Produced by Transend Networks Pty Ltd

Transmission Network Revenue Cap Application to the Australian Consumer and Competition Commission for the period 1 January 2004 to 30 June 2009

March 2003

© Transend Networks Pty Ltd 2003

ABN 082 586 892

Registered office 1 Bowen Road, Moonah

TAS 7009 Australia

Postal address 7 Maria Street, Lenah Valley

TAS 7008 Australia

Telephone 1300 361 811

Overseas callers +61 3 3278 6161

Facsimile (03) 6237 3666

Internet www.transend.com.au

TABLE OF CONTENTS

VOLUME I

		Page
	Executive Summary	i
1.	Transend – Business Characteristics and Performance	1
1.1	Introduction	1
1.2	Transend's history and development	2
1.3	Tasmania's transmission system	7
1.4	Upgrading and modernising the network	10
1.5	Performance comparisons with other TNSP's	15
1.6	Future developments	19
1.7	Future goals	20
1.8	Structure of the submission	
2.	Regulatory Arrangements For This Review	22
2.1	Regulation governing application	22
2.2	Principles and approach	23
2.3	Services to be capped	24
3.	Efficiency Incentives	26
3.1	Introduction	26
3.2	Defining efficiency gains	26
3.3	Transend's efficiency gains	27
3.4	Calculating the efficiency bonus	28
3.5	Future regulatory periods	29
4.	Asset Valuation	30
4.1	Introduction	30
4.2	Regulatory arrangements for valuing Transend's assets	30
4.3	Valuation of Transend's assets as at 1 January 2004	31
4.4	Summary	33
5.	Service Standards and System Security	34
5.1	Introduction	34
5.2	Measuring service performance	34
5.3	Transend's current regulatory obligations	37
5.4	Transend's proposed performance incentive scheme	38
5.5	System security criteria	43
5.6	Summary	45
6.	Capital Expenditure	46
6.1	Introduction	46
6.2	Development capital expenditure – requirements	47
6.3	Renewal expenditure	58
6.4	Non-network capital expenditure	62
6.5	Summary of capital expenditure requirements	64

		Page
7.	Operating and Maintenance Expenditure	66
7.1	Introduction	66
7.2	O&M expenditure forecasts	68
7.3	Comparisons with other TNSP's	84
7.4	Conclusions	86
8.	Depreciation	88
8.1	Introduction	88
8.2	Current regulatory practice	88
8.3	Transend's approach to depreciation	90
9.	Cost of Capital	91
9.1	Introduction	91
9.2	Risk-free rate	92
9.3	Market risk premium	92
9.4	Gearing and debt	94
9.5	Asset and equity betas	94
9.6	Gamma	95
9.7	Conclusion	95
10.	Total Revenue Requirements	96
10.1	Introduction	96
	Glossary	100

VOLUME 2

Under separate cover

Apendices I-7