

# 2018-22

## POWERLINK QUEENSLAND REVENUE PROPOSAL

### APPENDIX 1.03

## Powerlink Queensland National Electricity Rules Compliance Checklist

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## POWERLINK 2018-22 REVENUE PROPOSAL: NATIONAL ELECTRICITY RULES COMPLIANCE CHECKLIST

CLAUSE	PROVISION	REFERENCE
<b>6A.4.1</b>	<b>Revenue Determinations - Introduction</b>	
	<p>(b) Such a <i>Revenue Proposal</i> must comply with the requirements of this Chapter 6A, and in particular must:</p> <p>(1) be prepared using the <i>post-tax revenue model</i> referred to in rule 6A.5;</p> <p>(2) comply with the requirements of, and contain or be accompanied by the information required by, any relevant <i>regulatory information instrument</i>; and</p> <p>(3) contain the information and matters specified in Schedule 6A.1.</p>	<p>Revenue Proposal has used the AER's PTRM in its Revenue Proposal.</p> <p>Powerlink has submitted its response to the RIN issued by the AER.</p> <p>Completed PTRM and Reset RIN information provided as part of the Revenue Proposal.</p>
<b>6A.5.1</b>	<b>Post-tax revenue model - Introduction</b>	
	<p>(a) The process of preparing a <i>revenue determination</i> for a <i>Transmission Network Service Provider</i> involves the submission of a <i>Revenue Proposal</i> to the AER by the provider under clause 6A.10.1. The provider is required to prepare the <i>Revenue Proposal</i> using a <i>post-tax revenue model</i> in relation to that proposal, in accordance with the requirements of this Chapter 6A.</p>	As above.
<b>6A.5.3</b>	<b>Contents of post-tax revenue model</b>	
	<p>(a) The <i>post-tax revenue model</i> must set out the manner in which the following matters, referable only to the provision of <i>prescribed transmission services</i>, are to be calculated in respect of a <i>Transmission Network Service Provider</i> for a <i>regulatory control period</i>:</p> <p>(1) the <i>total revenue cap</i> for the provider for the period;</p> <p>(2) the <i>maximum allowed revenue</i> for the provider for each <i>regulatory year</i> of the period; and</p> <p>(3) the <i>annual building block revenue requirement</i> for the provider for each <i>regulatory year</i>, determined in accordance with clause 6A.5.4.</p>	As above.
	<p>(b) The <i>post-tax revenue model</i> must specify:</p> <p>(1) a methodology that the AER determines is likely to result in the best estimates of expected inflation;</p> <p>(2) the timing assumptions and associated discount rates that are to apply in relation to the calculation of the building blocks referred to in clause 6A.5.4;</p> <p>(3) the manner (if any) in which working capital is to be treated;</p> <p>(4) the manner in which the estimated cost of corporate income tax is to be calculated; and</p> <p>(5) the CPI - X methodology that is to be applied in escalating the <i>maximum allowed revenue</i> for the provider for each <i>regulatory year</i> (other than the first</p>	As above.

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	<i>regulatory year) of a regulatory control period.</i>	
	(c) The <i>post-tax revenue model</i> must be such that: (1) the net present value of the expected <i>maximum allowed revenue</i> for the provider for each <i>regulatory year</i> of the <i>regulatory control period</i> is equal to the net present value of the <i>annual building block revenue requirement</i> for the provider for each <i>regulatory year</i> ; (2) the <i>maximum allowed revenue</i> for the provider for the first <i>regulatory year</i> is expressed as a dollar amount; (3) the <i>maximum allowed revenue</i> for the provider for each <i>regulatory year</i> (other than the first <i>regulatory year</i> ) is calculated by escalating the <i>maximum allowed revenue</i> for the provider for the previous <i>regulatory year</i> using a CPI - X methodology; and (4) the <i>total revenue cap</i> for the provider for a <i>regulatory control period</i> is calculated as the sum of the <i>maximum allowed revenues</i> for the provider for each <i>regulatory year</i> .	As above.
	(d) For the purposes of this clause 6A.5.3, the X factor is that determined in accordance with clause 6A.6.8.	Refer completed PTRM. Refer section 11.9 of the Revenue Proposal.
<b>6A.5.4</b>	<b>Building blocks approach – Building blocks generally</b>	
	(a) The <i>annual building block revenue requirement</i> for a <i>Transmission Network Service Provider</i> for each <i>regulatory year</i> of a <i>regulatory control period</i> must be determined using a building blocks approach, under which the building blocks are: (1) indexation of the regulatory asset base - see paragraph (b)(1); (2) a return on capital for that year - see paragraph (b)(2); (3) the depreciation for that year - see paragraph (b)(3); (4) the estimated cost of corporate income tax of the <i>Transmission Network Service Provider</i> for that year - see paragraph (b)(4); (5) the revenue increments or decrements (if any) for that year arising from the application of any <i>efficiency benefit sharing scheme</i> , <i>capital expenditure sharing scheme</i> , <i>service target performance incentive scheme</i> or <i>small-scale incentive scheme</i> - see paragraph (b)(5); (5A) the revenue decrements (if any) arising from the use of assets that provide <i>prescribed transmission services</i> to provide certain other services – see paragraph (b)(5A); (6) the forecast operating expenditure accepted or substituted by the <i>AER</i> for that year – see paragraph (b)(6); and (7) compensation for other risks - see paragraph (b)(7).	Refer Chapter 11 of the Revenue Proposal.

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	<p>(b) For the purposes of paragraph (a):</p> <p>(1)for indexation of the regulatory asset base:</p> <p>(i)the regulatory asset base is calculated in accordance with clause 6A.6.1 and schedule 6A.2; and</p> <p>(ii)the building block comprises a negative adjustment equal to the amount referred to in clause S6A.2.4(c)(4) for that year;</p> <p>(2)the return on capital is calculated in accordance with clause 6A.6.2;</p> <p>(3)the depreciation is calculated in accordance with clause 6A.6.3;</p> <p>(4)the estimated cost of corporate income tax is determined in accordance with clause 6A.6.4;</p> <p>(5)the revenue increment or decrements referred to in subparagraph (a)(5) are those that arise as a result of the operation of any applicable <i>efficiency benefit sharing scheme, capital expenditure sharing scheme, service target performance incentive scheme</i> or <i>small-scale incentive scheme</i>, as referred to in clauses 6A.6.5, 6A.6.5A, 6A.7.4 or 6A.7.5;</p> <p>(5A) the revenue decrements (if any) referred to in paragraph (a)(5A) are those that are determined by the <i>AER</i> under clause 6A.5.5 as a result of assets that provide <i>prescribed transmission services</i> being used to provide:</p> <p>(i)<i>non-regulated transmission services</i>; or</p> <p>(ii)services that are not <i>transmission services</i>.</p> <p>(6)the forecast operating expenditure is accepted or substituted by the <i>AER</i> in accordance with clause 6A.6.6(c), clause 6A.6.6(c1) or clause 6A.13.2(b)(3) and (5) (as the case may be); and</p> <p>(7)the compensation for other risks is such amounts as the <i>AER</i> determines are necessary for that year to compensate a <i>Transmission Network Service Provider</i> for risks that are not otherwise compensated for in the return on capital, including the risk referred to in clause S6A.2.3(b) of schedule 6A.2.</p>	As above.
<b>6A.6.2</b>	<b>Return on capital</b>	
	Calculation of return on capital	
	<p>(a) The return on capital for each <i>regulatory year</i> must be calculated by applying a rate of return for the relevant <i>Transmission Network Service Provider</i> for that <i>regulatory year</i> that is determined in accordance with this clause 6A.6.2 (the <i>allowed rate of return</i>) to the value of the regulatory asset base for the relevant <i>transmission system</i> as at the beginning of that <i>regulatory year</i> (as established in accordance with clause 6A.6.1 and schedule 6A.2).</p>	Refer Chapters 8, 9, 10 and 11 of the Revenue Proposal.
	Allowed rate of return	
	(b) The <i>allowed rate of return</i> is to be determined such that it achieves the <i>allowed</i>	Refer Chapter 9 of the Revenue Proposal.

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	<i>rate of return objective.</i>	
(d)	Subject to paragraph (b), the <i>allowed rate of return</i> for a <i>regulatory year</i> must be: (1) a weighted average of the return on equity for the <i>regulatory control period</i> in which that <i>regulatory year</i> occurs (as estimated under paragraph (f)) and the return on debt for that <i>regulatory year</i> (as estimated under paragraph (h)); and (2) determined on a nominal vanilla basis that is consistent with the estimate of the value of imputation credits referred to in clause 6A.6.4.	As above.
(e)	In determining the <i>allowed rate of return</i> , regard must be had to: (1) relevant estimation methods, financial models, market data and other evidence; (2) the desirability of using an approach that leads to the consistent application of any estimates of financial parameters that are relevant to the estimates of, and that are common to, the return on equity and the return on debt; and (3) any interrelationships between estimates of financial parameters that are relevant to the estimates of the return on equity and the return on debt.	As above
	Return on equity	
(g)	In estimating the return on equity under paragraph (f), regard must be had to the prevailing conditions in the market for equity funds.	Refer sections 9.3.1 and 9.4.1 of the Revenue Proposal.
	Return on debt	
(i)	The return on debt may be estimated using a methodology which results in either: (1) the return on debt for each <i>regulatory year</i> in the <i>regulatory control period</i> being the same; or (2) the return on debt (and consequently the <i>allowed rate of return</i> ) being, or potentially being, different for different <i>regulatory years</i> in the <i>regulatory control period</i> .	Refer sections 9.3.2 and 9.4.2 of the Revenue Proposal.
(j)	Subject to paragraph (h), the methodology adopted to estimate the return on debt may, without limitation, be designed to result in the return on debt reflecting: (1) the return that would be required by debt investors in a benchmark efficient entity if it raised debt at the time or shortly before the making of the <i>revenue determination</i> for the <i>regulatory control period</i> ; (2) the average return that would have been required by debt investors in a benchmark efficient entity if it raised debt over an historical period prior to the commencement of a <i>regulatory year</i> in the <i>regulatory control period</i> ; or (3) some combination of the returns referred to in subparagraphs (1) and (2).	As above.
(k)	In estimating the return on debt under paragraph (h), regard must be had to the following factors:	As above.

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	<p>(1) the desirability of minimising any difference between the return on debt and the return on debt of a benchmark efficient entity referred to in the <i>allowed rate of return objective</i>;</p> <p>(2) the interrelationship between the return on equity and the return on debt;</p> <p>(3) the incentives that the return on debt may provide in relation to capital expenditure over the <i>regulatory control period</i>, including as to the timing of any capital expenditure; and</p> <p>(4) any impacts (including in relation to the costs of servicing debt across <i>regulatory control periods</i>) on a benchmark efficient entity referred to in the <i>allowed rate of return objective</i> that could arise as a result of changing the methodology that is used to estimate the return on debt from one <i>regulatory control period</i> to the next.</p>	
	<p>(i) If the return on debt is to be estimated using a methodology of the type referred to in paragraph (i)(2) then a resulting change to the <i>Transmission Network Service Provider's annual building block revenue</i> requirement must be effected through the automatic application of a formula that is specified in the <i>revenue determination</i>.</p>	As above.
<b>6A.6.3</b>	<b>Depreciation</b>	
	<p>(a) The depreciation for each <i>regulatory year</i>:</p> <p>(1) must be calculated on the value of the assets as included in the regulatory asset base, as at the beginning of that <i>regulatory year</i>, for the relevant <i>transmission system</i>; and</p> <p>(2) must be calculated:</p> <p>(i) providing such depreciation schedules conform with the requirements set out in paragraph (b), using the depreciation schedules for each asset or category of assets that are nominated in the relevant <i>Transmission Network Service Provider's Revenue Proposal</i>; or</p> <p>(ii) to the extent the depreciation schedules nominated in the provider's Revenue Proposal do not so conform, using the depreciation schedules determined for that purpose by the <i>AER</i> in its final decision on the <i>Transmission Network Service Provider's Revenue Proposal</i>.</p>	Refer Chapter 10 of the Revenue Proposal.
	<p>(b) The depreciation schedules referred to in paragraph (a) must conform to the following requirements:</p> <p>(1) except as provided in paragraph (c), the schedules must depreciate using a profile that reflects the nature of the assets or category of assets over the economic life of that asset or category of assets;</p> <p>(2) the sum of the real value of the depreciation that is attributable to any asset</p>	Refer Chapter 10 of the Revenue Proposal.

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	<p>or category of assets over the economic life of that asset or category of assets (such real value being calculated as at the time the value of that asset or category of assets was first included in the regulatory asset base for the relevant <i>transmission system</i>) must be equivalent to the value at which that asset or category of assets was first included in the regulatory asset base for the relevant <i>transmission system</i>; and</p> <p>(3) the economic life of the relevant assets and the depreciation methodologies and rates underpinning the calculation of depreciation for a given <i>regulatory control period</i> must be consistent with those determined for the same assets on a prospective basis in the <i>transmission determination</i> for that period.</p>	
	<p>(c) To the extent that:</p> <p>(1) an asset (or group of assets) the value of which forms part of the regulatory asset base for a <i>transmission system</i> is dedicated to one <i>Transmission Network User</i> (not being a <i>Distribution Network Service Provider</i>) or a small group of <i>Transmission Network Users</i>; and</p> <p>(2) the value of the assets (or group of assets), as included in the value of that regulatory asset base as at the beginning of the first <i>regulatory year</i> of the current <i>regulatory control period</i>, exceeds the <i>indexed amount</i>, as at the commencement of that <i>regulatory control period</i>, of \$20 million, that asset (or group of assets) must be depreciated on a straight line basis over the life at which that asset (or group of assets) was first included in the regulatory asset base for that <i>transmission system</i>.</p>	Not applicable.
<b>6A.6.4</b>	<b>Estimated cost of corporate income tax</b>	
	<p>The estimated cost of corporate income tax of a <i>Transmission Network Service Provider</i> for each <i>regulatory year</i> (<b>ETCt</b>) must be estimated in accordance with the following formula:</p> $\text{ETCt} = (\text{ETIt} \times \text{rt}) (1 - \gamma)$ <p>where:</p> <p><b>ETIt</b> is an estimate of the taxable income for that <i>regulatory year</i> that would be earned by a benchmark efficient entity as a result of the provision of <i>prescribed transmission services</i> if such an entity, rather than the <i>Transmission Network Service Provider</i>, operated the business of the <i>Transmission Network Service Provider</i>, such estimate being determined in accordance with the <i>post-tax revenue model</i>;</p> <p><b>rt</b> is the expected statutory income tax rate for that <i>regulatory year</i> as determined by the <i>AER</i>; and</p> <p><b>γ</b> is the value of imputation credits.</p>	Refer section 9.5 of the Revenue Proposal.

CLAUSE	PROVISION	REFERENCE
<b>6A.6.6</b>	<b>Forecast operating expenditure</b>	
	<p>(a) A <i>Revenue Proposal</i> must include the total forecast operating expenditure for the relevant <i>regulatory control period</i> which the <i>Transmission Network Service Provider</i> considers is required in order to achieve each of the following (the <i>operating expenditure objectives</i>):</p> <p>(1) meet or manage the expected demand for <i>prescribed transmission services</i> over that period;</p> <p>(2) comply with all applicable <i>regulatory obligations or requirements</i> associated with the provision of <i>prescribed transmission services</i>;</p> <p>(3) to the extent that there is no applicable <i>regulatory obligation or requirement</i> in relation to:</p> <p style="padding-left: 20px;">(i) the quality, reliability or security of supply of <i>prescribed transmission services</i>; or</p> <p style="padding-left: 20px;">(ii) the reliability or security of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>, to the relevant extent;</p> <p style="padding-left: 20px;">(iii) maintain the quality, reliability and security of supply of <i>prescribed transmission services</i>; and</p> <p style="padding-left: 20px;">(iv) maintain the reliability and security of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>; and</p> <p>(4) maintain the safety of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>.</p>	<p>Refer Chapter 6 of the Revenue Proposal. Refer section 6.2 of the Revenue Proposal.</p>
	<p>(b) The forecast of required operating expenditure of a <i>Transmission Network Service Provider</i> that is included in a <i>Revenue Proposal</i> must:</p> <p>(1) comply with the requirements of any relevant <i>regulatory information instrument</i>;</p> <p>(2) be for expenditure that is properly allocated to <i>prescribed transmission services</i> in accordance with the principles and policies set out in the <i>Cost Allocation Methodology</i> for the <i>Transmission Network Service Provider</i>; and</p> <p>(3) include both:</p> <p style="padding-left: 20px;">(i) the total of the forecast operating expenditure for the relevant <i>regulatory control period</i>; and</p> <p style="padding-left: 20px;">(ii) the forecast operating expenditure for each <i>regulatory year</i> of the relevant <i>regulatory control period</i>.</p>	<p>Refer Chapter 6 of the Revenue Proposal.</p>
<b>6A.6.7</b>	<b>Forecast capital expenditure</b>	
	<p>(a) A <i>Revenue Proposal</i> must include the total forecast capital expenditure for the relevant <i>regulatory control period</i> which the <i>Transmission Network Service</i></p>	<p>Refer Chapter 5 of the Revenue Proposal. Refer section 5.2 of the Revenue Proposal.</p>



CLAUSE	PROVISION	REFERENCE
	<p><i>Provider</i> considers is required in order to achieve each of the following (the <i>capital expenditure objectives</i>):</p> <p>(1) meet or manage the expected demand for <i>prescribed transmission services</i> over that period;</p> <p>(2) comply with all applicable <i>regulatory obligations or requirements</i> associated with the provision of <i>prescribed transmission services</i>;</p> <p>(3) to the extent that there is no applicable <i>regulatory obligation or requirement</i> in relation to:</p> <p style="padding-left: 20px;">(i) the quality, reliability or security of supply of <i>prescribed transmission services</i>; or</p> <p style="padding-left: 20px;">(ii) the reliability or security of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>,</p> <p>to the relevant extent:</p> <p style="padding-left: 20px;">(iii) maintain the quality, reliability and security of supply of <i>prescribed transmission services</i>; and</p> <p style="padding-left: 20px;">(iv) maintain the reliability and security of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>; and</p> <p>(4) maintain the safety of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i>.</p>	
(b)	<p>The forecast of required capital expenditure of a <i>Transmission Network Service Provider</i> that is included in a <i>Revenue Proposal</i> must:</p> <p>(1) comply with the requirements of any relevant <i>regulatory information instrument</i>;</p> <p>(2) be for expenditure that is properly allocated to <i>prescribed transmission services</i> in accordance with the principles and policies set out in the <i>Cost Allocation Methodology</i> for the <i>Transmission Network Service Provider</i>;</p> <p>(3) include both:</p> <p style="padding-left: 20px;">(i) the total of the forecast capital expenditure for the relevant <i>regulatory control period</i>; and</p> <p style="padding-left: 20px;">(ii) the forecast capital expenditure for each <i>regulatory year</i> of the relevant <i>regulatory control period</i>; and</p> <p>(4) identify any forecast capital expenditure:</p> <p style="padding-left: 20px;">(i) that is for a <i>reliability augmentation</i>; or</p> <p style="padding-left: 20px;">(ii) that is for an option that has satisfied the <i>regulatory investment test for distribution</i> or <i>regulatory investment test for transmission</i> (as the case may be).</p>	Refer section 5.6 of the Revenue Proposal.
	Forecast capital expenditure and contingent projects	

CLAUSE	PROVISION	REFERENCE
	<p>(h) A <i>Transmission Network Service Provider's Revenue Proposal</i> for the second <i>regulatory control period</i>, must include in the forecast of required capital expenditure referred to in paragraph (a) an amount of any unspent capital expenditure for each <i>contingent project</i> as described in paragraph (g)(2), that equals the difference (if any) between:</p> <p>(1) the total capital expenditure for that <i>contingent project</i>, as determined by the <i>AER</i> in the first <i>regulatory control period</i> under clause 6A.8.2(e)(1)(ii); and</p> <p>(2) the total of the capital expenditure actually incurred (or estimated capital expenditure for any part of the first <i>regulatory control period</i> for which actual capital expenditure is not available) in the first <i>regulatory control period</i> for that <i>contingent project</i>.</p>	Not applicable – no contingent projects have been triggered in the current regulatory period with a completion date in the next regulatory period.
	<p>(k) A <i>Revenue Proposal</i> in respect of the second <i>regulatory control period</i> must not include in the forecast of required capital expenditure referred to in paragraph (a) any capital expenditure for a <i>contingent project</i> for the first <i>regulatory control period</i>:</p> <p>(1) to the extent that the capital expenditure was included in the amount of capital expenditure for that <i>contingent project</i> as determined in the first <i>regulatory control period</i> under clause 6A.8.2(e)(1)(i); and</p> <p>(2) the capital expenditure actually incurred (or estimated capital expenditure for any part of the first <i>regulatory control period</i> for which actual capital expenditure is not available) in the first <i>regulatory control period</i> for that <i>contingent project</i> exceeded the capital expenditure referred to in subparagraph (1).</p>	Not applicable – as above.
<b>6A.6.8</b>	<b>The X Factor</b>	
	<p>(a) A <i>revenue determination</i> is to include the X factor for each <i>regulatory year</i> for a <i>Transmission Network Service Provider</i>.</p>	Refer completed PTRM. Refer section 11.9 of the Revenue Proposal
	<p>(b) The X factors for each <i>regulatory year</i> must be:</p> <p>(1) providing they comply with the requirements set out in paragraph (c), the X factors for those <i>regulatory years</i> that are nominated in the <i>Transmission Network Service Provider's Revenue Proposal</i>; or</p> <p>(2) to the extent that the X factors nominated in the <i>Transmission Network Service Provider's Revenue Proposal</i> do not so comply, the X factors determined for that purpose by the <i>AER</i> in its final decision on the <i>Transmission Network Service Provider's Revenue Proposal</i>.</p>	As above.
	<p>(c) The X factor for each <i>regulatory year</i> must be such that:</p> <p>(1) the net present value of the expected <i>maximum allowed revenue</i> for the relevant <i>Transmission Network Service Provider</i> for each <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>) is equal to the net</p>	As above.

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	<p>present value of the <i>annual building block revenue requirement</i> for the provider for each <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>); and</p> <p>(2) the expected <i>maximum allowed revenue</i> for the provider for the last <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>) is as close as reasonably possible to the <i>annual building block revenue requirement</i> for the provider for that <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>).</p>	
<b>6A.6.9</b>	<b>Pass through events</b>	
	(a) A <i>Revenue Proposal</i> may include a proposal as to the events that should be defined as <i>pass through events</i> under clause 6A.7.3(a1)(5) having regard to the <i>nominated pass through event considerations</i> .	Refer Chapter 12 of the Revenue Proposal.
<b>6A.7.5</b>	<b>Small-scale incentive scheme (SSIS)</b>	
	(a) The <i>AER</i> may, in accordance with the <i>transmission consultation procedures</i> , develop and <i>publish</i> an incentive scheme or schemes ( <i>small-scale incentive scheme</i> ) that provides <i>Transmission Network Service Providers</i> with incentives to provide <i>prescribed transmission services</i> in a manner that contributes to the achievement of the <i>national electricity objective</i> .	Not applicable.
<b>6A.8.1</b>	<b>Acceptance of a Contingent Project in a revenue determination</b>	
	(a) A <i>Revenue Proposal</i> may include <i>proposed contingent capital expenditure</i> , which the <i>Transmission Network Service Provider</i> considers is reasonably required for the purpose of undertaking a <i>proposed contingent project</i> .	Section 5.8 of the Revenue Proposal
	(b) The <i>AER</i> must determine that a <i>proposed contingent project</i> is a <i>contingent project</i> if the <i>AER</i> is satisfied that: (1) the <i>proposed contingent project</i> is reasonably required to be undertaken in order to achieve any of the <i>capital expenditure objectives</i> ; (2) the <i>proposed contingent capital expenditure</i> : (i) is not otherwise provided for (either in part or in whole) in the total of the forecast capital expenditure for the relevant <i>regulatory control period</i> which is accepted in accordance with clause 6A.6.7(c) or substituted in accordance with clauses 6A.13.2(b)(4) and (5) (as the case may be); (ii) reasonably reflects the <i>capital expenditure criteria</i> , taking into account the <i>capital expenditure factors</i> , in the context of the <i>proposed contingent project</i> as described in the <i>Revenue Proposal</i> ; and (iii) exceeds either \$30 million or 5% of the value of the <i>maximum allowed revenue</i> for the relevant <i>Transmission Network Service Provider</i> for the first year of the relevant <i>regulatory control period</i> whichever is the larger amount;	Appendix 5.13 (Contingent Projects) of the Revenue Proposal

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	(3) the <i>proposed contingent project</i> and the <i>proposed contingent capital expenditure</i> , as described or set out in the <i>Revenue Proposal</i> , and the information provided in relation to these matters, complies with the requirements of any relevant <i>regulatory information instrument</i> ; and (4) the <i>trigger events</i> in relation to the <i>proposed contingent project</i> which are proposed by the <i>Transmission Network Service Provider</i> in its <i>Revenue Proposal</i> are appropriate.	
<b>6A.10.1B</b>	<b>Notification of approach to forecasting expenditure</b>	
	(a) A <i>Transmission Network Service Provider</i> must inform the <i>AER</i> of the methodology it proposes to use to prepare the forecasts of operating expenditure and capital expenditure that form part of its <i>Revenue Proposal</i> .	Powerlink provided its 2018-22 Revenue Proposal Expenditure Forecasting Methodology to the AER on 30 June 2015.
	(b) A <i>Transmission Network Service Provider</i> must submit the information referred to in paragraph (a): (1) at least 24 months before the expiry of a <i>revenue determination</i> that applies to the <i>Transmission Network Service Provider</i> ; or (2) if no revenue determination applies to the <i>Transmission Network Service Provider</i> , within 3 months after being required to do so by the <i>AER</i> .	As above.
<b>6A.10.1</b>	<b>Submission of proposal, framework, pricing methodology and information</b>	
	(a) A <i>Transmission Network Service Provider</i> must submit to the <i>AER</i> a <i>Revenue Proposal</i> and a proposed <i>pricing methodology</i> relating to the <i>prescribed transmission services</i> that are provided by means of, or in connection with, a <i>transmission system</i> that is owned, controlled or operated by that <i>Transmission Network Service Provider</i> : (1) if any of those <i>prescribed transmission services</i> are subject to a <i>transmission determination</i> , 17 months before the expiry of the period in respect of which that <i>transmission determination</i> applies; or (2) if any of those <i>prescribed transmission services</i> are not subject to a <i>transmission determination</i> , 3 months after being required to do so by the <i>AER</i> .	Revenue Proposal has been submitted. Refer Chapter 16 and Appendix 16.01 of the Revenue Proposal for Pricing Methodology.
	(b) At the same time as it submits a <i>Revenue Proposal</i> under paragraph (a), the <i>Transmission Network Service Provider</i> must also submit to the <i>AER</i> a proposed <i>negotiating framework</i> .	Refer Chapter 17 and Appendix 17.01 of the Revenue Proposal.
	(c) The <i>Revenue Proposal</i> and the proposed <i>negotiating framework</i> must comply with the requirements of, and must contain or be accompanied by such information as is required by, any relevant <i>regulatory information instrument</i> .	Refer regulatory templates provided as part of Revenue Proposal. Refer RIN compliance checklist in Appendix 1.01 of Revenue Proposal.
	(d) The proposed <i>negotiating framework</i> must also comply with the requirements of clause 6A.9.5.	Refer Chapter 17 and Appendix 17.01 of the Revenue Proposal.

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	(e) A proposed pricing methodology must: (1) give effect to and be consistent with the <i>Pricing Principles for Prescribed Transmission Services</i> ; and (2) comply with the requirements of, and contain or be accompanied by such information as is required by, the <i>pricing methodology guidelines</i> made for that purpose under rule 6A.25.	Refer Pricing Methodology, Appendix 16.01 of Revenue Proposal.
	(f) The <i>Revenue Proposal</i> must also: (1) include a statement of whether it is consistent with the most recent <i>NTNDP</i> and, if it is inconsistent, identify and give reasons for the inconsistency; and (2) identify any parts of the <i>Revenue Proposal</i> or the proposed pricing methodology the <i>Transmission Network Service Provider</i> claims to be confidential and wants suppressed from publication on that ground in accordance with the <i>Transmission Confidentiality Guidelines</i> .	Refer section 5.6 of the Revenue Proposal. Refer Section 1.6 of the Revenue Proposal. Refer Confidentiality Template provided with Revenue Proposal. Pricing Methodology contains no confidential information.
	(g) The <i>Revenue Proposal</i> must be accompanied by an overview paper which includes each of the following matters: (1) a summary of the <i>Revenue Proposal</i> the purpose of which is to explain the <i>Revenue Proposal</i> in reasonably plain language to electricity consumers; (2) a description of how the <i>Transmission Network Service Provider</i> has engaged with electricity consumers and has sought to address any relevant concerns identified as a result of that engagement; (3) a description of the key risks and benefits of the <i>Revenue Proposal</i> for electricity consumers; and (4) a comparison of the <i>Transmission Network Service Provider's</i> proposed total revenue cap with its total revenue cap for the current <i>regulatory control period</i> .	Overview paper has been submitted as part of Powerlink's Revenue Proposal.
	(h) The <i>Revenue Proposal</i> must be accompanied by information required by the <i>Expenditure Forecast Assessment Guidelines</i> as set out in the <i>framework and approach paper</i> .	Revenue Proposal aligns with requirements set out in the AER's Framework and Approach paper for Powerlink.
<b>Contents of Revenue Proposals</b>		
<b>S6A.1.1</b>	<b>Information and matters relating to capital expenditure</b>	
	A <i>Revenue Proposal</i> must contain at least the following information and matters relating to capital expenditure:	Refer Chapter 5 of Revenue Proposal.
	(1) a forecast of the required capital expenditure that complies with the requirements of clause 6A.6.7 and identifies the forecast capital expenditure by reference to well accepted categories such as: (i) asset class (eg. <i>transmission lines, substations</i> etc); or (ii) category driver (eg. <i>regulatory obligations or requirements, replacement,</i>	Refer section 5.6 of the Revenue Proposal.

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	<i>reliability</i> , net market benefit, business support etc), and identifies, in respect of proposed material assets: (iii) the location of the proposed asset; (iv) the anticipated or known cost of the proposed asset; and (v) the categories of <i>transmission services</i> which are to be provided by the proposed asset;	
	(2) the methodology used for developing the capital expenditure forecast;	Refer section 5.4 of the Revenue Proposal.
	(3) the forecasts of load growth relied upon to derive the capital expenditure forecasts and the methodology used for developing those forecasts of load growth;	Refer section 5.5.1 and Appendix 5.03 (2015 TAPR) of the Revenue Proposal.
	(4) the key assumptions that underlie the capital expenditure forecast;	Refer section 5.5 of the Revenue Proposal.
	(5) a certification of the reasonableness of the key assumptions by the directors of the <i>Transmission Network Service Provider</i> ;	Refer Appendix 1.02 of the Revenue Proposal.
	(6) capital expenditure for each of the past <i>regulatory years</i> of the previous and current <i>regulatory control period</i> , and the expected capital expenditure for each of the last two <i>regulatory years</i> of the current <i>regulatory control period</i> , categorised in the same way as for the capital expenditure forecast and separately identifying for each such <i>regulatory year</i> : (i) margins paid or expected to be paid by the <i>Transmission Network Service Provider</i> in circumstances where those margins are referable to arrangements that do not reflect arm's length terms; and (ii) expenditure that should have been treated as operating expenditure in accordance with the policy submitted under paragraph (9) for that <i>regulatory year</i> ;	Refer section 4.4.1 of the Revenue Proposal.
	(7) an explanation of any significant variations in the forecast capital expenditure from historical capital expenditure;	Refer section 4.4 of Revenue Proposal and Appendix 5.01 Capital & Operational Expenditure Criteria.
	(8) any non-network alternatives considered by the <i>Transmission Network Service Provider</i> ; and	Refer section 5.9 of the Revenue Proposal.
	(9) the policy that the <i>Transmission Network Service Provider</i> applies in capitalising operating expenditure.	Refer Cost Allocation Methodology submitted as part of Revenue Proposal.
<b>S6A.1.2</b>	<b>Information and matters relating to operating expenditure</b>	
	A <i>Revenue Proposal</i> must contain at least the following information and matters relating to operating expenditure:	Refer Chapter 6 of the Revenue Proposal.
	(1) a forecast of the required operating expenditure that complies with the requirements of clause 6A.6.6 and identifies the forecast operating expenditure by reference to well accepted categories such as:	Refer Chapter 6 of the Revenue Proposal.

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	(i) particular programs; or (ii) types of operating expenditure (eg. maintenance, payroll, materials etc), and identifies in respect of each such category: (iii) to what extent that forecast expenditure is on costs that are fixed and to what extent it is on costs that are variable; and (iv) the categories of <i>transmission services</i> to which that forecast expenditure relates;	
	(2) the methodology used for developing the operating expenditure forecast;	Refer section 6.4 of the Revenue Proposal.
	(3) the forecasts of key variables relied upon to derive the operating expenditure forecast and the methodology used for developing those forecasts of key variables;	Refer sections 6.4 and 6.6 of the Revenue Proposal.
	(4) the methodology used for determining the cost associated with planned maintenance programs designed to improve the performance of the relevant <i>transmission system</i> for the purposes of any <i>service target performance incentive scheme</i> that is to apply to the <i>Transmission Network Service Provider</i> in respect of the relevant <i>regulatory control period</i> ;	Powerlink has not implemented planned maintenance programs that are designed to improve transmission system performance for the purposes of the STPIS scheme. Not applicable to preparation of the STPIS for the Revenue Proposal.
	(5) the key assumptions that underlie the operating expenditure forecast;	Refer sections 6.6 and 6.7 of the Revenue Proposal.
	(6) a certification of the reasonableness of the key assumptions by the directors of the <i>Transmission Network Service Provider</i> ;	Refer Appendix 1.02 of the Revenue Proposal.
	(7) operating expenditure for each of the first three <i>regulatory years</i> of the current <i>regulatory control period</i> , and the expected operating expenditure for each of the last two <i>regulatory years</i> of that <i>regulatory control period</i> , categorised in the same way as for the operating expenditure forecast;	Refer section 4.5 of the Revenue Proposal.
	(8) an explanation of any significant variations in the forecast operating expenditure from historical operating expenditure; and	Refer section 6.6, 6.7 of the Revenue Proposal.
	(9) any non-network alternatives considered by the <i>Transmission Network Service Provider</i> .	Refer section 6.7.3. of the Revenue Proposal.
<b>S6A.1.3</b>	<b>Additional information and matters</b>	
	A <i>Revenue Proposal</i> must contain at least the following additional information and matters:	
	(1) an identification and explanation of any significant interactions between the forecast capital expenditure and forecast operating expenditure programs;	Refer section 6.8 of the Revenue Proposal.
	(2) the values that the <i>Transmission Network Service Provider</i> proposes are to be attributed to the <i>performance incentive scheme parameters</i> for the purposes of the application to the <i>Transmission Network Service Provider</i> of any <i>service target performance incentive scheme</i> that has been specified in a <i>framework and</i>	Refer Chapter 15 of the Revenue Proposal.

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	<i>approach paper</i> and that applies in respect of the relevant <i>regulatory control period</i> , and an explanation of how the values proposed to be attributed to those parameters comply with any requirements relating to them set out in that scheme;	
(3)	the values that the provider proposes are to be attributed to the <i>efficiency benefit sharing scheme parameters</i> for the purposes of the application to the <i>Transmission Network Service Provider</i> of any <i>efficiency benefit sharing scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the relevant <i>regulatory control period</i> , and an explanation of how the values proposed to be attributed to those parameters comply with any relevant requirements set out in that scheme;	Refer section 14.3 of the Revenue Proposal.
(3A)	a description, including relevant explanatory material, of how the <i>Transmission Network Service Provider</i> proposes any <i>capital expenditure sharing scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming <i>revenue determination</i> should apply to it;	Refer section 14.4 of the Revenue Proposal.
(3B)	a description, including relevant explanatory material, of how the <i>Transmission Network Service Provider</i> proposes any <i>small-scale incentive scheme</i> that has been specified in a <i>framework and approach paper</i> that applies in respect of the forthcoming <i>revenue determination</i> should apply to it;	Not applicable under the AER's Framework & Approach for Powerlink.
(4)	the provider's calculation of: (i) the estimated <i>total revenue cap</i> for it for the relevant <i>regulatory control period</i> ; and (ii) the <i>maximum allowed revenue</i> for it for each <i>regulatory year</i> of the relevant <i>regulatory control period</i> , using the <i>post-tax revenue model</i> referred to in rule 6A.5, together with: (iii) details of all amounts, values and other inputs used by the <i>Transmission Network Service Provider</i> for that purpose; (iv) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A; and (v) an explanation of the calculation of the amounts referred to in subparagraphs (i) and (ii) and of the amounts, values and inputs referred to in subparagraph (iii); (vi) where one of those amounts, values or inputs is the <i>allowed rate of return</i> , details of any departure from the <i>Rate of Return Guidelines</i> in calculating that <i>allowed rate of return</i> and the reasons for that departure;	Refer Chapters 9 and 11 of the Revenue Proposal.
(4A)	the <i>Transmission Network Service Provider's</i> calculation of the proposed return on equity, return on debt and <i>allowed rate of return</i> , for each <i>regulatory year</i> of	Refer Chapter 9 of the Revenue Proposal.



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	the <i>regulatory control period</i> , in accordance with clause 6A.6.2, including any departure from the methodologies set out in the <i>Rate of Return Guidelines</i> and the reasons for that departure;	
(4B)	if the <i>Transmission Network Service Provider</i> proposes that the return on debt for a <i>regulatory year</i> of the <i>regulatory control period</i> is to be determined using the methodology referred to in clause 6A.6.2(i)(2), the formula it proposes should be applied in accordance with clause 6A.6.2(l);	Refer Chapter 9 of the Revenue Proposal.
(4C)	the <i>Transmission Network Service Provider's</i> proposed value of imputation credits as referred to in clause 6A.6.4;	Refer Chapter 9 of the Revenue Proposal.
(5)	the provider's calculation of the regulatory asset base for the relevant <i>transmission system</i> for each <i>regulatory year</i> of the relevant <i>regulatory control period</i> using the <i>roll forward model</i> referred to in clause 6A.6.1, together with: <ul style="list-style-type: none"> <li>(i) details of all amounts, values and other inputs used by the <i>Transmission Network Service Provider</i> for that purpose;</li> <li>(ii) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A; and</li> <li>(iii) an explanation of the calculation of the regulatory asset base for each <i>regulatory year</i> of the relevant <i>regulatory control period</i> and of the amounts, values and inputs referred to in subparagraph (i);</li> </ul>	Powerlink has used the RFM and PTRM to establish the RAB. Refer Chapter 8 and completed RFM and PTRM provided with the Revenue Proposal.
(7)	the depreciation schedules nominated by the <i>Transmission Network Service Provider</i> for the purposes of clause 6A.6.3, which categorise the relevant assets for these purposes by reference to well accepted categories such as: <ul style="list-style-type: none"> <li>(i) asset class (eg <i>transmission lines</i> and <i>substations</i>); or</li> <li>(ii) category driver (eg <i>regulatory obligations or requirements</i>, replacement, <i>reliability</i>, net market benefit, and business support), and also by location, together with:</li> <li>(iii) details of all amounts, values and other inputs used by the <i>Transmission Network Service Provider</i> to compile those depreciation schedules;</li> <li>(iv) a demonstration that those depreciation schedules conform with the requirements set out in clause 6A.6.3(b); and</li> <li>(v) an explanation of the calculation of the amounts, values and inputs referred to in subparagraph (iii);</li> </ul>	Powerlink has used the RFM and PTRM to establish the depreciation schedule by asset class. Refer Chapter 10 and completed RFM and PTRM provided with the Revenue Proposal.
(8)	the X factors nominated by the <i>Transmission Network Service Provider</i> for each <i>regulatory year</i> of the relevant <i>regulatory control period</i> for the purposes of clause 6A.6.8(a), together with a demonstration that those X factors comply with the requirements set out in clause 6A.6.8(b) of the <i>Rules</i> ;	Refer PTRM and section 11.9 of the Revenue Proposal.
(9)	the commencement and length of the <i>regulatory control period</i> proposed by the	Refer section 1.1 of the Revenue Proposal.

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	<p><i>Transmission Network Service Provider</i>, and</p> <p>(10) if the <i>Transmission Network Service Provider</i> is seeking a determination by the <i>AER</i> that a <i>proposed contingent project</i> is a <i>contingent project</i> for the purposes of the relevant <i>revenue determination</i>:</p> <ul style="list-style-type: none"> <li>(i) a description of the <i>proposed contingent project</i>, including reasons why the <i>Transmission Network Service Provider</i> considers the project should be accepted as a <i>contingent project</i> for the <i>regulatory control period</i>;</li> <li>(ii) a forecast of the capital expenditure which the <i>Transmission Network Service Provider</i> considers is reasonably required for the purpose of undertaking the <i>proposed contingent project</i>;</li> <li>(iii) the methodology used for developing that forecast and the key assumptions that underlie it;</li> <li>(iv) information that demonstrates that the undertaking of the <i>proposed contingent project</i> is reasonably required in order to achieve one or more of the <i>capital expenditure objectives</i>;</li> <li>(v) information that demonstrates that the <i>proposed contingent capital expenditure</i> for the <i>proposed contingent project</i> complies with the requirements set out in clause 6A.8.1(b)(2) ; and</li> <li>(vi) the <i>trigger events</i> which are proposed in relation to the <i>proposed contingent project</i> and an explanation of how each of those conditions or events addresses the matters referred to in clause 6A.8.1(c).</li> </ul>	<p>Refer Appendix 5.13, Contingent Projects of the Revenue Proposal.</p>