

Service Target Performance Incentive Scheme Parameters

Instructions:

TNSPs are required to list all appropriate parameters for the revenue reset period, grouped under the relevant subheading.
 TNSPs must list the relevant unit for each parameter, what weighting that sub-parameters is given and the targets for the reset period.
 Targets must be provided for each year of the revenue reset period. Proposed caps and collars for those targets should also be included.
 These should be included in the format X / Y / Z, where X is the collar, Y is the target and Z is the cap.

Measure	Unit	Weighting Factor(%)	Proposed Targets				
			Year 1	Year 2	Year 3	Year 4	Year 5
Circuit Availability Parameter							
Transmission Circuit Availability	%	0.3	99.10 / 99.47 / 99.63	99.10 / 99.47 / 99.63	99.10 / 99.47 / 99.65	99.10 / 99.47 / 99.66	99.10 / 99.47 / 99.67
Critical Circuit Availability Peak	%	0.2	98.52 / 99.24 / 99.51	98.52 / 99.24 / 99.51	98.52 / 99.24 / 99.53	98.52 / 99.24 / 99.54	98.52 / 99.24 / 99.55
Critical Circuit Availability Non Peak	%	0	98.88 / 99.62 / 99.95	98.88 / 99.62 / 99.95	98.88 / 99.62 / 99.97	98.88 / 99.62 / 99.98	98.88 / 99.62 / 99.99
Loss of Supply Parameter							
Events > x	Events	0.1	11 / 8 / 6	11 / 8 / 6	11 / 8 / 6	11 / 8 / 6	11 / 8 / 6
Events > y	Events	0.2	6 / 4 / 2	6 / 4 / 2	6 / 4 / 2	6 / 4 / 2	6 / 4 / 2
Outage Parameter							
Average Outage Duration	Minutes	0.2	119 / 78 / 38	119 / 78 / 38	119 / 78 / 38	119 / 78 / 38	119 / 78 / 38

Notes:

x = 0.05 and y = 0.2

Critical circuits are defined in Table 8.4 of the Revised Revenue Proposal.

Peak is defined as 8am to 8pm Monday to Friday

Non Peak is defined as all other times

Depreciation

Inputs for Post-Tax Revenue Model

Asset Class	Opening WDV	Ave Lives Remaining	Standard Lives	Forecast Capex				
				Yr1	Yr2	Yr3	Yr4	Yr5
Commercial Buildings	8.39	26.0	30.0	1.6	2.1	1.8	2.0	0.9
Communications - Civil (Buildings, Towers and Site Infra)	15.16	49.0	55.0	11.6	15.6	13.4	14.9	7.1
Communications - Other Assets	37.57	11.9	15.0	0.0	0.0	0.0	0.0	0.0
Computers, Software, and Office Machines	32.16	3.6	4.0	3.4	4.4	3.7	4.1	1.9
Easement	94.77	n/a	n/a	3.8	5.1	4.3	4.9	2.3
Land	12.54	n/a	n/a	2.1	2.8	2.4	2.7	1.3
Network Switching Centres	1.84	6.0	3.0	2.1	2.8	2.4	2.6	1.2
Office Furniture, Movable Plant, and Misc	3.00	6.5	10.0	0.9	1.1	1.0	1.1	0.5
Refurbishment	26.93	8.2	10.0	0.0	0.0	0.0	0.0	0.0
Substation Primary Plant	411.78	32.4	44.8	53.8	75.2	63.7	71.9	32.2
Substation Demountable Buildings	1.89	0.0	15.0	1.6	2.2	1.8	2.1	1.0
Substation Establishment	0.33	0.0	55.0	6.2	8.3	7.1	7.9	3.8
Substation Fences	0.09	0.0	35.0	3.7	5.0	4.2	4.8	2.3
Substation Secondary Systems - Electromechanical	113.91	22.2	27.0	0.0	0.0	0.0	0.0	0.0
Substation Secondary Systems - Electronic	10.57	0.0	15.0	31.6	42.4	36.3	40.7	19.4
Transmission Lines - Overhead	453.31	34.1	55.0	7.3	9.8	8.4	9.3	4.5
Transmission Lines - Underground	19.25	19.0	40.0	0.1	0.1	0.1	0.1	0.1
Working Capital	13.99	n/a	n/a	0.0	0.0	0.0	0.0	0.0
Accelerated Depreciation	20.01	5.0	5.0	0.0	0.0	0.0	0.0	0.0
Refurbishment Projects 2008-2013	0.00	n/a	12.5	2.8	2.9	3.0	3.1	3.2
Total	1,277.48			132.4	179.7	153.6	172.1	81.6

Based on these inputs, the PTRM will calculate the amount of economic depreciation annually. These amounts will then be entered into the depreciation schedule below.

Depreciation Schedule

Asset Class	Yr1	Yr2	Yr3	Yr4	Yr5	Total
Commercial Buildings	0.33	0.35	0.41	0.48	0.55	2.12
Communications - Civil (Buildings, Towers and Site Infrastructure)	0.23	0.28	0.50	0.82	1.10	2.93
Communications - Other Assets	3.24	3.32	3.40	3.49	3.58	17.03
Computers, Software, and Office Machines	9.03	9.43	10.50	8.02	3.19	40.17
Easement	-	-	-	-	-	-
Land	-	-	-	-	-	-
Network Switching Centres	0.31	0.47	1.18	2.19	2.91	7.06
Office Furniture, Movable Plant, and Misc	0.35	0.37	0.47	0.61	0.73	2.53
Refurbishment	3.37	3.45	3.54	3.63	3.72	17.71
Substation Primary Plant	12.38	12.90	14.48	16.64	18.56	74.96
Substation Demountable Buildings	-	0.02	0.13	0.28	0.42	0.85
Substation Establishment	-	0.02	0.14	0.30	0.44	0.90
Substation Fences	-	0.02	0.12	0.27	0.39	0.80
Substation Secondary Systems - Electromechanical	5.26	5.39	5.53	5.67	5.81	27.66
Substation Secondary Systems - Electronic	-	0.43	2.59	5.67	8.37	17.06
Transmission Lines - Overhead	13.52	13.89	14.37	14.92	15.46	72.16
Transmission Lines - Underground	0.66	0.68	0.70	0.72	0.74	3.50
Working Capital	-	-	-	-	-	-
Accelerated Depreciation	4.10	4.21	4.31	4.42	4.53	21.57
Refurbishment Projects 2008-2013	-	0.24	0.50	0.79	1.09	2.62
Total Depreciation	52.78	55.47	62.87	68.92	71.59	311.63

Location of assets

- see network map and forecast capex claim of TNSP.

NER requirements

- as per cl 6A.6.3 and Schedule 6A.1.3(7) of Rules.

7.1 Weighted Average Cost of Capital

Setting the Revenue Cap Forecast - Rate of Return ("WACC")

Notes for the preparation of information on this proforma:

1. The proforma sets out the minimum inputs required by the AER to model a **TNSP's** estimate of WACC.
2. The minimum inputs set out in the proforma are averages for the five-year regulatory period.
3. A post-tax nominal WACC framework involves the use of a cash flow modelling approach to derive the revenue requirement.
4. A **TNSP** shall provide to the **AER**:
 - (a) an estimate of its post-tax nominal return on equity; post-tax nominal WACC; and pre-tax real WACC.
 - (b) the assumptions underlying the estimation.
 - (c) full and detailed explanations of the basis of any calculations.
 - (d) references to any sources of information or precedents.

Setting the Revenue Cap Forecast - Rate of Return ("WACC")

TNSP: ElectraNet Pty Ltd

Reporting date: 1 February 2008

	<i>Proposed value</i> %
Nominal risk free rate	6.25%
Real risk free rate	3.63%
Inflation Rate	2.53%
Proportion of debt funding	60%
Nominal pre-tax cost of debt	7.93%
Cost of debt margin over the risk free rate	1.68%
Market risk premium	6.0%
Corporate tax rate	30%
Effective tax rate for equity	25%
Proportion of franking credits attributed to shareholders	0.5
Equity beta	1.0
Post-tax nominal return on equity	12.25%
Nominal vanilla WACC	9.66%