



10 September 2015

Chris Pattas,
General Manager – Network Operations and Development
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Dear Chris

ATO Ruling on liabilities from Victorian Government's Powerline Replacement Fund contributions – negative pass through application

The purpose of this letter is to apply for a negative pass through for a change to tax costs associated with the Victorian Powerline Replacement Fund (PRF).

On the 6th of July, AusNet Services wrote to you to inform you of an Australian Tax Office (ATO) ruling that had the effect of materially altering the tax liability associated with the PRF. The letter also proposed a \$5.72 million adjustment to 2016 revenue to return the revenues approved for the current regulatory period for tax costs from the PRF.

AER staff have since informed AusNet Services that it is not possible to make this revenue adjustment without a negative pass through application.

AusNet Services submits that the ATO private ruling, constituted a tax change event and was a negative change event. The negative change event occurred on 8 May 2015, the date of the ATO ruling. The costs AusNet Services is likely to save as a result of the negative change event are \$5.72 million. It is proposed \$5.72 million is the amount that should be passed through to the Distribution Network Users, and that all costs would be passed through in the 2016 regulatory year.

This letter is accompanied with an updated Post Tax Revenue Model to that provided on the 6th July 2015. The model contains confidential information. It is the same model provided to the Australian Energy Regulator (AER) in a separate email on 10 September 2015¹. All other relevant information was provided in AusNet Services' 6th July letter.

¹ Response to 2016-20 Electricity Distribution Price Review Information Request #020.

Should you have any questions regarding this letter, or the attached modelling, please contact Katie Yates, Principal Economist on (03) 9695 6622.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Hallam', written in a cursive style.

Tom Hallam
Manager Regulation and Network Strategy
AusNet Services

Attached:

- AST Distribution_Letter on ATO ruling_implications for 2016to20 EDPR.pdf (6th July).
- 20150508 Notice of private ruling and edited version - AusNet Services.pdf (8th May)
- AST Distribution PTRM (Confidential)_Amended (09.09.15).xlsm (10th September)
- AST Distribution PTRM (Public)_Amended (09.09.15).xlsm (10th September)