



EnergyAustralia[®]

Submission to AER Information Guideline

August 2007



CONTENTS

EXECUTIVE SUMMARY	1
1 INFEASIBLE OBLIGATIONS	4
2 REDUNDANT OBLIGATIONS	4
3 NETWORK MAP OBLIGATIONS.....	5
4 OBLIGATIONS SUPPORTED BY THE AER'S FINANCIAL MODELS	5
4.1 Disaggregation	6
4.2 Balance Sheet.....	7
4.3 Income Statement.....	7
4.4 Cash Flow	7
4.5 Regulatory Asset Base Information.....	8
4.6 Annual Capital Expenditure Information – New Pro Forma	8
4.7 Annual Asset Disposal Information – New Pro Forma.....	9
4.8 Depreciation	9
4.9 Depreciation – New Ad Hoc Information.....	9
4.10 Annual Operating Expenditure Information – New Pro Forma	9
4.11 Annual Revenue Information – New Pro Forma	10
4.12 Income Tax.....	10
4.13 Provisions.....	10
4.14 Annual Net Movement in Provisions – New Pro Forma.....	10
4.15 Revenue Reconciliation	11
5 AD HOC OBLIGATIONS.....	11
5.1 Regulatory Adjustment Journals	11
5.2 Price reduction/recovery and Discount Schedules	12
5.3 Network Support pass through.....	12
6 Definitions.....	Error! Bookmark not defined.

Executive Summary

The information guidelines have not been fundamentally reviewed in their nature and scope since their creation in advance of the development of the initial draft statement of regulatory intent between 1998 and 1999, although there have been several new pro forma schedules added to the original suite. It should be noted that since the initial information disclosure requirements were released for consultation in 1998, the regulatory regime as originally proposed by the ACCC has undertaken at least two substantial and fundamental changes, firstly move to an ex ante regulatory regime, and then the development of the current National Electricity Law (NEL) and National Electricity Rules (NER).

It is therefore appropriate to now consider the information guidelines from first principles within the current regulatory arrangements and policy settings. Moreover, because the development of the regulatory regime and the range of regulatory instruments at the AER's disposal has been incremental, many of the efficiencies that could be extracted from the new instruments and their interaction with each other has not been fully exploited in the regulatory regime to date.

EnergyAustralia's submission attempts to pull together the various developments that have occurred or are in the final phases of being implemented, in order to propose what EnergyAustralia believes is the most efficient and internally consistent annual information package that could be submitted by TNSPs.

This package has been constructed with one critical self imposed constraint. That is that the AER should be no worse off in terms of the level of output information regarding the TNSPs' activities under our proposal than under the AER's proposal. EnergyAustralia believes that the following recommendations achieve both EnergyAustralia's desire to streamline the regulatory process and the protection of the AER's need for pertinent information.

EnergyAustralia believes that this package when combined with the other regulatory instruments referenced in this submission, such as the cost allocation guideline, delivers robust information that is transparent in its construction to the AER and significantly removes much of the information asymmetry surrounding the reporting of this information when the information disclosure guidelines were initially released in 1998.

EnergyAustralia's comments can recommendations can generally be grouped into the following categories.

1. Removal of obligations that are addressed through other regulatory instruments issued by the AER;
2. Removal of obligations to disclose information that is mere "back solving" to the AER's own calculations and/or information that is "owned" by the AER;
3. Removal of disclosure obligations where the AER will already have such information or it can be calculated from existing information; and
4. Introduction of revised obligations that capture the necessary annual "transactions" to, at a minimum, develop analysis information of the same nature as is currently reported to the AER.

Based on the analysis of the information disclosure requirements and other regulatory instruments published by the AER, EnergyAustralia submits that the following pro forma statements in the pro forma spreadsheet should be removed.

Template(s)	Page Number(s)
Income Statement RFS Inc	1
Balance Sheet RFS Bal	2
Cash Flow Statement RFS CF	3
Income Statement DISSAG Inc	4
Balance Sheet DISSAG Bal	5
Cash Flow Statement DISSAG CF	6
Operations and maintenance expenditure DISAGG Opex	7
Causal Allocations DISAGG Alloc1	8
Non-Causal Allocations DISAGG Alloc2	9
Revenue analysis PTS Rev	13
Summary of Disaggregation Statement Assets DISAGG Assets	15
Reconciliation of Property, Plant and Equipment PTS Rec Assets	16
Provisions Summary DISAGG ProvSum	18
Provisions Reconciliation PTS ProvRec	19
Revenue Reconciliation Inf Rev Rec	21
Revenue Reset Information	22-36

Based on the analysis of the information disclosure requirements and other regulatory instruments published by the AER, EnergyAustralia submits that the following pro forma statements in the pro forma spreadsheet should be modified, or moved from annual disclosure to an ad hoc requirement where reporting is on an as needed basis due to a triggering event.

Template	Page Number
Regulatory adjustments journals PTS Adj	10
Price reduction/recovery PTS PriceRedn	11
Discount PTS Disc	12
Network Support pass through Pthrough	14
Current Map of the Network	na

Based on the analysis of the information disclosure requirements and other regulatory instruments published by the AER, EnergyAustralia submits that the following pro forma statements in the pro forma spreadsheet should be added. Their addition will facilitate the removal of a range of other reporting obligations where the TNSP is in fact not the holder of some or all of the most relevant data, and will also be required to enable the AER to operate its financial models such as the Asset Base Roll-Forward Model (ABRFM).

Template
Annual Capital Expenditure
Annual Disposals
Annual Revenue
Annual Operating Expenditure
Annual Net Movements in Provisions
Annual Depreciation (ad hoc requirement)

Finally, EnergyAustralia does not propose any changes to the following pro forma schedules at this stage.

Template	Page Number
Asset Aging Schedule PTS Asset Aging	17
Related party Transactions Inf Rel Part Trans	20
On-year Demand Forecast	na

EnergyAustralia is keen to work with the AER to develop a robust regime for annual reporting that will have long term relevance, and therefore EnergyAustralia has included as an attachment to this submission a revised set of pro forma schedules within the guideline template spreadsheet.

Further, EnergyAustralia is finalising proposed modifications to the AER's financial models to demonstrate how EnergyAustralia's recommendations and proposed interactions between the annual information requirements and the financial models will ensure that the AER is able to generate all of the relevant data that is currently captured within the pro forma schedules. EnergyAustralia hopes that this work will be available for consideration shortly.

1 Infeasible Obligations

EnergyAustralia notes that, based on our understanding of the requirements, it is not possible for it to comply with the proposed reporting obligation contained in the revenue analysis template as contained on page 13 of the pro forma spreadsheet.

The AER is requesting the TNSPs to provide some basic breakdown of the types of tariffs charged, energy transmitted to customers on each tariff and the aggregate revenues generated from each tariff category. While this information may appear to be innocuous it does raise some particular concerns to EnergyAustralia, and indeed other TNSPs may face similar challenges into the future. Moreover, as the regulatory control for transmission is a pure revenue cap it is unclear how information relating to pricing fits within the policy framework, and therefore it does not appear to be a necessary area of enquiry. Moreover, from a policy perspective it is unclear what benefit, or for what purpose, this information will provide the AER. Particularly when recognising that revenue caps, not prices, are the basis for the economic regulation of transmission networks, tariff decomposition therefore does not appear to be a necessary area of enquiry.

EnergyAustralia notes that volume of energy transported is not the sole basis for setting tariffs and generating revenues. Therefore, any analysis that does not also include other chargeable units, such as demand etc will be an incomplete and subject to significant deficiencies. Indeed the AER would be unable to reconcile tariff revenues if it simply multiplied the units of energy attributed to each tariff by the corresponding price.

Most importantly, EnergyAustralia cannot comply with the revenue analysis template. As provided for by the Rules, TransGrid is the coordinating TNSP for NSW. This means that it coordinates the setting of all of the transmission charges for NSW by taking the combined revenue caps and then setting the combined charges for each transmission connection point to the NSW transmission network that are then passed on to the customers of all the TNSPs.

The revenue flows for EnergyAustralia's transmission business, from a *tariff perspective*, covers the entire state of NSW. This is because the transmission cost allocation model run by Transgrid, accounts for complex tidal flows in the network, which in turn is reflected in the final tariffs charged at the transmission boundary across NSW for the entire state.

For EnergyAustralia this means that it is unable to clearly identify its own revenue attributable to charges set by TransGrid for any connection point within its own transmission network. Indeed, the revenue stream for the EnergyAustralia transmission network is reflected as a subcomponent of every tariff at each transmission connection point across NSW. While this is currently predominately an EnergyAustralia specific issue it also impacts other TNSPs in NSW, and it may become applicable more broadly in the future.

Given the range of issues raised above, EnergyAustralia submits that this pro forma should be removed from the information guideline package.

2 Redundant Obligations

The AER has included several pro forma schedules with the information guideline relating to reset information. These requirements have been an integral element of the information disclosure requirements since their development in 1998, however with the development of the AER's submission guideline it is clear that the requirement for these pro forma schedules has been superseded, and their continued inclusion within this guideline presents a complicating duplication of obligations. Therefore EnergyAustralia submits that the schedules in pages 22 to 36 of the pro forma spreadsheet should be removed.

Similarly, EnergyAustralia notes the AER's current development of the cost allocation guideline. It is clear from the development of the guideline to date that the AER will have both approval and directive roles regarding the cost allocation methodologies adopted. Further, in approving a TNSP's cost allocation methodologies the TNSP will need to provide the AER with documentation that sets out in some detail calculations and audit trails to support the TNSP's proposals. It should also be noted that in undertaking the required audit of the annual regulatory accounts, the TNSPs will need to be able to demonstrate to their auditors that they have complied with all requirements in developing those accounts, including the approved cost allocation method.

Recognising that the AER approves the cost allocation to be applied by each TNSP, and that each TNSP must not only comply but demonstrate that compliance in order to receive the audit assurance required by the AER when submitting its annual regulatory accounts, EnergyAustralia submits that the pro forma schedules included on pages 8 and 9 of the spreadsheet should be removed.

Moreover the required separation in the pro forma on pages 7 of the spreadsheet between directly and indirectly attributed cost appears to be a redundant level of reporting as the AER will already be aware of those operating expenditure line items that are directly and indirectly attributable through the cost allocation method approval processes. Should the AER wish to undertake analysis of the direct and indirect costs it would appear more appropriate to establish an analysis worksheet within the annual reporting and financial models rather than requiring the TNSP to resubmit information that the AER would already possess.

3 Network Map Obligations

One issue that has concerned EnergyAustralia's technical people is the level of information requested to be identified in the current map of the network. It is not clear that the information would be useful on an annual basis, and moreover the level of information requested would make the maps that EnergyAustralia currently provides cluttered, difficult to use, and reduce the contextual value to the AER that the high level maps currently provide.

Of note however, even with the information requested, it is not clear how useful the ratings of the transmission lines would be (since the power flows in the network are shared amongst lines) without also having information relating to the associated loads, standard switching configuration, state generating patterns, equipment fault ratings and the electrical characteristics of the lines etc which are not part of the map information requests. To assess the loading of the network would require a specialist load flow software package, as well as an understanding of upstream and downstream network constraints.

If detailed maps, containing full network element data, are required for any regulatory purpose, the only one that seems apparent would be to inform consultants' reviews as part of the regulatory review processes. Further, the level of information that may be required in that context is not something that is manageable in an annual reporting context as it could require downloads from our technical asset, and asset location databases. The volume of data within these databases could fill several servers.

4 Obligations Supported by the AER's Financial Models

This section addresses one of the key developments in the regulatory regime since the initial information disclosure guideline was developed in 1998, namely the development and publication of the AER's Post-tax Revenue Model (PTRM), and associated draft ABRFM.

In order to fully explore the potential of using previously submitted information and the AER's existing financial models to meet certain aspects of the Information Guideline there is a critical threshold question that needs to

be clearly addressed. This question being; what is the view of the TNSPs' information that the AER requires for regulatory purposes? The policy response to this question should be fully internalised in the information guideline, annual reporting requirements and other relevant instruments, such as the cost allocation guideline and resulting methodologies.

EnergyAustralia has taken the view that the data most relevant to the AER is that which directly accords to the regulatory regime, and the manner in which the determinations have been, and will be, set. This policy approach in conjunction with a focus on what information will ultimately be useful for subsequent decisions, and the range of information tools and instruments that the AER has in place as part of the broader regulatory package gives rise to the following observations.

It is EnergyAustralia's contention that statutory accounting data, which is constrained by accounting conventions, is by and large not relevant to the revised regulatory regime and the resulting regulatory processes, with the exception of annual "transaction" information. The issue that has arisen is that much of the information that is both requested in the draft pro forma schedules and also used in the regulatory review processes is actually held within the AER's PTRM and/or the ABRFM, such as the regulatory carrying value of assets. With the annual reporting actual "transaction" information (such as annual operating expenditure) and the updating of observed information (such as CPI) the AER will have the full range of information necessary to populate any resulting analysis work sheets, such as the annual regulatory income statement or the regulatory balance sheet and so on.

Overall, EnergyAustralia's submission and proposed realignment of the sources of data and reporting requirements have sought to maintain the current level information that the AER currently enjoys, with a commensurate level of confidence in the information provided, i.e. the AER is no worse off in an information sense. However, EnergyAustralia's proposal has sought to maintain the AER's access to information in a manner that is more internally consistent with the regulatory regime as package, provides appropriate reliance on the other regulatory instruments within the regulatory regime to eliminate duplication, and minimises the information burden on TNSPs and therefore reduce the costs of compliance that are ultimately borne by consumers.

EnergyAustralia trusts that when considering the comments below that the AER will bear these common objectives of both EnergyAustralia and the AER in mind.

4.1 Disaggregation

The pro forma schedules were initially developed in an environment where the ACCC did not have at its disposal the current range of regulatory, enforcement and approval tools that it now has within the revised regulatory regime.

Within this context the disaggregation templates were required to provide the ACCC an audit trail from the statutory accounts to the ultimate regulatory accounts. This was due to an information asymmetry that existed in respect to the individual TNSP's accounting and cost allocation methodologies. However, with the advent of the cost allocation guideline that will be finalised shortly, and the resulting approval processes that will be at the AER's discretion that asymmetry will be eliminated.

Further, from the perspective of ensuring that information can be relied upon by the AER, the draft cost allocation methodology, and indeed the Rules, require that compliance with the approved cost allocation methodology is attested to by the TNSP's directors. This is enforced by Rule and guideline obligations that require the TNSPs to comply with the cost allocation methodology when providing information to the AER. Moreover, when submitting the annual regulatory accounts the TNSP will be required to have that information subject to an independent review under the applicable auditing standards.

The combination of the cost allocation methodology, the Rules and independent review ensure that the information provided by the TNSPs will indeed be robust and can be relied upon by the AER. Failure to comply with obligations carries such sanctions that the Board and management of any TNSP would never knowingly breach these obligations.

Therefore as the related information instruments and regulatory processes are strong enough to ensure that information submitted may be relied upon all of the disaggregation pro forma schedules on pages 4 to 9, 15 and 19 of the guideline template spreadsheet are not required to be prepared and submitted by the TNSPs.

4.2 Balance Sheet

EnergyAustralia submits that Balance Sheet Schedules on pages 2 and 5 of the guideline template spreadsheet are not required to be prepared and submitted by the TNSPs. EnergyAustralia submits that all of the information that is reported in these pro forma schedules can be calculated from a combination of existing information that is in the possession of the AER using existing regulatory tools where required, and annual "transaction" information submitted by the TNSP.

Some of the specific elements of these calculations are set out below and it should be noted that in almost all cases the same information provided by the TNSPs on an annual basis can be used to populate multiple pro forma statements. EnergyAustralia submits that within the context of the current and proposed regulatory regime, and associated instruments at the AER's disposal, the balance sheet is now most applicable as an analysis tool, rather than a reporting or compliance tool.

4.3 Income Statement

EnergyAustralia submits that Income Statement Schedules on pages 1 and 4 of the guideline template spreadsheet are not required to be prepared and submitted by the TNSPs. EnergyAustralia submits that all of the information that is reported in these pro forma schedules can be calculated from a combination of existing information that is in the possession of the AER using existing regulatory tools where required, and annual "transaction" information submitted by the TNSP.

Some of the specific elements of these calculations are set out below and it should be noted that in almost all cases the same information provided by the TNSPs on an annual basis can be used to populate multiple pro forma statements. EnergyAustralia submits that within the context of the current and proposed regulatory regime, and associated instruments at the AER's disposal, the income statement is also most applicable as an analysis tool, rather than for reporting or compliance.

4.4 Cash Flow

EnergyAustralia submits that Cash Flow Statement Schedules on pages 3 and 6 of the guideline template spreadsheet are not required to be prepared and submitted by the TNSPs. EnergyAustralia submits that all of the information that is reported in these pro forma schedules can be calculated from a combination of existing information that is in the possession of the AER using existing regulatory tools where required, and annual "transaction" information submitted by the TNSP.

The cash flow pro forma schedules are currently based on actual business cash flows, which by necessity, are largely driven by an allocation of the overall economic entity cash flows, and hence be subject to a range of matters not relevant to the regulatory regime itself. However, to provide an understanding of the implications of the decision itself and its operation within the economic constructs supporting the decision, the same benchmark assumptions used in the decision should be applied to the key aspects of the cash flow analysis, such as the deemed gearing ratio, assumed interest expense etc. EnergyAustralia believes that the latter of these two paradigms is in fact the more appropriate for regulatory purposes.

The regulatory purpose of cash flow information was always to gain some intelligence as to the potential impact of the decision on cash flows and to ensure that the decisions and regulatory arrangements provide for sufficient cash flows to meet efficient costs as they fall due. This almost by definition would appear to be directly related to the construct of the PTRM that is used by the AER to determine the revenues necessary to meet those very same efficient costs when they fall due. Therefore it would appear to EnergyAustralia that the most valuable cash flow information that can be used for regulatory purposes is in fact those figures that could be directly extracted from the PTRM itself, and updated for actual “transactions” as required over the regulatory period.

Some of the specific elements of these calculations are set out below and it should be noted that in almost all cases the same information provided by the TNSPs on an annual basis can be used to populate multiple pro forma statements. EnergyAustralia submits that within the context of the current and proposed regulatory regime, and associated instruments at the AER’s disposal, the cash flow statement is now most applicable as an analysis tool, rather than for reporting or compliance.

4.5 Regulatory Asset Base Information

The clearest example of why the AER should use the information from the PTRM and ABRFM over the TNSP’s statutory accounts relates to RAB information. The regulatory decisions of the AER are established within economic constructs that establish the value path of assets within the regulatory asset base which is not consistent with general accounting principles. As discussed above EnergyAustralia believes that for the annual asset information to be of use to the AER for regulatory purposes then the asset figures reported should align with those that the AER would use for future regulatory decisions.

This assumed policy intent is supported by the pro forma statements themselves, as they provide for regulatory adjustments to be made to all statutory asset values, culminating in the prescribed regulatory values to be submitted to the AER. EnergyAustralia considers that this quite an inefficient approach to arrive at figures that the AER could better replicate using its existing regulatory tools. In essence, EnergyAustralia considers that the approach of translating accounting information into regulatory information will simply require an adjustment equivalent to the difference between the statutory accounting value for a specific asset class and the carrying value for that asset class in the ABRFM for that year.

If the process is ultimately reduced to determining the figure needed to back solve the statutory figures to the figures contained in the PTRM or ABRFM, and that the AER itself is the holder of the PTRM or ABRFM of record, then it is clear that this process adds no value and does not provide the AER with better information that it could calculate by reference to its own records.

Therefore EnergyAustralia submits that asset values for all pro forma schedules are more appropriately drawn from the AER’s PTRM or ABRFM. Further the templates on pages 15 and 16 of the guideline template spreadsheet would no longer be required to be submitted as they could be directly drawn from the PTRM and other annual data provided elsewhere.

4.6 Annual Capital Expenditure Information – New Pro Forma

In order to complete the balance sheet and calculate annual depreciation, the AER will require annual capital expenditure information by asset class. Further, the AER will require this information to run the ABRFM. It should be noted that this template should also include annual capital contributions received by the same asset classes in order to fully populate the tax position of assets roll forward model and therefore calculate the appropriate income tax expenditures.

An example pro forma template has been developed by EnergyAustralia and included with this submission. EnergyAustralia believes that the template is relatively simple and would merely require the annual reporting of net capital expenditure and capital contributions by appropriate asset classes.

as an example of what this information could reasonably be expected to be provided to meet the stated needs above.

4.7 Annual Asset Disposal Information – New Pro Forma

In order to complete the balance sheet, calculate annual depreciation and populate the income statement the AER will require annual asset disposal information by asset class. Further, the AER will require this information to run the ABRFM.

An example pro forma template has been developed by EnergyAustralia and included with this submission. EnergyAustralia believes that the information that could reasonably be expected to be provided to meet the template is relatively simple and would merely require the annual reporting of the proceeds from disposals and the residual value of assets disposed of by appropriate asset classes.

4.8 Depreciation

Depreciation figures are contained in several of the AER's pro forma work sheets on pages 1, 4, 15, and 16 of the guideline template spreadsheet. Further depreciation figures are required for the operation of the ABRFM, and the PTRM contains a default calculation of depreciation based on the straight line over remaining life method.

Where the AER's decision is based on the straight line over remaining life approach the annual depreciation can be fully calculated using the PTRM or ABRFM, updated for the actual annual capital expenditure and disposals. This functionality is in fact one of the main specifications of the ABRFM, and is critical for enabling the AER to calculate the opening RAB for the commencement of the next regulatory period.

Recognising this functionality and its role in the regulatory regime it seems both prudent and efficient to utilise it on an annual basis to meet the information needs of the AER.

4.9 Depreciation – New Ad Hoc Information

It should be noted that where a TNSP has proposed alternative approaches to depreciation that have been accepted by the AER in setting the respective revenue cap decisions, the Rules require the TNSP to submit to the AER a schedule setting out the annual depreciation in accordance with the method approved in the decision. Therefore in these instances the TNSP will need to submit a template that provides the annual depreciation for those asset classes that are depreciated on a basis other than a straight line over the remaining life, unless the PTRM / ABRFM is updated to automatically calculate the alternative accepted by the AER.

Should the TNSP be required to submit a depreciation schedule as specified by the Rules that schedule would necessarily be specific to the individual TNSP, and therefore would not be a generic pro forma.

EnergyAustralia submits that the requirement for this schedule best fits with the ad hoc schedules discussed below.

4.10 Annual Operating Expenditure Information – New Pro Forma

In order to populate the income statement the AER will require annual operating expenditure information.

An example pro forma template has been developed by EnergyAustralia and included with this submission. EnergyAustralia believes that the template is relatively simple and would merely require the annual reporting of the operating expenditures incurred and reported by an appropriate categorisation of expenses.

4.11 Annual Revenue Information – New Pro Forma

In order to complete the income statement, and confirm compliance with the revenue cap the AER will require annual revenue information.

An example pro forma template has been developed by EnergyAustralia and included with this submission. EnergyAustralia believes that the information reasonably be expected to be provided is simple and would merely require the annual reporting of revenues from prescribed activities, excluding proceeds from the disposal of assets which is included in the annual disposals pro forma proposed above.

4.12 Income Tax

Assuming an agreed starting point for the tax position of the RAB assets has been established through previous decisions; the income tax disclosures arising from several of the AER's pro forma work sheets on pages 1, 4, 18, and 19 of the guideline template spreadsheet are not required to be submitted. Further, additional information as part of the submission guideline will likewise not be required.

Once an agreed starting position has been established a correctly constructed tax roll forward taken from the PTRM combined with annual actual "transactions" will enable the AER to undertake an annual assessment of the benchmark income tax payable by the individual TNSP.

This approach would ensure that the reporting of the actual income tax information is consistent with the approach to setting the allowed income tax allowances in the respective decisions. For tracking performance against the decisions it is critical that the AER is able to consider the actual and forecast information on a like-for-like basis. Moreover, it will assist in removing the current wide ranging discrepancies between the statutory reporting arrangements and the regulatory information that is most relevant to the AER's considerations.

Therefore EnergyAustralia submits that all income tax related items in the proposed pro forma schedules be removed.

4.13 Provisions

The only remaining class of transactions or records that are necessary to finalise the three basic performance reports are provisions. EnergyAustralia submits that the summary of provisions pro forma on page 18 of the guideline template spreadsheet is not required. The balance sheet values for provisions can be derived from existing balances for provisions updated for the actual net movement in provisions. In effect this is the same approach that the AER has adopted for rolling forward the RAB in the ABRFM and the tax position of assets roll forward.

The information in schedule 19 also appears to be more than is required to be submitted considering the changes to the regulatory regime, and the recognition that the regulatory balance for each provision is best maintained through a roll forward maintained in a consistent manner as the remaining balance sheet items. However, it will still be incumbent on the TNSP to provide the AER with at least the annual movement in each of the material provisions, this information is mentioned below and an illustrative pro forma is attached.

4.14 Annual Net Movement in Provisions – New Pro Forma

In order to complete the income statement, the AER will require annual net movements in provisions information.

An example pro forma template has been developed by EnergyAustralia and included with this submission. EnergyAustralia believes that the template is relatively simple and would merely require the annual reporting of the net movements in material provisions.

4.15 Revenue Reconciliation

The information contained, and the likely calculations undertaken, in the revenue reconciliation schedule (on page 21 of the guideline template spreadsheet) would appear to be better sourced from the AER, updated for actual observed data.

Specifically:

- CPI (March Tx) and CPI (March Tx+1) are market observable and therefore would be directly obtainable by the AER, independent of the TNSP;
- Change in CPI is simply an arithmetic calculation derived from the above two data points and therefore does not require the TNSP to submit;
- X-Factor is set in the relevant AER transmission decision, and therefore is obtainable independent of the relevant TNSP;
- AR (Tx) and AR (Tx+1) are available from the respective AER decisions updated for actual CPI sourced from above and again can be obtained independent of the TNSP;
- S-Factor (Tx) is obtainable from the respective approvals of the annual S-factor adjustment made by the AER, and therefore the AER already possesses the most current information;
- Under/over recovery AR (Tx) is a calculation based on information that will be submitted by the TNSP in other pro forma schedules, figures contained in the AER's decision and observable information above. Therefore this information does not need to be resubmitted.

Therefore EnergyAustralia submits that this pro forma statement should be deleted as it is redundant.

5 Ad Hoc Obligations

EnergyAustralia notes that there are four pro forma schedules that contain information that would be relevant to the AER, where an event has occurred that would require such information to be disclosed. EnergyAustralia believes that these are best described as ad hoc reporting obligations that should be automatically imposed where appropriate "triggering" events have occurred. The following sets out why EnergyAustralia believes that these pro forma schedules should be so categorised and where possible some indication as to the "triggering" events that EnergyAustralia believes would require these templates to be submitted to the AER.

5.1 Regulatory Adjustment Journals

Given much of the discussion above, it is unlikely that regulatory adjustment journals will be required on a regular basis as all of the information to be provided by the TNSPs and used by the AER will be internally consistent with the regulatory regime. However, EnergyAustralia is conscious that there is the potential for new information to become available that may require that the AER to modify the current regulatory information.

To cater for such unanticipated events it is clearly prudent to retain a pro forma schedule that would allow the affected TNSP to provide proposed regulatory adjustments to the information currently held by the AER, and therefore ensure that the regulatory information is as accurate and robust as possible within the confines of the economic regulatory constructs.

EnergyAustralia submits that the regulatory adjustments journal on page 10 of the guideline template spreadsheet be moved to a new grouping of ad hoc obligations.

5.2 Price reduction/recovery and Discount Schedules

The regulatory regime provides for prudent discounts to be offered to individual customers where matters such as economic bypass etc are a consideration. These arrangements will obviously be quite specific to the circumstances that give rise to them, and require the AER's assessment and approval before they can be implemented with the support of the regulatory regime.

Therefore the AER will require some information to support such assessments and to review compliance with any conditions set by the AER. Such information however will not be in the ordinary course of business and therefore should only be part of the mandatory annual information package to be submitted to the AER where indeed there has been the triggering event of an approval of a prudent discount.

EnergyAustralia submits that the price reduction/recovery and discount pro forma schedules on pages 11 and 12 of the guideline template spreadsheet be moved to a new grouping of ad hoc obligations.

5.3 Network Support pass through

The regulatory regime provides for certain costs, or costs arising from specified events to be passed through to customers in addition to the revenues allowed by the revenue cap. As indicated by its very nature the types of costs or triggering events will not necessarily be in the ordinary course of business for all TNSPs and therefore this pro forma should only be required for submission to the AER where the necessary triggering event has occurred, such as a network support arrangement being entered into.

Therefore EnergyAustralia submits that the network support pro forma schedule on page 14 of the guideline template spreadsheet be moved to a new grouping of ad hoc obligations.