

**DRAFT**

**Electricity Transmission Network Service Providers**

**Information Guidelines**

**June 2007**





© Commonwealth of Australia 2007

This work is copyright. Apart from any use permitted by the *Copyright Act 1968*, no part may be reproduced without permission of the Australian Energy Regulator. Requests and inquiries concerning reproduction and rights should be addressed to the General Manager, Network Regulation South, Australian Energy Regulator, GPO Box 520, Melbourne, VIC 3001.

Inquiries concerning the currency of these Guidelines should be addressed to the:

General Manager  
Network Regulation South  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001  
Ph: (03) 9290 1444  
Fax: (03) 9290 1457  
Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

**Amendment Record**

<b>Version no.</b>	<b>Date</b>	<b>Pages</b>

# Contents

- Amendment Record ..... 1**
- 1 Nature and Authority..... 4**
  - 1.1 Introduction ..... 4
  - 1.2 Authority ..... 4
  - 1.3 Role of these Guidelines ..... 4
  - 1.4 Confidentiality..... 5
  - 1.5 Definitions and interpretation..... 5
  - 1.6 Process for Revision..... 5
  - 1.7 Version history and effective date..... 5
- 2 General principles ..... 6**
  - 2.1 Compliance..... 6
  - 2.2 Accounting principles and policies ..... 6
  - 2.3 Cost allocation..... 6
  - 2.4 Substance over form..... 6
  - 2.5 Materiality ..... 7
  - 2.6 Ad hoc information requirements ..... 7
  - 2.7 Information provided shall be verifiable..... 7
  - 2.8 Audit assurance ..... 8
  - 2.9 Disaggregation – reporting by business segment..... 9
  - 2.10 Regulatory adjustments ..... 10
  - 2.11 Record retention ..... 10
  - 2.12 Discretionary headings ..... 11
  - 2.13 Regulatory accounting periods..... 11
  - 2.14 Directors’ responsibility statement..... 12
  - 2.15 Format of information ..... 12
- 3 Annual reporting..... 13**
  - 3.1 Introduction ..... 13
  - 3.2 Historic financial information ..... 13
  - 3.3 Demand forecasts ..... 15
  - 3.4 Map of network ..... 15
  - 3.5 Service performance information..... 15
- 4 Guidance on completing pro forma statements..... 19**
  - 4.1 Disaggregation of income ..... 19
  - 4.2 Inter segmental transactions ..... 19
  - 4.3 Operating and maintenance (opex) costs ..... 19
  - 4.4 Cost attribution..... 20
  - 4.5 Depreciation ..... 20
  - 4.6 Other expenditure..... 20
  - 4.7 Extraordinary items ..... 20
  - 4.8 Interest payable, interest receivable, dividends payable and dividends receivable..... 21
  - 4.9 Disaggregation of non-current assets ..... 21

4.10	Asset categories.....	21
4.11	Customer contributions .....	22
4.12	Goodwill arising on acquisition .....	22
4.13	Other statement of financial position items.....	22
4.14	Provisions .....	22
4.15	Related party transactions .....	23
4.16	Third party benefits .....	24
4.17	Financing transactions.....	24
4.18	Network Pass Through.....	25
4.19	Pricing .....	25
4.20	Extension of statement of cash flow .....	25
<b>5</b>	<b>Glossary.....</b>	<b>26</b>
	<b>Appendix C: Example of a Directors' Responsibility Statement.....</b>	<b>31</b>
	<b>Appendix D: Examples of regulatory audit reports.....</b>	<b>32</b>

DRAFT

# 1 Nature and Authority

## 1.1 Introduction

These *Guidelines* set out the information that must be provided by a *TNSP* to the *AER* under clause 6A.17 of the *National Electricity Rules*.

## 1.2 Authority

Clause 6A.17.2 of the *National Electricity Rules* requires the *AER* to prepare and publish, in accordance with the *transmission consultation procedures, information guidelines*.

## 1.3 Role of these Guidelines

In accordance with clause 6A.17 of the *National Electricity Rules*, these *Guidelines* set out the manner and form in which, and date by which, *TNSPs* should submit the following information to the *AER*:

- *certified annual statements*
- any additional information that the *AER* reasonably requires for a purpose set out in clause 6A.17.1(d) of the *National Electricity Rules*.

These *Guidelines* also detail the information that a *TNSP* must provide:

- when seeking the approval of the *AER* to pass through a *positive pass through amount* or a *negative pass through amount*, in accordance with clause 6A.17.2(f) of the *National Electricity Rules*
- under clauses 6A.17.2(g) and 6A.17.2(h) of the *National Electricity Rules* in relation to a reduction in prices under clause 6A.26.2(b) of the *National Electricity Rules* and cost allocation among Transmission Network Service Providers.

These *Guidelines* stipulate the minimum information disclosure requirements of the *AER* under clause 6A.17 of the *National Electricity Rules*. The obligation of a *TNSP* to comply with these *Guidelines*:

- is additional to any obligation imposed under any other law applying to a *TNSP*
- does not derogate from such an obligation.

## 1.4 Confidentiality

The *AER's* obligations regarding confidentiality and the disclosure of information provided to it by a *TNSP* are governed by the *Trade Practices Act 1974*, *National Electricity Law* and the *National Electricity Rules*.

## 1.5 Definitions and interpretation

In these *Guidelines*:

- the words and phrases presented in italics *such as this* are defined in the Glossary of these *Guidelines* and have the meaning given to them in:
  - the Glossary
  - if not defined in the Glossary, the *National Electricity Rules*.
- the words 'shall' and 'must' indicate mandatory requirements, unless the overall meaning of the phrase in which one of these words appears, is otherwise.

Explanations in these *Guidelines* about why certain information is required are provided for guidance only. They do not limit in any way the *AER's* objectives, functions or powers.

## 1.6 Process for Revision

The *AER* may amend or replace these *Guidelines* from time to time in accordance with clause 6A.17.2(b) of the *National Electricity Rules* and the *transmission consultation procedures*.

## 1.7 Version history and effective date

A version number and an effective date of issue will identify every version of these *Guidelines*.



## 2 General principles

This section of the *Guidelines* sets out the general principles for a *TNSP* providing information to the *AER*.

### 2.1 Compliance

In accordance with clause 6A.17.1 of the *National Electricity Rules*, a *TNSP* must comply with the information disclosure requirements set out in these *Guidelines*.

### 2.2 Accounting principles and policies

If so requested by the *AER*, a *TNSP* must give the *AER* full and detailed documentation of the *regulatory accounting principles and policies* adopted. This information must be provided in a way that ensures that the *AER* understands the required regulatory information and can make comparisons over time.

A *TNSP* must select and apply *regulatory accounting principles and policies* so that:

- it provides a true and fair statement of the financial and operating performance
- there is a recognisable and rational economic basis that underlies their use
- the resultant regulatory information is relevant and reliable, ensuring that the substance of the underlying transactions and events is fairly reported.

Any changes to the accounting principles and policies from those previously applied by the *TNSP*, and the rationale for such changes, must be brought to the *AER*'s attention. Where applicable, the impact of the changes on the financial reports should be quantified and given to the *AER*.

Except where these *Guidelines* prescribe otherwise, the regulatory information requirements should be completed in accordance with applicable Australian accounting standards.

### 2.3 Cost allocation

To the extent that completion of the pro formas included in Appendix A requires a *TNSP* to allocate costs between different categories of *transmission services*, such allocations must comply with the *cost allocation methodology* that has been approved by the *AER* under clause 6A.19.4 of the *National Electricity Rules*.

### 2.4 Substance over form

The regulatory information provided by a *TNSP* in response to these *Guidelines* must report both the substance and detail of transactions and events.

When the commercial substance of a transaction differs from legal form, it is the commercial substance that must be reported.

In determining the substance of a transaction or events, all aspects and implications will be considered by the AER, including the expectations of and motivations for it.

To determine the substance of a transaction or event a group of transactions or events that achieves, or is designed to achieve, an overall commercial effect shall be viewed together.

## **2.5 Materiality**

The *AER* requires that all *material* items must be disclosed when providing the required regulatory information.

The *AER* will apply the following standards of *materiality*:

An item is *material* if its omission, misstatement or non-disclosure has the potential to prejudice the understanding of the financial or operational position and nature of the *prescribed transmission services*, gained by reading the required regulatory information.

## **2.6 Ad hoc information requirements**

The *AER* may require ad hoc information from a *TNSP* for the purposes of clause 6A.17 of the *National Electricity Rules*, but only where reasonably required for the purposes set out in section 6A.17.1(d) of the *National Electricity Rules*. Whenever the *AER* requires such information, it shall issue a request to the *TNSP* in writing, specifying:

- the type of information required
- the format in which it is required
- where relevant, applicable accounting principles and policies
- the time by which the information is to be delivered
- the form of management assurance or responsibility statement required.

## **2.7 Information provided shall be verifiable**

A *TNSP* shall ensure that all information provided to the *AER* is verifiable. As guidance, the *AER* anticipates that it will interpret ‘verifiable’ as meaning, at least, that information can be traced to a source document or assumption, by an independent party such as an *auditor*.

A *TNSP* must maintain accounting and reporting arrangements that enable regulatory information to be prepared for submission to the *AER*.

If the *AER* requires more detailed information than a *TNSP* provides, the *AER* may request further information, including the underlying schedules and accounting records.

## 2.8 Audit assurance

In accordance with clause 6A.17.1(e) of the *National Electricity Rules*, the *AER* may request or undertake verification or independent audit of any information sought by it, or provided to it under clause 6A.17 of the *National Electricity Rules*.

The *AER* may require that an audit be performed either:

- before, and be provided to the *AER* to accompany the submission of, a *TNSP*'s regulatory information
- after a *TNSP* has submitted its regulatory information to the *AER*.

Where the *AER* requests an audit to be performed, the scope of that audit or the form of independent assurance about the information provided must comply with the requirements set out in these *Guidelines*.

Without limiting the scope of an audit, where the *AER* requests an audit of regulatory information that has been prepared by applying a *TNSP*'s approved *cost allocation methodology*, the scope of that audit or the form of the independent assurance must include an assessment of whether a sample of all allocations of shared costs is in accordance with the *TNSP*'s approved *cost allocation methodology*.

Where the *AER* requests an audit, the *TNSP* will be responsible for:

- employing an *auditor* to report on the information
- ensuring that the *AER* receives the *auditor*'s assurance that the information can be relied upon for regulatory purposes.

A *TNSP* shall consult with the *AER* on the choice of *auditor* before the *regulatory accounting date*. The *AER* may consider the independence and the expertise required of the *auditor* when determining the *auditor*'s suitability.

The *auditor* must undertake any audit in accordance with these *Guidelines*.

Any *regulatory audit report* prepared by the *auditor* accordance to these *Guidelines* shall be addressed to the *AER* as well as the *TNSP*.

If the audit fails to satisfy the *AER*'s requirements, the *AER* may require a further audit. The *AER* also reserves the right to appoint an *auditor* to be employed by the *TNSP*.

Unless specified by the *AER*, any *regulatory audit report* required by these *Guidelines* shall be submitted in the form of an *audit report on a special purpose financial report*. Where permitted by the *AER*, a *TNSP* may provide a *regulatory audit report* on its *regulatory financial statements* and other statements, schedules and work papers listed in Appendix A in the form of a *review of financial reports* (negative assurance), or a combination of the foregoing reports. An example of a combined report is set out in Appendix D.

If the *AER* requests the *auditor*'s opinion to be explained, or requires more information about the *auditor*'s work, then the *AER*, or its agent, may request a meeting with the *auditor* in the

presence of the relevant *TNSP*, both before and after the submission of a *TNSP*'s regulatory information.

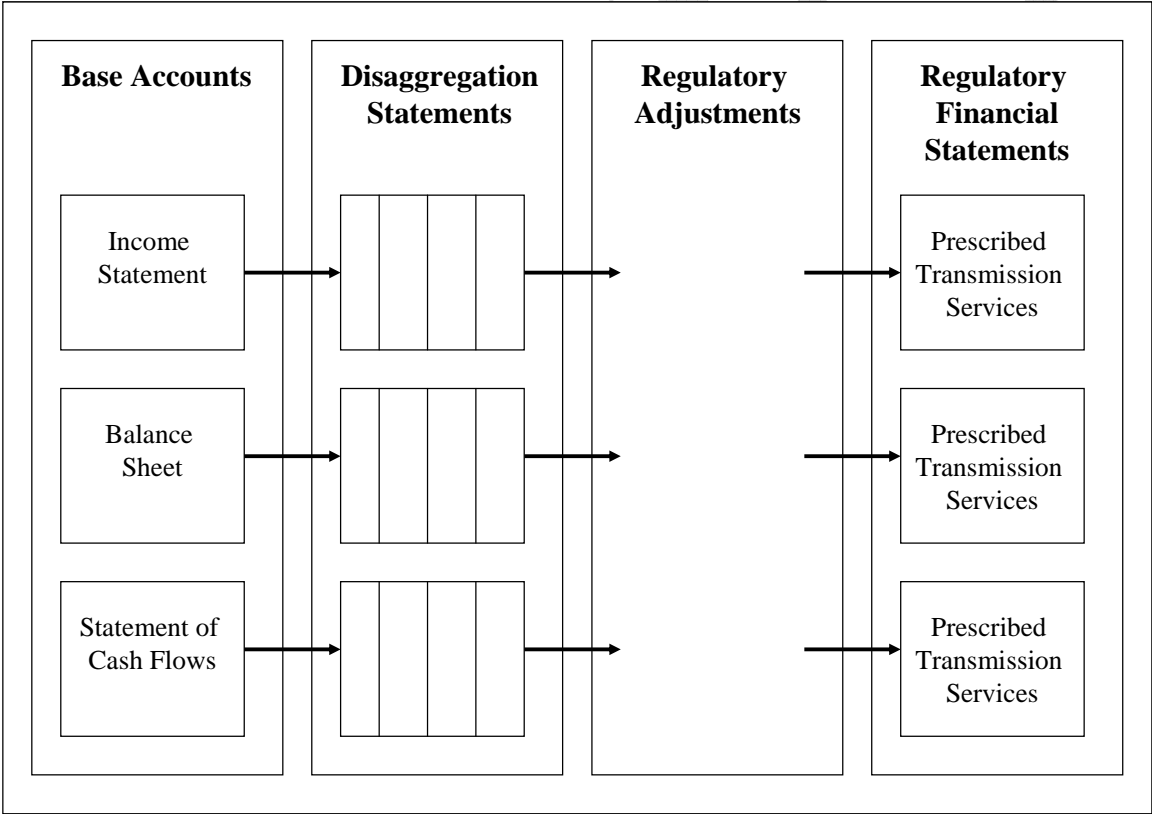
## 2.9 Disaggregation – reporting by business segment

*Regulatory financial statements* are to be prepared by disaggregating *base accounts*.

The following diagram illustrates that the general process comprises:

- preparing *disaggregation statements* from the *base accounts* and the accounting records that underlie the *base accounts*
- applying, where necessary, regulatory accounting adjustments to the *business segments* in the *disaggregation statements*, to derive *regulatory financial statements*.

Accordingly, the *disaggregation statements*, in combination with any regulatory accounting adjustments, provide an audit trail between the *regulatory financial statements* and the accounting records that underlie the *base accounts*.



The above diagram is a concise illustration of the process and does not substitute for an understanding of these *Guidelines*.

It illustrates that the *AER* requires a *TNSP* to prepare *disaggregation statements* before any regulatory adjustments, for its statement of financial performance, statement of financial position and statement of cash flows.

When:

- the *prescribed transmission services* relating to a *TNSP* are conducted by more than one legal *entity*
- any such *entity* is not required to prepare audited financial statements under the *Corporations Law*

the following requirements must be complied with:

- consolidated, or aggregated, financial statements must be prepared encompassing the activities of all legal *entities* that conduct prescribed activities
- consolidated statements must be prepared and audited as if they were required by the *Corporations Law*
- the audited consolidated statements are to be used in place of the audited financial statements when reporting to the *AER* and are subject to all of the regulatory requirements of these *Guidelines*.

## 2.10 Regulatory adjustments

In preparing *regulatory financial statements*, a *TNSP* will apply to the *disaggregation statements* or to the *base accounts*, any regulatory adjustments that are:

- considered appropriate by a *TNSP*, or
- required by the *AER*.

Pro forma statements that clearly explain the nature and amount of each adjustment shall support all regulatory adjustments. Appendix A sets out such pro forma statements.

## 2.11 Record retention

A *TNSP's directors* are responsible for preparing and presenting the *regulatory financial statements*.

A *TNSP's directors* shall ensure that a *TNSP* keeps books that:

- correctly record and explain the transactions and financial position of each regulated *business segment*
- support the disaggregation of the audited financial statements and any regulatory adjustments
- allow an *auditor* to properly form an opinion on the *regulatory financial statements* as required by these *Guidelines*.

A *TNSP's directors* shall also ensure that a *TNSP* retains the books from which *regulatory financial statements* are prepared, from either 1 July 1999 or the date the *AER* (or its predecessor the *Australian Competition and Consumer Commission*) began to regulate the transmission revenues of the *TNSP* – whichever is the latter.

Books are to be retained for a period ending no sooner than the effective date of the second revenue reset following the date the books were created.

All books shall be made available to the *AER* when requested.

## 2.12 Discretionary headings

Subject to the provisions of this section, a *TNSP* shall apply the *discretionary headings* consistently to subsequent *regulatory financial statements*.

These *discretionary headings* should be as consistent as possible with those applied in its regulatory information provided to the *AER* under the *submission guidelines*.

*Discretionary headings* shall agree with, or be traceable to, the *account headings* in a *TNSP*'s general ledger or chart of accounts that underpin its *base accounts*.

A *TNSP* shall meet with the *AER* before submitting *regulatory financial statements*, so that that *AER* can assess whether a *TNSP*'s proposed *discretionary heading* meets its requirements.

A *TNSP* may vary the *discretionary headings* from those used in a preceding *regulatory account period* if:

- a revision of these *Guidelines* should require such a change, or
- the *AER* issues written approval after receiving an application from a *TNSP* for such a variation, though such an application:
  - does not change a *TNSP*'s obligation under section 2.11 of these *Guidelines*
  - should include an explanation of the relationships between revised *account headings* and their predecessors.

## 2.13 Regulatory accounting periods

A *TNSP*'s *regulatory accounting periods* shall correspond to those of its *base accounts* unless the *AER* specifies otherwise.

The *AER* may require a *TNSP* to provide all of the following at times other than the normal reporting period or other *regulatory accounting dates*:

- *Corporations Law* compliant audited financial statements
- *regulatory financial statements*
- other information as required by the *AER* to discharge its duties under the *National Electricity Rules*.

A *TNSP* shall notify the *AER* of any change in its *regulatory accounting date* in advance of any such change.

A *TNSP's regulatory accounting periods* shall cover a continuous period.

## 2.14 Directors' responsibility statement

The regulatory information provided by the *TNSP* must be accompanied by a *directors' responsibility statement*.

The *directors' responsibility statement* must include:

- a reference to the specified documents for which responsibility is accepted
- assurances that the documents given to the *AER* comply with these *Guidelines*.

Where applicable, the *directors' responsibility statement* must also include assurances relating to the full disclosure to the *AER* of:

- *related party transactions*
- *third party benefit transactions*
- *financing transactions*.

An example of a *directors' responsibility statement* for the *certified annual statements* is set out in Appendix C.

## 2.15 Format of information

A *TNSP* must submit all possible information to the *AER* in both electronic and printed form.

Before doing so, a *TNSP* must ensure that the information can be transmitted in an electronic format compatible with the *AER's* information systems.

Information can be submitted to the:

General Manager  
Network Regulation South,  
Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001  
Ph: (03) 9290 1444  
Fax: (03) 9290 1457  
Email: [AERInquiry@aer.com.au](mailto:AERInquiry@aer.com.au)

## 3 Annual reporting

### 3.1 Introduction

In accordance with clause 6A.17.1(d) of the *National Electricity Rules*, the *AER* may only use *certified annual statements* and other information reasonably required of a *TNSP*:

- to monitor, report on and enforce a *TNSP*'s compliance with its *total revenue cap* for the *regulatory control period*, the *maximum allowed revenue* for the *TNSP* for each *regulatory year*, and any requirements that are imposed on the *TNSP* under a *transmission determination*
- to monitor, report and enforce compliance with the *TNSP*'s *cost allocation methodology*
- as an input regarding the financial, economic and operational performance of the *TNSP*, to inform the *AER*'s decision-making for the making of *revenue determinations* or other regulatory controls to apply in future *regulatory control periods*
- to monitor and report on the performance of the *TNSP* under any *service target performance incentive scheme* that applies to it.

This section outlines the scope of information that the *AER* requires, and provides guidance on reporting this information to the *AER*.

Section 2 above sets out the general principles for a *TNSP* to follow in providing information the *AER*. These principles take precedence over the pro forma statements in Appendix A and guidance set out in this section.

Appendix A sets out the pro forma statements that should be used to submit this information to the *AER*.

A *TNSP* shall deliver this information to the *AER* no later than four months after a *regulatory accounting date*.

### 3.2 Historic financial information

A *TNSP* must prepare and submit annual *regulatory financial statements* and the pro formas listed below to the *AER*, prepared in accordance with these *Guidelines*.

To ensure that the information provided is consistent with these *Guidelines*, these *regulatory financial statements* and the pro formas must follow the pro forma statements set out in Appendix A. They do not prevent a *TNSP* providing further information should the *TNSP* believe that this would add to the *AER*'s understanding of the *TNSP*'s business.

The following table lists the pro forma statements in Appendix A.



Type	Pro forma Statement	Statement number
Regulatory Financial Statements	Income Statement	RFS Inc
	Balance Sheet	RFS Bal
	Cash Flows Statement	RFS CF
Disaggregation Statements	Income Statement	DISAGG Inc
	Balance Sheet	DISAGG Bal
	Cash Flows Statement	DISAGG CF
Workpapers supporting the Disaggregation Statements:	Operations and maintenance expenditure	DISAGG Opex
	Causal allocations	DISAGG Alloc 1
	Non-causal allocations	DISAGG Alloc 2
Prescribed Transmission Services	Regulatory adjustment journals	PTS ADJ
Prescribed Transmission Services	Price reduction/recovery	PTS PriceRedn
	Discount	Pdisc
Prescribed Transmission Services	Revenue analysis	PTS Rev
Prescribed Transmission Services	Network Support Passthrough	Pthrough
Asset schedules and supporting papers:		
Disaggregation Statements	Summary of Disaggregation Statement Assets	DISAGG Assets
Prescribed Transmission Services	Reconciliation of Property, Plant and Equipment	PTS Rec Assets
	Asset Aging Schedule	PTS Asset Aging
Provisions Schedules:		
Disaggregation Statements	Provisions Summary	DISAGGProvSum
Prescribed Transmission Services	Provisions Reconciliation	PTS Prov Rec
Information	Related Party Transactions	Inf Rel Part Trans
	Revenue Reconciliation	Inf Rev Rec
Non-financial Schedules	Current Map of the Network	NFS Curr Map Netw
	One-year Demand Forecast	NFS Curr Demand
Historic Operating Expenditure (Opex)	Revenue Reset Information	
	Historic Opex by Category - Summary	HOE Sum
	Historic Opex by Category base year	HOE Base
	Historic Opex by Category 1st FY	HOE 1st FY
	Historic Opex by Category 2nd FY	HOE 2ndt FY
	Historic Opex by Category 3rd FY	HOE 3rdt FY
	Historic Opex by Category 4th FY	HOE 4th FY
	Historic Opex by Category 5th FY	HOE 5th FY
Historic Capital Expenditure (Capex)	Historic Capex by Category	HCE Cat
	Historic Capex by Asset Class	HCE Ass Cls
	Historic Capex - Network	HCE Netw

	Historic Capex - Non-Network	HCE Non Netw
Commentary	Commentary on Opex	Comm Opex
	Commentary on Historic Capex	Comm Hist Capex
Instructions	Opex Instructions	Ins Opex
	Historic Capex Instructions	Ins Capex

Guidance on how the principles in section 2 should be applied to complete the pro forma statements listed above is set out in section 4 of these *Guidelines*.

### 3.3 Demand forecasts

A *TNSP* shall give the *AER* one-year demand forecasts for the forthcoming year. It is expected that they will be in the same form as provided to *NEMMCO*.

A *TNSP* must provide the assumptions on which the demand forecast information is based, and full and detailed explanations of the basis of preparation.

These demand forecasts shall be prepared consistently with the five-year demand forecasts provided to the *AER* under the *submission guidelines*.

A *TNSP* is not required to provide audit assurance on the demand forecasts referred to in this section but the *AER* may require a *TNSP* to obtain an independent assessment of the demand forecasts.

### 3.4 Map of network

A *TNSP* shall give the *AER* a map of the current network as at the *regulatory accounting date* identifying:

- the different ratings of the *transmission lines*
- other network plant
- current capital works projects (noting anticipated completion dates)
- the ages of network assets.

A *TNSP* is not required to provide audit assurance on the forecast map of the network.

### 3.5 Service performance information

#### *Information for annual compliance*

Each *TNSP* subject to the *Service Target Performance Incentive Scheme* must report the following service performance information to the *AER* by 1 February each year:

- Actual service performance results for the previous calendar year as measured by the *performance incentive scheme parameters* that apply to the *TNSP* under the *Service*

*Target Performance Incentive Scheme*. The *TNSP* must report its performance both with and without any proposed exclusions.

- A list of events that the *TNSP* considers should be excluded from performance results, and for each event:
  - a description of the event
  - a description of the impact of the event
  - a quantification of the impact of the event on the network<sup>1</sup> and service performance
  - reasons why the event should be excluded and how it meets any relevant exclusion definition
  - for force majeure events, an analysis of how the definition meets the definition of force majeure in the *Service Target Performance Incentive Scheme*
  - for third party events, a description of where and how the event occurred and who is responsible for the event, and
  - where available, provide supporting documentation for the event.<sup>2</sup>
- The primary drivers of performance in the present calendar year, including reasons for any significant changes in performance from the previous calendar year.
- The *TNSP's* proposed service standards factor (s-factor) and financial incentive calculated in accordance with the *transmission determination* and the *Service Target Performance Incentive Scheme*. The *TNSP* must report the value of the s-factor and financial incentive both before and after any proposed exclusions.
- A list of the current criteria for any aspect of the *TNSP's performance incentive scheme parameters* that are defined by the *TNSP* and subject to change during the *regulatory control period* (for example, some *TNSPs'* definitions of critical and non-critical circuits or peak and off-peak periods may change within a *regulatory control period*).

#### ***Transition between regulatory control periods***

Where the previous calendar year covers two *regulatory control periods* the *TNSP* must report its performance for:

- the period under the previous *regulatory control period* (from 1 January and 30 June and from 1 January to 31 March for SP AusNet) as measured by the *performance incentive scheme parameters* that applied to the *TNSP* under the previous *regulatory control period*, and

---

<sup>1</sup> For example impact on the network may be measured in time, energy undelivered or any other relevant unit of measure.

<sup>2</sup> Supporting documentation may include external reports and information which indicate the impact of an event.

- the period under the current *regulatory control period* (from 1 July to 31 December and from 1 April to 31 December for SP AusNet) as measured by the *performance incentive scheme parameters* that apply to the *TNSP* under the current *regulatory control period*.

### ***Templates and performance reports***

The *AER* will provide each *TNSP* with a customised service performance reporting template by 15 December each year. Each *TNSP* must use this template to report relevant service performance information to the *AER*.

Each *TNSP*'s service performance reporting template will be customised to allow for the differences in the *performance incentive scheme parameters*, weightings and values that apply to each *TNSP* under the *Service Target Performance Incentive Scheme*. A sample service performance reporting template is provided in Appendix B.

The *AER* will provide guidance on how to complete each *TNSP*'s customised service performance reporting template.

The *AER* will update each *TNSP*'s reporting template annually to:

- account for changes in the performance incentive scheme parameters or values that apply to the *TNSP* under the *Service Target Performance Incentive Scheme*
- account for changes in the variables which affect the calculation of the financial incentive under the *Service Target Performance Incentive Scheme* (for example, changes to CPI Inputs), and
- update references to the correct reporting period and financial year.

The *AER* will consult with affected *TNSPs* when making these changes.

*TNSPs* must report any service performance information:

- that is required by these *Guidelines* but is not provided for in the service performance reporting template and
- additional supporting information

in a separate performance report. Each *TNSP* must prepare this performance report and submit it to the *AER* with the *TNSP*'s service performance reporting template.

### ***Compliance review***

The *AER* will conduct an annual review of the service performance information in accordance with clause 3.3 of the *Service Target Performance Incentive Scheme*.

### ***Publication and disclosure of information***

The *AER* intends to publish all relevant information from the compliance review process on the *AER*'s website. *TNSPs* should advise the *AER* of any confidentiality claims when submitting any service performance information.

The AER will release an annual summary of each TNSP's service performance results in the AER's Regulatory Report.

DRAFT

## 4 Guidance on completing pro forma statements

### 4.1 Disaggregation of income

Items of income in the *base accounts* shall be disaggregated between *business segments* in accordance with the principles set out in section 2.

The *regulatory financial statements* shall provide for the *prescribed services segment*, an analysis of income by principle component, together with a description of each component.

### 4.2 Inter segmental transactions

The *base accounts* may not account for transactions between *business segments*. Accordingly, *inter segmental income* and the corresponding costs shall be recorded in the profit and loss accounts of the *business segments* in which they arise.

For each item of *inter segmental income* or *inter segmental cost* arising in each of the *business segments*, the *regulatory financial statements* shall also disclose a disaggregation journal that follows the principles of double entry book keeping and provides descriptions of:

- the item
- the balancing accounting entry or entries
- the *business segment or segments*, in whose income and expenditure account or accounts, the balancing accounting entries arise.

### 4.3 Operating and maintenance (opex) costs

The *regulatory financial statements* shall include a note that:

- dissects the Opex costs by *account heading*
- disaggregates the Opex costs disclosed by each *account heading*, across *business segments*
- provides an audit trail to the *account code* or *account codes* that each *account heading* represents or is based on
- provides totals by *account heading* and *business segment*
- discloses the descriptions and amounts of Opex costs that are inter segmental
- reconciles the sum of the individual items in the Opex cost analysis to the total Opex costs included in the *base accounts* – if no reconciliation is necessary, the note should still state the total of Opex costs included in the *base accounts*.

Pro forma statements 'DISAGG Opex' in Appendix A sets out how this information should be presented.

## 4.4 Cost attribution

The *regulatory financial statements* shall include a note that discloses for each Opex cost *account heading*:

- the amount of costs within the *account heading* that can be *directly attributed* to *business segments*
- how indirect costs have been allocated in accordance with the *cost allocation methodology*, including the amount of cost allocation to each *business segment*.

A note or cross reference shall provide an audit trail to the *account code* or *account codes* that each Opex *account heading* represents or is based on.

A pro forma statement “DISAGG Aloc 1” in Appendix A provides an example of how the information required by this section 4.4 should be presented.

## 4.5 Depreciation

The *AER* will allow a *TNSP* to nominate its depreciation method.

Depreciation charges should be attributed to *business segments* in accordance with the disaggregation of assets that give rise to these charges.

Regulatory accounting adjustments shall be made to state the depreciation charge attributed to the *prescribed services segment*.

A *TNSP* shall disclose the basis for calculating the depreciation charge.

## 4.6 Other expenditure

Other expenditure arising in the profit and loss account not specifically addressed elsewhere in this section, shall be disaggregated between *business segments* in accordance with:

- the principles set out in section 2
- the disclosure requirements set out in the pro forma statements in Appendix A.

## 4.7 Extraordinary items

Extraordinary items should be recorded in the *disaggregation statement* and attributed to *business segments* as specified in this section.

Before allocation in the *disaggregation statement*, the amount of any extraordinary item should be analysed between the amount before taxation and the corresponding taxation charge or credit. This may be done either on the face of the *disaggregation statement* or by way of note. The taxation charge or credit should then be allocated to the column headed ‘*Not allocated*’ in the *disaggregation statement*.

An extraordinary item stated before related income tax, should be attributed to a *business segment* in accordance with the *TNSP’s cost allocation methodology*.

If it is necessary to analyse an item into components to effect direct attribution or allocation, a note should be appended to the *regulatory financial statements* describing:

- the monetary amount of each component
- the characteristics of each component that either allow it to be *directly attributed* to a *business segment*, or require it to be allocated across *business segments*.

#### **4.8 Interest payable, interest receivable, dividends payable and dividends receivable**

These items may be recorded under the column headed '*Not allocated*' in the *disaggregation statements*.

#### **4.9 Disaggregation of non-current assets**

In providing disaggregated balance sheets for the *business segments*, non-current assets should be attributed to the *business segments* in which they are principally utilised.

The *regulatory financial statements* shall include an *asset schedule* for the *prescribed services segment*.

The *asset schedule* shall disclose movements in gross book value and accumulated depreciation.

Additions and decrements shall be disclosed separately in the *asset schedule* and not be netted off.

The pro forma statements 'DISAGG Assets' at Appendix A indicate how an *asset schedule* should be presented.

The opening and closing asset balances for a *regulatory accounting period*, totalled for all *business segments*, shall be capable of reconciliation to the opening and closing non-current asset balances indicated by a comparison of the *base accounts* for the current and preceding *regulatory accounting periods*. This reconciliation may be provided by:

- the physical asset records that underlie the *regulatory financial statements* and the *base accounts*, for those asset values in the statements that are based on accounting methods or valuations not utilised in the *base accounts*
- monetary amounts disclosed by accounting records for those asset values in the *regulatory financial statements* that are based on valuations utilised in the *base accounts*.

#### **4.10 Asset categories**

When *mandatory headings* are required, a *TNSP* may use *discretionary headings* to define further sub-categories of assets. *Discretionary headings* may be defined at a *TNSP*'s discretion, consistent with section 2.12 of these *Guidelines*. However:



- the *discretionary headings* should provide meaningful information about the composition of the property plant and equipment utilised by a *TNSP*
- sub-category headings shall be applied consistently between *regulatory accounting periods*.

The pro forma statements at Appendix A set out *mandatory headings* for the *asset schedule* and associated schedules.

#### **4.11 Customer contributions**

Customer contributions shall be credited against the gross (undepreciated) value of the assets to which they relate, in the *asset schedule*.

The *asset schedule* shall disclose the amount of customer contributions credited to asset balances in its reconciliation of opening to closing asset balances for a *regulatory accounting period*.

For the purposes of regulatory reporting, Urgent Issues Group abstract 17 ‘Developer and Customer Contributions in Price Regulated Industries’ is not to be applied.

The *regulatory asset base* is to be reported net of customer contributions. Accordingly, *TNSPs* must maintain contra accounts to the relevant asset accounts. Customer contributions should be recorded in the relevant pro forma statements in the ‘*Not allocated*’ column associated with the asset to which it has contributed.

Regulatory depreciation charges shall be calculated on asset balances stated net of customer contributions.

#### **4.12 Goodwill arising on acquisition**

Any balance representing goodwill on acquisition of assets and its associated amortisation shall be recorded under the column headed ‘*Not allocated*’ in the *disaggregation statements*.

#### **4.13 Other statement of financial position items**

Statement of financial position and statement of cash flows items not specifically addressed in section 3 shall be disaggregated between *business segments* in accordance with:

- the principles set out in section 2 of these *Guidelines*
- the disclosure requirements set out in the pro forma statements in Appendix A.

#### **4.14 Provisions**

The *regulatory financial statements* shall disclose enough of the disaggregation information to provide a reconciliation of the provisions disclosed by the *base accounts* to those disclosed for the *prescribed services segment*. Pro forma statement ‘DISAGG Prov Sum’ in Appendix A sets out the minimum disclosure requirements.

The disaggregation of provisions should follow the principles set out in section 2.

The following information shall be provided for each *material* provision and in total for all other provisions in the *prescribed services segment*:

- the balance at the beginning of the *regulatory accounting period*
- amounts set aside to provisions
- expenditure charged to provisions
- amounts written back from provisions
- the network movement charged or credited to the profit and loss account
- the balance at the end of the *regulatory accounting period*.

Pro forma statements 'DISAGG Prov Sum' and 'PTS Prov Rec' in Appendix A indicate how this information should be disclosed.

#### **4.15 Related party transactions**

A *TNSP* shall inform the *AER* of:

- details of the following information in relation to any *material related party transactions* whose costs are attributed to, or allocated between, categories of *transmission services* provided by the *TNSP*:
  - details of the *related party*
  - the terms of the *related party* contract
  - a description of the goods and/or services that are the subject of the transaction
  - a description of the procurement process undertaken in respect of the goods and/or services that are the subject of the transaction, and in particular, whether or not the procurement process was a competitive process.
- the *TNSP*'s confirmation that the terms and conditions of any *related party* contract that it has require the *related party* to provide sufficient information to the *TNSP* to enable the *TNSP* to meet obligations to attribute or allocate the costs of that *related party* contract under these *Guidelines*.

A *TNSP* shall also provide further detailed information on, or explanations of, transactions with *related parties*, as the *AER* may sometimes require.

The *directors' responsibility statement* shall include a specific affirmation that either:

- no *material related party transactions* arose
- the disclosure requirements of this section 4.15 have been complied with.

## 4.16 Third party benefits

When the *regulatory financial statements* record transactions associated with any subcontracting, purchase or other arrangements, that cause:

- a *TNSP*
- any *related party* of a *TNSP*;

to enjoy a beneficial interest in income, or other value that accrues in the hands of a third party, a *TNSP* shall disclose for each such arrangement:

- a description of the arrangement
- its underlying purpose
- details of the counterparty
- details of the third parties
- the monetary value of such transactions that arose in the *regulatory accounting period*
- the basis of charge for the transaction entered into by a *TNSP*
- the basis of calculation of the corresponding benefit received by a *TNSP* or the *related party*
- a summary of the associated accounting entries that have been recorded in the *prescribed services segment*.

The *directors' responsibility statement* shall include a specific affirmation that either:

- no such transactions arose
- the disclosure requirements of this section 4.16 have been complied with.

## 4.17 Financing transactions

When the *disaggregation statements* record any accounting entries, the effect of which is to provide:

- a decrement to financing or interest costs in the statement of financial performance
- in the *prescribed services segment*, a related:
  - decrement to earnings before interest and tax
  - increase in asset values

a *TNSP* shall disclose:

- descriptions of the transactions, their underlying purpose and any counterparties
- an analysis of:
  - the monetary amounts involved
  - the bases of charge
  - the associated accounting entries that have been recorded in the *regulatory financial statements*.

The *directors' responsibility statement* shall include a specific affirmation that either:

- no such transactions arose
- the disclosure requirements of section 4.17 have been complied with.

## 4.18 Network Pass Through

A *TNSP* seeking the *AER's* approval to a *positive pass through amount* must submit to the *AER* a written statement within 90 days of the relevant *positive change event* that contains the information specified in clauses 6A.7.3(c)(1) to (7) of the *National Electricity Rules*.

A *TNSP* must submit to the *AER*, within 60 days of a *negative change event* occurring, a written submission that contains the information specified in clauses 6A.7.3(f)(1) to (6) of the *National Electricity Rules*.

The *AER* may request additional information from a *TNSP* following receipt of the *TNSP's* written submission in relation a *positive change event* or a *negative change event* if it considers it necessary to enable it to make a determination under clause 6A.7.3 of the *National Electricity Rules*.

If the *AER* has determined that a *positive pass through amount* or a *negative pass through amount* should be passed through to *Transmission Network Users*, the *TNSP* should annually complete and submit to the *AER* the pro forma statement 'DISAGG Network Support Pass-through –Transmission Services' in Appendix A.

## 4.19 Pricing

**Note:** Along with the existing price reduction and prudent discounts templates, the *AER* is also preparing new pro forma statements in relation to pricing in accordance with clauses 6.17(2)(g) and 6.17(2)(h). Once these pro forma statements have been completed, it will be included in Appendix A and this section will be amended to reflect the addition.

## 4.20 Extension of statement of cash flow

A *TNSP* must ensure that the *regulatory financial statements* balance sheet and cash flow statement can be reconciled. A *TNSP* must therefore ensure that the opening and closing cash totals of the *regulatory financial statements* cash flow statement equals the cash balance of the *regulatory financial statements* balance sheet, for the prior and current periods respectively.

## 5 Glossary

These *Guidelines* use the following definitions.

**account codes** means the nomenclature used to index the *base account records*, e.g. general ledger or activity codes.

**account heading** means either an account heading used in an accounting record such as a general ledger or a higher-level summarisation of such headings.

**asset schedule** means a reconciliation of the net value of assets disclosed by the *regulatory financial statements* at the end of a *regulatory accounting period*, to the corresponding value at the beginning of that *regulatory accounting period*.

**auditor** means a registered company auditor independent of a *TNSP*.

**audit report on a special purpose financial report** means an audit report on regulatory information submitted to the *AER* by a *TNSP* prepared in accordance with Australian Auditing Standard AUS 802, and in accordance with a financial reporting framework such as these *Guidelines*, other than accounting standards and Urgent Issues Group consensus views.

**Australian Competition and Consumer Commission** means the Australian Competition and Consumer Commission as established under the Trade Practices Act 1974 (Commonwealth).

**base accounts** means *general purpose financial statements* that:

- contain the entirety of the activities of a *TNSP's business segments*
- are consolidated or aggregated where appropriate
- are prepared in accordance with:
  - the Australian Corporations Law
  - Australian Accounting Standards
  - Urgent Issues Group consensus views
- are audited under Australian Auditing Standards.

**base account records** means the accounting records maintained by a *TNSP* regardless of any regulatory reporting requirement, for the purposes of preparing *base accounts* and providing the managers of a *TNSP* with management reports.

a **business segment** or **segments** means a part of the total business reported by the *base accounts* that is involved with providing:

- *prescribed transmission services*
- *negotiated transmission services*
- *not allocated.*

***directly attributable*** or ***directly attributed***. An item is directly attributable or directly attributed to an object such as a *business segment*, if it is wholly and exclusively associated with that segment.

***director*** means a director of a *TNSP*.

***directors' responsibility statement*** means a statement signed and dated by not less than two *directors* of a *TNSP*, which states whether in the opinion of those directors, the regulatory information, statements, schedules and work papers listed in Appendix A of these *Guidelines*:

- present fairly the statement of financial performance and statement of cash flows information required by these *Guidelines*, of each *business segment* for the *regulatory accounting period*
- present fairly the statement of financial position information required by these *Guidelines*, for each *business segment* at the *regulatory accounting date*
- have been made out in accordance with applicable and appropriate *regulatory accounting principles and policies*
- have been prepared in accordance with the *AER's* requirements, set out in these *Guidelines*.

***disaggregation statement*** means a statement that comprises a *TNSP's* *base accounts* disaggregated between *business segments*.

***discretionary heading*** means an *account heading* within regulatory information submitted to the *AER* by a *TNSP* that may be defined by a *TNSP*.

***entity*** means a corporate body, business or economic entity, or segment thereof.

***financing transaction*** is an accounting entry in regulatory information submitted to the *AER* by a *TNSP* the effect of which is to provide:

- a decrement to financing or interest costs in the statement of financial performance
- in relation to *prescribed transmission services*, a related:
  - decrement to earnings before interest and tax
  - increase in asset values.

***goodwill*** means the difference between the fair value of the consideration paid for a business and the fair value of the assets acquired.

***general purpose financial statements*** means financial statements that are prepared in accordance with Australian Accounting Standards or other generally accepted accounting practices.

***guidelines*** means these *information guidelines*.

***information guidelines*** means these guidelines made by the *AER* under clause 6A.17.2 of the *National Electricity Rules*.

***inter segmental cost*** means a cost that arises from transactions between *business segments*.

**inter segmental income** means income that arises from transactions between *business segments*.

**inter segmental transaction** means an *inter segmental cost* or an *inter segmental income*.

**mandatory heading** means a mandatory *account heading* within the pro forma statements contained in Appendix A.

**material** or **materiality** has the meaning set out at section 2.5 of these *Guidelines*.

**material related party transaction** means a transaction or a number of transactions intended to achieve a common commercial effect, conducted with a *related party* that had a value of \$0.5m or more in a *regulatory accounting period*.

**National Electricity Law** means the National Electricity Law set out in schedule to the National Electricity (South Australia) Act 1996.

**National Electricity Rules** means the rules, as defined in the *National Electricity Law*.

**NEMMCO** refers to the National Electricity Market Management Company

**not allocated** means the content of those *account headings* that are not required by these *Guidelines* to be allocated between *business segments*.

**notes to, and forming part of, the regulatory financial statements** means the additional information provided in relation to the *regulatory financial statements*, together with any further information that a *TNSP* believes is necessary to convey a full and proper understanding of the financial affairs of the regulated business segment.

**prescribed services segment** means that part of the total business reported by the *base accounts* that is involved in providing *prescribed transmission services*.

**regulatory accounting date** means the end date of a *regulatory accounting period*.

**regulatory accounting period** means a period on which a single set of *regulatory financial statements* report.

**regulatory accounting principles and policies** means accounting principles and policies that have been used to prepare *regulatory financial statements*, that may be additional to or replace, the accounting principles and policies used to prepare *base accounts*.

**regulatory audit report** means an *auditor's* report on regulatory information submitted to the *AER* by a *TNSP* which may take the form of:

- an *audit report on a special purpose financial information*
- a *review of financial reports*
- a combination of the above reports.

**regulatory financial statements** means the historic financial information pertaining to *prescribed transmission services* that includes the:

- statement of financial performance
- statement of financial position
- statement of cash flows

- *notes to, and forming part of, the regulatory financial statements.*

***related party*** means, in relation to all *business segments* within a *TNSP* either:

- (a) any *entity* that, at any time during the *regulatory accounting period*, has control or *material influence* over a *TNSP*
- (b) any *entity* that, at any time during the *regulatory accounting period*, is subject to control or *material influence* by a *TNSP*
- (c) any *entity* that, at any time during the *regulatory accounting period*, is controlled by the same *entity* that controls a *TNSP*
- (d) any *entity* that, at any time during the *regulatory accounting period*, is controlled by an *entity* that materially influences a *TNSP*
- (e) any *entity* that, at any time during the *regulatory accounting period*, is materially influenced by an *entity* with control over a *TNSP*
- (f) any *entity* that, at any time during the *regulatory accounting period*, is materially influenced by an *entity* with *material influence* over a *TNSP*
- (g) any *entity* that, at any time during the *regulatory accounting period*, controlled or is materially influenced by an *entity* which is subject to control or *material influence* by a *TNSP*
- (h) any *director* of a *TNSP* or any of their *director*-related entities
- (i) any *director* of any *entity* identified as a *related party* in sub-section (a) to (g) above, or any of their *director*-related entities
- (j) any other *business segment* within a *TNSP*.

but excludes any other *entity* (except those identified as a *related party* under sub-section (h)) where the *related party* relationship results solely from normal dealings of:

- (k) financial institutions
- (l) authorised trustee corporations (as defined in the Corporations Law)
- (m) fund managers
- (n) trade unions
- (o) statutory authorities
- (p) government departments
- (q) local governments.

***related party transaction*** means a transaction, or a number of transactions intended to achieve a common commercial effect, conducted with a *related party*.

***review of financial reports*** means a review of a financial report, prepared in accordance with Australian Auditing Standard AUS 902. An *auditor* should carry out procedures sufficient to enable them to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to their attention that causes them to believe that the financial report is not prepared, in all *material* aspects, in accordance with an identified financial reporting framework, e.g. these *Guidelines*. The review report contains a clear written expression of negative assurance.



***submission guidelines*** means the guidelines made by the AER under clause 6A.10.2 of the *National Electricity Rules*.

***third party benefit transactions*** means a transaction, or a number of transactions intended to achieve a common commercial effect, conducted with a third party.

***TNSP*** means *Transmission Network Service Provider*.

DRAFT

## Appendix C: Example of a Directors' Responsibility Statement

In the opinion of the directors of [the TNSP]:

- the regulatory financial statements and other statements, schedules and work papers set out on pages [x] to [y] are drawn up to present fairly as required by the AER's Transmission Network Service Provider Information Guidelines issued [version date].
  - the results of each business segment for the regulatory accounting period ended [period end]
  - information concerning the state of affairs at [period end], of each business segment
  - information concerning all related party transactions required by section 4.15 of the guidelines; [delete if inapplicable]
  - information concerning all third party benefit transactions required by paragraph 4.16 of the guidelines [delete if inapplicable]
  - information concerning all financing transactions required by paragraph 4.17 of the guidelines [delete if inapplicable]
- no related party transactions arose during the regulatory accounting period that require disclosure under paragraph 4.15 of the guidelines [to be deleted only if disclosure is confirmed above]
- no third party benefit transactions arose during the regulatory accounting period that require disclosure under paragraph 4.16 of the guidelines [to be deleted only if disclosure is confirmed above]
- no financing transactions arose during the regulatory accounting period that require disclosure under paragraph 4.17 of the guidelines [to be deleted only if disclosure is confirmed above].

The terms and definitions used in this statement accord with the definitions set out in the AER's Transmission Network Service Provider Information Guidelines referred to above.

Signed in accordance with a resolution of directors:

---

[Name of director] Dated  
Director

---

[Name of director] Dated  
Director

## **Appendix D: Examples of regulatory audit reports**

*Example Audit Report on a Special Purpose Financial Report*

*Example Review of Financial Report*

*Example Report of Factual Findings from Agreed-Upon Procedures*

*Example Audit of Prospective Financial Information*

***Example: Audit report on a special purpose financial report***

[Date]

[NAME]  
[TITLE]  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

The Chief Executive Officer  
[*The TNSP*]

Dear \_\_\_\_\_

**REGULATORY FINANCIAL STATEMENTS**

**PERIOD ENDED** [*period end*]

**Scope**

We have audited the regulatory financial statements and other required statements, schedules and work papers (other required statements) of [the TNSP] for the regulatory accounting period ended 30 June [200x].

These statements are special purpose financial reports consisting of the statements, schedules and work papers listed in appendix A of the AER's *Transmission Network Service Provider Submission Guidelines* set out on pages [ ] to [ ].

[The TNSP]'s directors are responsible for preparing and presenting the regulatory financial statements and other required statements. The directors have determined that the accounting principles and policies used are appropriate to meet the requirements of the AER's *Transmission Network Service Provider Submission Guidelines*.

We have conducted an independent audit of the regulatory financial statements and other required statements to express an opinion on them to the AER and the directors on their preparation and presentation. No opinion is expressed about whether the accounting principles and policies used are appropriate to the needs of the AER.

The statements have been prepared to fulfil the requirements of the AER. We have prepared this report to submit to the AER and for the disclosure of [the TNSP] and it is not to be used for any other purpose than that. We disclaim any responsibility for any reliance on this report, or on the regulatory financial statements and other required statements to which it relates, to any person other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the statements, and the evaluation of significant accounting

estimates. These procedures have been undertaken to form an opinion about whether, in all material respects, the regulatory financial statements and other required statements are presented fairly in accordance with the regulatory accounting principles and policies and the requirements of the AER. These principles and policies do not require all accounting standards be applied nor other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The audit opinion expressed in this report has been formed on the above basis.

### **Audit opinion**

In our opinion, the regulatory financial statements and other required statements present fairly the financial position of [the TNSP] as at [period end], the results of its operations and its cash flows for the period then ended, as required by the AER .

Yours faithfully

*[Name of Auditor]*

Chartered Accountants

*[Name of signatory]*

*[Position of signatory]*

***Example: Review of financial report***

[Date]

[NAME]  
[TITLE]  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

The Chief Executive Officer  
[The TNSP]

Dear \_\_\_\_\_

**REGULATORY FINANCIAL STATEMENTS**

**PERIOD ENDED *[period end]***

**Scope**

We have reviewed the regulatory financial statements and other required statements, schedules and work papers of [the TNSP] for the regulatory accounting period ended 30 June [200x]. The regulatory financial statements and other required statements are listed in appendix A of the AER's *Transmission Network Service Provider Submission Guidelines* set out on pages [ ] to [ ].

[The TNSP]'s directors are responsible for preparing and presenting the regulatory financial statements and other required statements and the information contained therein. We have reviewed the statements to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that they are not presented fairly as required by the AER.

The statements have been prepared to fulfil the AER's requirements. This report is for submission to the AER and for the directors of [the TNSP] and is not to be used for any other purpose. We disclaim any responsibility for any reliance on this report, or on the regulatory financial statements and other required statements to which it relates, to any person other than that for which it was prepared.

Our review has been conducted in accordance with Australian Auditing Standards that apply to review engagements. A review is limited primarily to inquiries of company personnel and analysis of the financial data. These procedures do not provide all the evidence necessary in an audit, and thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

## Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the regulatory financial statements and other required statements of [the TNSP] for the period 30 June [200x], ended 30 June [200x], period end, does not fairly present the regulatory information in accordance with the AER's *Transmission Network Service Provider Submission Guidelines*.

Yours faithfully

*[Name of Auditor]*

Chartered Accountants

*[Name of signatory]*

*[Position of signatory]*

***Example: Report of factual findings from agreed-upon procedures***

[Date]

[NAME]  
[TITLE]  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

The Chief Executive Officer  
[*The TNSP*]

Dear \_\_\_\_\_

**REGULATORY FINANCIAL STATEMENTS**

**PERIOD ENDED** [*period end*]

**Scope**

We have performed the procedures agreed with you as detailed in the written instructions of [date] and described below with respect to the regulatory financial statements and other required statements, schedules and work papers of [TNSP] for the period ending [date] set forth in the attached schedules [describe and reference the schedules].

Our engagement was undertaken in accordance with Australian Auditing Standards that apply to agreed-upon procedures engagements. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of [those who engaged the auditor]. The procedures were performed solely to assist you in evaluating [e.g. the compliance of TNSP] with paragraphs [detail paragraphs considered] of the AER's *Transmission Network Service Provider Submission Guidelines* and are summarised as follows:

- [Agreed upon procedure]
- [Agreed upon procedure]
- [Agreed upon procedure]

Because the above procedures do not constitute either an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards that apply to review engagements, we do not express any assurance on the



regulatory financial statements and other required statements of [the TNSP]. Had we performed additional procedures or an audit in accordance with Australian Auditing Standards or a review in accordance with the standards, other matters might have come to our attention that would have been reported to you.

## **Findings**

We report as follows:

- (a) With respect to 1 above ...
- (b) With respect to 2 above ...
- (c) With respect to 3 above ...

[Detail any exceptions noted]

Our report is solely for the purpose set forth in the first paragraph of this report and for submission to the AER and is not to be used for any other purpose or distributed to any other party. This report refers only to the accounts and items specified above and does not extend to any financial report of [the TNSP], taken as a whole.

Yours faithfully

[*Name of Auditor*]

[*Chartered Accountants*]

[*Name of signatory*]

[*Position of signatory*]

***Example: Report on prospective financial information***

(Example 1: Best-estimate assumptions—a forecast, where a statement of negative assurance is issued on the reasonableness of management’s assumptions. The review was carried out based on the requirements of AUS 804, adapted for review engagements under AUS 902.)

Source—Australian Auditing Standard 804 ‘Audit of prospective financial information’

[Date]

[NAME]  
[TITLE]  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

The Chief Executive Officer  
[*The TNSP*]

Dear \_\_\_\_\_

**PROSPECTIVE FINANCIAL INFORMATION**

**PERIOD ENDED [*period end*]**

**Scope**

We have reviewed the forecast of [TNSP] for the [period] as set out on pages ... to .... The directors of [TNSP] are responsible for preparing and presenting the forecast and the information it contains, including the assumptions as set out in note ... on which the forecast is based. We have conducted an independent review of the forecast to express an opinion on it to the AER and the directors of [TNSP].

The forecast has been prepared for distribution to the AER and the directors of [TNSP] to help the AER set a revenue cap for [TNSP]. We disclaim any responsibility for any reliance on this report or on the forecast to which it relates to any person other than to the AER and the directors of [TNSP] or for any purpose other than that for which it was prepared.

Our review has been conducted in accordance with Australian Auditing Standards that apply to review engagements. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the forecast and the evaluation of accounting policies. These procedures have been undertaken so that we can form an opinion on whether anything has come to our attention which causes us to believe that management’s assumptions as set out in note ... do not provide a reasonable basis for the preparation of the forecast. These procedures will also help us

decide whether<sup>3</sup>, in all material respects, the forecast is properly prepared on the basis of the assumptions as set out in note ... and is presented fairly in accordance with the *Transmission Network Service Provider Submission Guidelines* of the AER. The forecast must also be based consistently with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period] ended [date]<sup>4</sup> so as to present a view of the [TNSP] which is consistent with our understanding of the [TNSP's] past, current and future operations.

(Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which prospective financial information is based, such evidence is generally future oriented and therefore speculative in nature. Given the nature of the evidence available in assessing the reasonableness of management's assumptions, we are not in a position to obtain the level of assurance necessary to express a positive opinion on those assumptions. Accordingly, we provide a lesser level of assurance on the reasonableness of management's assumptions.)<sup>5</sup>

The opinion expressed in this report has been formed on the above basis.

## Statement

Based on our review, which is not an audit, of the evidence supporting the assumptions, nothing has come to our attention that causes us to believe that the assumptions as set out in note ... do not provide a reasonable basis for the preparation of the forecast.

In our opinion,

- (a) the forecast is properly prepared on the basis of the assumptions as set out in note ...
- (b) the forecast is presented fairly in accordance with:
  - (i) the AER's *Transmission Network Service Provider Submission Guidelines*
  - (ii) on a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period]<sup>6</sup> ended [date] (except for the changes in accounting policies as disclosed in note ...).<sup>7</sup>

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.

---

<sup>3</sup> Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

<sup>4</sup> Where appropriate.

<sup>5</sup> Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

<sup>6</sup> Where appropriate.

<sup>7</sup> Where appropriate.

Accordingly, we express no opinion as to whether the forecast will be achieved.

Yours faithfully

*[Name of Auditor]*

*[Chartered Accountants]*

*[Name of signatory]*

*[Position of signatory]*

***Example: Report on prospective financial information***

(Example 2: Hypothetical assumptions—a projection. The review was carried out based on the requirements of AUS 804, adapted for review engagements under AUS 902)

Source—Australian Auditing Standard 804 ‘Audit of prospective financial information’

[Date]

[NAME]  
[TITLE]  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

The Chief Executive Officer  
[*The TNSP*]

Dear \_\_\_\_\_

**Scope**

We have reviewed the projection of [TNSP] for the [period] as set out on pages ... to .... The directors of [TNSP] are responsible for preparing and presenting the projection and the information it contains, including the assumptions as set out in note ... on which the projection is based. We have conducted an independent review of the projection to express an opinion on it to the AER.

The projection has been prepared for distribution to the AER and the directors of [TNSP] to help the AER set a revenue cap for [the TNSP]. We disclaim any responsibility for any reliance on this report or on the projection to which it relates to any person other than to [the AER [and the directors of the TNSP] or for any purpose other than that for which it was prepared. In addition, the projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur. Consequently, readers are cautioned that this projection may not be appropriate for purposes other than that described above.

Our review has been conducted in accordance with Australian Auditing Standards that apply to review engagements. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the projection and the evaluation of accounting policies. Because hypothetical assumptions relate to future events and management actions, which are not necessarily expected to take place,

we are not in a position to, and do not express an opinion on the hypothetical assumptions. The procedures have been undertaken so that we can form an opinion on whether anything has come to our attention which causes us to believe that management's best-estimate assumptions as set out in note ... do not provide a reasonable basis for the preparation of the projection given the occurrence of the hypothetical assumptions. These procedures will also help us decide whether<sup>8</sup>, in all material respects, the forecast is properly prepared on the basis of the assumptions as set out in note ... and is presented fairly in accordance with the AER's *Transmission Network Service Provider Submission Guidelines* (and on a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period] ended [date])<sup>9</sup> so as to present a view of the [TNSP] which is consistent with our understanding of the [TNSP's] past, current and future operations.

(Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the best-estimate assumptions on which prospective financial information is based, such evidence is generally future oriented and therefore speculative in nature. Given the nature of the evidence available in assessing the reasonableness of management's best-estimate assumptions, we are not in a position to obtain the level of assurance necessary to express a positive opinion on those assumptions. Accordingly, we provide a lesser level of assurance on the reasonableness of management's assumptions.)<sup>10</sup>

The opinion expressed in this report has been formed on the above basis.

## Statement

(Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the best-estimate assumptions as set out in note ... do not provide a reasonable basis for the preparation of the projection, given the occurrence of the hypothetical assumptions.)<sup>11</sup>

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the assumptions as set out in note . . . do not provide a reasonable basis for the preparation of the projection.

In our opinion,

- (a) the projection is properly prepared on the basis of the assumptions as set out in note ...
- (b) the projection is presented fairly in accordance with:

---

<sup>8</sup> Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

<sup>9</sup> Where appropriate.

<sup>10</sup> Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

<sup>11</sup> Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

- (i) the AER's *Transmission Network Service Provider Submission Guidelines*
- (ii) a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period] ended [date]<sup>12</sup> (except for the changes in accounting policies as disclosed in note ...).<sup>13</sup>

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projection since other anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the projection will be achieved.

Yours faithfully

[*Name of Auditor*]

[*Chartered Accountants*]

[*Name of signatory*]

[*Position of signatory*]

---

<sup>12</sup> Where appropriate.

<sup>13</sup> Where appropriate.