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29 November 2013

Mr. Andrew Reeves  
Chair  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Dear Mr. Reeves

I am writing to inform the AER of the methodologies Ausgrid proposes to use to prepare our forecasts of operating expenditure and capital expenditure that form part of our regulatory proposal commencing on 1 July 2015.<sup>1</sup> Our forecasting methodology statement is attached.

Since we are not required to submit our regulatory proposal until May 2014, not all details of our forecast methods for capital expenditure and operating expenditure can be finalised at the current time. The forecasting method therefore can only be described at the high level in terms of the approaches we intend to use for forecasting. Full details of these methods will be included in our proposal as required by the National Electricity Rules.

Nevertheless, the forecasting method statement serves an important role in the distribution determination process for Ausgrid and the AER as it is intended to be the starting point on the early engagement between us on two integral elements of our revenue requirement, being forecast capital expenditure and forecast operating expenditure. We are confident that our statement fulfil this objective and would greatly assist the AER in deciding on the information it needs to assess our proposed forecast capital and operating expenditure.

Should you require further information, please contact Mr Trevor Armstrong, Chief Operating Officer, on (02) 9269 4900.

Yours sincerely,

A handwritten signature in black ink that reads "Vince Graham". The signature is fluid and cursive, with the first name "Vince" and last name "Graham" clearly distinguishable.

Vince Graham  
Chief Executive Officer, Ausgrid

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<sup>1</sup> As required by clause 6.8.1A of the National Electricity Rules