

22 October 2013

Craig Madden  
Director, Network Regulation  
Australian Energy Regulator

Via email: craig.madden@aer.gov.au

Dear Craig,

**RE: Revised AMI Charges following AMI WACC update**

The Victorian distribution businesses' agreed a period for the measurement of market observables for the AMI WACC with the AER. The agreed averaging period was 19 business days from 16 September 2013 to 11 October 2013 (excluding 7 October 2013).

On 21 October, the Victorian distribution businesses' submitted a supplementary submission on the AMI WACC to reflect the actual averaging period. Following this supplementary submission on the AMI WACC SP AusNet has revised its proposed AMI charges for 2014 and 2015. The revised AMI WACC parameters are shown in Table 1 below.

**Table 1: Proposed WACC – Capital Asset Pricing Model Parameters (2014–2015)**

Parameter	2014–2015
Nominal risk free rate	4.02%
Inflation	2.47%
Debt margin	2.62%
Gearing	60.0%
Equity beta	0.8
Market risk premium	7.28%
Nominal cost of debt	6.64%
After tax nominal cost of equity	9.84%
Real post-tax WACC	5.32%
<b>Nominal post-tax WACC</b>	<b>7.92%</b>

Clauses 5G.1 and 5I.1 of the AMI Cost Recovery Order in Council require a revision of Regulated Services for 1 January 2014 to be determined in accordance with Clause 4 and Clause 5I. SP AusNet's proposed price movements for the period 2014–2015 are set out in Table 2 below.

**Table 2: Price Movements 2014–2015**

	2014	2015
Nominal Price Movement / X-factor	- 23.85%	- 23.85%

**Note:** Under the CPI-X pricing regime a negative X- factor equates to a price increase.

SP AusNet's proposed subsequent Regulated Services charges for 2014 and an indication for the year 2015 are set out in Table 3 below.

**Table 3: Regulated Services Charges**

Annual Metering Charge (\$Nominal, GST exclusive)	Forecast NMI's at end of 2013	2014	2015 (Forecast)
Single phase, single element *	390,822	\$161.6	\$200.1
Single phase, two element with contactor	155,345	\$185.6	\$229.9
Multi-phase	83,176	\$224.3	\$277.8
Multi-phase, with contactor	42,268	\$248.8	\$308.1
Multi-phase current transformer connected	3,786	\$320.4	\$396.8

\* This charge will apply to NMI's where a single phase, single element with contactor meter is installed.

If you have further questions regarding the information provided above, please contact Marissa Papas, Regulatory Economist on 03 9695 6292.

Yours sincerely,



**John Howarth**  
 Manager, Regulation and Network Strategy