

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

We have reviewed the accompanying Regulatory Reporting Statements of AusNet Transmission Group Pty Ltd ("the Licensee"), which comprises the Estimated 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 Estimated 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 a conclusion on the preparation and presentation of the Regulatory Reporting Statements in accordance with the requirements of the Notice.

We conducted our review in accordance with Standard on Review Engagements ASRE 2405 Review of Historical Financial Information Other than a Financial Report in order to state whether, on the basis of our review procedures, anything has come to our attention that causes us to believe that the Regulatory Reporting Statements, which comprises the Estimated Historical Financial Information, are not prepared, in all material respects, in accordance with the requirements of the Notice.

A review of the Regulatory Reporting Statements consists of making enquiries, primarily of persons responsible for the estimated historical financial information and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit or a reasonable assurance engagement conducted in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express an audit or a reasonable assurance opinion.



Inherent limitations

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our review is not designed to detect all weaknesses in the Regulatory Reporting Statements and the Licensee's compliance measures, as the review has not been performed continuously throughout the period and the procedures performed on the Regulatory Reporting Statements were undertaken on a test basis.

Independence

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

Auditor's conclusion

Based on our review, which is not an audit or a reasonable assurance engagement, nothing has come to our attention that causes us to believe that the accompanying Regulatory Reporting Statements of AusNet Transmission Group Pty Ltd, which comprises the Estimated Historical Financial Information for the regulatory years 2008 - 2015 contained in templates 2.14, 2.17, 7.4 and 7.5 are not 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.

Basis of Preparation and restriction on distribution and use

The Regulatory Reporting Statements, which comprises the Estimated 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 the 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.

KPMG

Mithra Villanelo

ls. Villanela

KPM G

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

		ī	Price changes (% YoY real)	1				Price changes (%YoY real)	3	
		Actual					Forecast			
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Materials price changes Aluminium	-14.6%	5.1%	20.29/		Γ	ı	Γ	ı	ı	ı
Copper	-14.6%	-0.6%	20.3% 8.2%							
Steel	-61.8%	119.3%	-8.5%							
Oil	-17.5%	3.3%	-45.9%							
Labour and Other price changes					·				Ī	
Internal labour	0.6%	2.2%	2.3%							
External labour	-0.4%	2.2%	0.5%							

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)		Forecast (\$0's, real March 2017)								
Step change	Description	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22		
AEMO Power System Security Functions Agr	As per 2014-17 determination (referred to as "AEMO operating agreement" in AER final decision)	-	22,240	30,294									
Transitional arrangements for the Economic Regulation of NSP's rule change	As per 2014-17 determination	324,818	328,357	531,667									
Fire services levy	As per 2014-17 determination												
Controller simulator training	As per 2014-17 determination												
Security of critical infrastructure	As per 2014-17 determination	-	-	40,393									
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												
Lease of WMTS 22kV mobile switchboard	As per 2017-22 Revenue Proposal												
Decommissioning of synchronous condenser	As per 2017-22 Revenue Proposal												
Decommissioning of Morwell Power Station a	As per 2017-22 Revenue Proposal												
		324,818	350,597	602,354	-		-		-	-			

Table 2.17.2 Forecas	t capex step changes												
			Actual (\$0's, nominal)		Forecast (\$0's, real March 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			5	Shared asset unre	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	219,464	230,427	333,548	468,050	148,503	735,984	660,087	759,007			3,555,070						-
Transformer Testing (incl Condition Monitoring)	Yarraville Laboratory, Mobile and fixed Test Equip																	-
Chemical Testing & Analysis	Yarraville Laboratory, laboratory Test Equip																	-
Calibration & Electrical Testing (incl NATA accredited)	Yarraville Laboratory, laboratory Test Equip	178,401	187,312	271,138	380,473	120,735	602,449	539,002	620,175			2,899,685						-
	~1000 km of fibre optic network at all stages in its lifecycle (0-20 years old). Total SPAN fibre optic network length ~2500 km																	-
Leasing Access to third parties – Wireless Base Stations on EHV Towers	175 x EHV towers																	-
Leasing Access to third parties – Various communication equipment on communication towers	20 x communication towers																	-
Property Leasing to third parties	Various network properties / sites																	-
												-						-
												-						-
												-						-
												-						-
																		-

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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Instruction

СРІ						
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ABS CPI index (old base)						
ARS CPI index (rehased index)						

Actual and estimated inflation												
					Actua	al					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 contro	ol period	
		\$m, real 2	2007-08		\$n	\$m, real 2013-14		
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
Total opex allowance								
Approved excludable costs - allowance								
Equity raising costs								
Opex glide path								
Easement land tax								
Self insurance								
Rebates made under the Availability Incentive Scheme								
Debt Raising costs								
Priority projects approved under STPIS network capability component								
Movements in provisions related to opex								
Capitalisation policy changes								
Other adjustments or exclusions required by the EBSS								
Forecast opex for EBSS purposes								

		Previous \$m, Ad			Current regulatory control period \$m, Actual			
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
Total opex								
Approved excludable costs								
Equity raising costs								
Opex glide path								
Easement land tax								
Self insurance								
Rebates made under the Availability Incentive Scheme								
Debt Raising costs								
Priority projects approved under STPIS network capability component								
Movements in provisions related to opex	0.3	0.6	1.3	1.4	-0.1			
Opex associated with approved cost pass through								
Capitalisation policy changes								
Other adjustments or exclusions required by the EBSS								
Actual opex for EBSS purposes	0.3	0.6	1.3	1.4	-0.1	0.0	0.0	

	Previous p				latory contro	l period
	\$m, real 201	16-17		\$m,	real 2016-17	
2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
				Incremen	tal gain (\$m,	2016-17

Carryover | Current regulatory control period | Forthcoming regulatory control period | \$m, real 2016-17 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | Total

PTRM inputs (\$m, 2016-17)

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

			g regulatory co			
			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)						