

# **Appendix D:**

## **SPI PowerNet Pty Ltd**

### **Transmission Revenue Reset (TRR) 2014/15 – 2016/17**

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## **Compliance Checklist**

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.1	<p>A TNSP's revenue proposal must be accompanied by all audit assurances that the AER requires under s. 2.8 of these guidelines.</p> <p>Section 2.8 states:</p> <p>(b) The AER requires that an audit of the historic capex and opex information is performed before, and be provided to the AER to accompany, the submission of a TNSP's Revenue proposal.</p> <p>(c) The audit of historic capex and opex information must be a regulatory audit report as outlined in these guidelines (see examples set out at appendix C) and must cover at a minimum the following matters:</p> <ol style="list-style-type: none"> <li>(1) basis and application of cost allocation methodology</li> <li>(2) arithmetic accuracy</li> <li>(3) reconciliation to financial statements.</li> </ol>	<p>Chapter 3 of the original Revenue Proposal sets out information on SP AusNet's historic cost performance for the current regulatory control period (2008/09 – 2013/14). The information provided was based upon audited regulatory accounts for 2008/09 – 2011/12 and forecasts for 2012/13 and 2013/14. Copies of the audit reports relating to 2008/09 to 2011/12 were provided as part of the original Revenue Proposal.</p> <p>Since lodging the original Revenue Proposal, audited information from the 2012/13 regulatory accounts has become available and is submitted with this revised Revenue Proposal. Specifically:</p> <ul style="list-style-type: none"> <li>• Historical opex and capex data derived from SP AusNet's regulatory accounts have been included in the AER's submission templates, which are provided as part of the revised Revenue Proposal.</li> <li>• A copy of KPMG's audit report relating to the 2012/13 regulatory accounts is submitted as a supporting document with the revised Revenue Proposal.</li> </ul>
4.3.2	<p>A TNSP's revenue proposal must be accompanied by a directors' responsibility statement as required under s. 2.10 of these guidelines.</p>	<p>The directors' responsibility statement is provided as Appendix [xx] of this revised Revenue Proposal.</p>

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.3(a)(1), (NER:6A.6.7(a))	<p>In accordance with clause 6A.10.2(b)(4) and clause S6A.1.1 of the NER, a TNSP's revenue proposal must contain at least the following information and matters relating to capital expenditure:</p> <p>Forecasts of the capital expenditure for each year of the relevant regulatory control period which comply with clause 6A.6.7(a) of the NER [the capex objectives] and which identify the forecast capital expenditure by reference to well accepted categories such as:</p> <p>A. asset class (e.g. transmission lines, substations etc), or</p> <p>B. category driver (e.g. regulatory obligation, replacement, reliability, net market benefit, business support etc.)</p> <p>and which identify, in respect of proposed material assets:</p> <p>C. the location of the proposed asset</p> <p>D. the anticipated or known cost of the proposed asset</p> <p>E. the categories of transmission services which are to be provided by the proposed asset.</p>	<p>Sections 4.5 to 4.9 inclusive of the original Revenue Proposal set out the required information in relation to SP AusNet's original capex forecasts.</p> <p>Section 3.8 of the revised Revenue Proposal presents SP AusNet's revised forecast of the annual capex, which SP AusNet considers is required in order to achieve the capex objectives. Forecasts are presented in the following categories: Major Stations Rebuilding and Refurbishment Program (including CBD rebuilds), Asset Replacement, Safety and Compliance, Non System.</p> <p>In relation to the revisions made to SP AusNet's original capex forecasts, the detailed presentation of the asset classes, expenditure drivers and other information required by clause S6A.1.1(1) of the NER is provided in the following sections of the revised Revenue Proposal:</p> <ul style="list-style-type: none"> <li>• Section 3.2 and Appendix 4, which set out SP AusNet's response and revised proposal in relation to prudence adjustments applied by the AER to SP AusNet's original forecasts, and the impact of these adjustments on each of the capital expenditure categories;</li> <li>• Section 3.3, which sets out SP AusNet's response and revised proposal in relation to adjustments for cost estimation bias applied by the AER to SP AusNet's original forecasts, and the impact of these adjustments on each of the capital expenditure categories;</li> <li>• Section 3.4 and Appendices 5 and 6, which set out SP AusNet's response and revised proposal in relation to the Major Stations Rebuilding and Refurbishment Program;</li> <li>• Section 3.5 and Appendix 7, which set out SP AusNet's response and revised proposal in relation to IT (non System) capex;</li> <li>• Section 3.6 and Appendices 1, 2 and 3, which set out SP AusNet's response and revised proposal in relation to the real cost escalators used in the development of the capex forecasts. A detailed discussion of real cost escalators is provided in chapter 2.</li> </ul> <p>A description of the capital expenditure by well accepted categories was provided in the original Revenue Proposal, which SP AusNet relies upon for the purpose of this revised Revenue Proposal. The categories of transmission service provided by each proposed capital expenditure category is set out in section 4.5 of the original Revenue Proposal.</p>
4.3.3(a)(2), (NER:S6A.1.1)	The methodology used for developing the capital expenditure forecasts.	The forecasting methodology remains unchanged in this revised Revenue Proposal. SP AusNet relies upon the description of its forecasting methodology in Section 4.3 of the original Revenue Proposal for the purposes of the revised Revenue Proposal.

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4.3.3(a)(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.	As explained in section 1.1 and chapter 2 of the original Revenue Proposal, SP AusNet is not responsible for making transmission augmentation investment decisions, so the costs and revenues associated with any transmission augmentations over the forthcoming period are excluded from the revenue cap. However, as explained in section 4.4.1 of the original Revenue Proposal, SP AusNet uses AEMO's published terminal station demand forecasts to undertake sensitivity analysis to test the robustness of project economic evaluations.  Section 3.2.2 of the revised Revenue Proposal provides further information on the application of AEMO's terminal station demand forecasts in the development of SP AusNet's revised capex forecasts.
4.3.3(a)(4)	The key assumptions that underlie the capital expenditure forecasts.	Section 4.4 of the original Revenue Proposal sets out assumptions and inputs. These assumptions remain valid with the exception of the cost escalators, which have been updated in chapter 2 of the revised Revenue Proposal.
4.3.3(a)(5)	A certification of the reasonableness of the key assumptions by the directors of the TNSP as part of the directors' responsibility statement required under s. 4.3.2 of these guidelines.	A certification of the reasonableness of the key assumptions by the directors is included as part of the directors' responsibility statement, which is provided as an Appendix to this revised Revenue Proposal.
4.3.3(a)(6)	Capital expenditure for each of the first three years of the current regulatory control period and the expected capital expenditure for each of the last two years of that regulatory control period, categorised in the same way as for the capital expenditure forecasts.	The required information was presented in section 3.3 of the original Revenue Proposal.  Historical opex and capex data have been updated to reflect SP AusNet's 2012/13 audited regulatory accounts. The updated information is included in the AER's submission templates, which are provided as part of the revised Revenue Proposal.
4.3.3(a)(7)	An explanation of any significant variations in the forecast capital expenditure from historical capital expenditure.	Section 4.1.2 of the original Revenue Proposal explains the significant variations in the forecast capital expenditure from historical capital expenditure. SP AusNet relies on these explanations for the purposes of this revised Revenue Proposal.
4.3.3(b)	A TNSP's revenue proposal must:  (1) include in the forecast of capital expenditure referred to in subsection (a) an amount of any unspent capital expenditure for a contingent project of the kind described in clause 6A.6.7(e) of the NER  (2) not include in the forecast of capital expenditure referred to in subsection (a) an amount of any capital expenditure for a contingent project of the kind described in clause 6A.6.7(h) of the NER.	Footnote 10 in Section 4.1.2 of SP AusNet's original Revenue Proposal explains that the AER's January 2008 Revenue Determination for SP AusNet did not identify any contingent projects for the current regulatory period. Therefore, the capital expenditure forecasts presented in the revised Revenue Proposal do not include any unspent capital expenditure for a contingent project.  SP AusNet also confirms that the revised capital expenditure forecasts do not include any amounts relating to the contingent projects described in section 3.7 of the revised Revenue Proposal.

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.3(c)	<p>A TNSP’s revenue proposal must contain an explanation of why it considers that its forecast of capital expenditure is required to:</p> <ol style="list-style-type: none"> <li>(1) efficiently meet the expected demand for prescribed transmission services over the regulatory control period;</li> <li>(2) comply with all applicable regulatory obligations associated with the provision of prescribed transmission services;</li> <li>(3) maintain the quality, reliability and security of supply of prescribed transmission services; or</li> <li>(4) maintain the reliability, safety and security of the transmission system through the supply of prescribed transmission services.</li> </ol>	<p>Explanatory information is provided throughout chapter 4 of the original Revenue Proposal, as follows:</p> <ul style="list-style-type: none"> <li>• Section 4.2.2 identifies the applicable Laws, Codes &amp; Standards, and notes that compliance with these instruments is a significant capex driver.</li> <li>• Section 4.3 describes the forecasting methodology, including project selection and economic evaluation methodologies, noting that these aim to ensure the identification of efficient capital expenditure plans. Reference is also made to SP AusNet’s Asset Management Strategy.</li> <li>• Section 4.4 sets out key assumptions and inputs, which are consistent with the identification of efficient capex forecasts that meet the capex objectives.</li> <li>• Section 4.5 provides high-level information on the drivers of the capex forecasts, which explains why SP AusNet considers that its capex forecast is required to meet the capex objectives.</li> <li>• Sections 4.6 to 4.9 inclusive provide more detailed explanatory information on each of the major expenditure categories.</li> <li>• Section 4.10 summarises the expected benefits of capital program.</li> </ul> <p>In addition to continuing to rely on the above information, sections 3.2 to 3.6 inclusive of the revised Revenue Proposal provide more detailed explanatory information on each issue arising from the AER’s draft decision, and SP AusNet’s revisions to its capex forecast in relation to each issue.</p>
4.3.3(d)	<p>The TNSP must complete all relevant fields where possible of the capital expenditure pro forma statements in appendix A, as follows:</p> <ul style="list-style-type: none"> <li>• Pro forma 3.1 to 3.4 inclusive, in relation to historic capex;</li> <li>• Pro forma 4.1 to 4.4 inclusive, in relation to forecast capex.</li> </ul>	<p>The pro forma statements are provided as a supporting document as part of this revised Revenue Proposal.</p>

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.4(a)(1)	<p>Forecasts of the operating expenditure for each year of the relevant regulatory control period which comply with clause 6A.6.6(a) of the NER [the opex objectives] and which identify the forecast operating expenditure by reference to well accepted categories such as:</p> <p>A. particular programs, or</p> <p>B. types of operating expenditure (e.g. maintenance, payroll, materials etc.)</p> <p>and which identify in respect of each such category:</p> <p>C. to what extent that forecast expenditure is on costs that are fixed and to what extent it is on costs that are variable, and</p> <p>D. the categories of transmission services to which that forecast expenditure relates.</p>	<p>Section 4.1.1 of the revised Revenue Proposal explains that SP AusNet’s forecast of total opex is built up from forecasts of its controllable and non-controllable opex.</p> <p>Section 4.1.3 of the revised Revenue Proposal explains that in light of the AER’s proposed adjustments to SP AusNet’s opex forecasts, the revised Revenue Proposal responds to the AER’s Draft Decision in relation to the following areas:</p> <ul style="list-style-type: none"> <li>• Base year opex adjustments;</li> <li>• Cost escalation in relation to labour and adjustments;</li> <li>• Network growth and economies of scale;</li> <li>• Asset works;</li> <li>• Insurance premium costs</li> <li>• Self-insurance;</li> <li>• Step changes;</li> <li>• Availability Incentive Scheme; and</li> <li>• Debt and equity raising costs.</li> </ul> <p>Based on its responses in each of those areas, section 4.12 of the revised Revenue Proposal presents annualised historic and forecast opex data over the period from 2008/09 to 2016/17 using a consistent categorisation of expenditure across the entire period. The data are presented in the following categories: Controllable Opex; Self-insurance; Debt Raising Costs; Availability Incentive Scheme Rebates; and Easement Land Tax.</p> <p>Footnote 21 of Section 5.3.1 of the original Revenue Proposal explains that the method by which SP AusNet’s operating costs are recorded and forecast does not categorise information in terms of fixed and variable costs. This observation remains valid for the revised Revenue Proposal. SP AusNet notes that its revised forecasts remain consistent with the categories of cost recorded in the annual Regulatory Accounts, which the AER has approved each year.</p> <p>Section 5.1.1 of the original Revenue Proposal states that the opex forecasts relate to prescribed transmission services. This statement remains valid for the purpose of the revised Revenue Proposal.</p>
4.3.4(a)(2)	<p>The methodology used for developing the operating expenditure forecasts.</p>	<p>An overview of the forecasting methodology is provided in section 4.1.1 of the revised Revenue Proposal.</p> <p>Section 5.3 of the original Revenue Proposal sets out a detailed description of the operating expenditure forecasting methodology, which remains valid for the purpose of this revised Revenue Proposal. Section 4.5.2.3 of the revised Revenue Proposal explains that SP AusNet has modified its forecasting approach in relation to asset works in response to the Draft Decision.</p>

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.4(a)(3)	The forecasts of key variables relied upon to derive the operating expenditure forecasts and the methodology used for developing those forecasts of key variables.	Information on key variables used in the opex forecast is provided in section 5.4 of the original Revenue Proposal. These variables remain valid for the purpose of this revised Revenue Proposal, with the exception of: <ul style="list-style-type: none"> <li>• Cost escalation, which is addressed in chapter 2; and</li> <li>• Carbon price forecast, which is addressed in section 4.8.5.1.</li> </ul>
4.3.4(a)(4)	The methodology used for determining the cost associated with planned maintenance programs designed to improve the performance of the relevant transmission system for the purposes of any service target performance incentive scheme that is to apply to the TNSP in respect of the relevant regulatory control period.	Section 5.4.9 of the original Revenue Proposal states that the opex forecast does not include the costs of activities that are specifically designed to improve the performance of the transmission system for the purpose of the STPIS that will apply in the forthcoming period. This statement remains valid for the purpose of this revised Revenue Proposal.
4.3.4(a)(5)	The key assumptions that underlie the operating expenditure forecasts.	Information on the key assumptions underlying the opex forecast is provided in section 5.4 of the original Revenue Proposal. As noted above, these assumptions remain valid for the purpose of this revised Revenue Proposal, with the exception of: <ul style="list-style-type: none"> <li>• Cost escalation, which is addressed in chapter 2; and</li> <li>• Carbon price forecast, which is addressed in section 4.8.5.1.</li> </ul>
4.3.4(a)(6)	A certification of the reasonableness of the key assumptions by the directors of the TNSP as part of the directors' responsibility statement required under s. 4.3.2 of these guidelines.	A certification of the reasonableness of the key assumptions by the directors is included as part of the directors' responsibility statement, which is provided as an Appendix to the revised Revenue Proposal.
4.3.4(a)(7)	Operating expenditure for each of the first three years of the current regulatory control period, and the expected operating expenditure for each of the last two years of that regulatory control period, categorised in the same way as for the operating expenditure forecasts.	Section 4.12 of the revised Revenue Proposal presents annualised historic and forecast opex data over the period from 2008/09 to 2016/17 using a consistent categorisation of expenditure across the period. The data are presented in the following categories: Controllable Opex; Self-insurance; Debt Raising Costs; Availability Incentive Scheme Rebates; and Easement Land Tax.

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4.3.4(a)(8)	An explanation of any significant variations in the forecast operating expenditure from historical operating expenditure.	<p>Section 5.6 of the original Revenue Proposal and section 4.1.1 of the revised Revenue Proposal note that the principal differences between historic and forecast opex arise from the following factors:</p> <ul style="list-style-type: none"> <li>• labour cost increases, as explained in section 5.4.2 of the original Proposal, and sections 2.2 and 4.3 of the revised Proposal;</li> <li>• insurance premium costs, as explained in section 5.7.1 of the original Proposal, and section 4.6 of the revised Proposal;</li> <li>• the roll in of Group 3 assets, as explained in section 5.4.6 of the original Revenue Proposal; and</li> <li>• step changes, as explained in section 5.10 of the original Revenue Proposal and section 4.8 of the revised Proposal.</li> </ul>
4.3.4(b)	<p>A TNSP's revenue proposal must contain a justification for its forecast of operating expenditure on the basis that it is required to:</p> <ol style="list-style-type: none"> <li>(1) efficiently meet the expected demand for prescribed transmission services over the regulatory control period</li> <li>(2) comply with all applicable regulatory obligations associated with the provision of prescribed transmission services</li> <li>(3) maintain the quality, reliability and security of supply of prescribed transmission services, or</li> <li>(4) maintain the reliability, safety and security of the transmission system through the supply of prescribed transmission services.</li> </ol>	<p>Explanatory information, which addresses this provision, is provided throughout chapter 5 of the original revenue proposal and chapter 4 of the revised Revenue Proposal. In particular, the following information is relevant for the purpose of this revised Revenue Proposal:</p> <ul style="list-style-type: none"> <li>• Section 5.2.2 of the original Revenue Proposal, which identifies the applicable laws, codes and standards, and notes that compliance with these requirements is a significant opex driver.</li> <li>• Section 5.5 of the original Revenue Proposal, which sets out information to demonstrate that SP AusNet's base year opex is efficient.</li> <li>• Section 5.9 of the original Revenue Proposal, which explains that the substitution possibilities between capex and opex have been taken into account in SP AusNet's forecasts.</li> <li>• Sections 4.5 to 4.11 of the revised Revenue Proposal, which provide information to substantiate the revised operating expenditure forecasts in response to the Draft Decision.</li> </ul>
4.3.4(c)	(1) The AER will require that a business provide an explanation for the profile of expenditure sufficient to demonstrate that the operating expenditure incurred in the regulatory period is related to operational needs as they arose and does not entail instances of cost-shifting.	Section 5.1.2 of the original Revenue Proposal provides an explanation of the profile of operating expenditure, which remains valid for the purpose of this revised Revenue Proposal.



Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
	(2) A TNSP must provide a detailed description of any changes in capitalisation policies that have arisen in the current regulatory control period, or that are proposed to apply in the next regulatory control period. This description must be accompanied by a calculation of the impact of those changes in capitalisation policy.	Footnote 10 in section 4.1.2 of the original Revenue Proposal states that SP AusNet’s forecasts of capex and opex are consistent with its capitalisation policy, which has not changed in the current regulatory control period. This statement remains valid for the purpose of this revised Revenue Proposal.
	(3) The operating expenditure forecast must include any necessary adjustments for changes in responsibilities that result from compliance with a new or amended law or licence, or other statutory or regulatory requirement.	Compliance obligations are described in section 5.2.2 of the original Revenue Proposal, and changed compliance obligations are set out in sections 5.10.3 and 5.11.4. Section 5.10.5 of the original Revenue Proposal includes compliance-driven opex in relation to new ICT systems. Further commentary on these matters is provided in section 4.8 of the revised Revenue Proposal, which addresses step changes.
	(4) A TNSP must include in its revenue proposal its proposed basis for accounting for growth in demand in the next regulatory control period. This must be accompanied by evidence that the proposed adjustment mechanism accurately reflects the impact of changes in expected growth in demand from a baseline forecast (positive and negative) on operating expenditure.	Section 1.1 of the original Revenue Proposal states that the revenue proposal does not consider future transmission system augmentations, so the expected costs and revenues associated with any future augmentations (i.e. demand growth) are excluded from SP AusNet’s proposed revenue cap. This statement remains valid for the purpose of this revised Revenue Proposal.
4.3.4(d)	<p>The TNSP must complete all relevant fields where possible of the capital expenditure pro forma statements in appendix A, as follows:</p> <ul style="list-style-type: none"> <li>• Pro forma 1.1 to 1.7 inclusive, in relation to historic opex;</li> <li>• Pro forma 2.1 to 2.6 inclusive, in relation to forecast opex.</li> </ul>	The pro forma statements are provided as a supporting document to the revised Revenue Proposal.
4.3.5	A revenue proposal must contain an identification and explanation of any significant interactions between the TNSP’s forecast capital expenditure and forecast operating expenditure programs.	Section 5.9 of the original Revenue Proposal provides information on the trade-off and interaction between operating and capital expenditure. Section 3.5 of the revised Revenue Proposal provides further information in relation to opex savings that may result from IT capex.

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.6(a)(1)	A TNSP's revenue proposal must contain the values, weightings and other elements that the TNSP proposes are to be attributed to the performance incentive scheme parameters for the purposes of the application to the TNSP of the service target performance incentive scheme that applies during the relevant regulatory control period.	<p>The required information is set out in:</p> <ul style="list-style-type: none"> <li>• Section 5.2 of the revised Revenue Proposal in relation to service component parameters;</li> <li>• Section 5.3 of the revised Revenue Proposal in relation to the market impact component; and</li> <li>• Section 5.4 of the revised Revenue Proposal (and section 6.4 of the original Revenue Proposal) in relation to the Network Capability Component.</li> </ul>
4.3.6(a)(2)	A TNSP's revenue proposal must contain an explanation of how the proposed values, weightings and other elements to be attributed to those performance incentive scheme parameters comply with any requirements relating to them set out in that scheme.	<p>As noted above, the required information is set out in:</p> <ul style="list-style-type: none"> <li>• Section 5.2 of the revised Revenue Proposal in relation to service component parameters;</li> <li>• Section 5.3 of the revised Revenue Proposal in relation to the market impact component; and</li> <li>• Section 5.4 of the revised Revenue Proposal (and section 6.4 of the original Revenue Proposal) in relation to the Network Capability Component.</li> </ul> <p>Further supporting information is provided in Appendix 11 of the revised Revenue Proposal.</p>
4.3.6(b)	A TNSP must complete and submit the pro forma statement relating to the STPIS to the AER as part of its revenue proposal.	The pro forma statements are provided as a supporting document to the revised Revenue Proposal.
4.3.7(a)	<p>A revenue proposal must contain:</p> <p>(1) the values that the TNSP proposes are to be attributed to the efficiency benefit sharing scheme parameters</p> <p>(2) an explanation of how the values proposed to be attributed to the efficiency benefit sharing scheme parameters comply with any relevant requirements set out in that scheme.</p>	<p>Section 10.4 of the original Revenue Proposal states that SP AusNet will be subject to the AER's final Efficiency Benefit Sharing Scheme (September 2007). This statement remains valid for the purpose of this revised Revenue Proposal.</p> <p>Particulars of SP AusNet's proposals regarding the application of the scheme are set out in sections 9.5 and 9.7 of the revised Revenue Proposal.</p>
4.3.7(b)	A TNSP must complete and submit the pro forma statement relating to the EBSS parameters to the AER as part of its revenue proposal.	The pro forma statements are provided as a supporting document to the revised Revenue Proposal.

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4.3.8(a)-(e)	Under clause S6A.1.3(4) of schedule 6A.1 of the NER, a revenue proposal must contain:  (a) the TNSP's calculation of the estimated total revenue cap for the relevant regulatory control period	The proposed revenue cap is set out in section 11.8 of the revised Revenue Proposal.
	(b) the TNSP's calculation of the maximum allowed revenue for each year of the relevant regulatory control period, using the post-tax revenue model referred to in rule 6A.5 of the NER, together with:	The calculation of the maximum allowed revenue is set out in sections 11.7 and 11.8 of the revised Revenue Proposal.
	(c) details of all amounts, values and other inputs used to generate the calculations	Chapter 11 of the revised Revenue Proposal provides a summary of the amounts, values and other inputs used to generate the MAR and revenue cap calculations. It also notes that information explaining and substantiating the various building block components is provided in the preceding chapters of the revised Revenue Proposal, and where applicable in SP AusNet's original Revenue Proposal. The PTRM completed by SP AusNet and provided as part of the revised Revenue Proposal shows all the amounts, values and other inputs used to generate the calculations.
	(d) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of part C of chapter 6A of the NER	The required information is presented throughout the following chapters: <ul style="list-style-type: none"> <li>• Chapter 4 (Capital Expenditure) of the original Revenue Proposal, as varied by chapter 3 of the revised Revenue Proposal;</li> <li>• Chapter 5 (Operating Expenditure) of the original Revenue Proposal, as varied by chapter 4 of the revised Revenue Proposal;</li> <li>• Chapter 7 (Regulatory Asset Base) of the original Revenue Proposal, as varied by chapter 6 of the revised Revenue Proposal;</li> <li>• Chapter 8 (Depreciation) of the original Revenue Proposal, as varied by chapter 7 of the revised Revenue Proposal;</li> <li>• Chapter 9 (Cost of Capital and Taxation) of the original Revenue Proposal, as varied by chapter 8 of the revised Revenue Proposal;</li> <li>• Chapter 10 (Efficiency Benefit Sharing Scheme) of the original Revenue Proposal, as varied by chapter 9 of the revised Revenue Proposal.</li> <li>• Chapter 11 (Maximum Allowed Revenue) of the revised Revenue Proposal.</li> </ul>

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	(e) an explanation of the calculation of the amounts referred to in subsections (a) and (b), together with an explanation of the amounts, values and inputs referred to in subsection (c).	As above.
4.3.9(a)-(c)	<p>A revenue proposal must contain the TNSP's calculation of the regulatory asset base for the relevant transmission system for each year of the regulatory control period using the roll forward model, together with:</p> <p>(a) details of all amounts, values and other inputs used by the TNSP</p> <p>(b) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of part C of chapter 6A of the NER</p> <p>(c) an explanation of the calculation of the regulatory asset base for each regulatory year of the relevant regulatory control period and of the amounts, values and inputs referred to in subsection (a).</p>	<p>Section 6.4 of the revised Revenue Proposal provides information to demonstrate that the roll forward of the 2008 RAB to 1 April 2014 (the start of the forthcoming regulatory period) accords with the relevant requirements of part C of chapter 6A of the NER.</p> <p>Section 6.5 of the revised Revenue Proposal provides a summary of the amounts, values and inputs used by SP AusNet to derive its forecast RAB value for each year of the forthcoming regulatory control period.</p> <p>The RFM and PTRM provide details of the amounts, values and other inputs used, and are provided as supporting documents with the revised Revenue Proposal.</p>
4.3.10	Under clause S6A.1.3(6) of schedule 6A.1 of the NER, the TNSP's revenue proposal must nominate a commencement and length of the period to be used by the AER to calculate the nominal risk free rate for the regulatory control period according to clause 6A.6.2(c)(2) of the NER.	Section 8.2 of the revised Revenue Proposal provides this information.

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4.3.11(a)	<p>Under clause S6A.1.3(7) of schedule 6A.1 of the NER, a revenue proposal must contain:</p> <p>(1) the depreciation schedules nominated by the TNSP for the purposes of clause 6A.6.3 of the NER. The depreciation schedules must categorise the relevant assets by reference to well accepted categories such as:</p> <ul style="list-style-type: none"> <li>A. asset class (e.g. transmission lines and substations), or</li> <li>B. category driver (e.g. regulatory obligation, replacement, reliability, net market benefit and business support), and also by location</li> </ul> <p>(2) details of all amounts, values and other inputs used by the TNSP to compile those depreciation schedules and an explanation of the calculation of those amounts, values and inputs</p> <p>(3) a demonstration that the depreciation schedules conform with the requirements set out in clause 6A.6.3(b) of the NER.</p>	<p>Sections 7.3 and 7.4 of the revised Revenue Proposal set out the information required. The PTRM sets out the values, inputs and calculations used to calculate depreciation, and is provided as a supporting document with the revised Revenue Proposal.</p>
4.3.11(b)	<p>The AER has developed the pro forma statement 7.2 at appendix A to assist TNSPs to provide to the AER the required information relating to its depreciation schedules. A TNSP may prepare and submit this pro forma statement to the AER as part of its revenue proposal.</p>	<p>The pro forma statements are provided as a supporting document with the revised Revenue Proposal.</p>
4.3.12	<p>Under clause S6A.1.3(8) of schedule 6A.1 of the NER, a revenue proposal must contain the X factors nominated by the TNSP for each year of the relevant regulatory control period for the purposes of clause 6A.6.8(a) of the NER, together with a demonstration that those X factors comply with the requirements set out in clause 6A.6.8(b) of the NER.</p>	<p>The required information is set out in section 11.8 of the revised Revenue Proposal.</p>

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.13	Under clause S6A.1.3(9) of schedule 6A.1 of the NER, a revenue proposal must contain the commencement and length of the regulatory control period proposed by the TNSP.	Section 1.1 of the original Revenue Proposal specifies the commencement date and length of the regulatory control period. These statements remain valid for the purpose of this revised Revenue Proposal.
4.3.14	<p>Under clause S6A.1.3(10) of schedule 6A.1 of the NER, if the TNSP is seeking a determination by the AER that a proposed contingent project is a contingent project for the purposes of the relevant revenue determination, the TNSP's revenue proposal must contain:</p> <ul style="list-style-type: none"> <li>(a) a description of the proposed contingent project, including reasons why the TNSP considers the project should be accepted as a contingent project for the regulatory control period</li> <li>(b) a forecast of the capital expenditure which the TNSP considers is reasonably required for the purpose of undertaking the proposed contingent project</li> <li>(c) the methodology used for developing that forecast and the key assumptions that underlie it</li> <li>(d) information that demonstrates that the undertaking of the proposed contingent project is reasonably required to meet one or more of the objectives referred to in clause 6A.8.1(b)(1) of the NER</li> <li>(e) information that demonstrates that the proposed contingent capital expenditure for the proposed contingent project complies with requirements set out in clause 6A.8.1(b)(2) of the NER</li> <li>(f) the proposed trigger events relating to the proposed contingent project and an explanation of how each of those conditions or events addresses the matters referred to in clause 6A.8.1(c) of the NER.</li> </ul>	Section 3.7 of the revised Revenue Proposal addresses these requirements.

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.15(a)	A revenue proposal must contain a breakdown of the weighted average cost of capital calculation nominated by the TNSP for the purposes of clause 6A.6.2 of the NER, together with a demonstration that this calculation complies with the requirements set out in clause 6A.6.2(b) of the NER.	Chapter 8 of the revised Revenue Proposal presents the required information.
4.3.15(b)	A TNSP must prepare and submit the pro forma statement on the WACC to the AER as part of its revenue proposal.	The pro forma statements are provided as a supporting document with the revised Revenue Proposal.
4.3.16	<p>(a) A TNSP's revenue proposal must contain:</p> <p>(1) the demand forecasts that the TNSP has used as the basis for its forecasts of operating and capital expenditure for the forthcoming regulatory control period</p> <p>(2) the assumptions on which the demand forecasts have been based, and full and detailed explanations of the basis of their preparation.</p> <p>(b) As a minimum, the TNSP's demand forecasts must be presented for each regulatory year of the regulatory control period. It is expected that the TNSP's demand forecasts will be in the same form as that provided to AEMO.</p>	<p>As explained in section 1.1 and chapter 2 of the original Revenue Proposal, SP AusNet is not responsible for making transmission augmentation investment decisions, so the costs and revenues associated with any transmission augmentations over the forthcoming period are excluded from the revenue cap. These statements remain valid for the purpose of this revised Revenue Proposal.</p> <p>As explained in section 4.4.1 of the original Revenue Proposal, SP AusNet uses AEMO's published terminal station demand forecasts in sensitivity analysis to test the robustness of project economic evaluations. AEMO's 2012 terminal station demand forecasts were provided in Appendix 4B of the original Revenue Proposal.</p> <p>Section 3.2.2 of the revised Revenue Proposal provides further information on the application of AEMO's terminal station demand forecasts in the development of SP AusNet's revised capex forecasts.</p>
4.3.17	A TNSP's revenue proposal must contain details of the estimated cost of corporate income tax calculated by the TNSP for the purposes of clause 6A.6.4 of the NER, together with a demonstration that the calculation complies with the requirements of that clause.	Section 8.6 of the revised Revenue Proposal provides information addressing these requirements. Further details regarding the calculation is provided in the PTRM, which is included as part of the revised Revenue Proposal.
4.3.18	A TNSP must prepare its revenue proposal using a post-tax revenue model according to the requirements of chapter 6A of the NER. A TNSP's revenue proposal must be accompanied by a post-tax revenue model, completed in a manner that demonstrates its application to the TNSP.	As already noted, the PTRM is provided as part of the revised Revenue Proposal.

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.19	<p>A TNSP's revenue proposal must be accompanied by:</p> <ul style="list-style-type: none"> <li>(1) a completed roll forward model</li> <li>(2) the TNSP's calculation of the regulatory asset base for the relevant transmission system for each regulatory year of the relevant regulatory control period using the roll forward model referred to in clause 6A.6.1 of the NER, together with: <ul style="list-style-type: none"> <li>A. details of all amounts, values and other inputs used by the TNSP for the purpose of that calculation</li> <li>B. a demonstration that any such amounts, values and other inputs comply with the relevant requirements of part C of chapter 6 of the NER</li> <li>C. an explanation of the calculation of the regulatory asset base for each regulatory year of the relevant regulatory control period and of the amounts, values and inputs used to develop that calculation.</li> </ul> </li> </ul>	<p>As already noted, the completed RFM is provided as part of the revised Revenue Proposal.</p> <p>Chapter 6 of the revised Revenue Proposal provides high-level information that addresses the requirements of Guideline sections 4.3.19(2)(A), (B) and (C).</p>
4.3.20(a)	<p>If requested to do so by the AER, a TNSP's revenue proposal must contain details of the information a TNSP intends to provide in support of any application made to the AER to pass through a positive pass through amount or a negative pass through amount under clause 6A.7.3 of the NER.</p>	<p>No such request has been received.</p>



Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.21	<p>If requested to do so by the AER, a TNSP’s revenue proposal must contain the values that the TNSP proposes are to be attributed to self-insurance costs for each regulatory year of the relevant regulatory control period, together with:</p> <ul style="list-style-type: none"> <li>(a) details of all amounts, values and other inputs used by the TNSP to calculate its proposed self-insurance costs</li> <li>(b) an explanation of the TNSP’s calculation of these amounts, values and inputs</li> <li>(c) the following information and reporting requirements: <ul style="list-style-type: none"> <li>A. a board resolution to self-insure (i.e. a copy of the signed minutes recording resolution made by the board)</li> <li>B. confirmation that the TNSP is in a position to undertake credible self insurance for those events</li> <li>C. self-insurance details setting out the specific risks the TNSP has resolved to self-insure</li> <li>D. a report from an appropriately qualified actuary or risk specialist verifying the calculation of risks and corresponding insurance premiums</li> <li>E. the annual regulatory accounts must record the cost of self-insurance as an operating expense and establish a self-insurance reserve</li> <li>F. when a claim against self-insurance is made, an appropriate deduction to the self-insurance reserve must be recorded.</li> </ul> </li> </ul>	<p>Section 4.7 of the revised Revenue Proposal sets out information in relation to SP AusNet proposed treatment of self-insured risks, and an explanation of calculations values and inputs. Section 4.7.2.1 of the revised Revenue Proposal cross refers to a supporting actuarial report by AON, submitted to the AER as Appendix 5A of the original Revenue Proposal.</p> <p>The Board’s resolution to self-insure is provided as an Appendix to the revised Revenue Proposal.</p>
4.3.22	<p>A TNSP’s revenue proposal must contain:</p> <ul style="list-style-type: none"> <li>(a) the name and description of each individual prescribed transmission service provided by the TNSP that is the subject of that revenue proposal</li> </ul>	<p>Section 1.1 of the original Revenue Proposal identifies the prescribed transmission services to which the revenue proposal relates, and section 2.2.2 of the original Revenue Proposal clarifies that the costs and revenues of future augmentations are excluded from the proposed revenue cap. These statements remain valid for the purpose of this revised Revenue Proposal.</p>

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
	(b) the quality, reliability and security of supply of each prescribed transmission service provided by the TNSP	Chapter 6 of the original Revenue Proposal, as varied by chapter 5 of the revised Revenue Proposal provides information on the quality, reliability and security of supply of prescribed transmission services provided by SP AusNet.
	(c) the reliability, safety and security of the transmission system provided by the TNSP in the supply of prescribed transmission services.	Chapter 6 of the original Revenue Proposal, as varied by chapter 5 of the revised Revenue Proposal provides information on the reliability, safety and security of the transmission system provided by SP AusNet in the supply of prescribed transmission services.  Section 2.5.2 of the original Revenue Proposal discusses SP AusNet’s safety obligations. This information remains valid for the purpose of this revised Revenue Proposal.
4.3.23	A TNSP’s revenue proposal must contain a forecast map of the transmission system for the relevant regulatory control period. This map, together with any appropriate accompanying notes, should also indicate the location of new major network assets proposed to be constructed over the regulatory control period and should identify:  (a) the different ratings of the transmission lines  (b) other major network assets.	Section 2.5 of the original Revenue Proposal provides maps showing the locations and voltages of existing major assets. Section 4.6 of the original Revenue Proposal, as varied by section 3.4 of the revised Revenue Proposal describes the major projects that comprise the Station Rebuilding and Refurbishment Program. A description of the locations of the projects is also provided in section 4.6 of the original Revenue Proposal. This Information remains valid for the purpose of this revised Revenue Proposal.

Guideline section	Summary of requirements	Appendix D: How section was addressed in the revised Revenue Proposal
4.3.24	<p>A TNSP's revenue proposal must contain the following:</p> <p>(a) details of the following information relating to any material related party transactions whose costs are attributed to, or allocated between, categories of transmission services provided by the TNSP:</p> <ul style="list-style-type: none"> <li>A. details of the related party</li> <li>B. the terms of the related party contract</li> <li>C. a description of the goods and/or services that are the subject of the transaction, and</li> <li>D. a description of the procurement process undertaken in respect of the goods and/or services that are the subject of the transaction, and, in particular, whether the procurement process was a competitive process.</li> </ul> <p>(b) The TNSP's confirmation that the terms and conditions of any related party contract that it has require the related party to provide sufficient information to the TNSP to enable the TNSP to meet obligations to attribute or allocate the costs of that related party contract under these guidelines.</p>	<p>Section 2.8 and Appendix 2B of the original Revenue Proposal address these requirements, and remains valid for the purpose of this revised Revenue Proposal.</p>