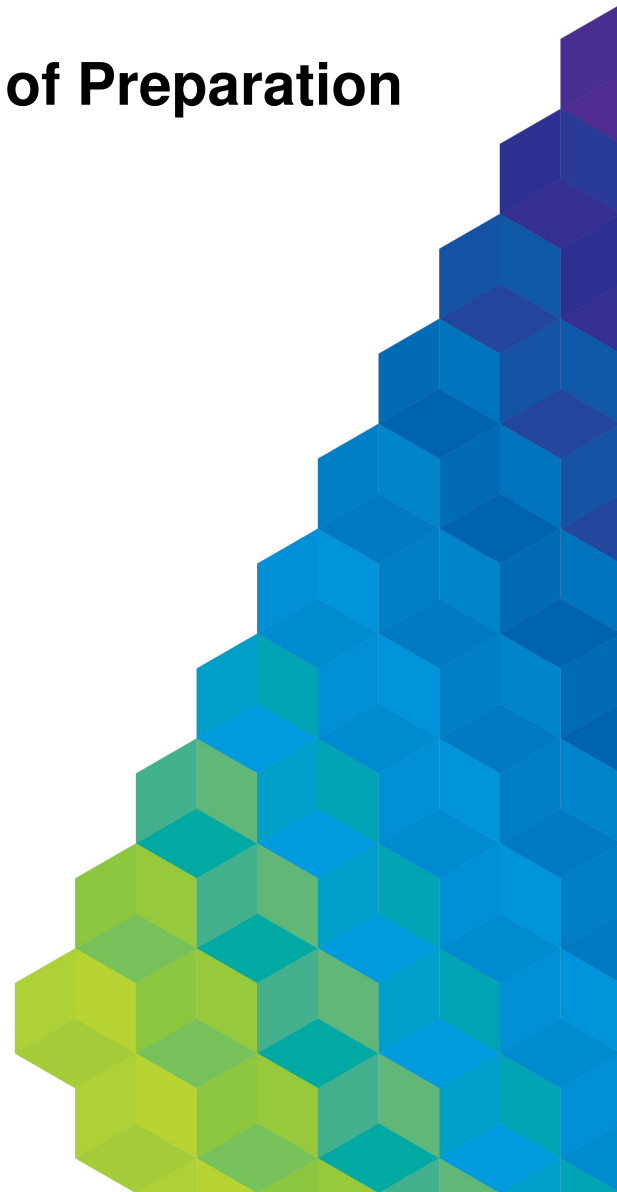




AusNet Transmission Group Pty Limited

**AER Economic Benchmarking
Regulatory Information Notice**

2017 Regulatory Year Basis of Preparation



Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

1. Overview

This Basis of Preparation document supports the preparation and reporting of the 2017 Regulatory Year data presented in AusNet Transmission Group Pty Limited's ("AusNet Transmission" or the "Company") reports entitled '2016-17 AusNet Services Economic Benchmarking - Actual Information', '2016-17 AusNet Services Economic Benchmarking - Estimated Information' and '2016-17 AusNet Services Economic Benchmarking - Consolidated Information' ("the Reports"). The Reports provide data solely for the use of the Australian Energy Regulator ("the AER") to perform benchmarking activities under the AER's Better Regulation program.

The Reports have been prepared in accordance with the 'Regulatory Information Notice issued under section Division 4 of Part 3 of the *National Electricity (Victoria) Law*' ("RIN") issued by the AER on 28 November 2013, the accompanying 'Economic Benchmarking RIN for transmission network service providers - Instructions and Definitions' and other authoritative pronouncements of the AER.

Some information required in the reports is data managed by the Australian Energy Market Operator ("AEMO"). AusNet Transmission, in conjunction with the AER, has identified within the Reports which data is maintained by AEMO and these cells have been left blank in the Reports. Therefore, AusNet Transmission has also not provided any details in relation to the Basis of Preparation of these variables.

AusNet Transmission's 2017 Regulatory Year is the period 1 April 2016 to 31 March 2017 ("Regulatory Year"). Data included in the Reports has been provided for the 2017 Regulatory Year. All financial data included in the Reports is presented in Australian dollars. Non-financial data is stated as per the measures specified in the Reports.

The ultimate Australian parent entity of the Company is AusNet Services Limited. The AusNet Services Group owns and operates 3 regulated networks – an electricity distribution network, a gas distribution network, an electricity transmission network and unregulated businesses. Employees of the AusNet Services Group work across the 3 regulated networks and there are shared costs, overheads and other corporate costs that cannot be directly allocated to a particular network. These costs are proportioned amongst the Group's 3 regulated networks, as well as the unregulated businesses, based on a monthly Activity Based Costing ("ABC") survey process. ABC Surveys are completed by all cost centre managers and are in accordance with AusNet Services' Cost Allocation Methodology ("CAM").

Materiality has been applied throughout the Reports and Basis of Preparation. Materiality is defined as information that if omitted, misstated or not disclosed has the potential, individually or collectively to influence the economic decisions of users.

'Actual Information' is defined as information materially dependent on information recorded in historical accounting records or other records used in the normal course of business, and whose presentation is not contingent on judgments and assumptions for which there are valid alternatives, which could lead to a materially different presentation. Based on this definition, 'Actual Information' may include Management judgments and assumptions (providing it does not result in a presentation that could be materially incorrect). Any information or allocation which has been calculated via the ABC survey process is considered Actual Information, as this is in accordance with the AER approved CAM, even though Management judgments are used in the completion of the survey.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

'Estimated Information' is information not materially dependent on information recorded in the AusNet Services' historical accounting records or other records used in the normal course of business and whose presentation for the purposes of the RIN is contingent on judgments and assumptions for which there are valid alternatives, which could lead to a materially different presentation in the response to the Notice.

Interpretation of the AER's definition of Actual and Estimated information requires Management judgments to be made as to the appropriate classification of information including:

- the extent to which the information is sourced from accounting or other records used in the normal course of business; and
- the degree of estimation involved and whether the information is materially dependent on judgments and assumptions for which there are valid alternatives, which could lead to a materially different presentation.

Estimates provided are considered to be Management's best estimate based on the data available. Estimates will often not equal the related actual results and estimates have only been made for the purpose of disclosing the information required under the RIN. Considerations of the cost and efficiency of preparation as well as the reliability and accuracy of data available have been taken into account in determining the best methodology to determine the estimates.

The methodologies, assumptions and judgments made by management in respect of variables are described within the relevant sections of this Basis of Preparation.

The AER's requirement, applicable to the current regulatory year, is to report all variables as Actual Information, unless a variable is expressly allowed to be reported as Estimated Information under the RIN guidelines. In circumstances where AusNet Services is unable to provide 'Actual Information', the information has been estimated and an explanation included in this Basis of Preparation document as to why AusNet Services was unable to provide 'Actual Information', how the estimate was derived and why it is the best estimate in the circumstances. This is consistent with supplementary guidance provided by the AER. In the absence of evidence that AusNet is unable to provide 'Actual Information' the AER may regard the provision of 'Estimated Information' as non-compliant with the RIN.

Where 'Estimated Information' has been presented, the circumstances and the basis for the estimate, including the approach used, assumptions made, reasons why an estimate was required and why the estimate is AusNet Transmission's best estimate has also been set out below. On this basis, AusNet Services consider data provided is in compliance with the RIN Instructions.

To the extent applicable, the information reported has been prepared in a manner consistent with the policies and methodologies applied in preparing the Annual Regulatory Accounts. There were no changes in Accounting Policies during the 2017 Regulatory Year (in comparison with the previous Regulatory Year) which had a material impact on the information presented.

The preparation methodologies and information sources adopted in the preparation of the Reports are set out below.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Contents

3.1 Revenue.....	4
3.2 Operating Expenses.....	6
3.2.3 Provisions.....	7
3.3 Assets (RAB)	8
3.4 Operational Data	12
3.5 Physical Assets.....	13
3.6 Quality of Services	16
3.7 Operating Environment	20

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

3.1 Revenue

Prescribed Transmission Services Revenue (“Revenue”) is measured at the fair value of the consideration received or receivable, net of the amount of Goods and Services Tax payable to the taxation authority. Revenue is recognised as the services are rendered and is reported inclusive of incentive scheme penalties and rewards. Total Revenue is disaggregated by chargeable quantity and also by type of connected equipment.

There have been no material changes to the accounting policies adopted by AusNet Transmission in relation to Revenue during the 2017 Regulatory Year in comparison with Regulatory Years previously reported.

Table 3.1.1 Revenue Grouping by Chargeable Quantity

Revenue reported has been classified into the Chargeable Quantity which most closely reflects the basis upon which the revenue was charged to customers. Where it has been determined that Revenues cannot be allocated to the specified chargeable quantities in TREV0101 to TREV0109, Revenue has been reported against ‘Revenue from other Sources’ (TREV0110).

The Annual Regulatory Accounts require gross proceeds from the sale of assets to be included in the Prescribed Transmission Services (“PTS”) revenue reported in the Income Statement worksheet. Per the RIN instructions, the Revenues in Table 3.1.1 need to reconcile to the Prescribed Transmission Services (“PTS”) Revenues reported in the Annual Regulatory Accounts. Therefore, gross proceeds from the sale of assets have been included in ‘Revenue from other Sources’ (TREV0110) which is consistent with the presentation of data in previous Regulatory Years.

Preparation Methodology:

Data obtained from the Annual Transmission Customer Charges schedule, AusNet Transmission’s internal Transmission Revenue Tracking Tool and information from the Financial System was allocated into the required categories as determined by the customer. These customers are clearly identifiable in the Annual Transmission Customer Charges schedule, which includes PTS revenue (i.e. revenue included in AusNet Transmission’s revenue cap, plus Group 3 revenue).

Revenue from the Australian Energy Market Operator (“AEMO”), gross proceeds from the sale of assets and Easement Tax have been included in ‘Revenue from other Sources’ (TREV0110).

Estimated Information:

The information provided is considered ‘Actual Information’ as no estimates were required.

Table 3.1.2 Revenue Grouping by Type of Connected Equipment

Revenue reported has been classified into the Type of Connected Equipment. Gross proceeds from the sale of assets which relate to Prescribed Transmission Services have been included in ‘Other Revenue’ (TREV0205).

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Preparation Methodology:

Data obtained from the Annual Transmission Customer Charges schedule, AusNet Transmission's internal Transmission Revenue Tracking Tool and information from the Financial System was allocated into the required categories based on the nature of the revenue.

Revenue from the AEMO, gross proceeds from the sale of assets and Easement Tax was allocated to 'Other Revenue' (TREV0205).

Estimated Information:

The information provided is considered 'Actual Information' as no estimates were required.

Table 3.1.3 Revenue (Penalties) Allowed (Deducted) Through Incentive Schemes

The penalties or rewards from the service target performance incentive scheme ("STPIS") or efficiency benefit sharing scheme ("EBSS") have been reported based on the year that the penalty or reward was applied, not the year in which it was earned.

Preparation Methodology:

Information used in the preparation of Table 3.1.3 has been sourced from the AER Final Determination 2014/15 - 2016/17 Transmission Revenue Reset, AER STPIS Determinations (data is extracted and included in AusNet Transmission's internal Transmission Revenue Estimator Tool) and the Post Tax Revenue Model.

EBSS

The EBSS allowance as per the AER determination was obtained and the associated nominal revenue calculated. Since the Annual Transmission Customer Charges reflect the smoothed Maximum Allowed Revenue ("MAR") and the EBSS allowance is part of the build-up of the MAR, it is possible to allocate the EBSS allowance to revenue in each year of the regulatory period.

STPIS

Revenue attributable to the STPIS was obtained from the AER STPIS Determinations for the 2017 Regulatory Year. The 2016/17 STPIS Revenue includes \$2.4M associated with the under-recovery of rewards under the now-discontinued availability incentive scheme.

Estimated Information:

The information provided is considered 'Actual Information' as no estimates were required.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

3.2 Operating Expenses

Operating Expenses (“Opex”) are the costs of operating and maintaining the network (excluding all capital costs and capital construction costs) and relate to Prescribed Transmission Services.

AusNet Services owns and operates 3 regulated networks – an electricity distribution network, a gas distribution network, and an electricity transmission network. Opex that is incurred for a particular network is allocated directly to that network. Overhead costs that cannot be directly allocated to a particular network are proportioned amongst AusNet Services’ 3 regulated networks as well as unregulated businesses via an ABC survey process. This is in accordance with AusNet Services’ CAM.

The accounting policies adopted by AusNet Transmission in relation to Opex have not materially changed during the 2017 Regulatory Year in comparison with Regulatory Years previously reported.

Table 3.2.1 Opex Categories

Preparation Methodology:

Information reported was extracted from the SAP Financial System and also information used in the preparation of the AusNet Transmission Annual Regulatory Accounts..

Opex categories and allocations have been presented in accordance with the requirements of the CAM, the Annual Regulatory Accounts and the reporting requirements that were in effect for the individual Regulatory Year. Opex reported reconciles to Prescribed Transmission Services opex as disclosed in the AusNet Transmission Annual Regulatory Accounts.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

3.2.3 Provisions

Provisions are recognised when AusNet Transmission has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the relevant reporting date, taking into account the risks and uncertainties surrounding the obligations. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Data reported is in accordance with the requirements of the CAM and relates to PTS only. The accounting policies adopted by AusNet Transmission in relation to Provisions have not materially changed during the 2017 Regulatory Year in comparison with Regulatory Years previously reported.

Provisions have been separately presented based on the nature of the provision and allocated between an Opex component, a Capital Expenditure (“Capex”) component and an Other component based on the classification of the underlying cost associated with the provision. Amounts reported reconcile to the Provisions reported in the Annual Regulatory Accounts for the 2017 Regulatory Year.

Preparation Methodology:

Provision for Employee Entitlements and Provision for Superannuation

Data was sourced from the SAP Financial System. The PTS component of the total Provision for Employee Entitlements and Provision for Superannuation was determined by applying ABC survey information.

The total ‘Additional provisions made during the period’, ‘Amounts used during the period’ and ‘unused amounts reversed during the period’ disclosed are considered ‘Actual Information’ as the data was extracted from the Financial System.

For Provision for Employee Entitlements and Provision for Superannuation, the split between the Opex component and the Capex component was estimated. To determine the proportion of these provisions that should be classified as Capex, results from monthly ABC surveys were applied.

Provision for Corporate Restructuring and Provision for Make Good

Data in relation to Provisions was extracted from the SAP Financial System. The Provisions were 100% allocated to PTS based on the nature of the provisions.

Estimated Information:

In relation to Provision for Employee Entitlements and Provision for Superannuation, the split between the Opex component and the Capex component was estimated as the data is not separately captured in the Financial System. This is considered to be Management’s best estimate based on the data available.

All other information provided is considered Actual Information as no estimates were required.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

3.3 Assets (RAB)

The Regulated Asset Base (“RAB”) values have been prepared and reported as per AusNet Services’ interpretation of the AER instructions set out in Section 4 of the RIN Instructions and Definitions (“RIN I&Ds”).

Consistent with the instructions outlined in the RIN I&Ds, the AER Final Decision AusNet Services Transmission determination 2017–18 to 2021–22 (and specifically the published roll forward model) has been used as the basis for the RAB values as this is the latest AER Decision to incorporate ‘Actual Information’.

The accounting policies adopted by AusNet Transmission in relation to Capex (the only regulatory accounting input into the RAB) have not materially changed during the 2016-17 Regulatory Year (in comparison to prior Regulatory Years reported).

Table 3.1.1 Regulatory Asset Base Values

The RAB values have been prepared and reported as per AusNet Transmission’s interpretation of the AER instructions set out in Section 4 of the RIN I&Ds.

Preparation Methodology:

Information was sourced from the AER Final Decision AusNet Services Transmission determination 2017–18 to 2021–22 and underlying workings to the Annual Regulatory Accounts.

The AER Final Decision (2017–18 to 2021–22) establishes AusNet Services’ opening RAB value as at 31 March 2017. The AER Final Decision roll forward model (RFM) was used as the basis for the RAB Values, on an ‘As-Commissioned’ basis, as that is the latest AER Decision to incorporate actual information. Since the AER Final Decision RFM contains forecast capex for Regulatory Year 2016-17 the RFM has been updated with actual capex as sourced from the 2016-17 Annual Regulatory Accounts.

In addition, prior period capex adjustments that would normally occur in the final year of the regulatory control period, or in this case Regulatory Year 2016-17, have been excluded. These particular adjustments relate to true-ups for 2013-14 capex (i.e. accounting for differences between forecast and actual 2013-14 capex) as contained in the published AER Final Decision RFM. For benchmarking purposes, actual 2013-14 capex has been historically reported and as such there’s no requirement to include these adjustments.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Table 3.2.2 Asset Value Roll Forward

The disaggregated RAB values have been prepared and reported as per AusNet Transmission's interpretation of the AER instructions set out in Section 4 of the RIN I&Ds.

AusNet Transmission has recorded assets in the RAB in asset classes that allow a direct attribution into the AER's Economic Benchmarking RAB Asset classes. The exception is that there is no split in the transmission RAB between overhead and underground assets. The existing disaggregated RAB consists of the following asset categories:

- Lines (Towers and Conductors)
- Transformers
- Switchgear
- Reactive
- Establishment
- Secondary
- Communications
- Land
- Easements
- Inventory
- IT
- Vehicles
- Premises
- Other (non-system)
- Equity Raising Costs (2008-13)

For each category above, Opening value, Inflation addition, Straight line depreciation, Regulatory depreciation, Actual additions (recognised in RAB), Disposals and Closing value for overhead transmission asset value is determined.

Preparation Methodology:

Information was sourced from the AER Final Decision AusNet Services Transmission determination 2017–18 to 2021–22 and underlying workings to the Annual Regulatory Accounts.

Each line of the RAB information Opening value, Inflation addition, Straight line depreciation, and Regulatory depreciation, Actual additions (recognised in RAB), Disposals and Closing value for transmission asset value is aggregated as per the table below:

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Benchmarking Asset Classes	RAB Asset Classes
Overhead transmission assets (wires and towers/poles etc.)	Towers and Conductors*
Underground transmission assets (cables, ducts etc.)	Towers and Conductors*
Substations, switchyards	Switchgear Transformers Reactive Establishment Land
Easements	Easements
Other assets with long lives (please specify)	Secondary Communications Premises Other Equity Raising Costs
Other assets with short lives (please specify)	Inventory IT Vehicles

*To determine the split between overhead and underground assets for 2016-17, the RAB Asset Class 'Towers and Conductors' (Inflation, Straight line depreciation, Regulatory depreciation) was allocated proportionally based on their share of the 2016/17 Opening RAB values.

All additions relate to overhead transmission assets.

Consistent with the prior year, Engineering assessments were used as the basis for determining the aggregation of the RAB Asset Classes into the prescribed Benchmarking Asset Classes.

Estimated Information:

Overhead transmission assets and Underground transmission assets is considered Estimated Information. Refer to discussion above. The information provided was estimated based on an assessment by a suitable subject matter expert ("SME") and is considered Management's best estimate based on the information available. Information regarding the other categories is considered Actual Information.

Based on the RIN Instructions and Definitions, this information is permitted to be Estimated Information on an ongoing basis.

Table 3.3.3 Total Disaggregated RAB Asset Values

Preparation Methodology:

The total disaggregated RAB values are taken directly from Table 3.3.2 and are calculated as the average of the opening and closing RAB values from Table 3.3.2.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Estimated Information:

Consistent with Table 3.3.2, the data presented in relation to Overhead transmission assets and Underground transmission assets is considered Estimated Information and all other categories are considered Actual Information. Based on the RIN Instructions and Definitions, this information is permitted to be Estimated Information on an ongoing basis.

Table 3.3.4 Asset Lives

Preparation Methodology:

Estimated service life of new assets

Data reported as the 'Estimated service life of new assets' is consistent with the information reported in the 2015/16 3.3 Assets (RAB) Template. The data reported was reviewed by a SME and no changes were required for the 2017 Regulatory Year.

The 'Estimated standard service life' for TRAB0904 and TRAB0905 was calculated based on each asset category's share of the Closing RAB for the 2017 Regulatory Year.

Estimated residual service life

The 'Estimated residual service life' for TRAB1001, TRAB1002 and TRAB1003 was calculated based on data reported in Template 5.2 Asset Age. The Asset Installation dates included in Template 5.2 Asset Age were used to calculate the Average Asset Lives in each of the Asset Categories. The 'Estimated Residual Service Life' was calculated as the difference between the 'Estimated Service Life of New Assets' and the Average Asset Lives.

The 'Estimated residual service life' for TRAB1004 and TRAB1005 was calculated based on each asset category's share of the Closing RAB for the 2017 Regulatory Year.

Estimated Information:

Data for Asset Lives is considered Estimated Information. Estimates and assumptions have been outlined above. This is considered to be Management's best estimate based on the data available. Per the RIN Instructions and Definitions, this information is permitted to be Estimated Information on an ongoing basis.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

3.4 Operational Data

Table 3.4.1 Energy Delivery

Table 3.4.2 Connection Points

Table 3.4.3 System Demand

The above tables have not been completed as the required information is maintained by AEMO.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

3.5 Physical Assets

Table 3.5.1 Transmission System Capacities

Table 3.5.1.1 Overhead Network Length of Circuit at Each Voltage

The overhead network length of circuit at each voltage level has been reported. The network length of circuit is the circuit length (measured in kilometres) of lines in service. A double circuit line counts as twice the length. Length does not take into account vertical components such as sag.

Preparation Methodology:

Information reported was sourced using a query script run in the SDME Asset Management System.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Table 3.5.1.2 Underground Cable Circuit Length at Each Voltage

The underground cable circuit length at each voltage level has been reported. The underground cable circuit length is the circuit length (measured in kilometres) of lines in service. Underground cable under terminal stations is excluded from the data reported.

Preparation Methodology:

Information reported was sourced using a query script run in the SDME Asset Management System.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Table 3.5.1.3 Estimated Overhead Network Weighted Average MVA Capacity by Voltage Class and

Table 3.5.1.4 Estimated Underground Network Weighted Average MVA Capacity by Voltage Class

Weighted average capacities have been reported for both the overhead and underground network for each of the listed voltage classes. The data provided is based on weighted average carrying capacities under normal circumstances taking account of limits imposed by thermal ratings and voltage drop or voltage stability considerations for the longer high voltage (330 kV and 500 kV) transmission lines.

Preparation Methodology:

Overhead lines and Underground cable information was sourced from SDME for each span of transmission circuit. Data extracted included details of the conductor voltage (“Volts”) and current rating (“Amps”).

The line length in kilometres (“length”) for each section of line was sourced from SDME for Overhead lines and Underground cable.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

The weighted average was calculated based on the following methodology:

$$\frac{\text{Line 1: (length * Volts * Amps)} + \text{Line 2: (length * Volts * Amps)} + \text{Line 3: (length * Volts * Amps) etc.}}{(\text{Line 1 length} + \text{Line 2 length} + \text{Line 3 length etc.}) * 1,000,000}$$

For three phase lines each group in the numerator has also been multiplied by $\sqrt{3}$.

Eleven of AusNet Services' 500 kV and 330 kV overhead transmission lines are limited by voltage and stability constraints. The loadability of these eleven 500 kV and 330 kV transmission lines has been calculated by using an industry recognised methodology that uses the "St. Clair Curve". This methodology recognises that transmission lines that are longer than 80 km are generally limited by voltage and stability constraints rather than thermal ratings. This methodology has been agreed with AEMO and uses the following assumptions to calculate transmission line loadability based on the respective transmission line's Surge Impedance Loading (SIL):

- The loadability of transmission lines that are between 80 km and 150 km has been calculated as 2.5 times the SIL
- The loadability of transmission lines that are between 150 km and 230 km has been calculated as 2.0 times the SIL
- The loadability of transmission lines that are between 230 km and 300 km has been calculated as 1.5 times the SIL.

Loadability, instead of summer MVA thermal rating ($\sqrt{3} * \text{Volts} * \text{Amps}$), is used in the numerator of the above formula for these eleven transmission lines.

Estimated Information:

The information provided is considered Actual Information as it is materially dependent on information used in the normal course of business and is not contingent on judgments and assumptions for which there are valid alternatives which could lead to materially different information being reported.

The carrying capacities included in the above weighted average calculation assume all assets have summer peaking Maximum Demands, which is a reasonable assumption given summer capacity is lower as the network is more constrained during this period compared to winter.

Capacity voltage drop considerations have been taken into account. There are eleven 500 kV and 330 kV overhead transmission lines that cannot be operated up to their thermal ratings due to voltage and stability constraints on the transmission system. Approximate line loadability ratings have been calculated for these eleven overhead transmission lines. The methodology that has been used to calculate the capacity of the eleven 500 kV and 330 kV transmission lines that are limited by voltage or stability constraints has been agreed with AEMO and is an industry recognized methodology to estimate the loadability of longer transmission lines.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Table 3.5.1.5 Installed Transmission System Transformer Capacity and Table 3.5.1.6 Cold Spare Capacity

Transformer capacity involved in the prescribed transformation levels has been reported. The transformer capacities reported in Table 3.5.1.5 are inclusive of Cold Spare Capacity which has been separately disclosed in Table 3.5.1.6. Data presented relates to assets providing Prescribed Transmission Services.

For each category, the summation of normal assigned continuous rating has been reported (including forced cooling or other capacity improving factors where relevant). Assigned ratings have been determined by the nameplate rating. Only regulated transformers (included in the Regulatory Asset Base) have been included. Step-up transformers at generation connection locations have been excluded. Oil insulated or cooled reactors and station service transformers which provide auxiliary AC and DC for secondary systems in terminal stations have also been excluded.

Preparation Methodology:

Data for both in-service and disposed-of transformers was calculated based on prior year information used in the RIN (from the Asset Management System) adjusted for transformer movements in the 2017 Regulatory Year. Movements in the 2017 Regulatory Year were determined based on a combination of data extracted from the SAP systems and the knowledge of an SME. It is noted that this data has been subject to cleansing, continuing reviews and updating over the Regulatory Years.

Estimated Information:

For variable TPA0504 'Transformer capacity for directly connected end-users owned by the end-user' AusNet Transmission has used nameplate ratings records held in its own Asset Management Systems and verified them where possible with AEMO. Nonetheless, these ratings are valid only under certain assumptions with regards to cooling equipment. As AusNet Transmission has no direct knowledge of the cooling equipment installed by these end users, these ratings should be considered estimates only.

The remaining variables are all considered Actual Information. However it is noted that the system data has been subject to data cleansing and updating over the Regulatory Years.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

3.6 Quality of Services

‘Outage’ means ‘loss of connection’ rather than loss of supply by a connected system or customer. To allow summation into an overall Average Circuit outage rate, both numerator (number of events with defined circuits unavailable per annum) and denominator (total number of defined circuits) have been provided as well as the calculated percentage rate for each item.

The parameter variables TQS0101 to TQS02 have been provided based on a calendar year (from 1 January 2016 to 31 December 2016) as STPIS performance reporting is undertaken on a calendar year basis.

Table 3.6.1 Service Component

Table 3.6.1.1 Service Parameter 1 – Average Circuit Outage Rate

Preparation Methodology:

Unplanned outages on Assets and the corresponding outage data is recorded in the Asset Management System and periodically included in internal reports and also AER submissions. The reports from the Asset Management System were reviewed and amended to align with requested information (e.g. unregulated asset information excluded).

The data reported aligns with the AER’s decision on 2016 STPIS performance as confirmed in correspondence from the AER dated 26 April 2017.

The reported ‘Number of lines fault outages’ (TQS0102) and ‘Number of defined lines’ (TQS0103) was used to calculate the ‘Lines outage rate – fault’ percentage (TQS0101).

The reported ‘Number of Transformer fault outages’ (TQS0105) and ‘Number of defined Transformers’ (TQS0106) was used to calculate the ‘Transformers outage rate - fault’ percentage (TQS0104).

The reported ‘Number of Reactive plant fault outages’ (TQS0108) and ‘Number of defined reactive plant’ (TQS0109) was used to calculate ‘Reactive plant outage rate - fault’ percentage (TQS0107).

The reported ‘Number of defined lines’ (TQS0103) and ‘Number of Lines forced outages’ (TQS0111) was used to calculate the ‘Lines outage rate – forced outage’ (TQS0110).

The reported ‘Number of defined Transformers’ (TQS0106) and ‘Number of Transformers forced outages’ (TQS0113) was used to calculate the ‘transformer outage rate – forced outage’ (TQS0112).

The reported ‘Number of defined reactive plant’ (TQS0109) and ‘Number of reactive plant forced outages’ (TQS0115) was used to calculate ‘Reactive plant outage rate – forced outage’ (TQS0114).

Data presented relates to assets providing Prescribed Transmission Services.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Table 3.6.1.2 Service Parameter 2 – Loss of Supply Event Frequency – Number in Ranges Specified

The loss of supply event frequency thresholds of 0.05 and 0.30 system minutes per annum have been applied based on the AER Transmission Network Service Provider (“TNSP”) STPIS.

The data reported aligns with the AER’s decision on 2016 STPIS performance as confirmed in correspondence from the AER dated 26 April 2017.

Preparation Methodology:

The required parameters were obtained from the AER TNSP STPIS. Information reported was based on data reported in the annual AER 2016 Transmission Service Standard Compliance Report which was ultimately sourced from the Asset Management System.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Table 3.6.1.3 Service Parameter 3 – Average Outage Duration

Preparation Methodology:

Average Outage Duration was derived by performing a simple average calculation of the total number of minutes for outages divided by the number of outages which caused loss of supply.

The data reported aligns with the AER’s decision on 2016 STPIS performance as confirmed in correspondence from the AER dated 26 April 2017.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Table 3.6.1.4 System Parameter 4 – Proper Operation of Equipment – Number of Failure Events

Preparation Methodology:

‘Failure of protection system’ (TQS0119) and ‘Incorrect operational isolation of primary or secondary equipment’ (TQS0121): Information on system incidents was extracted from the Asset Management System. A detailed analysis was performed of this information and based on this review, the relevant data requested was captured and summed.

‘Material failure of Supervisory Control and Data Acquisition (“SCADA”) system’ (TQS0120): Information in relation to material SCADA failures was obtained directly from AEMO.

Estimated Information:

The number of material failures of SCADA system (TQS0120) is considered Estimated Information as it is based on data provided by AEMO and is not materially dependent on information recorded in AusNet Services’ records used in the normal course of business.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

In relation to 'Incorrect operational isolation of primary or secondary equipment' (TQS0121), Incorrect operational isolation is defined in the AER TNSP STPIS as incidents "irrespective of whether an outage occurred". AusNet Services does not capture incidents where no outage results. Based on this, the number of incidents of Incorrect operational isolation of primary or secondary equipment which resulted in an outage has been used as a proxy for the data requested. Therefore, the information provided is considered Estimated Information.

The data provided is considered Management's best estimate based on the information available.

Table 3.6.2 – Market Impact Component

Quality of services is reported in accordance with the definitions specified in the December 2012 TNSP STPIS (version 4) document per the AER RIN Instructions and Definitions and validated by the AER's template spreadsheet.

Preparation Methodology:

Data reported was sourced from AEMO's Markets Management System using software packages (e.g. Ezi View provided by Global Roam). The cause of each constraint was manually allocated including outages caused by AusNet Services.

Estimated Information:

Unlike previous years, the AER's STPIS decision did not approve a specific value of Dispatch Intervals ("Dis"). Instead, it simply approved a Market Impact Component ("MIC") reward of \$0. It has, therefore, been inferred that the AER's decision was to approve the DI count of 8,595, as submitted by AusNet Services, plus 2,233 DIs for which exclusion was proposed, but presumably rejected on the basis of the AER's Service Component decision, where it rejected exclusions for the same event.

The additional 2,233 DIs are associated with South Australian separation event on 1/12/16. Subject to the AER audit, the information provided is considered Actual Information as no estimates were required.

Table 3.6.3 System Losses

System losses (TQS03) were calculated as the difference between electricity inflows and outflows as a percentage of electricity inflows.

Electricity inflows is the total electricity inflow into the transmission network including from generation, other connected TNSPs at the connection point, and connected Distribution Network Service Providers ("DNSPs") as measured by revenue meters.

Electricity outflows is the total electricity outflow into the networks of connected distribution network service providers, other transmission networks and directly connected end-users as measured by revenue meters.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Preparation Methodology:

Data metering systems collect and process energy metering data for all terminal stations. At each terminal station, the total cumulative received energy (inflows) and transferred energy (outflows) in Watt hour (“Wh”) associated with connections are collected and recorded in Data Metering Systems.

Using this information, the System Loss percentage was calculated for the 2017 Regulatory Year by calculating the difference between inflows and outflows for the months April 2016 to March 2017, and dividing by the total inflows for this same period.

Information captured and reported relates to both the Regulated and Unregulated Network. The methodology used to calculate the losses associated with the supply of electricity through AusNet Services’ electricity transmission network is outlined in SOP35-20 Transmission Network Energy Loss.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

3.7 Operating Environment

Table 3.7.1 Terrain Factors

Total number of vegetation maintenance spans (TEF0101)

'Total number of maintenance spans' is the total count of spans (e.g. segments) in the network that are subject to active vegetation management practices in the 2017 Regulatory Year.

Active vegetation management practices do not include inspection of vegetation maintenance segments.

Preparation Methodology:

Information in relation to the total number of vegetation maintenance spans was sourced from a report generated in SAP. This report includes information such as Network, Feeder, Segments Assessed (disaggregated into P1, P30, P180, P365, P900, P6Y), Segments Actioned (disaggregated into the P classifications), and Segments Cut (disaggregated into the P classifications). The 'P' represents the number of days that action needs to be taken by for a segment e.g. a P365 segment is where vegetation maintenance is required within the next 365 days on that segment. Therefore the report details actions that have been taken for each type of segment within the selected dates.

The report was pivoted to calculate the Operating Environment table variables. The total count of segments in the network that are subject to active vegetation management practices are represented by the 'Cut' columns in the report (i.e. 'Assess' columns includes number of inspections, therefore, is not compliant with the RIN requirements). A count of all Cut P1, P30, P180, P365, P900 and P6Y segments was determined via a pivot table.

The maintenance segments reported include only segments subject to action/cutting rather than inspection or assessment only, therefore meeting the RIN requirements.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Average vegetation maintenance span cycle (TEF0102)

Maintenance span cycle refers to the planned number of years (including fractions of years) between which cyclic vegetation maintenance is performed for the relevant area.

Preparation Methodology:

Information in relation to the average vegetation maintenance span cycles was obtained from the vegetation management plan whereby 3 patrols are conducted per annum, with an aim to clear segments on a 3 year cycle.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Average number of trees per vegetation maintenance span (TEF0103)

The 'average number of trees per maintenance span' includes only trees that require active vegetation management to meet its vegetation management obligations. It excludes trees that only require inspections and no other vegetation management activities required to comply with AusNet Transmission's vegetation management obligations.

Preparation Methodology:

Vegetation Management field staff manually record the number of trees to be actioned (P1, P30, P180, P365, P900 and P6Y) in each segment, into an excel spreadsheet. System analysts calculated the average number of actioned trees per maintenance segment across the HBRA and LBRA areas in Urban and Rural areas.

Estimated Information:

The information provided is considered an estimate as the average was calculated based on the maintenance spans with recorded data. This represents approximately 33% of the total Number of Maintenance Spans. Based on the RIN Instructions and Definitions, this information is permitted to be Estimated Information on an ongoing basis.

Average number of defects per vegetation maintenance span (TEF0104)

Defects are defined as any recorded incidence of non-compliance with vegetation clearance standards. Defects on a vegetation segment are recorded as one, regardless of the number of defects on the segment.

Preparation Methodology:

Information to calculate the average number of defects per vegetation maintenance segment was extracted from SAP. The total number of defects was calculated as the number of P1 and P30 Cut segments as per the Report extracted from SAP.

To calculate the average number of defects, the total number of defects was divided by the number of vegetation maintenance segments (i.e. spans).

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Tropical Proportion (TEF0105)

Tropical spans are the approximate total number of urban and rural Maintenance Spans in the Hot Humid Summer and Warm Humid Summer regions as defined by the Australian Bureau of Meteorology Australian Climatic Zones map (based on temperature and humidity).

Preparation Methodology:

There are no Tropical Spans in AusNet Transmission's Maintenance Spans.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Standard Vehicle Access (TEF0106)

Areas with 'Standard Vehicle Access' are serviced through made roads, gravel roads and open paddocks (including gated and fenced paddocks).

Preparation Methodology:

It has been assumed that all segments other than those which were actioned by climbing parties (as opposed to Elevated Work Platforms/ground parties) have standard vehicle access.

The percentage of segments which were actioned by climbing parties was calculated using a query (SQL) generated in the AusNet Services Vegetation Management System (Distribution). This identified the priority segments (PT1, PT30, PT180 and PT365) and how many required climbers to action them during the Regulatory Year. This figure was divided by the total priority segments (i.e. converted into a percentage).

The following calculation was performed: (1 minus the standard vehicle access percentage) multiplied by the overhead route line length in kilometres. This determined standard vehicle access.

Estimated Information:

Data provided is considered Estimated Information as the information required was not separately captured by the existing systems. The estimation process as described is considered Management's best estimate of the data required based on the information available.

Altitude (TEF0107)

Altitude is the route line length 600 meters above sea level.

Preparation Methodology:

Information in relation to altitude was obtained by reviewing profile drawings and PLS-Cadd line terrain models to identify levels for tower bases at the start and end of route sections above 600 meters above sea level.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Bushfire Risk (TEF0108)

Bushfire risk is the number of Maintenance Spans in high bushfire risk areas.

Preparation Methodology:

An 'IW64 report' was generated in SAP which shows the fire zone each maintenance spans is recorded in. The number of HBRA spans were then combined to yield the total maintenance spans in HBRA.

Basis of Preparation – Economic Benchmarking

2017 Regulatory Year

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Table 3.7.2 Network Characteristics

Route Line Length (TEF0201) and Total Number of Spans (TEF0204)

The Route Line Length is the aggregate length in kilometers of lines, measured as the length of each conductor span between poles and/or towers and does not include vertical components such as line sag. Each easement span is considered only once irrespective of how many circuits it contains.

Preparation Methodology:

The Route Line Length reported includes both Overhead Route Line Length and Underground Route Line Length.

Underground Route Line Length data was sourced directly from SDME.

Information in relation to Overhead Route Line Length and Total Number of Spans was obtained from the SDME Asset Management System. The data extracted provided wire segment and functional location information. Using the coordinates of in-service towers, Overhead Route Line Length was determined. Based on this data, the number of spans was calculated.

Estimated Information:

The information provided is considered Actual Information as no estimates were required.

Variability of dispatch (TEF0202) and Concentrated load distance (TEF0203)

The data relevant to TEF0202 and TEF0203 is maintained by AEMO, therefore not required to be disclosed in the Template.