

Contact Officer: Claire Preston  
Contact Phone: (03) 9290 1995

7 March 2019

Wayne Tucker  
General Manager, Strategic Asset Management  
TasNetworks  
PO Box 606  
MOONAH TAS 7009

Dear Mr. Tucker,

**Re: The AER's operating expenditure productivity growth forecast for the 2019–24 distribution determination**

We will soon publish the final decision paper for our operating expenditure (opex) productivity growth forecast review. Based on the available evidence, we are satisfied that a 0.5 per cent annual opex productivity growth forecast reflects a reasonable expectation of the opex productivity growth that an efficient and prudent distributor can achieve. Our reasons for this decision are set out in our final decision paper, an embargoed copy of which is attached.

In our draft decision for TasNetworks' 2019–24 distribution determination, we were satisfied that its opex proposal was reasonable when compared against our alternative estimate. The alternative opex estimate we used in our draft decision used a productivity growth forecast of zero. We stated in our draft decision that we would adopt the productivity growth forecast decided in this review in our final determination. Consistent with this, we intend to include the 0.5 per cent annual opex productivity growth forecast in the alternative estimate we use to assess TasNetworks' revised opex proposal for the 2019–24 period. We have updated our alternative estimate to include an annual productivity growth forecast of 0.5 per cent and advise that this would not change our decision to accept TasNetworks' opex proposal.

We have taken all the submissions we received into account in determining our annual opex productivity growth forecast of 0.5 per cent. If TasNetworks considers the final decision on productivity growth raises additional issues, and would like to make a submission, please do so by 5:00pm, Friday 22 March 2019. We request that any submission you make be limited to the application of the productivity growth forecast to Endeavour Energy's revised proposal.

Please contact Claire Preston on (03) 9290 1995 if you have questions.

Yours sincerely

Sebastian Roberts  
General Manager, Transmission and Gas  
Australian Energy Regulator

Sent by email on 7 March 2019.