



23 November 2018

Mr Warwick Anderson
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Australian Energy Regulator
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Dear Warwick

AER Tax Discussion Paper submission

Ausgrid appreciates the opportunity to make a submission to the Tax Discussion Paper issued by the Australian Energy Regulator (**AER**) on 2 November 2018.

Although we appreciate the collaborative approach taken by AER staff, we are concerned that the condensed three-week timeframe for submissions during the same period that we are preparing our revised regulatory proposal for the 2019-24 period has been too short for us to fully consider in detail the AER Tax Discussion Paper, including the PwC Expert Report. Instead, during this short submission period, Ausgrid has contributed to the Energy Networks Australia (**ENA**) submission.

We do note, however, one point of clarification. The discussion paper asserts that all 10 service providers that responded to the AER's voluntary information request letter were claiming immediate tax deductions for costs included in the regulatory capex allowance. This does not align with the response Ausgrid provided to the AER.

In response to question 10, Ausgrid stated that it does not have a tax capitalisation policy separate to its accounting capitalisation policy and that the tax capitalisation policy broadly follows the accounting capitalisation policy. Further, in response to question 11, Ausgrid did not disclose any expenditure that had been included in the regulatory fixed asset register and treated as tax deductible for tax purposes. We feel it is important for this to be reflected accurately in the AER's decision.

Ausgrid would like the opportunity to continue to collaboratively work with the AER over the course of January 2019 to April 2019 to consider in detail any potential tax allowance implementation issues that will impact the Post Tax Revenue Model (**PTRM**) and the Roll Forward Model (**RFM**).

If you have any queries in respect of the above, please contact Yvonne Martins on [REDACTED] or Iftekhar Omar on [REDACTED].

Yours sincerely

[REDACTED]

Rob Amphlett Lewis
Executive General Manager
Strategy & Regulation