

COMMONWEALTH OF AUSTRALIA

National Electricity Law

IN THE AUSTRALIAN COMPETITION TRIBUNAL

File No 4 of 2010



**RE: APPLICATION UNDER S 71B OF THE NATIONAL ELECTRICITY LAW
FOR A REVIEW OF A DISTRIBUTION DETERMINATION MADE BY THE
AUSTRALIAN ENERGY REGULATOR IN RELATION TO ETSA
UTILITIES PURSUANT TO CLAUSE 6.11.1 OF CHAPTER 6 OF THE
NATIONAL ELECTRICITY RULES**

BY: ETSA UTILITIES (ABN 13 332 330 749)

DETERMINATION

TRIBUNAL: Justice Middleton (Deputy President)
Mr R Davey
Mr R Shogren

DATE OF ORDER: 19 May 2011

WHERE MADE: Melbourne

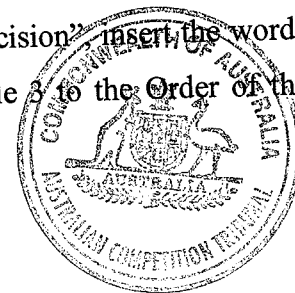
THE TRIBUNAL DETERMINES THAT:

1. Pursuant to s 71P(2)(a) of the National Electricity Law, the "ETSA Utilities Distribution Determination 2010-11 to 2014-15" made by the Australian Energy Regulator, dated 4 May 2010 (**Final Determination**) is varied as follows:
 - (a) Page 1: delete the words "table 8.10 of the decision", and insert the words "Table 1 of Schedule 1 to the Order of the Australian Competition Tribunal dated 19 May 2011".
 - (b) Page 2: delete the words "\$2772.4 million for standard control services", and insert the words "\$2900.0 million for standard control services, as calculated in Table 2 of Schedule 1 to the Order of the Australian Competition Tribunal dated 19 May 2011".

- (c) Page 2: delete the words “table 9.3 of the decision”, and insert the words “Table 3 of Schedule 1 to the Order of the Australian Competition Tribunal dated 19 May 2011”.
- (d) Page 2: delete the words “table 10.4 of the decision”, and insert the words “Table 4 of Schedule 1 to the Order of the Australian Competition Tribunal dated 19 May 2011”.
- (e) Page 3: delete the words “table 6.17 of the decision”, and insert the words “Table 5 of Schedule 1 to the Order of the Australian Competition Tribunal dated 19 May 2011”.
- (f) Page 3: delete the words “table 16.6 of the decision”, and insert the words “Table 6 of Schedule 1 to the Order of the Australian Competition Tribunal dated 19 May 2011”.
- (g) Page 6: delete the words “table 16.6 of the decision”, and insert the words “Table 6 of Schedule 1 to the Order of the Australian Competition Tribunal dated 19 May 2011”.
- (h) Page 6: delete the words “sections 16.4 and 16.5 of the decision”, and insert the words “Schedule 2 to the Order of the Australian Competition Tribunal dated 19 May 2011”.
- (i) Page 4: following the words “section 17.4.1 of the decision” insert the words “and the X factors to be used are set out in Schedule 3 to the Order of the Australian Competition Tribunal dated 19 May 2011”.

2. There be no order as to costs.

Dated entered: 19 May 2010



.....
 REGISTRAR
 Australian Competition Tribunal

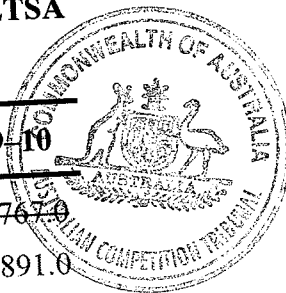
Schedule 1: Amendments to relevant tables from the "Final decision – South Australia Distribution Determination 2010-11 to 2014-15" (Final Decision) made by the Australian Energy Regulator in May 2009

Table 1: Amended table 8.10 & 7 of the Final Decision: AER conclusion on ETSA Utilities total opex allowance (\$m, 2009–10)



	2010–11	2011–12	2012–13	2013–14	2014–15	Total
ETSA Utilities' proposed forecast opex	199.5	207.7	215.8	226.4	232.3	1081.7
Adjustments to controllable opex	-1.0	-1.5	-2.0	-2.7	-3.3	-10.5
Adjustments to self insurance	-1.5	-1.6	-1.7	-1.7	-1.8	-8.3
Adjustment to debt raising costs	-1.9 -1.8	-2.0 -1.9	-2.0	-2.1 -2.0	-2.2 -2.1	-10.2 -9.9
Adjustment to cost escalators	-1.9	-3.2	-4.2	-5.0	-5.5	-19.7
AER opex allowance	193.2 193.1	199.4 199.5	205.9 205.9	214.9 215.0	219.5 219.7	1032.9 1033.2

**Table 2: Amended table 5.2 & 1 of the Final Decision: AER conclusion on ETSA
Utilities' opening RAB (\$m, nominal)**



	2005-06	2006-07	2007-08	2008-09	2009-10
Opening RAB	2504.9 2615.0	2593.4 2706.8	2628.9 2745.0	2701.6 2822.6	2767.0 2891.0
Actual net capex (adjusted for actual CPI and weighted average cost of capital)	149.4	122.5	119.9	170.0	193.5
Regulatory depreciation (adjusted for actual CPI)	-61.0 -57.7	-87.0 -84.2	-47.3 -42.3	-104.6 -101.6	-106.6 -103.1
Closing RAB	2593.4 2706.8	2628.9 2745.0	2701.6 2822.6	2767.0 2891.0	2853.8 2981.5
Difference between actual and forecast capex for 2004-05					-0.3
Return on difference					-0.2
Removal of metering assets					-81.0
Opening RAB at 1 July 2010					2772.4 2900.0

**Table 3: Amended table 9.3 & 8 of the Final Decision: AER conclusion on ETSA
Utilities corporate income tax allowances (\$m, nominal)**

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
ETSA Utilities	32.3	32.6	32.0	33.6	34.6	165.2
	80.7	81.8	80.3	84.1	86.7	413.6

Table 4: Amended table 10.4 & 9 of the Final Decision: AER conclusion on ETSA Utilities' regulatory depreciation (\$m, nominal)



	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Regulatory depreciation	100.2 97.0	113.3 110.0	126.8 123.4	142.5 139.1	157.7 154.2	640.5 623.7

Table 5: Amended table 6.17 of the Final Decision: AER conclusion on ETSA Utilities' peak demand, customer number and energy consumption forecasts

	2010-11	2011-12	2012-13	2013-14	2014-15	Average annual growth 2010-15
ETSA Utilities amended forecast (GWh)	11 144	11 185	10 934	10 714	10 481	-1.5%
Final energy sales forecast (GWh)	11 636 11 618	11 543 11 422	11 416 11 264	11 354 11 194	11 318 11 194	-0.7% -0.9%
10% PoE Peak demand forecast (MW)	3159	3274	3361	3410	3477	2.4%
Customer numbers forecast	828 162	838 160	846 778	854 779	863 230	1.0%

Table 6: Amended table 16.6 & 12 of the Final Decision: AER conclusion on ETSA Utilities' annual revenue requirements and X factors (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15
Regulatory depreciation	100.2 97.0	113.3 110.0	126.8 123.4	142.5 139.1	157.7 154.0
Return on capital	270.5 283.0	292.7 304.8	318.5 330.9	339.8 352.6	360.7 373.8
Opex	197.9 198.0	209.6 209.7	221.8 221.9	237.4 237.5	248.7 248.8
Tax allowance	32.3 80.7	32.6 81.8	32.0 80.3	33.6 84.1	34.6 86.7
Capex carryover	8.6	7.9	4.5	0.4	0.0
Annual revenue requirements	609.6 667.3	656.1 714.2	703.6 761.1	753.7 813.7	801.7 863.4
Expected revenues	619.7 618.8	656.9 726.6	695.8 776.7	745.9 841.7	804.0 868.0
Forecast CPI (%)	2.52	2.52	2.52	2.52	2.52
X factors (%)	-12.14	-5.75 -18.10	-5.75 -7.00	-5.75 -7.00	-5.75 -0.89



Schedule 2: Other amounts, values and inputs on which ETSA Utilities' building block determination is based

Table 7: Amended table 16.4 of the Final Decision: AER's forecast roll-forward of ETSA Utilities' regulatory asset base (\$m, nominal)



	2010-11	2011-12	2012-13	2013-14	2014-15
Opening RAB	2772.4	2999.6	3263.9	3482.5	3696.3
	2900.0	3124.0	3391.6	3613.5	3830.7
Net capex ^a	327.4	377.6	345.4	356.3	361.3
	321.0				
Indexation of the opening RAB	69.9	75.6	82.2	87.8	93.1
	73.1	78.7	85.5	91.1	96.5
Straight-line depreciation	-170.1	-188.9	-209.0	-230.3	-250.8
		-188.7	-208.9	-230.1	-250.7
Closing RAB	2999.6	3263.9	3482.5	3696.3	3899.8
	3124.0	3391.6	3613.5	3830.7	4037.8

Table 8: Amended table 16.5 of the Final Decision: AER decision on ETSA Utilities' net tax allowance (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15
Tax payable	92.4	93.3	91.5	95.9	98.8
	107.6	109.1	107.1	112.2	115.6
Value of imputation credits	-60.1	-60.6	-59.5	-62.4	-64.2
	-26.9	-27.3	-26.8	-28.0	-28.9
Net tax allowance	32.3	32.6	32.0	33.6	34.6
	80.7	81.8	80.3	84.1	86.7

Table 9: Amended table 16.6 & 12 of the Final Decision: AER conclusion on ETSA Utilities' annual revenue requirements and X factors (\$m, nominal)



	2010-11	2011-12	2012-13	2013-14	2014-15
Regulatory depreciation	100.2 97.0	113.3 110.0	126.8 123.4	142.5 139.1	157.7 154.2
Return on capital	270.5 283.0	292.7 304.8	318.5 330.9	339.8 352.6	360.7 373.8
Opex	197.9 198.0	209.6 209.7	221.8 221.9	237.4 237.5	248.7 248.8
Tax allowance	32.3 80.7	32.6 81.8	32.0 80.3	33.6 84.1	34.6 86.7
Capex carryover	8.6	7.9	4.5	0.4	0.0
Annual revenue requirements	609.6 667.3	656.1 714.2	703.6 761.1	753.7 813.7	801.7 863.4
Expected revenues	619.7 618.8	656.9 726.6	695.8 776.7	745.9 841.7	804.0 868.0
Forecast CPI (%)	2.52	2.52	2.52	2.52	2.52
X factors (%)	-12.14	-5.75 -18.10	-5.75 -7.00	-5.75 -7.00	-5.75 -0.89

Table 10: Amended table 16.7 & 13 of the Final Decision: Retail price impacts (%)

	2010-11	2011-12	2012-13	2013-14	2014-15
ETSA Utilities regulatory proposal					
Real impacts	6.3	2.4	4.2	4.2	4.2
Nominal impacts	7.4	3.5	5.3	5.3	5.3
AER decision					
Real impacts	4.9	2.3 7.2	2.3 2.8	2.3 2.8	2.3 0.4
Nominal impacts	6.0	3.4 8.4	3.4 3.9	3.4 3.9	3.4 1.4

Table 11: Amended table 7.7 of the Final Decision: AER conclusion on ETSA Utilities' benchmark equity raising cost (\$m, nominal)

Cash flow analysis	AER final decision (total)	Notes
Dividends	628.3 516.0	Set to distribute imputation credits assumed in the PTRM
Dividends reinvested	188.5 154.8	30% of dividends paid
Cost of dividend reinvestment plans	1.9 1.5	Dividends reinvested multiplied by benchmark cost (1%)
Capex funding requirement	1678.8	This is the forecast capex funding requirement (not the capex value that includes a half year WACC adjustment)
Debt component	670.9 681.0	Set to equal 60% of RAB increase (not capex)
Equity component	1007.9 997.7	Residual of capex funding requirement and debt component
Retained cash flows available for reinvestment	761.8 961.8	Includes dividends reinvested
External equity requirement	246.1 35.9	Equal to equity component less retained cash flows
External equity raising cost	7.4 1.1	External equity requirement multiplied by benchmark direct cost (3%)
Total equity raising cost	9.3 2.6	Sum of dividend reinvestment plan cost and external equity raising cost
Total equity raising cost (\$2009–10)	8.6 2.6	To be added to the RAB at the start of the next regulatory control period



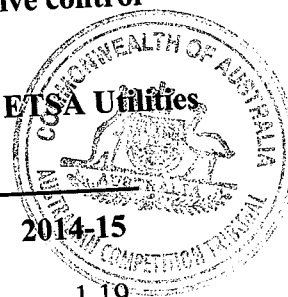
Table 12: Amended table 8.5 of the Final Decision: AER conclusion on debt raising costs (\$m, 2009–10)

	2010–11	2011–12	2012–13	2013–14	2014–15	Total
Debt raising costs	1.5	1.6	1.7	1.7 1.8	1.8 1.9	8.3 8.5



Schedule 3: Inputs to the weighted average price cap formula for alternative control services

Table 13: Amended table 17.12 of the Final Decision: AER conclusion on ETSA Utilities corporate income tax allowance (\$m, nominal)



	2010-11	2011-12	2012-13	2013-14	2014-15
ETSA Utilities proposal	0.72	0.83	0.95	1.07	1.19
AER adjustments	0.48	0.54	0.62	0.69	0.78
AER approved tax allowance	0.49 1.20	0.55 1.38	0.63 1.58	0.71 1.77	0.80 1.98

Table 14: Amended table 17.13 of the Final Decision: AER decision on annual revenue requirement (\$m, nominal)

	2010-11	2011-12	2012-13	2013-14	2014-15
Return on capital	7.87	8.73 8.71	9.56 9.54	10.21 10.20	10.92 10.90
Return of capital	3.60	4.37 4.36	5.20 5.19	6.04 6.03	6.99 6.98
Operating expenditure	6.49	6.71	7.05	7.44	7.86
Tax allowance	0.49 1.20	0.55 1.38	0.63 1.58	0.71 1.77	0.80 1.98
AER decision	18.45 19.17	20.36 21.16	22.44 23.36	24.40 25.43	26.57 27.72
ETSA Utilities proposed X factors (%)	-9.18	-9.18	-9.18	-9.18	-9.18
AER X factors (%)	-8.05	-8.05 -16.50	-8.05 -6.90	-8.05 -6.90	-8.05 -3.03

**Table 15: Amended table 17.14 of the Final Decision: AER indicative prices for ETSA
Utilities metering services (\$2009–10)**

Metering service	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
Meter provision type 6 DCC (\$/day)	0.0525	0.0567	0.0612 0.0660	0.0662 0.0706	0.0715 0.0755	0.0773 0.0777
Meter provision type 6 current transformer connected (\$/day)	0.2325	0.2512	0.2714 0.2926	0.2933 0.3128	0.3169 0.3344	0.3424 0.3445
Meter provision Type 1–4 exceptional (\$/day)	0.8151	0.8807	0.9516 1.0260	1.0282 1.0968	1.1110 1.1724	1.2005 1.2079
Meter service other meter provider customer (\$/day)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Meter service exit fee type 6 (CTC) (\$)	232	232	232	232	232	232
Meter service exit fee type 1–4 (\$)	518	518	518	518	518	518

