5.4A(h) to (j)) on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in rule 5.4A(h)-(j) where an event referred to in those paragraphs occurs; (9) the terms and conditions of access for a negotiated transmission service should be fair and reasonable and consistent with the safe and reliable operation of the power system in accordance with the Rules (for these purposes, the price for a negotiated transmission service is to be treated as being fair and reasonable if it complies with principles (1) to (7) of this clause 6A.9.1); (10) the terms and conditions of access for a negotiated transmission service (including, in particular, any exclusions and limitations of liability and indemnities) must not be unreasonably onerous taking into account the allocation of risk between the Transmission Network Service Provider and the other party, the price for the negotiated transmission service and the costs to the Transmission Network Service Provider of providing the negotiated transmission service; and (11) the terms and conditions of access for a negotiated transmission service should take into account the need for the service to be provided in a manner that does not adversely affect the safe and reliable operation of the power system in accordance with the Rules.	Chapter 15 and Appendix 15A set out the proposed negotiating framework.

Clause	Requirement	AusNet Services' response
6A.9.5	**Preparation of and requirements for negotiating framework** (a) A Transmission Network Service Provider must prepare a document (the negotiating framework) setting out the procedure to be followed during negotiations between that provider and any person (the Service Applicant or applicant) who wishes to receive a negotiated transmission service from the provider, as to the terms and conditions of access for provision of the service. (b) The negotiating framework for a Transmission Network Service Provider must comply with and be consistent with: (1) the applicable requirements of a transmission determination applying to the provider; and (2) paragraph (c), which sets out the minimum requirements for a negotiating framework. (c) The negotiating framework for a Transmission Network Service Provider must specify: (1) a requirement for the provider and a Service Applicant to negotiate in good faith the terms and conditions of access for provision of the negotiated transmission service; (2) a requirement for the provider to provide all such commercial information as a Service Applicant may reasonably require to enable that applicant to engage in effective negotiation with the provider for the provision of the negotiated transmission service, including the cost information described in subparagraph (3); (3) a requirement for the provider: (iii) to identify and inform a Service Applicant of the reasonable costs and/or the increase or decrease in costs (as appropriate) of providing the negotiated transmission service; and (iv) to demonstrate to a Service Applicant that the charges for providing the negotiated transmission service reflect those costs and/or the cost increment or decrement (as appropriate); (4) a requirement for a Service Applicant to provide all such commercial information as the provider may reasonably require to enable the provider to engage in effective negotiation with that applicant for the provision of the negotiated transmission service;	Chapter 15 and Appendix 15A set out the proposed negotiating framework.

Clause	Requirement	AusNet Services' response
6A.9.5	(5) a reasonable period of time for commencing, progressing and finalising negotiations with a Service Applicant for the provision of the negotiated transmission service, and a requirement that each party to the negotiation must use its reasonable endeavours to adhere to those time periods during the negotiation; (6) a process for dispute resolution which provides that all disputes as to the terms and conditions of access for provision of negotiated transmission services are to be dealt with in accordance with Part K of this Chapter 6A; (7) the arrangements for payment by a Service Applicant of the provider's reasonable direct expenses incurred in processing the application to provide the negotiated transmission service; (8) a requirement that the Transmission Network Service Provider determine the potential impact on other Transmission Network Users of the provision of the negotiated transmission service; and (9) a requirement that the Transmission Network Service Provider must notify and consult with any affected Transmission Network Users and ensure that the provision of the negotiated transmission services does not result in non-compliance with obligations in relation to other Transmission Network Users under the Rules. (d) Notwithstanding the foregoing, the negotiating framework must not be inconsistent with any of the other requirements of Chapters 4, 5 and this Chapter 6A of the Rules and, in the event of any inconsistency, the other requirements in the Rules prevail. (e) Each Transmission Network Service Provider and Service Applicant who is negotiating for the provision of a negotiated transmission service by the provider must comply with the requirements of the negotiating framework in accordance with its terms.	Chapter 15 and Appendix 15A set out the proposed negotiating framework.
6A.10 **6A.10.1**	**Revenue Proposal, proposed negotiating framework and proposed pricing methodology** **Submission of proposal, framework, pricing methodology and information** (a) A Transmission Network Service Provider must submit to the AER a Revenue Proposal and a proposed pricing methodology relating to the prescribed transmission services that are provided by means of, or in connection with, a transmission system that is owned, controlled or operated by that provider: (1) if any of those prescribed transmission services are subject to a transmission determination, 17 months before the expiry of the period in respect of which that transmission determination applies; or (2) if any of those prescribed transmission services are not subject to a transmission determination, 3 months after being required to do so by the AER.	Chapter 14 and Appendix 14A set out the proposed pricing methodology.

Clause	Requirement	AusNet Services' response
6A.10.1	(b) At the same time as it submits a Revenue Proposal under paragraph (a), the provider must also submit to the AER a proposed negotiating framework. (c) The Revenue Proposal and the proposed negotiating framework must comply with the requirements of, and must contain or be accompanied by such information as is required by, any relevant regulatory information instrument. (d) The proposed negotiating framework must also comply with the requirements of clause 6A.9.5.	Chapter 15 and Appendix 15A set out the proposed negotiating framework
	(e) A proposed pricing methodology must: (1) give effect to and be consistent with the Pricing Principles for Prescribed Transmission Services; and (2) comply with the requirements of, and contain or be accompanied by such information as is required by, the pricing methodology guidelines made for that purpose under rule 6A.25.	Chapter 14 and Appendix 14A set out the proposed pricing methodology.
	(f) The Revenue Proposal must also: (1) include a statement of whether it is consistent with the most recent NTNDP and, if it is inconsistent, identify and give reasons for the inconsistency; and	As explained in Chapter 1, AusNet Services capital expenditure forecast relates only to the replacement of shared transmission network assets and transmission connection assets, and excludes any expenditure to augment the transmission system. Section 4.2.1 explains why AEMO's NTNDP is not directly relevant to AusNet Services' Revenue Proposal.
	(2) identify any parts of the Revenue Proposal or the proposed pricing methodology the Transmission Network Service Provider claims to be confidential and wants suppressed from publication on that ground in accordance with the Transmission Confidentiality Guidelines.	AusNet Services' Confidentiality Response document provides this information.
	(g) The Revenue Proposal must be accompanied by an overview paper which includes each of the following matters: (1) a summary of the Revenue Proposal the purpose of which is to explain the Revenue Proposal in reasonably plain language to electricity consumers;	Addressed in the overview paper.
	(2) a description of how the Transmission Network Service Provider has engaged with electricity consumers and has sought to address any relevant concerns identified as a result of that engagement;	Addressed in the overview paper.
	(3) a description of the key risks and benefits of the Revenue Proposal for electricity consumers; and	Addressed in the overview paper.
	(4) a comparison of the Transmission Network Service Provider's proposed total revenue cap with its total revenue cap for the current regulatory control period.	Addressed in the overview paper.

Clause	Requirement	AusNet Services' response
6A.10.1	(h) The Revenue Proposal must be accompanied by information required by the Expenditure Forecast Assessment Guidelines as set out in the framework and approach paper.	The Guideline must specify the AER's information requirements for expenditure assessment. Section 5 of the Guideline explains that the RIN issued in advance of a TNSP lodging its regulatory proposal will specify the exact information the AER requires. AusNet Services is submitting the completed RIN templates and other information required under the RIN as part of the Revenue Proposal.
6A.19	**Cost allocation**	
6A.19.1	**Duty to comply with Cost Allocation Methodology** A Transmission Network Service Provider must comply with the Cost Allocation Methodology that has been approved in respect of that provider from time to time by the AER under this rule 6A.19.	Section 1.1 confirms that this requirement has been met.

Clause	Requirement	AusNet Services' response
6A.19.2	**Cost Allocation Principles** The following principles constitute the Cost Allocation Principles: (1) the detailed principles and policies used by a Transmission Network Service Provider to allocate costs between different categories of transmission services must be described in sufficient detail to enable the AER to replicate reported outcomes through the application of those principles and policies; (2) the allocation of costs must be determined according to the substance of a transaction or event rather than its legal form; (3) only the following costs may be allocated to a particular category of transmission services: (i) costs which are directly attributable to the provision of those services; (ii) costs which are not directly attributable to the provision of those services but which are incurred in providing those services, in which case such costs must be allocated to the provision of those services using an appropriate allocator which should: (A) except to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be causation based; and (B) to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be an allocator that accords with a well accepted Cost Allocation Methodology; (4) any Cost Allocation Methodology which is used, the reasons for using that methodology and the numeric quantity (if any) of the chosen allocator must be clearly described; (5) the same cost must not be allocated more than once; (6) the principles, policies and approach used to allocate costs must be consistent with the Transmission Ring-Fencing Guidelines; (7) costs which have been allocated to prescribed transmission services must not be reallocated to negotiated transmission services; and (8) costs which have been allocated to negotiated transmission services may be reallocated to prescribed transmission services to the extent they satisfy the principle referred to in subparagraph (3).	AusNet Services has an approved cost allocation methodology in place.

Clause	Requirement	AusNet Services' response
6A.19.4	**Cost Allocation Methodology** (a) Each Transmission Network Service Provider must submit to the AER for its approval a document setting out its proposed Cost Allocation Methodology: (1) by no later than 28 March 2008; or (2) in the case of an entity that is not a Transmission Network Service Provider as at 28 September 2007, within 6 months of being required to do so by the AER. (b) The Cost Allocation Methodology proposed by a Transmission Network Service Provider must give effect to and be consistent with the Cost Allocation Guidelines. (g) A Transmission Network Service Provider must maintain a current copy of its Cost Allocation Methodology on its website.	AusNet Services has an approved cost allocation methodology in place.
S6A.1.1	**Schedule 6A.1 - Contents of Revenue Proposals** **Information and matters relating to capital expenditure** A Revenue Proposal must contain at least the following information and matters relating to capital expenditure: (1) a forecast of the required capital expenditure that complies with the requirements of clause 6A.6.7 and identifies the forecast capital expenditure by reference to well accepted categories such as: (i) asset class (eg. transmission lines, substations etc); or (ii) category driver (eg. regulatory obligation, replacement, reliability, net market benefit, business support etc),	Forecasts are presented in accordance with the expenditure categories described in Section 4.3.2. In addition, the completed PTRM sets out full details of the expenditure forecasts by asset class.
	and identifies, in respect of proposed material assets: (iii) the location of the proposed asset; (iv) the anticipated or known cost of the proposed asset; and (v) the categories of transmission services which are to be provided by the proposed asset;	Section 4.8 provides details of the location and the anticipated cost of proposed assets in relation to major station rebuilds and the major stations replacement program. The assets associated with the Hazelwood Power Station 220 kV CB replacement project will provide entry connection services. All other assets provide either prescribed shared transmission services to AEMO, and prescribed connection (exit) services to Victorian DNSPs.
	(2) the methodology used for developing the capital expenditure forecast;	Section 4.3 provides an overview of the capital expenditure forecasting methodology.

Clause	Requirement	AusNet Services' response
S6A.1.1	(3) the forecasts of load growth relied upon to derive the capital expenditure forecasts and the methodology used for developing those forecasts of load growth;	Section 4.4.2 references the load forecasts used by AusNet Services in the economic evaluation of load at risk in asset replacement decision analysis.
	(4) the key assumptions that underlie the capital expenditure forecast;	Section 4.4 sets out key assumptions and inputs.
	(5) a certification of the reasonableness of the key assumptions by the directors of the Transmission Network Service Provider;	This certification is provided as a supporting document.
	(6) capital expenditure for each of the past regulatory years of the previous and current regulatory control period, and the expected capital expenditure for each of the last two regulatory years of the current regulatory control period, categorised in the same way as for the capital expenditure forecast and separately identifying for each such regulatory year: (i) margins paid or expected to be paid by the Transmission Network Service Provider in circumstances where those margins are referable to arrangements that do not reflect arm's length terms; and (ii) expenditure that should have been treated as operating expenditure in accordance with the policy submitted under paragraph (9) for that regulatory year;	Figure 4.2 in Section 4.2.2 sets out actual capex for each year of the previous period (2008/09 to 2013/14), and the current period (2014/15 to 2016/17) in graphical form. Also see table in section 4.7, which sets out the information requirements. None of the reported capital expenditure should have been treated as operating expenditure in accordance with the capitalisation policy.
	(7) an explanation of any significant variations in the forecast capital expenditure from historical capital expenditure.	Section 4.7 provides this comparison. In addition, Section 4.1 notes that the average annual forecast capex is 8% lower than the current period.
	(8) any non-network alternatives considered by the Transmission Network Service Provider; and	As explained in 4.4.9, apart from some opex/capex substitution opportunities, no viable alternatives to network replacement have been identified for the forthcoming regulatory period.
	(9) the policy that the Transmission Network Service Provider applies in capitalising operating expenditure.	Section 4.2.2, footnote 13, confirms that the capital expenditure forecasts are consistent with AusNet Services' capitalisation policy, which is unchanged from the current regulatory control period.

Clause	Requirement	AusNet Services' response
S6A.1.2	**Information and matters relating to operating expenditure** A Revenue Proposal must contain at least the following information and matters relating to operating expenditure: (1) a forecast of the required operating expenditure that complies with the requirements of clause 6A.6.6 and identifies the forecast operating expenditure by reference to well accepted categories such as: (i) particular programs; or (ii) types of operating expenditure (eg. maintenance, payroll, materials etc), and identifies in respect of each such category: (iii) to what extent that forecast expenditure is on costs that are fixed and to what extent it is on costs that are variable; and (iv) the categories of transmission services to which that forecast expenditure relates;	Opex forecasts are categorised as shown in table 5.4, section 5.5, and in sections 5.11, 5.12 and 5.13. The method by which AusNet Services' operating expenditure is recorded and forecast does not categorise information in terms of fixed and variable costs. The opex forecasts relate to prescribed transmission services.
	(2) the methodology used for developing the operating expenditure forecast;	Section 5.3 provides an overview of the operating expenditure forecasting methodology.
	(3) the forecasts of key variables relied upon to derive the operating expenditure forecast and the methodology used for developing those forecasts of key variables;	Section 5.4 sets out the key assumptions and inputs used in the opex forecast, and cross refers to relevant supporting documents. Forecasts of key variables are set out in Section 5.7 (rate of change); 5.8 (insurance costs); 5.9 (opex associated with rolled-in Group 3 assets); 5.10 (step changes); and 5.12 (non-controllable opex).
	(4) the methodology used for determining the cost associated with planned maintenance programs designed to improve the performance of the relevant transmission system for the purposes of any service target performance incentive scheme that is to apply to the Transmission Network Service Provider in respect of the relevant regulatory control period;	Not applicable. Planned maintenance programs designed to improve the performance of the transmission system are not proposed.
	(5) the key assumptions that underlie the operating expenditure forecast;	Section 5.4 sets out key assumptions and inputs, and cross refers to relevant supporting documents.
	(6) a certification of the reasonableness of the key assumptions by the directors of the Transmission Network Service Provider;	This certification is provided as a supporting document.

Clause	Requirement	AusNet Services' response
S6A.1.2	(7) operating expenditure for each of the first three regulatory years of the current regulatory control period, and the expected operating expenditure for each of the last two regulatory years of that regulatory control period, categorised in the same way as for the operating expenditure forecast; and	Data for the current period is presented in bar charts in Figure 5.1 (controllable opex) and Figure 5.2 (non controllable opex). Data in table format is provided in Table 5.4.
	(8) an explanation of any significant variations in the forecast operating expenditure from historical operating expenditure.	Section 5.5.2 provides an overview of the reasons for variations between historic and forecast opex. Further analysis on these drivers is presented throughout chapter 5.
	(9) any non-network alternatives considered by the Transmission Network Service Provider.	As already noted, apart from some opex/capex substitution opportunities, there are no identified alternatives to network replacement in the forthcoming regulatory period.
S6A.1.3	**Additional information and matters** A Revenue Proposal must contain at least the following additional information and matters: (1) an identification and explanation of any significant interactions between the forecast capital expenditure and forecast operating expenditure programs;	Sections 4.4.9, 4.14, 5.4.7 and 5.10 discuss the interaction between capex and opex forecasts.
	(2) the values that the Transmission Network Service Provider proposes are to be attributed to the performance incentive scheme parameters for the purposes of the application to the Transmission Network Service Provider of any service target performance incentive scheme that has been specified in a framework and approach paper and that applies in respect of the relevant regulatory control period, and an explanation of how the values proposed to be attributed to those parameters comply with any requirements relating to them set out in that scheme;	Sections 7.3 presents this information.
	(3) the values that the provider proposes are to be attributed to the efficiency benefit sharing scheme parameters for the purposes of the application to the Transmission Network Service Provider of any efficiency benefit sharing scheme that has been specified in a framework and approach paper that applies in respect of the relevant regulatory control period, and an explanation of how the values proposed to be attributed to those parameters comply with any relevant requirements set out in that scheme;	Section 7.4 presents this information.
	(3A) a description, including relevant explanatory material, of how the Transmission Network Service Provider proposes any capital expenditure sharing scheme that has been specified in a framework and approach paper that applies in respect of the forthcoming revenue determination should apply to it;	Section 7.5 presents this information.

Clause	Requirement	AusNet Services' response
	(3B) a description, including relevant explanatory material, of how the Transmission Network Service Provider proposes any small-scale incentive scheme that has been specified in a framework and approach paper that applies in respect of the forthcoming revenue determination should apply to it;	Not applicable. Section 6 (page 30) of the framework and approach paper explains that the AER has not developed any small-scale incentive schemes, and therefore no such schemes apply for the forthcoming regulatory period.
S6A.1.3	(4) the provider's calculation of: (i) the estimated total revenue cap for it for the relevant regulatory control period; and	Table 13.8 in Section 13.10 sets out the total maximum allowed revenue (smoothed) for the period.
	(ii) the maximum allowed revenue for it for each regulatory year of the relevant regulatory control period,	Table 13.8 in Section 13.10.
	using the post-tax revenue model referred to in rule 6A.5 of the Rules, together with: (iii) details of all amounts, values and other inputs used by the provider for that purpose;	Table 13.7 in Section 13.9 provides a summary. The completed PTRM is submitted with the Revenue Proposal.
	(iv) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A of the Rules; and	The completed PTRM, plus chapters 4 (capital expenditure), 5 (operating expenditure), 8 (regulatory asset base), 9 (depreciation), 10 (return on capital) and 11 (gamma & tax) provide this information.
	(v) an explanation of the calculation of the amounts referred to in subparagraphs (i) and (ii) and of the amounts, values and inputs referred to in subparagraph (iii);	Chapter 13 provides this information.
	(vi) where one of those amounts, values or inputs is the allowed rate of return, details of any departure from the Rate of Return Guidelines in calculating that allowed rate of return and the reasons for that departure	Section 10.2.2 provides a summary of the reasons for departing from the Guidelines.
	(4A) the Transmission Network Service Provider's calculation of the proposed return on equity, return on debt and allowed rate of return, for each regulatory year of the regulatory control period, in accordance with clause 6A.6.2, including any departure from the methodologies set out in the Rate of Return Guidelines and the reasons for that departure;	A summary of the return on equity and debt is provided in section 10.1 and Table 10.8. The cost of debt will be updated annually. A detailed explanation of the reasoning for these values is provided in sections 10.4 and 10.5.
	(4B) if the Transmission Network Service Provider proposes that the return on debt for a regulatory year of the regulatory control period is to be determined using the methodology referred to in clause 6A.6.2(i)(2), the formula it proposes should be applied in accordance with clause 6A.6.2(l);	Section 10.5.8 provides this information.

Clause	Requirement	AusNet Services' response
	(4C) the Transmission Network Service Provider's proposed value of imputation credits as referred to in clause 6A.6.4;	Section 11.1 provides this information.
	(5) the provider's calculation of the regulatory asset base for the relevant transmission system for each regulatory year of the relevant regulatory control period using the roll forward model referred to in clause 6A.6.1 of the Rules, together with: (i) details of all amounts, values and other inputs used by the provider for that purpose;	Sections 8.2 and 8.3 present this information. The completed roll forward model is also provided with the Revenue Proposal.
	(ii) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A of the Rules; and	As above
S6A.1.3	(iii) an explanation of the calculation of the regulatory asset base for each regulatory year of the relevant regulatory control period and of the amounts, values and inputs referred to in subparagraph (i);	As above
	(6) [Deleted]	
	(7) the depreciation schedules nominated by the Transmission Network Service Provider for the purposes of clause 6A.6.3, which categorise the relevant assets for these purposes by reference to well accepted categories such as: (i) asset class (eg transmission lines and substations); or (ii) category driver (eg regulatory obligation, replacement, reliability, net market benefit, and business support),	Section 9.3 sets out standard asset lives for the relevant asset classes.
	and also by location, together with: (iii) details of all amounts, values and other inputs used by the provider to compile those depreciation schedules; (iv) a demonstration that those depreciation schedules conform with the requirements set out in clause 6A.6.3(b) of the Rules; and (v) an explanation of the calculation of the amounts, values and inputs referred to in subparagraph (iii);	Sections 9.3, 9.4 and 9.5 provide this information. The PTRM sets out the values, inputs and calculations used to calculate depreciation, and is provided with the Revenue Proposal as a supporting document.
	(8) the X factors nominated by the Transmission Network Service Provider for each regulatory year of the relevant regulatory control period for the purposes of clause 6A.6.8(a), together with a demonstration that those X factors comply with the requirements set out in clause 6A.6.8(b) of the Rules;	Section 13.10 provides this information.
	(9) the commencement and length of the regulatory control period proposed by the Transmission Network Service Provider; and	Section 1.1 states that the Revenue Proposal applies for the five-year period from 1 April 2017 to 31 March 2022.

Clause	Requirement	AusNet Services' response
	(10) if the Transmission Network Service Provider is seeking a determination by the AER that a proposed contingent project is a contingent project for the purposes of the relevant revenue determination:	Section 4.8.11 provides information on a proposed contingent project, which is the replacement of synchronous condensers.
	(i) a description of the proposed contingent project, including reasons why the provider considers the project should be accepted as a contingent project for the regulatory control period;	Appendix 4G – Contingent Projects provides this information.
	(ii) a forecast of the capital expenditure which the provider considers is reasonably required for the purpose of undertaking the proposed contingent project;	Section 4.8.11 provides this information.
	(iii) the methodology used for developing that forecast and the key assumptions that underlie it;	Section 4.8.11 provides this information.
S6A.1.3	(iv) information that demonstrates that the undertaking of the proposed contingent project is reasonably required in order to achieve one or more of the capital expenditure objectives;	Appendix 4G – Contingent Projects provides this information.
	(v) information that demonstrates that the proposed contingent capital expenditure for the proposed contingent project complies with the requirements set out in clause 6A.8.1(b)(2) of the Rules; and	Appendix 4G – Contingent Projects provides this information.
	(vi) the trigger events which are proposed in relation to the proposed contingent project and an explanation of how each of those conditions or events addresses the matters referred to in clause 6A.8.1(c) of the Rules.	Appendix 4G – Contingent Projects provides this information.
S6A.2.1	**Schedule 6A.2 - Regulatory Asset Base** **Establishment of opening regulatory asset base for a regulatory control period** **(a) Application of this clause** This clause S6A.2.1: (1) applies to the establishment of the value of the regulatory asset base for a transmission system as at the beginning of a regulatory control period on the roll forward of the regulatory asset base to that regulatory control period from the previous regulatory control period; and (2) also applies to the establishment of the value of the regulatory asset base for a transmission system as at the beginning of a regulatory control period where the transmission system was not immediately before that time the subject of a revenue determination.	For information only
	(b) Roll forward model to comply with this clause The roll forward model referred to in clause 6A.6.1 of the Rules must provide for those values to be established in accordance with the requirements of clauses S6A.2.1, S6A.2.2 and S6A.2.3.	For information only

Clause	Requirement	AusNet Services' response
	(c) Transmission systems of specific providers (1) In the case of a transmission system owned, controlled or operated by one of the following Transmission Network Service Providers as at 16 February 2006, the value of the regulatory asset base for that transmission system as at the beginning of that first regulatory year must be determined by rolling forward the regulatory asset base for that transmission system, as set out in the table below, in accordance with the schedule set out.	No longer applicable
S6A.2.1	(2) The values in the table set out in paragraph (c) are to be adjusted for the difference between: (i) any estimated capital expenditure that is included in those values for any part of a previous regulatory control period; and (ii) the actual capital expenditure for that part of the previous regulatory control period. This adjustment must also remove any benefit or penalty associated with any difference between the estimated and actual capital expenditure.	No longer applicable
[Note S6A.2.1(d) and (e) are not applicable]	**(f) Method of adjustment of value of regulatory asset base** Except as otherwise provided in paragraph (c), (d) or (e) and subject to paragraph (g), the value of the regulatory asset base for a transmission system as at the beginning of the first regulatory year of a regulatory control period must be calculated by adjusting the value (the previous value) of the regulatory asset base for that transmission system as at the beginning of the first regulatory year of the immediately preceding regulatory control period (the previous control period) as follows:	Section 8.2 explains the calculation of the RAB as at 1 April 2017, which has been undertaken in accordance with these requirements.
	(1) The previous value of the regulatory asset base must be: (i) increased by the amount of all capital expenditure incurred during the previous control period, including any capital expenditure determined for that period under clause 6A.8.2(e)(1)(i) in relation to contingent projects where the revenue determination has been amended by the AER in accordance with clause 6A.8.2(h) (regardless of whether such capital expenditure is above or below the forecast capital expenditure for the period that is adopted for the purposes of the transmission determination (if any) for that period); and (ii) reduced by the amount of any capital expenditure that has been recovered by way of a pass through under clause 6A.7.2 or clause 6A.7.3 where the amount of that capital expenditure would otherwise have been included in the value of the regulatory asset base.	
	(2) The previous value of the regulatory asset base must be increased by the amount of the estimated capital expenditure approved by the AER for any part of the previous control period for which actual capital expenditure is not available, including any capital expenditure in relation to contingent projects where the total revenue cap has been amended by the AER in accordance with clause 6A.8.2(h).	

Clause	Requirement	AusNet Services' response
	(3) The previous value of the regulatory asset base must be adjusted for the difference between: (i) the estimated capital expenditure for any part of a previous regulatory control period where that estimated capital expenditure has been included in that value; and (ii) the actual capital expenditure for that part of the previous regulatory control period. This adjustment must also remove any benefit or penalty associated with any difference between the estimated and actual capital expenditure.	Section 8.2 explains the calculation of the RAB as at 1 April 2017, which has been undertaken in accordance with these requirements
S6A.2.1(f)	(4) The previous value of the regulatory asset base must only be increased by actual or estimated capital expenditure to the extent that all such capital expenditure is properly allocated to the provision of prescribed transmission services in accordance with the Cost Allocation Methodology for the relevant Transmission Network Service Provider. (5) The previous value of the regulatory asset base must be reduced by the amount of actual depreciation of the regulatory asset base during the previous control period, calculated in accordance with the rates and methodologies allowed in the transmission determination (if any) for that period. (6) The previous value of the regulatory asset base must be reduced by the disposal value of any asset where that asset has been disposed of during the previous control period. (7) The previous value of the regulatory asset base must be reduced by the value of any asset where the AER determines that the value of that asset should be removed in accordance with clause S6A.2.3. (8) Without prejudice to the application of any other provision of this paragraph (f), the previous value of the regulatory asset base may be increased by the inclusion of: (i) past capital expenditure that has not been included in that value because that capital expenditure was incurred in connection with the provision of services that are not prescribed transmission services, and in these circumstances, such capital expenditure must only be included to the extent the asset in respect of which that capital expenditure was incurred is subsequently used for the provision of prescribed transmission services; and (ii) past capital expenditure that has not been included in that value, but only to the extent that such past capital expenditure: (A) relates to an asset that is used for the provision of prescribed transmission services; (B) is considered by the AER to be reasonably required in order to achieve one or more of the capital expenditure objectives; (C) is properly allocated to prescribed transmission services in accordance with the principles and policies set out in the Cost Allocation Methodology for the relevant Transmission Network Service Provider; and	The RAB calculations in sections 8.2 and 8.3 have been prepared in accordance with these requirements.

Clause	Requirement	AusNet Services' response
	(D) has not otherwise been recovered.	
11.6.21	**Method of adjustment of value of regulatory asset base** (c) For the avoidance of doubt, in adjusting the previous value of the regulatory asset base for SPI PowerNet's *transmission system* as required by clause S6A.2.1(f), the previous value of the regulatory asset base must be increased by the amount of capital expenditure specified in, or that forms the basis of, agreements pursuant to which SPI PowerNet constructed assets during the previous regulatory control period used to provide *prescribed transmission services*, adjusted for outturn inflation and depreciation in accordance with the terms of those agreements.	Sections 8.2 and 8.3 explain the roll in of "Group 3 assets" in accordance with this provision.
S6A.2.1	(g) The previous value of the regulatory asset base must be reduced by any amount determined by the AER in accordance with clause S6A.2.2A(f), (i) or (j).	Not applicable
S6A.2.2	**Prudency and efficiency of capital expenditure** [*This provision sets out the factors that the AER must have regard to when determining the efficiency and prudency of capital expenditure that is to be included in the RAB for the first time either because the capital expenditure:* • *forms part of an "other transmission system" that has not previously been regulated under a revenue determination pursuant to clause S6A.2.1(d)(2); or* • *was previously used in the provision of market network services and is to be used for the provision of prescribed services pursuant to clause S6A.2.1(e)(2).* *This provision is not applicable to AusNet Services.]*	Not applicable
S6A.2.2A	**Reduction for inefficient past capital expenditure** (a) Prior to making a decision on the regulatory asset base for a *transmission system* as required by clause 6A.14.1(5E), the *AER* may determine under this clause S6A.2.2A that the amount of capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6A.2.1(f) should be reduced. (a1) For the purposes of this clause S6A.2.2A, "**review period**" means: (i) the previous control period (excluding the last two *regulatory years* of that previous control period, <u>as well as the regulatory year in which the first Capital Expenditure Incentive Guidelines were published - being 2013/14 - and any prior regulatory year</u>); and (ii) the last two *regulatory years* of the *regulatory control period* preceding the previous control period. (b) The *AER* may only make a determination under paragraph (a) if any of the following requirements is satisfied: (1) the requirement set out in paragraph (c) (the *overspending requirement*); (2) the requirement set out in paragraph (d) (the *margin requirement*); or (3) the requirement set out in paragraph (e) (the *capitalisation requirement*).	The underlined text in clause S6A.2.2A(a1)(i) shows the effect of the transitional arrangements that are set out in clause 11.59.4. Under those arrangements, the review period for the purpose of AusNet Services' forthcoming determination is a single regulatory year, being 2014/15. None of the requirements set out in paragraphs (c), (d) and (e) of S6A.2.2A are met (being the 'overspending requirement'; the 'margin requirement' and the 'capitalisation requirement'.

Clause	Requirement	AusNet Services' response
S6A.2.3	**Removal of assets from regulatory asset base** *[This provision applies when assets dedicated to one user other than a DNSP no longer contribute to the provision of prescribed services, and the AER determines that the relevant TNSP has not adequately sought to manage the stranded asset risk. This provision is not applicable to AusNet Services.]*	Not applicable
S6A.2.4	**Roll forward of regulatory asset base within the same regulatory control period** **(a) Application of this clause** This clause S6A.2.4 applies to the establishment of the value of the regulatory asset base for a transmission system as at the beginning of one regulatory year in a regulatory control period on the roll forward of the regulatory asset base to that regulatory year from the immediately preceding regulatory year (if any) in that regulatory control period. **(b) Roll forward model to comply with this clause** The roll forward model referred to in clause 6A.6.1 of the Rules must provide for that value to be established in accordance with the requirements of this clause S6A.2.4. **(c) Method of adjustment of value of regulatory asset base** The value of the regulatory asset base for a transmission system as at the beginning of the second or a subsequent year ('the later year') in a regulatory control period must be calculated by adjusting the value ('the previous value') of the regulatory asset base for that transmission system as at the beginning of the immediately preceding regulatory year ('the previous year') in that regulatory control period as follows: (1) The previous value of the regulatory asset base must be increased by the amount of forecast capital expenditure accepted or substituted by the AER for the previous year in accordance with clause 6A.6.7(c) or clauses 6A.13.2(b)(4) and (5) (as the case may be). (2) The previous value of the regulatory asset base must be reduced by the amount of depreciation included in the annual building block revenue requirement for the previous year. (3) The previous value of the regulatory asset base must be reduced by the disposal value of any asset included in that value where the asset is forecast to be disposed of during the previous year. (4) The previous value of the regulatory asset base must be increased by an amount necessary to maintain the real value of the regulatory asset base as at the beginning of the later year by adjusting that value for inflation. **(d) Allowance for working capital** If the AER determines that it is appropriate to do so, it may include an allowance for working capital in the regulatory asset base for a transmission system which is rolled forward in accordance with this clause S6A.2.4.	Section 8.3 presents a summary of the amounts, values and inputs used to derive the forecast RAB value for each year of the forthcoming regulatory control period.