



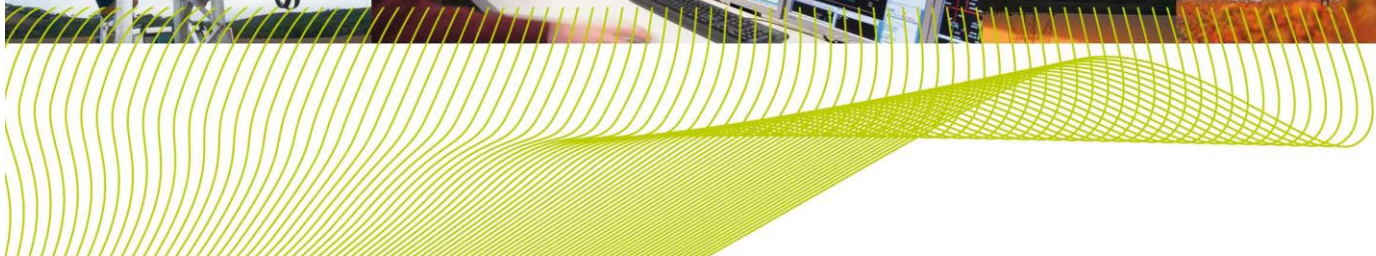
ElectraNet Transmission Network Revenue Reset Regulatory Information Notice

Basis of Preparation – Historical

1 July 2018 to 30 June 2023

March 2017

Version 1



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Company Information

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

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Note

This basis of preparation 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 attachments listed below, and the supporting documents that are listed in Attachment 15:

Attachment 1 – Maximum allowed revenue

Attachment 2 – Regulatory asset base

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

In addition to the Revenue Proposal and above mentioned documents our Regulatory Information Notice comprises the documents listed below:

PwC Audit and Review Opinions

Statutory Declaration

Basis of Preparation – Historical (this document)

Workbook 1 – Regulatory Determination

MIC Data Template 2010

MIC Data Template 2011

MIC Data Template 2012

MIC Data Template 2013

MIC Data Template 2014

MIC Data Template 2015

MIC Data Template 2016

Non – coincident and MVA Maximum Demand Measures Methodology

Map of Transmission System

Corporate Structure

Service Target Performance Incentive Scheme Network Capability Component: Network Limits Information

ElectraNet Enterprise Agreement 2016

Forecast Expenditure Preparation Overview Assumption Information

Contents

1.	INTRODUCTION	6
2.	FORECAST PRICE CHANGES	7
2.1	DATA REQUIREMENT	7
3.	SHARED ASSETS	8
3.1	DATA REQUIREMENT	8
4.	EFFICIENCY BENEFITS SHARING SCHEME	9
4.1	DATA REQUIREMENT	9
4.2	APPLICATION OF CONSUMER PRICE INDEX (CPI)	9
4.3	OPEX ALLOWANCE APPLICABLE TO EBSS (EBSS TARGET)	9
4.4	ACTUAL AND ESTIMATED OPEX APPLICABLE TO EBSS	9
4.5	ESTIMATED INFORMATION	9

1. Introduction

On 15 November 2016, ElectraNet Pty Limited (ABN 41 094 482 416) was served with a Regulatory Information Notice pursuant to Division 4 of Part 3 of the National Electricity (South Australia) Law (the RIN).

A requirement of the Revenue Reset RIN set out in the Instructions and Definitions accompanying the RIN, is the ElectraNet in addition to providing to the AER a completed data template, must provide a 'Basis of Preparation' which explains for required historic information inputted to the data template the basis upon which the input has been prepared.

For clarification, the relevant Reset RIN templates which contain historic data include the following:

- Sheet 2.14 – Forecast Price Changes;
- Sheet 7.4 – Shared Assets; and
- Sheet 7.5 – Efficiency Benefit Sharing Scheme.

In accordance with the requirements of the RIN, the following sections of this report provides ElectraNet's basis of preparation for all historic variables inputted to the data template accompanying this report. Consistent with the instructions and definitions this basis of preparation addresses the following:

- How the information provided is consistent with the requirements of the notice;
- Explains the source from which ElectraNet obtained the information provided;
- Explains the methodology ElectraNet applied to provide the required information, including any assumptions ElectraNet made;
- Where ElectraNet could not provide an input for a variable using actual information and an estimate was required:
 - Why an estimate was required, including why it was not possible for ElectraNet to use actual information; and
 - The basis for the estimate, including the approach used, assumptions made and reasons why the estimate is ElectraNet's best estimate, given the information sought in the notice.
- In the case of financial information, an explanation if applicable, of the nature and impact of any accounting changes adopted by ElectraNet which have materially changed during any of the regulatory years covered by the notice.

In accordance with the requirements of the RIN, ElectraNet is submitting this final Basis of Preparation and accompanying audited and verified version of the data template and supporting audit report.

2. Forecast Price Changes

Sheet: 2.14 Forecast Price Changes

Table: 2.14.1 Forecast labour and material price changes

2.1 Data requirement

Provide, in Regulatory determination, regulatory template 2.14, the labour and material price changes assumed by ElectraNet in estimating ElectraNet's forecast capex proposal and the forecast opex proposal. All price changes must be expressed in percentage year on year real terms.

2.1.1 Data source and methodology

The historic information provided by ElectraNet is sourced from the AER's Final Determination for ElectraNet for the 2013-14 to 2017-18 regulatory period.

2.1.2 Basis of estimation

Estimates have been applied to calculate the historic data in table 2.14 of the data template. ElectraNet does not currently capture actual material and labour price movements.

ElectraNet's historical year on year internal labour price change for 2013-14 and 2014-15 reflects ElectraNet's Enterprise Agreement in force to the period ending June 2015. For 2015-16, the historical internal labour price change reflects Deloitte Access Economics, Forecast growth in labour costs: Victoria and South Australia, 25 February 2012.

2.1.3 Changes to accounting policies

N/A – Historic information reported within 2.14 of the data template is not impacted by any accounting changes during the reporting period.

3. Shared Assets

Sheet: 7.4 Shared Assets

Table: 7.4.1 Total unregulated revenue earned with shared assets

3.1 Data requirement

This section has been completed according to the Reset RIN Schedule 1 Section 15.1.

3.1.1 Data Source and methodology

The shared assets data has been taken from ElectraNet's Enterprise Resource Planning system, SAP. Template 7.4 contains historical data that is considered actual data for the years 2008-09 to 2012-13 for telecommunications revenue.

All of the data has been sourced from transactions recorded in SAP with the relevant general ledger accounts and profit centres.

ElectraNet has compiled non-regulated revenue from the relevant general ledger accounts and profit centres for each financial year. The data reported in template 7.4 reflects non-regulated revenue net of expenses. The assets used to provide these prescribed and non-regulated service were allocated to the regulated asset base.

4. Efficiency Benefits Sharing Scheme

Sheet: 7.5 Efficiency Benefit Sharing Scheme

4.1 Data requirement

This section has been completed according to the Reset RIN schedule Section 13.

4.2 Application of Consumer Price Index (CPI)

The weighted average of eight capital cities June CPI as issued by the Australian Bureau of Statistics (ABS) has been applied in the CPI table on sheet 7.5. Each yearly June CPI has been allocated to the respective ending financial year, e.g. a June CPI from 2011 has been allocated to the financial year 2010-11. Furthermore, for the financial years of the current regulatory control period and for the where a CPI has yet to be issued by the ABS (2016-17 and 2017-28) the June CPI applied has been calculated by applying the inflation rate proposed within our Revenue Proposal.

4.3 Opex Allowance applicable to EBSS (EBSS target)

Table: 7.5.1 Opex Allowance applicable to EBSS (EBSS target)

4.3.1 Data Source and Methodology

2013-14 to 2017-18 total opex allowances and all approved excludable costs have been sourced from the AER's final decision for the regulatory period, and reflect the values in the AER's regulatory determination for that period.

The opex allowance is inclusive of the allowance for Heywood contingent project.

4.4 Actual and estimated opex applicable to EBSS

Table: 7.5.2 Actual and estimated opex applicable to EBSS

4.4.1 Data Source and Methodology

2013-14 to 2015-16 total opex and approved excludable costs have been sourced from the Regulatory Accounts for each respective year, with the exception of movements in provisions related to opex, which have been extracted from the Provisions Templates of each year's Economic Benchmarking RIN and are equal to the sum of all changes in the provisions allocated to opex.

4.5 Estimated Information

All amounts are considered actual except for movements in provisions related to opex (for all Regulatory Years). This component is considered estimated information based on the estimated opex/capex split required to be calculated in the Economic Benchmarking RINs, as this information is not separately captured in the financial systems.

Forecast data for 2016-17 and 2017-18 has been sourced from ElectraNet's 2018 - 2023 Revenue Proposal.