

Independent auditor's report to the Directors of AusNet Transmission Group Pty Ltd on the Regulatory Reporting Statements for the regulatory years 2008 – 2015

We have audited the accompanying Regulatory Reporting Statements of AusNet Transmission Group Pty Ltd ("the Licensee"), which comprises the Actual Historical Financial Information for the regulatory years 2008 - 2015 contained in templates 2.14, 2.17, 7.4 and 7.5 prescribed by the Regulatory Information Notice ("RIN") issued under Division 4 of Part 3 of the National Electricity (Victoria) Law by the Australian Energy Regulator ("the AER") on 1 September 2015 for the purpose of making a transmission determination for the regulatory control period commencing on 1 April 2017 and ending on 31 March 2022 ("the Notice").

Directors' responsibility for the Regulatory Reporting Statements

The Directors of the Licensee are responsible for the preparation of the Regulatory Reporting Statements which comprises the Actual Historical Financial Information for the regulatory years 2008-2015 contained in templates 2.14, 2.17, 7.4 and 7.5 in accordance with the Notice and for such internal control as the Directors determine necessary to enable the preparation of the Regulatory Reporting Statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Regulatory Reporting Statements based on our audit. We conducted our audit in accordance with the Australian Auditing Standards ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement. These Auditing Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Regulatory Reporting Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Regulatory Reporting Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Regulatory Reporting Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Licensee's preparation of the Regulatory Reporting Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Licensee's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Regulatory Reporting Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's opinion

In our opinion, the accompanying Regulatory Reporting Statements of AusNet Transmission Group Pty Ltd, which comprises the Actual Historical Financial Information for the regulatory years 2008 - 2015 contained in templates 2.14, 2.17, 7.4 and 7.5 are prepared, in all material respects, in accordance with the requirements of the Regulatory Information Notice issued under Division 4 of Part 3 of the National Electricity (Victoria) Law by the Australian Energy Regulator on 1 September 2015 for the purpose of making a transmission determination for the regulatory control period commencing on 1 April 2017 and ending on 31 March 2022 ("the Notice").

Basis of Preparation and restriction on distribution and use

The Regulatory Reporting Statements which comprises the Actual Historical Financial Information have been prepared based on the Basis of Preparation as prescribed by the Notice. This report and the accompanying Regulatory Reporting Statements have been prepared for the Directors of the Licensee, AusNet Transmission Group Pty Ltd, for their purpose in fulfilling their regulatory reporting obligations under the Notice. As a result, the report and the accompanying Regulatory Reporting Statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the Regulatory Reporting Statements to which it relates, to any person other than the Directors of the Licensee and the AER or for any other purpose than that for which it was prepared.

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Mithra Villanelo

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Partner

Melbourne

27 October 2015



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2.14 FORECAST PRICE CHANGES

Instructions

The TNSP must provide all forecast price changes used to forecast opex and capex, including forecast changes in CPI. Forecast price changes must be expressed in real terms, except for CPI. If the same escalators are not used for capex and opex, report capex and opex escalators separately. If price changes for a given year were not used to forecast either opex or capex enter '0' for that year.

Table 2.14.1 - Forecast labour and materials price changes

		I	Price changes (% YoY real)	,				Price changes (%YoY real)	s		
		Actual	<u> </u>				Forecast				
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
Materials price changes											
Labour and Other price changes											
	0.55	0.05									
СРІ	3.52%	2.00%	2.16%								

REGULATORY REPORTING STATEMENT AusNet (T) 2017-18 to 2021-22



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2.17 STEP CHANGES

Instructions

Complete the Tables below in accordance with the regulatory information notice.

			Actual (\$0's, nominal)				Foreca	st (\$0's, real Marc	h 2017)		
Step change	Description	2012-13	2013-14								
AEMO Power System Security Functions Ag	As per 2014-17 determination (referred to as										
Transitional arrangements for the Economic Regulation of NSP's rule change	As per 2014-17 determination										
Fire services levy	As per 2014-17 determination	-	112,885	109,309							
Controller simulator training	As per 2014-17 determination	-	-	-							
Security of critical infrastructure	As per 2014-17 determination										
Establishment of IT security team	As per 2017-22 Revenue Proposal										
New emergency response arrangements	As per 2017-22 Revenue Proposal										
Roll out of SAIP	As per 2017-22 Revenue Proposal	-	-	125,650							
Lease of WMTS 22kV mobile switchboard	As per 2017-22 Revenue Proposal										
Decommissioning of synchronous condense	As per 2017-22 Revenue Proposal										
Decommissioning of Morwell Power Station	As per 2017-22 Revenue Proposal										
			112,885	234,958		_		-			

Table 2.17.2 Fore	cast capex step changes										
			Actual (\$0's, nominal)				Foreca	ast (\$0's, real Marc	h 2017)		
Step change	Description	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
		-	-	-	-	-	-	-	-	-	-

REGULATORY REPORTING STATEMENT AusNet (T) 2017-18 to 2021-22



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7.4 SHARED ASSETS

TABLE 7.4.1 - TOTAL UNREGULATED REVENUE EARNED WITH SHARED ASSETS

	Description of shared			:	Shared asset unr	egulated revenue	e (\$0's, nominal)						Shared ass	et unregulated re	venue (\$0's, real	March 2017)		
Name of shared asset unregulated service	assets used to provide the service	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total 2007-08-2016- 17	2017-18	2018-19	2019-20	2020-21	2021-22	Total 2017-18-2021- 22
HV CT & VT Testing	Yarraville Laboratory, Mobile and fixed Test Equip								·									-
Transformer Testing (incl Condition Monitoring)	Yarraville Laboratory, Mobile and fixed Test Equip	536,574	650,350	714,074	1,468,296	1,719,076	1,210,118	1,213,851	1,037,627			8,549,965						-
Chemical Testing & Analysis	Yarraville Laboratory, laboratory Test Equip	529,868	513,486	636,463	1,294,737	1,613,616	1,739,416	1,906,634	2,102,734			10,336,954						-
Calibration & Electrical Testing (incl NATA accredited)	Yarraville Laboratory, laboratory Test Equip																	
Fibre Optic Cable Leasing	~1000 km of fibre optic network at all stages in its lifecycle (0-20 years old). Total SPAN fibre optic network length ~2500 km	78,021	79,340	98,091	326,955	639,475	607,688	1,112,327	1,168,155			4,110,051						
Leasing Access to third parties – Wireless Base Stations on EHV Towers	175 x EHV towers	3,573,329	3,602,425	3,944,284	3,895,015	4,955,603	4,729,969	4,645,563	1,870,548			31,216,736						
Leasing Access to third parties – Various communication equipment on communication towers	20 x communication towers	1,632,446	1,646,049	1,163,912	1,499,266	1,294,997	1,495,080	1,667,284	1,079,411			11,478,446						
Property Leasing to third parties	Various network properties / sites	792,723	559,178	577,569	653,626	704,631	875,461	596,416	309,457			5,069,061						-
												-						
												-						-
												-						
												-						
												-						

TABLE 7.4.2 - SHARED ASSET UNREGULATED SERVICES - APPORTIONMENT METHODOLOGY

Name of shared asset unregulated service for which revenues were apportioned	Apportionment methodology

REGULATORY REPORTING STATEMENT AusNet (T) 2017-18 to 2021-22 7.5 EBSS

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CPI						
ABS CPI index (old base)						
ABS CPI index (rebased index)						

Actual and estimated inflation												
					Actual						Estima	ated
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Actual CPI - Dec quarter (old base)												
Actual CPI - Dec quarter (rebased in Sep 2012)												
Actual inflation rate (consistent with annual revenue adj)												
Actual inflation rate (lagged by one year)												
Reconstructed cumulative index (2016-17=1)												

TABLE 7.5.1 - The carryover amounts that arise from applying the EBSS during the current regulatory control period

able 7.5.1.1 - Opex allowance applicable to EBSS (EBSS target)																	
		Previous	period		Current reg	ulatory contr	ol period		P	revious p	eriod		Current reg	ulatory cor			
		\$m, real 2	2007-08		\$1	m, real 2013-14			\$m, real 2016-17				\$m	, real 2016-1			
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	201	10-11 2	2011-12 2012-13 2013-14			2014-15	2015-16			
Total opex allowance	163.7	171.3	168.6	176.8	185.1												
Approved excludable costs - allowance																	
Equity raising costs	1.6	1.5	1.4	1.4													
Opex glide path	5.1	3.4	1.7	0.0													
Easement land tax	82.3	91.0	88.7	98.0	100.9												
Self insurance	2.1	2.1	2.1	2.1	1.7												
Rebates made under the Availability Incentive Scheme	2.8	2.8	2.8	2.8	2.3												
Debt Raising costs	1.1	1.1	1.1	1.1	1.5												
Priority projects approved under STPIS network capability component					0.0												
Movements in provisions related to opex	2.2	2.2	2.2	2.2	0.0												
Capitalisation policy changes	0.0	0.0	0.0	0.0	0.0												
Other adjustments or exclusions required by the EBSS	0.0	0.0	0.0	0.0	0.0												
Forecast opex for EBSS purposes	66.5	67.3	68.6	69.3	78.7	0.0	0.0										

		Previous	period		Current regu	latory control	period
		\$m, Ac	tual			m, Actual	
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Total opex	168.4	172.1	175.5	186.2	188.3		
Approved excludable costs							
Equity raising costs	0.0	0.0	0.0	0.0			
Opex glide path	0.0	0.0	0.0	0.0			
Easement land tax	93.3	99.3	99.3	103.4	103.4		
Self insurance	2.3	2.3	2.4	2.5	1.7		
Rebates made under the Availability Incentive Scheme	2.6	2.2	2.0	3.1	2.4		
Debt Raising costs	0.0	0.0	0.0	0.0	0.0		
Priority projects approved under STPIS network capability component					0.3		
Movements in provisions related to opex							
Opex associated with approved cost pass through	0.0	0.0	0.0	0.0	0.0		
Capitalisation policy changes	0.0	0.0	0.0	0.0	0.0		
Other adjustments or exclusions required by the EBSS	0.0	0.0	0.0	0.0	0.0		
ctual opex for EBSS purposes	69.5	67.0	69.2	74.4	80.8	0.0	0.0

		Previous	period		Current reg	gulatory contro	ol period
ı		\$m, real 2	016-17		\$1	m, real 2016-17	
ı	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
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Carryover										
		Current regul	atory control	period		Forthcoming	regulatory cor	ntrol period		
				\$	m, real 2016-17	7				
		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Total

TABLE 7.5.2 - Proposed forecast opex for the EBSS for the forthcoming regulatory control period

		Forthcomin	g regulatory co	ntrol period		
		\$	m, real 2016-1	7		
	2017-18	2018-19	2019-20	2020-21	2021-22	
Forecast opex						
Less excluded costs						
< Enter category proposed for exclusion > eg. Debt raising costs						
Adjusted forecast opex (\$m, 2016-17)						