NATIONAL ELECTRICITY RULES

CLAUSES S6.1.1(5) AND S6.1.2(6)

CERTIFICATION OF REASONABLENESS OF KEY ASSUMPTIONS THAT UNDERLIE CAPITAL EXPENDITURE AND OPERATING EXPENDITURE FORECASTS

I certify that on 20 November 2020 the Directors of Powercor Australia Ltd (ABN 89 0640 651 109) passed the following resolution.

It was resolved to:

1. certify, in accordance with clause S6.1.1(5) of the *National Electricity Rules*, the key assumptions that underlie the capital expenditure forecast for Powercor are reasonable; and

2. certify, in accordance with clause S6.1.2(6) of the *National Electricity Rules*, the key assumptions that underlie the operating expenditure forecast for Powercor are reasonable.

The key assumptions that underlie the capital expenditure and operating expenditure forecasts referred to above are attached to this certification.

[redacted]

Peter Wilkins
Company Secretary
Powercor Australia Ltd

30 November 2020

Key Assumptions	Supporting evidence
Assumptions applicable to operating and capital expenditure	
Forecast expenditure incorporates stakeholder engagement feedback	• Review of stakeholder submissions to original proposals • Independently facilitated wider stakeholder forums on COVID-19, DER integration and asset management • Customer Advisory Panel review of CSIS, asset management, DER integration, customer strategy, customer enablement and COVID-19
Labour escalation forecast	• Based on BIS Oxford Victorian Electricity Gas Water and Waste Services wage growth forecasts, escalated for Superannuation Guarantee Levy reaching 12.0% by 2025
Contract escalation forecast (Only capital expenditure)	• Based on BIS Oxford Victorian construction sector wage growth forecasts, escalated for Superannuation Guarantee Levy reaching 12.0% by 2025
Materials escalation forecast	• No real escalation assumed, consistent with draft determination
Assumptions applicable to capital expenditure forecast only	
Replacement	
Replacement asset management strategies and the scope of works selected for each asset category are appropriate to meet the capital expenditure objectives of the Rules	• Asset management framework aligns with the requirements of ISO 55001 • Forecasts for major plant and equipment are primarily based on a risk monetisation approach that identifies the least cost intervention option, consistent with the AER's asset replacement planning guideline • Forecasts for routine replacement of high volume equipment, such as poles and wires, are primarily forecast based on historical trends and/or averages that reflect prudent asset management practices. Where new asset management policies area applicable, forecasts have been developed based on these policies • Application of the AER replacement expenditure model to compare forecasts • Volumes and unit rates are based on audited historical RIN data, or observed actual costs for like projects
Augmentation	
We forecast expenditure consistent with our compliance obligations under the Victorian Electricity Distribution Code	• Version 11 of the Victorian Electricity Distribution Code

Key Assumptions	Supporting evidence
Network capacity planning strategies and the scope of works selected for each network category are appropriate to meet the capital expenditure objectives of the Rules	• 2019 Distribution Annual Planning Report • 2019 Transmission Connection Planning Report
Customer connections	
Customer connection expenditure as forecast	• Volume forecasts for residential and commercial connections prepared based on draft determination • Internal estimates used to forecast large and renewable connections • Customer contributions based on historical percentages determined in accordance with Chapter 5A of the National Electricity Rules and the AER's connections charge guideline
Assumptions applicable to operating expenditure forecast only	
Base, step, trend approach applied to operating expenditure forecast	• Nominated 2019 as efficient revealed cost year