



Heywood Interconnector Upgrade

Contingent Project Application

December 2013



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Executive Summary

The upgrade of the Heywood Interconnector is being undertaken to increase the maximum available power transfer capability between South Australia and Victoria (in both directions) and thereby deliver a net benefit that is in the long-term interests of consumers of electricity. This upgrade involves works on both the Victorian and South Australian transmission networks.

The Australian Energy Market Operator (AEMO) and SP AusNet are currently proceeding with the Victorian component of this solution.

The South Australian component being delivered by ElectraNet (referred to as the Heywood Interconnector Upgrade contingent project) comprises four elements:

- Installation of series capacitors on the two Tailem Bend to South East 275 kV transmission lines, at a new site located at Black Range;
- Implementation of a control scheme to prevent overload of South East transformers at times of high wind energy export;
- Upgrading of assets at various substations to allow utilisation of at least full winter transmission line ratings along the 275 kV interconnector and the underlying 132 kV transmission network in the South East region; and
- Decommissioning of two South East 132 kV lines that cause thermal limitations on interconnector capacity.

The project was identified as a contingent project in the Australian Energy Regulator's (AER's) revenue determination that applies to ElectraNet in the current regulatory control period of 2013-14 to 2017-18 (the "South East to Heywood Interconnection Upgrade").

This contingent project application is submitted to the AER to amend the revenue determination that applies to ElectraNet in the current regulatory control period to include incremental revenue for the Heywood Interconnector Upgrade contingent project in accordance with the provisions of Rule 6A.8.2 of the National Electricity Rules (Rules) and approve the total capital expenditure for the project.

ElectraNet notified the AER once the defined trigger events for this contingent project had occurred, and held a pre-lodgement briefing and provided further background information on the project in the period leading up to submitting this application.

1. Introduction

This contingent project application is submitted to the AER to amend the revenue determination that applies to ElectraNet in the current regulatory control period from 2013-14 to 2017-18 and approve the total capital expenditure forecast for the Heywood Interconnector Upgrade contingent project in accordance with the provisions of 6A.8.2 of the Rules.

The interconnector has become increasingly constrained by low equipment ratings, voltage stability limitations in the South East region of South Australia and insufficient transformer capacity at Heywood in Victoria.

ElectraNet and AEMO have identified as part of the Regulatory Investment Test for Transmission (RIT-T) process that increasing the nominal transfer capability of the interconnector from 460 MW to 650 MW would deliver an overall increase in net market benefit of more than \$190m (in present value terms).

This analysis was contained in the South Australia – Victoria (Heywood) Interconnector Upgrade, RIT-T: Project Assessment Conclusions Report published in January 2013, following an extensive public consultation process.

The AER accepted the Heywood Interconnector Upgrade as a contingent project in its April 2013 revenue determination for ElectraNet, subject to a number of predefined trigger events occurring as follows¹:

1. Successful completion of the RIT-T demonstrating positive net market benefits;
2. Determination by the AER under clause 5.16.6 that the proposed investment satisfies the RIT-T; and
3. ElectraNet Board commitment to proceed with the project subject to the AER amending the revenue determination pursuant to the Rules.

As these defined trigger events have now occurred, this application presents the required information for the AER to make a determination to approve the total capital expenditure for the project and amend ElectraNet's revenue determination under 6A.8.2 of the Rules.

The remainder of this application is structured as follows:

- Chapter 2 describes the proposed contingent project. It also provides a summary of the RIT-T process that ElectraNet has completed in respect of the project;
- Chapter 3 sets out the regulatory requirements for the application;
- Chapter 4 sets out the forecast capital expenditure requirements;
- Chapter 5 sets out the forecast incremental operating expenditure to the end of the regulatory control period; and
- Chapter 6 sets out the incremental revenue required to the end of the regulatory control period as a result of the contingent project.

¹ The ElectraNet Transmission Determination 2013-14 to 2017-18 can be found on the AER website: <http://www.aer.gov.au/node/16617>

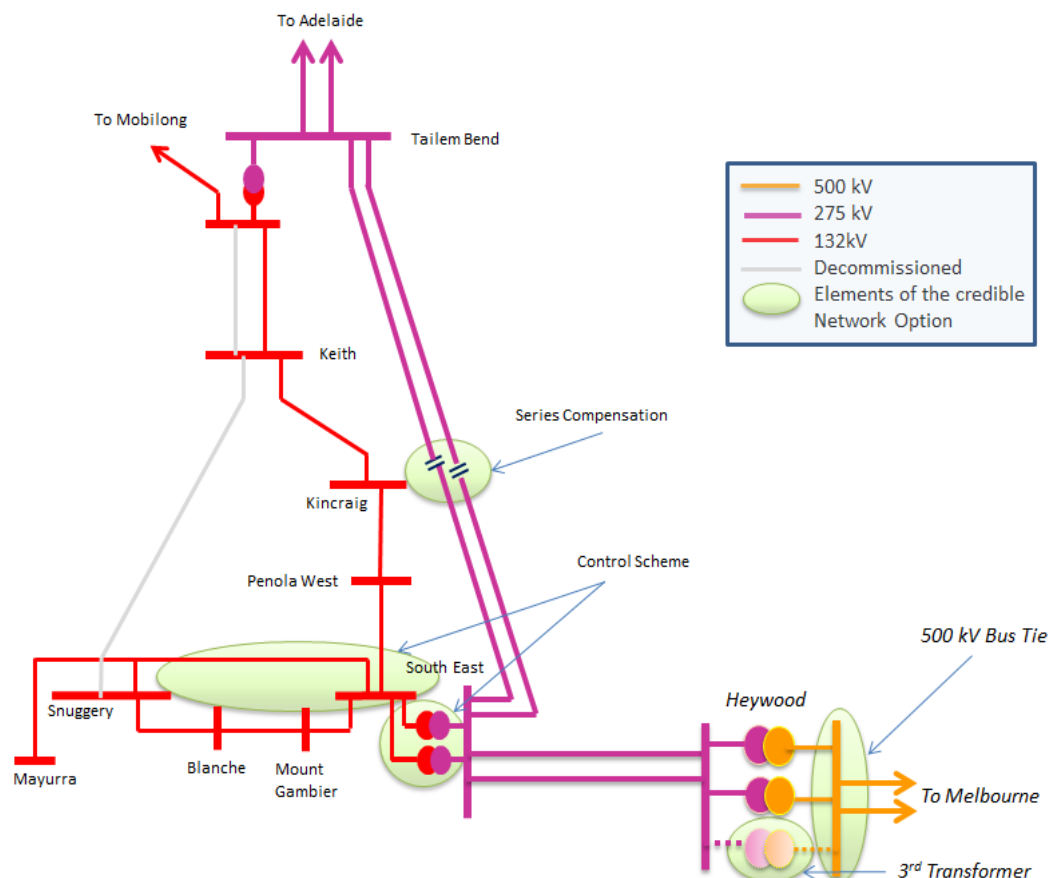
2. Project Summary

2.1 Project Scope

The Heywood Interconnector Upgrade contingent project involves four components:

1. Installation of series capacitors on the two Taillem Bend to South East 275 kV transmission lines, at a new site located at Black Range;
2. Implementation of a control scheme to prevent overload of South East transformers at times of high wind energy export;
3. Upgrading of assets at various substations to allow utilisation of at least full winter transmission line ratings along the 275 kV interconnector and the underlying 132 kV transmission network in the South East region; and
4. Decommissioning of two South East 132kV lines that cause thermal limitations on interconnector capacity.

These works are depicted in the following diagram.



The Victorian component of the interconnector upgrade is being pursued by AEMO and SP AusNet as noted earlier and is not included in the scope of this application.

2.2 Regulatory Investment Test for Transmission

The RIT-T Project Assessment Conclusions Report published in January 2013² contains a detailed analysis of options for the proposed Heywood Interconnector Upgrade project and identifies the recommended option which derives the most positive net market benefits in accordance with the RIT-T requirements set out in the Rules. A brief summary of the outcomes of this assessment is set out below.

2.2.1 Limitations

The RIT-T assessment undertaken by ElectraNet and AEMO identified two main limitations currently affecting the Heywood interconnector. The first involves thermal capabilities and voltage stability limitations in south-east South Australia. The second is the transformer capacity at Heywood.

Voltage and thermal limits have frequently restricted import and export power transfer capability between the regions. Current transformer capacity at Heywood is often restricting the amount of wind generation which can be exported from SA as well as the amount of power flow into South Australia during periods of high South Australian electricity demand.

These limitations restrict both the import and export capability of the interconnector, constraining power flows and increasing generation dispatch costs over the longer term.

2.2.2 Options considered

ElectraNet and AEMO identified and examined nine credible potential options in the RIT-T analysis:

1. Option 1a – Installation of a third 370 MVA 500/275 kV transformer at Heywood and 500 kV bus tie, plus a 100 MVar capacitor at South East substation and reconfiguration of the 132 kV network between Snuggery-Keith and Keith-Taillem Bend (South Australia). Estimated commissioning date of July 2016;
2. Option 1b - Installation of a third 370 MVA 500/275 kV transformer at Heywood and 500 kV bus tie, plus 275 kV series compensation in South Australia and reconfiguration of the 132 kV network between Snuggery-Keith and Keith-Taillem Bend (South Australia). Estimated commissioning date of July 2016.
3. Option 2a - Construction of a third 160 MVA 275/132 kV transformer at South East substation plus Option 1a.
4. Option 2b – Construction of a third 160 MVA 275/132 kV transformer at South East substation plus Option 1b.
5. Option 3 – Construct a new Krongart-Heywood 500 kV interconnector and associated 275 kV works between Krongart and Tungkillo (South Australia). Staged works, with estimated commissioning dates of July 2025 and July 2030;
6. Option 4 - Option 1a minus the third 500/275 kV transformer at Heywood;

² The PACR is available on ElectraNet's website at: <http://www.electranet.com.au/network/current-and-planned-projects/south-east/new-developmentpage-9/>

7. Option 5 - Five-year, 200 MW demand management (DM) program beginning in 2013 plus Option 1b, deferred by two years (therefore an estimated commissioning date of July 2018);
8. Option 6a - Control scheme applying to specific wind generation in South Australia and the South East substation, and a 500 kV bus tie at Heywood. Estimated commissioning date of July 2015; and
9. Option 6b – Control scheme applying to specific wind generation in South Australia and the South East substation (estimated commissioning date July 2015) plus Option 1b, minus the 3rd 500/275 kV transformer at Heywood (estimated commissioning date of July 2016).

Many of these credible options involve different combinations of particular investment components.

2.2.3 Outcome

The RIT-T analysis demonstrated that the preferred option that satisfies the RIT-T is Option 1b involving installation of a third transformer at Heywood and 500 kV bus tie, plus 275 kV series compensation in South Australia and reconfiguration of the 132 kV network between Snuggery - Keith and Keith - Taillem Bend in South Australia.

2.3 AER Determination

On 5 April 2013, ElectraNet submitted a formal request to the Australian Energy Regulator (AER) for a determination on whether the preferred option identified for the South Australia – Victoria (Heywood) interconnector upgrade satisfies the requirements of the RIT-T, in accordance with clause 5.16.6 of the Rules³.

Following an extensive public consultation process, the AER issued a formal decision in September 2013 which determined that the preferred option identified by ElectraNet and AEMO in their Project Assessment Conclusions Report satisfies the RIT-T⁴.

2.4 Conclusion

ElectraNet is now proceeding to deliver the South Australian component of the Heywood Interconnector Upgrade project in accordance with the preferred option that the AER has confirmed satisfies the RIT-T by July 2016.

³ ElectraNet's application is available on the AER's website at: <http://www.aer.gov.au/node/19916>

⁴ The decision is available on the AER's website at: <http://www.aer.gov.au/node/19916>

3. Regulatory Requirements

The regulatory requirements for contingent projects are contained in Rule 6A.8.2 of the Rules and in the AER's "Process Guideline for Contingent Project Applications under the National Electricity Rules", September 2007.

The key requirements for this application are outlined in the following sections.

3.1 Amendment of Revenue Determination for Contingent Project

Rule 6A.8.2 of the National Electricity Rules sets out the requirements for making an application to amend a revenue determination to include a contingent project.

Clause 6A.8.2(b)(3) sets out the information that the application must provide, specifically:

- an explanation that substantiates the occurrence of the trigger event;
- a forecast of the total capital expenditure for the contingent project;
- a forecast of the capital and incremental operating expenditure, for each remaining regulatory year which the Transmission Network Service Provider considers is reasonably required for the purpose of undertaking the contingent project;
- how the forecast of the total capital expenditure for the contingent project meets the Rule threshold;
- the intended date for commencing the contingent project (which must be during the regulatory control period);
- the anticipated date for completing the contingent project (which may be after the end of the regulatory control period); and
- an estimate of the incremental revenue which the Transmission Network Service Provider considers is likely to be required to be earned in each remaining regulatory year of the regulatory control period as a result of the contingent project being undertaken.

Clause 6A.8.2(f) includes a requirement that the AER must accept the relevant amounts in the application if it is satisfied that the amounts of forecast capital expenditure and incremental operating expenditure reasonably reflect the capital expenditure criteria and operating expenditure criteria, taking into account the capital expenditure factors and operating expenditure factors, in the context of the contingent project.

Chapters 4 and 5 of this application set out the capital and incremental operating expenditure requirements for this contingent project respectively, together with the assumptions and methodology used to arrive at these forecasts. The incremental revenue required for this project is set out in Chapter 6. The remaining regulatory requirements are addressed in the remainder of this section.

For convenience, Appendix A includes a checklist of the above regulatory requirements with references to the relevant sections of this application that address these requirements.

3.2 Trigger Events

The AER determined the following three trigger events for this project:

1. Successful completion of the RIT-T demonstrating positive net market benefits;
2. Determination by the AER under clause 5.16.6 that the proposed investment satisfies the RIT-T; and
3. ElectraNet Board commitment to proceed with the project subject to the AER amending the revenue determination pursuant to the Rules.

A contingent project application must be lodged as soon as practicable after the occurrence of the applicable trigger event(s).

Clause 6A.8.2(b)(3)(i) requires ElectraNet to substantiate the occurrence of these trigger events.

Regulatory Investment Test for Transmission

The first trigger event, the successful completion of the RIT-T has occurred, with the Project Assessment Conclusions Report published in January 2013⁵.

AER Determination clause 5.16.6

The second trigger event, an AER determination under clause 5.16.6 that the proposed investment satisfies the RIT-T has occurred.

ElectraNet submitted a request to the AER on 5 April 2013 for a determination on whether the investment option selected in the Heywood Interconnector Upgrade project satisfies the RIT-T under clause 5.16.6 of the Rules.

On 4 September 2013, in accordance with the requirements under clause 5.16.6 of the Rules, the AER published its determination that the preferred option was correctly identified and therefore satisfied the RIT-T⁶.

Board Commitment to Proceed

On 21 November 2013, the ElectraNet Board committed to proceed with the project subject to the AER amending the revenue determination pursuant to the Rules. A copy of the resolution of the Board is provided in the certified extract from the Board minutes contained in Appendix B.

⁵ The PACR is available on ElectraNet's website at: <http://www.electranet.com.au/network/current-and-planned-projects/south-east/new-developmentpage-9/>

⁶ The decision is available on the AER's website at: <http://www.aer.gov.au/node/19916>

3.3 Project Timing

For the purposes of this application, the applicable dates for commencement and completion of the contingent project are as follows:

- Date for commencement of the contingent project – 1 July 2013
- Anticipated date for completing the contingent project – 30 June 2018

The capital expenditure associated with the contingent project is contained entirely within the current regulatory control period of 2013-14 to 2017-18.

3.4 Pre-lodgement Consultation

The AER's "Process Guideline for Contingent Project Applications under the National Electricity Rules" encourages transmission companies to engage with the AER prior to lodgement of a contingent project application to assist both the AER and TNSP to satisfy the requirements of the Rules.

ElectraNet undertook the pre-lodgement process in early December 2013 with the provision of background information and an informational briefing to the AER following the occurrence of the applicable trigger events.

4. Forecast Capital Expenditure

This chapter presents the forecast capital expenditure for the Heywood Interconnector Upgrade contingent project in accordance with clauses 6A.8.2(b)(3)(ii), (iii) and (iv) of the Rules.

In accordance with the relevant provisions of the Rules, the forecast capital expenditure detailed in this chapter is considered by ElectraNet to be reasonably required to undertake this project, taking into consideration the capital expenditure criteria and capital expenditure factors set out in the Rules.

4.1 Basis for estimates

The capital expenditure forecasts have been estimated by ElectraNet based on supplier quotes, current costs and relevant benchmarks. This information is drawn from a range of sources, including market information, recently completed projects, purchased equipment and current labour rates.

Project delivery costs have been forecast on current costs and benchmarks, consistent with benchmarks accepted by the AER in previous revenue determination processes. An appropriate project risk allowance has been calculated based on the established project risk management methodology previously accepted by the AER. This methodology involves a detailed evaluation and probabilistic assessment of known risks at this relatively early stage of the project.

Incremental equity raising costs have been calculated by reapplying the methodology adopted by the AER in ElectraNet's current revenue determination, as reflected in the AER's approved Post Tax Revenue Model (PTRM), consistent with previous contingent project determinations.

Table 4-1 below provides a summary breakdown of the cost components and the basis of the forecast costs. Due to the relatively early stage of development of the project, estimates based on current market information, efficient benchmarks and current costs have largely been used to determine forecast capital expenditure requirements.

Table 4-1: Breakdown of forecast capital expenditure and basis of estimation

Capex Item	Basis for Forecast Expenditure
Series compensation (Black Range)	Estimate based on market pricing and benchmarks
Reconfiguration of 132kV network	Estimate based on market pricing and benchmarks
South East control scheme	Estimate based on current costs and benchmarks
South East asset rating upgrades	Estimate based on current costs and benchmarks
Project risk	Detailed probabilistic risk assessment
Project delivery costs	Estimate based on current costs and benchmarks
Equity raising costs	Benchmark costs calculated using PTRM

4.2 Capex Forecast by Year

The capital expenditure forecast for the contingent project is as follows:

Table 4-2: Capital expenditure forecast (\$m 2012-13)

	2013-14	2014-15	2015-16	2016-17	2017-18	Total*
Total Capex ⁷	2.3	12.5	27.5	15.9	7.9	66.0

* Equivalent to the contingent project capital expenditure forecast of \$65.1m approved by the ElectraNet Board following the application of real cost escalation

This excludes prior period expenditure of approximately \$1.8m associated with the application of the RIT-T and related preparatory work for the project.

⁷ Excluding equity raising costs

4.3 RIT-T comparison

This capital expenditure forecast compares favourably to the capital cost estimate included in the RIT-T for the SA component of the works⁸, with a total cost variance of less than 1%.

Table 4-3: Forecast and RIT-T capex comparison (\$m 2011-12)

Forecast	RIT-T	Contingent Project Application*
Capex estimate	62.7	63.2

* Equivalent to the contingent project capital expenditure forecast of \$66.0m (\$2012-13) which reflects the impact of real cost escalation

4.4 Capital Expenditure Threshold

To qualify as a contingent project, the proposed capital expenditure at the time of the making of ElectraNet's revenue determination was required to exceed either \$10m or 5% of the maximum allowed revenue for the first year of the regulatory control period, whichever is the greater.

The AER determined maximum allowed revenue for ElectraNet for the first year of the current regulatory control period of \$284.0m (smoothed). Therefore, the applicable threshold for a contingent project is \$14.2m. As the total estimated cost of the Heywood Interconnect Upgrade contingent project clearly exceeds this figure, the threshold requirements of clause 6A.8.2(b)(3)(iv) of the Rules are satisfied.

4.5 Conclusion

The total forecast capital expenditure for the Heywood Interconnector Upgrade contingent project is \$66.0m⁹ (\$2012-13).

ElectraNet is confident that this forecast is both efficient and prudent (in accordance with the capital expenditure criteria) and that it meets the required capital expenditure objectives set out in the Rules. In reaching this conclusion, ElectraNet notes that the RIT-T analysis and subsequent AER determination supports the preferred option, and the estimated costs are consistent with those indicated in the RIT-T.

⁸ Refer to the PACR, available on ElectraNet's website at: <http://www.electranet.com.au/network/current-and-planned-projects/south-east/new-developmentpage-9/>

⁹ In addition to equity raising costs of \$0.36m (\$2012-13)

5. Forecast Incremental Operating Expenditure

This chapter presents the forecast incremental operating expenditure required for the Heywood Interconnect Upgrade contingent project in accordance with the requirements of Clause 6A.8.2 (b)(3)(iii) of the Rules.

The forecast incremental operating expenditure detailed in this chapter is considered by ElectraNet to meet the operating expenditure criteria and operating expenditure factors set out in the Rules.

5.1 Basis for estimates

ElectraNet has determined the incremental operating expenditure for the contingent project by using the same methodology and models accepted by the AER in its revenue determination for ElectraNet for the current regulatory control period.

This methodology is a combination of a zero based (or bottom up) approach to determine the net impact of the project on routine maintenance requirements, and an asset growth factor approach for items such as maintenance support, network operations and asset manager and corporate support. Incremental debt raising costs have been derived from the AER's approved PTRM.

5.2 Incremental Opex Forecast

The incremental operating expenditure forecast for the contingent project is summarised as follows:

Table 5-1: Incremental operating Expenditure (\$m 2012-13)

	2013-14	2014-15	2015-16	2016-17	2017-18	TOTAL
Controllable opex	-	-	-	0.75	0.73	1.49
Network support	-	-	-	-	-	-
Debt raising costs	-	-	0.00	0.01	0.02	0.07
Total opex	-	-	0.00	0.76	0.76	1.55

5.3 Conclusion

The total incremental operating expenditure for the contingent project in the remaining years of the regulatory control period is \$1.55m (\$2012-13).

ElectraNet is confident that this forecast is both efficient and prudent and that it meets the operating expenditure objectives of the Rules.

6. Incremental Revenue Requirements

Clause 6A.8.2(b)(3)(vii) of the Rules requires ElectraNet to provide an estimate of the incremental revenue likely to be required for each remaining regulatory year of the regulatory control period as a result of the Heywood Interconnector Upgrade contingent project being undertaken.

The incremental revenue sought by ElectraNet is consistent with the actual capital expenditure incurred in 2013-14 to date and the forecast capital and incremental operating expenditure for the remaining regulatory years as described in chapters four and five above.

ElectraNet has modelled the required incremental revenue on a nominal basis using the AER's PTRM as used for the revenue determination for the current period and based on the annual capital expenditure forecasts presented in this application.

In accordance with clause 6A.8.2(b)(3)(v) of the Rules, the capital expenditure forecast has been classified in a manner consistent with the AER's roll forward model to allow for the calculation of the Regulated Asset Base at the close of the current regulatory control period.

6.1 WACC

Clause 6A.8.2(b)(4)(ii) of the Rules requires ElectraNet to model its incremental revenue requirements on the basis of the rate of return determined by the AER for the current regulatory control period. The WACC used by ElectraNet for this contingent project application satisfies this requirement of the Rules, and is provided in the table below.

Table 6-1: AER WACC Parameters.

Parameter	AER Final Decision
Risk-free rate (nominal)	3.51%
Risk-free rate (real)	0.99%
Expected inflation rate	2.50%
Debt risk premium	3.18%
Market risk premium	6.50%
Gearing	60.0%
Equity beta	0.80
Nominal pre-tax return on debt	6.69%
Nominal post-tax return on equity	8.71%
Nominal vanilla WACC	7.50%

6.2 Depreciation

Clause 6A.8.2(b)(4)(iii) of the Rules requires that the calculation of the estimated incremental revenue be consistent with the manner in which depreciation is calculated under clause 6A.6.3.

The incremental annual regulatory depreciation figures shown in Table 6-2 below have been calculated using the PTRM as applied by the AER in its revenue determination for ElectraNet applicable to the current regulatory control period.

Table 6-2: Incremental Regulatory Depreciation (\$m nominal)

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Regulatory Depreciation	-	-0.1	-0.4	-1.2	-0.3	-1.9

6.3 Tax allowance

The incremental annual net tax allowance figures shown in Table 6-3 below have been calculated using the PTRM as applied by the AER in its revenue determination for ElectraNet applicable to the current regulatory control period.

Table 6-3: Incremental Net Tax Allowance (\$m nominal)

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Net Tax Allowance	-	0.00	0.01	0.05	0.06	0.11

6.4 Incremental revenue requirements for each year to end of period

Based on the estimates provided above and using the PTRM, ElectraNet has estimated incremental annual building block revenue requirements for the contingent project as shown Table 6-4.

Table 6-4: Incremental Revenue Requirement (\$m nominal)

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Return on capital	-	0.2	1.3	3.6	5.0	10.0
Regulatory depreciation	-	-0.1	-0.4	-1.2	-0.3	-1.9
Opex allowance	-	-	0.0	0.9	1.0	1.9
Net tax allowance	-	0.0	0.0	0.0	0.1	0.1
Unsmoothed revenue requirement	-	0.2	0.9	3.4	5.7	10.1

6.5 Amended maximum allowed revenue

The AER's final decision on the annual building block revenue requirement for the current regulatory control period is set out in Table 6-5 together with the calculation of the amended maximum allowed revenue required for the contingent project.

Recovery of the incremental revenue approved by the AER will commence in the 2014-15 regulatory year, in accordance with ElectraNet's approved Transmission Pricing Methodology.

Table 6-5: Amended annual building block revenue requirement (\$m nominal)

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
AER annual building block revenue requirement	268.1	291.3	319.0	345.2	359.4	1,583.0
Heywood Interconnector Upgrade revenue requirement	-	0.2	0.9	3.4	5.7	10.1
Amended annual revenue requirement (unsmoothed)	268.1	291.5	319.8	348.6	365.1	1,593.0

Table 6-6 below sets out the updated maximum allowed revenue and X factors for the current regulatory control period.

Table 6-6: Amended maximum allowed revenue (\$m nominal)

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
MAR (smoothed)	284.0	299.8	316.5	334.1	352.8	1,587.2
X Factor		-2.99%	-2.99%	-2.99%	-2.99%	

7. Conclusion

This contingent project application for the Heywood Interconnector Upgrade project has been prepared in accordance with the requirements of clause 6A.8.2 of the Rules. It requests the AER to amend the revenue determination that applies to ElectraNet in the current regulatory control period from 2013-14 to 2017-18 and include incremental revenue for the contingent project and approve the total capital expenditure forecast for the project.

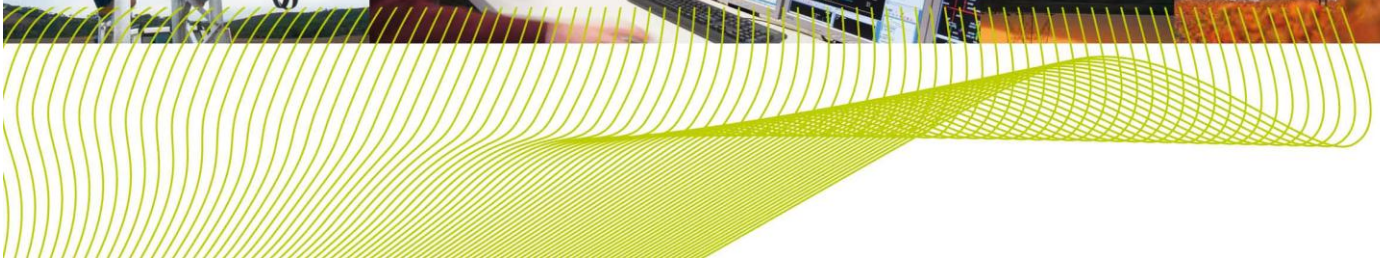
The incremental revenue set out in this application is based on capital expenditure which is reasonably required for the contingent project in each year of the current regulatory control period.



Heywood Interconnector Upgrade

Appendices

December 2013



Appendix A Requirements Checklist

The purpose of this table is to demonstrate compliance with the contingent project application information content requirements specified in clause 6A.8.2(b)(3) of the Rules.

Rule 6A.8.2(b)(3) requirements	Reference in Application
(i) an explanation that substantiates the occurrence of the <i>trigger event</i> ;	Section 3.2 and Appendix B
(ii) a forecast of the total capital expenditure for the <i>contingent project</i> ;	Section 4.2
(iii) a forecast of the capital and incremental operating expenditure, for each remaining <i>regulatory year</i> which the <i>Transmission Network Service Provider</i> considers is reasonably required for the purpose of undertaking the <i>contingent project</i> ;	Sections 4.2 and 5.2
(iv) how the forecast of the total capital expenditure for the <i>contingent project</i> meets the threshold as referred to in clause 6A.8.1(b)(2)(iii);	Section 4.4
(v) the intended date for commencing the <i>contingent project</i> (which must be during the <i>regulatory control period</i>);	Section 3.3
(vi) the anticipated date for completing the <i>contingent project</i> (which may be after the end of the <i>regulatory control period</i>); and	Section 3.3
(vii) an estimate of the incremental revenue which the <i>Transmission Network Service Provider</i> considers is likely to be required to be earned in each remaining <i>regulatory year</i> of the <i>regulatory control period</i> as a result of the <i>contingent project</i> being undertaken as described in clause 6A.8.2(b)(3)(iii); and	Section 6.4 and 6.5

Appendix B Board Approval



EXTRACT OF BOARD MINUTES

I certify that the following is an extract from the minutes of a duly authorised resolution of the Board of directors of ElectraNet Pty Limited ABN 41 094 482 416 (**Company**) dated 21 November 2013.

SUBJECT: Capital Project EC.10344 - Heywood Interconnector Upgrade - Project Approval and Contingent Project Application (Memorandum 1319)

RESOLUTION:

The Board commits to proceed with the Heywood Interconnector Upgrade project (E.C. 10344) at an estimated cost of \$65.1m (\$ 2012-13) in the 2013-2018 regulatory control period, subject to an AER contingent project decision providing incremental revenue commensurate with the estimated Capex and Opex costs of the project, and with WACC parameters no worse than those which apply in ElectraNet's current regulatory control period.


Bernard Hough
COMPANY SECRETARY
5 December 2013