



Ref. A2501711

28 April 2016

Ms Paula Conboy  
Chair  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Dear Paula,

**POWERLINK 2018-22 REVENUE PROPOSAL  
RATE OF RETURN AND VALUE OF IMPUTATION CREDITS (GAMMA)**

This submission seeks to clarify Powerlink's proposed rate of return and value of imputation credits (gamma) for the 2018-22 regulatory period.

At the time Powerlink submitted its Revenue Proposal, a number of matters related to the Australian Energy Regulator's (AER's) application of its Rate of Return (RoR) Guideline were the subject of an appeal before the Australian Competition Tribunal (Tribunal). While Powerlink adopted the AER's RoR Guideline to estimate the rate of return and value of imputation credits (gamma) in its Revenue Proposal, it reserved its rights to provide updated estimates in a separate submission, or in its Revised Revenue Proposal, that reflected one or more aspects of the Tribunal's decision.

The Tribunal handed down its decisions on 26 February. While the Tribunal found in favour of the AER in some areas, it also found that the AER had made an error in its determinations relating to the:

- rate of return (cost of debt), particularly the transition arrangements to a trailing average for the cost of debt; and
- estimate for the value of imputation credits (gamma).

Consequently the Tribunal remitted the determinations back to the AER to remake, taking into account the directions provided in its decisions.

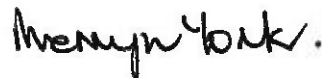
On 24 March, the AER applied to the Federal Court of Australia for judicial review of the Tribunal's decisions.

Taking into account the matters discussed above and, given that the AER must remake its decisions on the rate of return which may ultimately impact its RoR Guideline, Powerlink proposes that any resultant changes in the AER's approach to estimate these parameters apply to Powerlink's 2018-22 regulatory period.

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Should you have any questions regarding this submission, please contact Ian Lowry.

Yours sincerely,

A handwritten signature in black ink that reads "Merryn York". The signature is written in a cursive, slightly slanted style.

Merryn York  
**CHIEF EXECUTIVE**

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