

11 December 2018

Mr Warwick Anderson
General Manager, Network Finance and Reporting
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mr Anderson,

RE: AER Review of Regulatory Tax Approach 2018

Endeavour Energy wishes to provide a late supplementary submission to the AER's review of the regulatory treatment of tax to ensure aspects of Endeavour Energy's tax obligations and payments are transparent and clearly understood..

As a NSW State owned Corporation the NSW Government received dividends and National Tax Equivalent Regime (NTER) payments from Endeavour Energy consistent with the NSW obligations under the Competition Principles Agreement 1994.

In June 2017 the majority share of Endeavour Energy was transferred from State Government ownership to the private sector via a long term lease. The NSW Government's transaction process required that the NSW public were better off as a result of the transaction than they would have been if the asset had remained in government ownership (the "Retention Value Hurdle"). In the case of Endeavour Energy, the NSW Government received dividends and (NTER) distributions and these payments formed part of the retention value hurdle. The structure of the sale process resulted in future income tax being pre-paid to the NSW Government as part of the transaction price, allowing the Retention Value Hurdle, set on the basis of future value of distribution and tax equivalent payments, to be cleared.

Endeavour Energy's investors have effectively pre-paid future tax obligations on a net present value basis for the life of the asset lease. These payments need to be taken into account in the current tax review. The NSW Government received a one-off NTER equivalent payment in 2017 that must be recognised in the assessment of the tax paid by Endeavour Energy.

If you have any queries or wish to discuss this matter further please contact our Manager Network Regulation, Mr Jon Hocking, on [REDACTED] or via email at jon.hocking@endeavourenergy.com.au.

Yours sincerely,



Andrew Schille
General Manager Regulation & Corporate Affairs
Endeavour Energy