

10 December 2018

Ms Paula Conboy  
Chair

Mr Warwick Anderson  
General Manager, Network Finance and Reporting

Australian Energy Regulator  
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Dear Paula & Warwick,

**AER Tax Discussion Paper supplementary submission**

Further to Ausgrid's submission of 23 November 2018, Ausgrid wishes to make a supplementary submission to the Tax Discussion Paper.

Ausgrid is the largest distributor of electricity on Australia's east coast. On 1 December 2016, the NSW Government entered into a partnership with AustralianSuper and IFM Investors to operate Ausgrid under a long-term lease. IFM Investors and AustralianSuper hold a combined partnership interest of 50.4%. The NSW State Government holds the remaining partnership interest of 49.6% in Ausgrid.

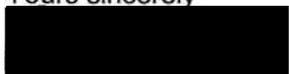
The NSW Government required a "retention value hurdle" be met as part of the transaction process, which ensured that the NSW public were better off as a result of the transaction than they would have been had the asset remained solely under government ownership.

Prior to the transaction the NSW Government received both dividends and National Tax Equivalent Regime (**NTER**) payments from Ausgrid. The latter of these reflected the value of the tax paid by the business as a State-Owned Corporation. For the hurdle to be met, the transaction proceeds must have compensated the vendor for both those cashflows.

We submit that the net present value of future tax obligations (foregone future NTER payments) associated with Ausgrid have been pre-paid by IFM Investors and AustralianSuper to the NSW State Government as part of the sale price. Accordingly, the proposed tax pass-through approach must be rejected.

If you have any queries in respect of the above, please do not hesitate to contact me or Rob Amphlett Lewis.

Yours sincerely

  
Richard Gross  
Chief Executive Officer