



29 October 2020

Ms Clare Savage
Chair
Australian Energy Regulator
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Dear Clare

AusNet Services' 2023-27 Electricity Transmission Revenue Reset

Please find attached AusNet Services' Transmission Revenue Proposal for the regulatory control period 1 April 2023 to 31 March 2027. The document and its supporting material provide the information required in accordance with the National Electricity Rules and the AER's Regulatory Information Notice. All supporting information has been provided to the AER via its secure website.

This Revenue Proposal has been prepared during a time of great economic uncertainty, as a result of the COVID-19 pandemic. While we have been transparent with our stakeholders about the possible effects of COVID-19 on our plans, we have not incorporated the majority of these impacts into our Revenue Proposal to allow time for better information to be released and assessed. Where new information on COVID-19 effects does impact our plans, we will consult with our customers and stakeholders on these effects prior to lodging our Revised Revenue Proposal.

The role of transmission networks has never been more important. With the right investment, transmission networks can ensure Victoria's electricity supplies remain secure and robust as we move towards a low carbon energy future. Our Revenue Proposal has been developed to maintain the safety, performance and high reliability our customers expect of the Victorian transmission network.

We made a conscious decision to take a different approach to customer engagement in this review compared to our recent electricity distribution review, in which we negotiated outcomes with a specially convened Customer Forum.

Transmission businesses are less suited to a Customer Forum approach because their direct interactions with residential and business customers is more limited. Consequently, there would be fewer opportunities for the Customer Forum to translate the views of residential and business customers into our transmission plans. For this Revenue Proposal, therefore, we established a dedicated Transmission Customer Advisory Panel (CAP), which included customers and stakeholders that depend on the transmission network, in addition to consumer representatives. Our approach recognises that whilst only generators, large industrial customers and distributors engage directly with the transmission network, all Victorians depend on it to meet their energy needs.

We are conscious that energy affordability is a key concern for Victorian households and businesses. Our Revenue Proposal provides for a 14% real reduction in our component of average transmission charges per end-use customer, despite moderate increases to expenditure to meet new tax imposts, new cyber security and environmental legislative obligations and increased investment to replace aging equipment. This reduction will also help offset the future

costs of the major transmission upgrades planned for Victoria, as set out in Australian Energy Market Operator's Integrated System Plan.

All information provided as part of the Revenue Proposal may be publicly disclosed unless identified as confidential in the Confidentiality Claims document.

I look forward to discussing the Revenue Proposal with your Networks Committee on 15 December 2020.

Sincerely,



Tony Narvaez
Managing Director
AusNet Transmission Group Pty Ltd