REVENUE PROPOSAL 2019 - 2023

Attachment 2

Regulatory Asset Base

28 March 2017

ElectraNet

Company Information

ElectraNet Pty Ltd (ElectraNet) is the principal electricity transmission network service provider (TNSP) in South Australia.

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Note

This attachment forms part of our Revenue Proposal for the 2018-19 to 2022-23 regulatory control period. It should be read in conjunction with the other parts of the Revenue Proposal.

Our Revenue Proposal comprises the overview and attachments listed below, and the supporting documents that are listed in Attachment 15:

Revenue Proposal Overview

Attachment 1 – Maximum allowed revenue

Attachment 2 – Regulatory asset base (this document)

Attachment 3 – Rate of return

Attachment 4 – Value of imputation credits

Attachment 5 – Regulatory depreciation

Attachment 6 – Capital expenditure

Attachment 7 – Operating expenditure

Attachment 8 – Corporate income tax

Attachment 9 – Efficiency benefit sharing scheme

Attachment 10 – Capital expenditure sharing scheme

Attachment 11 – Service target performance incentive scheme

Attachment 12 – Pricing methodology

Attachment 13 – Pass through events

Attachment 14 – Negotiated services

Attachment 15 – List of supporting documents

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2. Regulatory Asset Base

2.1 Key points

- The value of the Regulatory Asset Base (RAB) is a key input to our revenue requirement.
- We have adopted the accepted approach to calculate the estimated value of the RAB in accordance with the Australian Energy Regulator's (AER's) Roll Forward Model (RFM)[1] and the Rules.

2.2 Introduction

This attachment presents information relating to our RAB in accordance with the Rules and the AER's RFM.

The attachment is structured as follows:

- Section 2.3 explains how the roll forward methodology is used to establish the opening asset base as at 1 July 2018.
- Section 2.4 presents the forecast RAB for each year of the forthcoming regulatory period.

2.3 Opening RAB as at 1 July 2018

Our opening RAB as at 1 July 2018 has been calculated in accordance with the AER's RFM. The derivation of the opening RAB is shown in Table 2.1 below.

Table 2.1: Derivation of opening RAB as at 1 July 2018 ($m nominal)

	2013-14	2014-15	2015-16	2016-17	2017-18
Opening RAB	2,069.5	2,187.4	2,242.0	2,336.9	2,446.3
Capital Expenditure as incurred	136.2	117.1	165.2	166.7	168.2
Straight line depreciation	(78.9)	(91.6)	(99.6)	(103.3)	(109.4)
Inflation adjustment	60.6	29.1	29.4	46.0	48.2
Closing RAB	2,187.4	2,242.0	2,336.9	2,446.3	2,553.4
Adjust for difference in 2012-13 actual capital expenditure (and disposals)					(1.0)
Adjust for return on difference in 2012-13 actual capital expenditure (and disposals)					(0.4)
Opening RAB at 1 July 2018					**2,552.0**

[1] AER Version 3

Table 2.1 shows that the opening RAB is calculated by:

- adding incurred capital expenditure for each year of the regulatory control period up to 30 June 2016 and thereafter adding forecast annual capital expenditure up to 30 June 2018, net of asset disposals;
- deducting depreciation on a straight line basis, using the prescribed methodology based on the accepted year by year tracking approach; and
- adjusting for actual and forecast inflation.

The opening RAB calculation also includes an adjustment to account for any difference between the estimated and actual net capital expenditure during the last year (2012-13) of the previous regulatory period. The rate of return is applied to this difference so that both we and our customers are unaffected by any difference between the estimated and actual capital expenditure in that year.

A completed Asset Base Roll Forward Model accompanies this Revenue Proposal for the current regulatory period 2013-14 to 2017-18.

2.4 Forecast RAB for the forthcoming regulatory period

Table 2.2 below presents the values and inputs used to derive the RAB for each year of the forthcoming regulatory control period from 1 July 2018 to 30 June 2023.

In accordance with S6A.2.1(f)(4) of the Rules, only actual and estimated capital expenditure properly allocated to the provision of prescribed transmission services in accordance with our approved Cost Allocation Methodology[2] has been included in the RAB, net of forecast asset disposals.

Table 2.2: Asset base roll-forward from 1 July 2018 to 30 June 2023 ($m nominal)[3]

Regulatory Asset Base	2018-19	2019-20	2020-21	2021-22	2022-23
Opening RAB	2,552.0	2,597.5	2,628.3	2,666.1	2,694.0
Net capital expenditure	100.8	106.3	118.0	111.1	60.1
Straight line depreciation	(105.5)	(126.8)	(131.9)	(135.8)	(137.6)
Inflation adjustment on RAB	50.3	51.2	51.8	52.5	53.1
Closing RAB[4]	2,597.5	2,628.3	2,666.1	2,694.0	2,669.6

Table 2.2 shows that the forecast RAB is calculated by:

- adding forecast capital expenditure to be incurred for each year of the regulatory control period up to 30 June 2023, net of forecast asset disposals;
- deducting depreciation on a straight line basis, using the prescribed methodology based on the accepted year by year tracking approach; and
- adjusting for forecast inflation.

[2] Available at www.electranet.com.au/wp-content/uploads/resource/2016/06/20081508-Report-Cost-Allocation-Methodology.pdf.

[3] The figures presented in this chapter are expressed in end of year ($ June) terms.

[4] In real terms, the RAB is forecast to decline by 5% from 1 July 2018 to 30 June 2023

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