

Decision

**Statement of principles for the regulation
of transmission revenues**

Information requirements guidelines

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Commissioners:
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Preface

Under the National Electricity Code (Code) the Commission is responsible for the regulation of transmission revenues in the National Electricity Market. It has been progressively taking up those responsibilities from 1 July 1999.

As envisaged by the Code, in May 1999, the Commission issued its draft *Statement of Principles for the Regulation of Transmission Revenues* (draft *Regulatory Principles*) — a set of guidelines which outlined how the Commission intended to exercise its power to regulate transmission revenues. The draft *Regulatory Principles* included a chapter relating to Information Requirements Guidelines. That chapter has since been developed into the present decision, going through the Commission's usual consultative processes.

The Commission's objective in issuing these guidelines is to reinforce the effectiveness of the regulatory processes by limiting the ability of the TNSPs to extend their monopoly powers from the network business to the contestable parts of the industry. In particular, the Commission is seeking to ensure that regulated activities do not cross-subsidise contestable activities.

Part G, Chapter 6 of the Code deals with accounting separation requirements. TNSPs must maintain a separate set of accounts in respect of the provision of ring fenced services which are defined in the Code to mean prescribed services. Prescribed services are further defined to mean services provided by transmission network assets or associated connection assets that are not contestable.

Consequently, the Code requires TNSPs to separate out prescribed and non-prescribed services when performing their regulatory accounting. TNSPs are also required to reasonably allocate costs that are shared between prescribed services and any other activities.

The accounting separation requirements are reflected in this decision. The Information Requirements Guidelines are to be read in conjunction with the Transmission Ring Fencing Guidelines which will be issued shortly, and the Service Standards Guidelines which are being developed.

Clauses 6.2.5(a) and (c) of the Code require TNSPs to submit to the Commission certified annual financial statements (in a form and by a date to be determined by the Commission), and any other information the Commission reasonably requires to perform its regulatory functions.

Information provided by the regulated TNSP will form the basis of the Commission's revenue cap decisions. The Commission will also use its information gathering powers to annually monitor the TNSP's compliance with its revenue cap.

The decision is structured as follows: the background to the Information Requirements Guidelines is initially outlined, along with summaries of submissions from interested parties and the Commission's considerations. Appendix 2 of the decision details the Information Requirements Guidelines, the principles to be applied by the TNSPs in their regulatory reporting, with an accompanying glossary. The guidelines also provide example proforma financial statements and schedules, regulatory audit reports, and directors' responsibility statement that the TNSPs must complete in fulfilling their obligations under the Code.

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Glossary

Capex	Capital expenditure
Code	National Electricity Code
Commission	Australian Competition and Consumer Commission
NEM	National electricity market
NEMMCO	National Electricity Market Management Company
Opex	Operating and maintenance expenditure
Regulatory Principles	Statement of principles for the regulation of transmission revenues
TNSP	Transmission network service provider

1. Introduction

1.1 The Commission's role as regulator of transmission revenues

On 1 July 1999, as required under chapters 6 and 9 of the National Electricity Code, the Australian Competition and Consumer Commission assumed responsibility for the regulation of transmission revenues in the National Electricity Market (NEM).

The timetable of the Commission's start date in each jurisdiction is below.

Table 1.1. NEM transmission network regulation timetable

Jurisdiction	Commission transmission regulation start date
New South Wales	1 July 1999
Victoria	1 January 2003*
Queensland	1 January 2002
South Australia	1 January 2003**
Australian Capital Territory	1 July 1999

* The Commission commenced administration of the Victorian Tariff Order from 1 January 2001.

** The Commission commenced administration of the South Australian Electricity Pricing Order from 1 January 2001.

In chapter 6, Part B of the code outlines the general principles and objectives for the transmission revenue regulatory regime to be applied by the Commission and prescribes the broad form of regulation to be applied to the Transmission network service providers' (TNSPs) revenues. It also grants the Commission the flexibility to use alternative methodologies, providing they are consistent with the code's objectives, principles, broad forms and mechanisms, and information disclosure requirements.

In assuming its role as regulator of transmission revenues in the NEM, the Commission aims to adopt a process which eliminates monopoly pricing, provides a fair rate of return to network owners, and creates incentives for managers to become more efficient by reducing costs. In doing so the Commission is aware that compliance costs must be minimised and that the regulatory process is objective, transparent and as light-handed as possible.

The code states that the Commission will develop guidelines outlining how it will exercise its power to regulate transmission revenues. The draft *Statement of principles for the regulation of transmission revenues* (draft *Regulatory Principles*) was issued on 27 May 1999 in response to this provision of the code.

According to the principles of best practice regulation, the Commission recognises that the regulatory process should be flexible and should evolve over time in response to developments and innovations. As noted in them, the Commission envisages that the *Regulatory Principles* will continue to evolve in response to improvements in the regulatory regime.

1.2 Information disclosure requirements

Clauses 6.2.5(a) and (c) of the code require TNSPs and/or transmission network owners to submit certified annual financial statements to the Commission (in a form to be determined by the Commission), and any other information the Commission reasonably requires to perform its regulatory functions.

Information provided by the regulated TNSP will form the basis of the Commission's revenue cap decisions. The Commission will also use its information gathering powers to annually monitor the TNSP's compliance with its revenue cap. The information requirements to conduct each of these tasks are different in detail and form.

The Commission is conscious of the information asymmetry problem that it will face in both determining the revenue cap and monitoring the performance of the regulated TNSPs. This can bias regulatory outcomes because of incomplete and/or misleading information used to determine a revenue cap. However, information asymmetry can be partially addressed by independently verifying data and forcing disclosure of information under clause 6.2.5(d).

The Commission is also aware of the temptation facing a regulator to seek too much information and the extra costs that can result, including the additional time required to analyse and process the information.

Ensuring that relevant and accurate information is supplied has to be balanced against requesting information that is excessive or unnecessarily detailed. The Commission believes that by adopting the principles of best practice regulation, a regulator can foster a cooperative environment, with well informed participants, and in doing so reduce the overall regulatory costs, without increasing the risks of information asymmetry.

Clause 6.2.5(e) of the code states that the Commission should treat information given to it by the regulated TNSP as confidential, unless it obtains the written consent of the TNSP to release the information. When the Commission does not obtain written consent clauses 6.2.6(b)–(e) of the code allow it to notify the TNSP of its intention to publicly release information. Clause 6.2.6(d) also allows the TNSP to initiate an appeals process regarding such a decision.¹

¹ Clause 6.2.6(d) sets out that the Commission's decision to disclose information can be reviewed under the *Administrative Decisions (Judicial Review) Act 1977* (ADJR Act) upon application to the Federal Court.

2. Summary of the draft Regulatory Principles

2.1 Information requirements for determining the revenue cap

In the draft *Regulatory Principles* the Commission outlined the process by which the regulated TNSP must submit a regulatory application, including the information required to set a revenue cap.

To set revenue caps the Commission will generally rely on the TNSP's information, public consultation and submissions. The onus is upon the regulated TNSP to provide verifiable, relevant and accurate information. The Commission also specified that the TNSP must provide all information in both electronic and written format, which must be compatible with the Commission's computing systems in use at the time.

In terms of its financial requirements, the Commission stated that the regulated TNSP must provide the Commission with forecasts of key financial information. The Commission considered that it is important that the presentation of forecast financial information be in the same format as historical financial information, enabling inter-temporal comparisons. Further, for any forecast financial information to be properly assessed and utilised it must include the rationale and explanations of how the forecasts have been derived.

Appendix 2 of the draft *Regulatory Principles* set the information requirements for the regulatory accounts, with the pro formas set out in appendix 5.

In addition to the financial information specified, the Commission argued that it required supporting non-financial information to provide assurances on the relevance and veracity of the financial information, in addition to determining appropriate levels of service standards. The Commission also specified that the TNSPs were responsible for ensuring that the Commission receives sufficient assurances from the auditors that the regulatory accounts can be relied upon for regulatory purposes.

2.2 Ongoing information requirements for compliance monitoring

For the regulatory regime to be effective the Commission will undertake compliance monitoring of the regulated TNSPs. The Commission is aware that providing information for this purpose will impose costs on the TNSPs. Therefore, it will undertake annual, rather than six monthly, assessments of the TNSP's financial situation and compliance with the revenue cap, including the service standards. The assessments will be timed to coincide with the financial reporting period of each TNSP, with compliance monitoring information to be provided to the Commission within four months of the end of the annual financial reporting period.

The details of the information required for annual reporting compliance were set out in appendix 3 of the draft *Regulatory Principles*, with the pro formas set out in appendix 5.

2.3 Information disclosure

The information disclosure regime is vital to ensuring that opportunities for exploiting information asymmetries by the TNSP are minimised. The Commission undertakes a transparent regulatory process. Disclosure of information contained in the revenue cap application will assist the Commission to assess the information, via comments and analysis from interested parties, and lead to better information supplied and better regulatory outcomes.

2.4 Direction for the future

In the draft *Regulatory Principles* the Commission noted that it will continue to develop the information disclosure requirements. The development would reflect changes that occur in the transmission sector, in regulatory practice and the information needs of the Commission, and developments in accounting theory and standards.

Following the release of the draft *Regulatory Principles* the Commission received submissions from interested parties outlining their concerns regarding the proposed information requirements.

Since the release of the draft *Regulatory Principles* the Commission has established revenue caps for four transmission networks: TransGrid, Energy Australia, the Snowy Mountains Hydro-Electric Authority and Powerlink. As a result of these processes the financial model and information needs have been refined.

The Commission initially engaged KPMG Consulting to review the proposed revenue information requirements and annual compliance reporting principles in the draft *Regulatory Principles* and to develop a revised set of information guidelines. The Commission released the *Information requirements guidelines* as a draft decision on 9 May 2001. Since then the Commission has undertaken a test of the draft information requirements with TransGrid and Energy Australia and received further comment from Powerlink, SPI PowerNet and ElectraNet SA.

Resulting from this consultation the Commission has made further amendments and is now releasing the guidelines as a final decision with the expectation that all regulated TNSPs will submit information in accordance with the relevant requirements. While the guidelines are released in the form of a final decision, the Commission acknowledges that they will continue to be revised to reflect changes that occur in the transmission sector and regulatory practices.

3. What the interested parties say

A number of interested parties commented on the draft *Information requirements guidelines* released on 9 May 2001. The Commission has broken down the comments into the following elements.

3.1 Information requirements for determining the revenue cap

Powerlink contends that the requirement to audit forecast information provides no substantial increase in benefits to the Commission. However, it places much greater costs on the TNSP both in management time and audit fees.

ElectraNet SA is also concerned about the audit of forecast information, saying that auditors will need to become acquainted with the information requirements under the regulatory regime, which will result in increased costs. With respect to the auditing of information generally, ElectraNet SA queried if this could reduce the extensive consultant review and public consultation process that currently takes place.

SPI PowerNet does not have any significant concerns regarding the requirements but points out the different level of assurance provided by auditors in respect of forecast information compared to historical information.

3.2 Ongoing information requirements for compliance monitoring

Powerlink has raised the following issues.

- The definition of ‘related party’ is not consistent with accounting standard AASB 1017 and is discriminatory towards government owned corporations.
- Disaggregation of certain financial statement items into prescribed and non-prescribed services will not provide useful information as it will be based on an allocation rule and will not reflect actual costs charged.
- One-year demand forecasts that are required as part of the annual reporting regime should not be subject to audit as the data will have been reviewed by NEMMCO.
- Given a benchmark tax payable value is used for regulatory determination purposes, the only actual tax element that need be reported is the ‘tax depreciation’ amount for regulatory assets. Therefore, income tax reporting requirements should be limited to this information.
- If assets are required to be classified under the mandatory headings in section 7.11 of the guidelines they will not be 100 per cent accurate.
- The Asset Aging Schedule is relevant only to the revenue setting process and is considered unnecessary on an annual basis.

ElectraNet SA queried which of the annual proformas are required to be audited.

Transgrid has raised the following items for clarification:

- the basis for showing interest income, interest expense, dividends paid, cash and borrowings in the 'Not allocated' column on the Statement of Financial Performance and Statement of Financial Position, where these items are attributable to the Prescribed Services segment of a company;
- the need for preparing a Statement of Financial Position—Prescribed Transmission Services when the required information is already set out in the Disaggregation Statement—Statement of Financial Position, and no regulatory adjustments have been effected. In addition, as the Shareholder's Equity component is not required to be allocated, this results in an unbalanced presentation of the Statement of Financial Position;
- the definition and application of causal allocation and non-causal allocation;
- the purpose of the Summary of Provisions Statement and the Provisions Reconciliation—Prescribed Transmission Services Statement;
- the purpose of the Reconciliation of Property, Plant and Equipment Statement; and
- the purpose of the Asset Aging Schedule.

Energy Australia raised the following matters.

- Cost allocation—the Commission should provide more guidance on the allocation of specific costs. It should also approve the use of non-causal bases of allocation before the audit review begins.
- Causal allocation and non-causal allocation schedules—a simplified reporting arrangement should be implemented with the operating and maintenance schedule differentiating between directly attributable and allocated costs, and a separate Non-Causal Allocation Attachment providing a list of the methods that have been applied.
- Statement of cash flows—would require a restructuring of Energy Australia's banking activities to supply the required information. Energy Australia also questioned the value of the data with major cash flow items already presented through the Statement of Financial Performance and Statement of Financial Position.
- Customer contributions—the Commission's approach is detailed in its draft *Regulatory Principles* which state that the requirements of UIG abstract 17 will not be applied. Consequently, there is an apparent inconsistency between the Statement of Financial Performance and the Statement of Financial Position regarding the treatment of customer contributions that needs to be resolved.
- Accounting principles and policies—the Commission and IPART differ in their requirements in some areas and this has an impact on comparisons. Pro forma schedules should be included in the guidelines detailing accounting policies and principles used.

- Third party benefits and financing transactions—the types of transactions to be disclosed should be clarified.
- Income tax —Energy Australia calculates and pays income tax on a consolidated basis. The regulatory value of this information is also questionable.
- Related party transactions—the Commission should consider adopting the statutory requirements, rather than the additional level of disclosure currently required.

3.3 Information disclosure

Powerlink has continuing concerns with the information disclosure section of the draft guidelines.

Energy Australia contends that source documentation and accounting records are likely to contain commercially sensitive information. This supplementary information should therefore be submitted as commercial-in-confidence.

3.4 General comments

In Powerlink’s view, a further audit report should only be requested in exceptional circumstances with adequate consultation beforehand.

ElectraNet SA made the general comment that the guidelines may have the effect of requiring a business to keep separate regulatory and accounting books. This would require development of new systems to enable separation of the regulatory and accounting financials, with reconciliation between the two being difficult.

Energy Australia raised the following matters.

- Examples and explanations—clarifying statements and examples would assist compliance with the guidelines in areas such as financing transactions and other non-standard requirements.
- Transitional arrangements—would assist during the current regulatory period as reporting issues with respect to IPART and the Commission requirements are resolved and implemented.
- Reporting timetable—submission of regulatory accounts to the Commission and IPART should be in November of each year.
- Reviews—the guidelines should be subject to review every two years to take into account evolving accounting standards and business practices. When the Commission changes its information needs, these changes should not apply retrospectively or to financial periods that have already begun.
- Audit assurances—clauses 2.6.7 and 2.6.8 should only be used where there has been a blatant disregard for the Commission’s requirements, and should not be used to extend those requirements.

4. Commission’s considerations

4.1 Information requirements for determining the revenue cap

The Commission agrees with Powerlink and ElectraNet SA that forecast information, by its very nature, cannot be audited, although it still considers that the underlying bases and assumptions can be subject to verification. Therefore, the guidelines have been modified to allow independent verification of forecast information in the form of a review of financial reports, rather than an audit report as originally required.

With regard to ElectraNet SA’s comment concerning the possibility of audited statements reducing the need for extensive public consultation and consultant review that presently occurs, the Commission considers these activities necessary to further address the information asymmetry problem noted earlier, as well as to increase the transparency of its processes.

4.2 Ongoing information requirements for compliance monitoring

The Commission makes the following comments on the issues that Powerlink raises.

- Related party definition—the Commission accepts that government-owned corporations are subject to comprehensive legislative policies and principles that act to ensure commerciality and accountability. Therefore, the definition paragraph relating to transactions between these businesses has been deleted. However, the Commission reserves the right to reinstate this paragraph in any future review of the guidelines if it considers it necessary.
- Section 3.3 of the guidelines provides the allocation principles when disaggregating base accounts. The guidelines state that base account records that are directly attributable to a business segment should be allocated accordingly, otherwise the accounts are to be allocated on a causation basis.
- Audit assurances will not be required in respect of demand forecasts.
- The Commission considers the annual reporting of the amount of income tax payable (or its equivalent) by a TNSP to be a necessary part of the regulatory regime, given that it forms a component of the original revenue cap determination.
- The mandatory headings of ‘connection assets’, ‘transmission network assets’ and ‘common service assets’ have been removed from the relevant proformas in appendix B of the guidelines.
- The Asset Aging Schedule gives the Commission an understanding of the asset base and the adequacy of the depreciation charge.

With respect to ElectraNet SA’s query, all pro formas listed in appendix B are subject to audit assurance with the exception of:

- the one-year demand forecast and

- the current map of the network.

With respect to Transgrid's concerns, the Commission makes the following comments.

- The Commission does not require the allocation of certain items such as dividends paid between Prescribed Services and Non-Prescribed Services, as they may not be readily attributable to business segments.
- The preparation of a Statement of Financial Position—Prescribed Transmission Services is still required, even when there are no regulatory adjustments to the Disaggregation Statement—Statement of Financial Position, as it focuses attention on those assets and liabilities that can be particularly attributed to a TNSP's Prescribed Services. This facilitates the identification of trends and assists the Commission's understanding of the regulated business.
- Section 3.3 of the guidelines outlines the principles governing the allocation of base account records between business segments. For example, costs that are directly attributable to a business segment will be so allocated. However, other costs will need to be allocated on a causation basis along with a detailed description and explanation of the basis of allocation. A causal basis should be used unless it cannot be established without undue cost and effort.
- The Commission needs to monitor provisions to ensure that opex is not overstated by increases in provisions. The Summary of Provisions Statement assists the Commission to identify reallocation of provisions between Prescribed Services and Non-Prescribed Services.
- The Reconciliation of Property, Plant and Equipment Statement allows the Commission to assess the appropriateness of prescribed capital expenditure and depreciation rates.
- The Asset Aging Schedule gives the Commission an understanding of the asset base and therefore likely capital expenditure requirements. The schedule also allows the Commission to assess the adequacy of the depreciation charge.

The Commission makes the following comments regarding Energy Australia's concerns.

- Cost allocation—the Commission considers the cost allocation principles currently detailed in section 3.3 of the guidelines provide adequate guidance. TNSPs experiencing difficulties with particular cost allocation matters should raise those specific issues with the Commission. Approval by the Commission to use non-causal bases of allocation may be sought at any time before the allocation process begins.
- Causal allocation and non-causal allocation schedules—the Commission will maintain the relevant schedules in their present form. However, a restructuring of the schedules may be considered once the initial annual reporting cycle has been completed by all TNSPs.
- Statement of cash flows—disaggregation of items such as creditors and provisions is not required. However, the Commission considers this proforma assists in its understanding of the business, including trend analysis of the information provided.

- Customer contributions—the Commission has maintained the approach to the treatment of customer contributions detailed in its draft *Regulatory Principles*. UIG abstract 17 will not be applied in situations where a customer makes in-kind or cash contributions to a TNSP to extend or modify the network. The Commission is concerned to ensure that revenue cap or depreciation calculations are only made in respect of the regulated asset base in which the TNSPs have invested. TNSPs will be required to establish contra asset accounts to record these contributions, but it will not be necessary to recognise an associated revenue item for regulatory purposes. Consequently, the relevant proformas in appendix B will be modified to reflect this treatment.
- Accounting principles and policies—the Commission has produced these guidelines as part of its responsibilities under the code to regulate transmission revenues. Consequently, it has not been possible to achieve complete uniformity with State regulators such as IPART whose regulatory responsibilities are governed by different regimes. The Commission does not propose at this point to stipulate pro forma schedules to detail the accounting policies and principles used by TNSPs.
- Third party benefits and financing transactions—these matters are covered by clauses 7.17 and 7.18 of the guidelines respectively.
- Income tax—the Commission considers the annual reporting of the amount of income tax payable (or its equivalent) by a TNSP to be a necessary part of the regulatory regime, given that it forms a component of the original revenue cap determination.
- Related party transactions—the Commission has deleted that part of the definition dealing with transactions between government-owned corporations for the reasons detailed above under the Powerlink response.

4.3 Information disclosure

The Commission has maintained the position taken in its earlier draft, which requires *a priori* consent to publish unless the business claims confidentiality. The Commission notes that the historic disaggregation schedules and supporting schedules, which provide an audit trail, are likely to include legitimately commercially sensitive information in the normal course of events. Therefore, claims of confidentiality might reasonably be expected as the norm rather than as an exception.

However, the Commission considers that the outcomes of the regulatory historic accounting process—that is, the Statement of Financial Performance, Statement of Financial Position extracts and Statement of Cash Flows extracts—do not contain such information and could be published with much less scope for objection.

4.4 General comments

In response to Powerlink’s concerns the Commission confirms that a further audit report will only be requested in exceptional circumstances, and such action will only be undertaken after adequate consultation with the TNSP with written notice and supporting reasons given.

With regard to ElectraNet SA's general concern about the possibility of needing to keep separate regulatory and accounting books, the Commission notes that the regulatory accounting principles and policies adopted by a TNSP must have a recognisable and rational economic basis. Further, the resultant financial information must satisfy the concepts of relevance and reliability so that the substance of the transaction or event is reported. The Commission also anticipates that the guidelines may be revised when necessary to meet the needs of stakeholders. Accordingly, the situation will be monitored regarding any issues and problems in meeting the reporting requirements.

The following comments address Energy Australia's concerns.

- Examples and explanations—the Commission, as part of its ongoing development of the guidelines, will provide further examples and explanations if they are necessary to assist compliance.
- Transitional arrangements—the Commission considers that TNSPs have had adequate time to prepare to meet the compliance requirements outlined in the guidelines and expects them to comply fully from 2002/03 onwards.
- Reporting timetable—the Commission confirms that the regulatory financial statements and other statements, schedules and work papers required under the guidelines must be submitted no later than four months after the end of the financial year to which they apply.
- Reviews—the Commission intends that the guidelines will be subject to regular review to take account of changing accounting standards and information needs of the Commission. When the Commission changes its information needs, it will institute its usual consultative process and any changes will apply prospectively.
- Audit assurances—clauses 2.6.7 and 2.6.8 of the guidelines will only be invoked when the Commission considers those measures are essential to ensure that it meets its obligations under the code to regulate and monitor transmission revenues.

5. Statement of Regulatory Principles

Proposed Statement – S1

Each TNSP must comply with the information requirements set out in the *Information requirements guidelines*.

Proposed Statement – S2

General

The TNSP must submit all information to the Commission in both electronic and written form.

Information submitted as part of the regulatory application must be submitted to the Commission in accordance with the processes and timetable specified in chapter 2 of the draft *Regulatory Principles*.

The TNSPs shall ensure that all information provided to the Commission is verifiable.

The regulatory statements must reflect the commercial substance of transactions or events. Where the commercial substance of a transaction or event differs from legal form, it is the commercial substance that must be reported.

Proposed Statement – S3

Financial information requirements

All items reported to the Commission in the Regulatory Financial Statements are to be derived from the TNSP's audited financial statements.

All items reported to the Commission in the other regulatory statements and schedules listed in appendix B of the *Information requirements guidelines* are to be derived from the audited accounts.

All material items must be disclosed.

All transactions between TNSPs and related parties must be disclosed to the Commission.

All items within the audited regulatory statements and schedules listed in appendix B of the *Information requirements guidelines* are to be disaggregated between prescribed services and non-prescribed services where indicated.

No cost category may be attributed to more than one business segment.

All transactions reported in the regulated financial statements as prescribed services must be adjusted to account for regulatory accounting rules that differ from those used in the preparation of the audited financial statements.

The regulatory statements and schedules must be audited before being submitted to the Commission.

In instances where:

- the regulated activities relating to a single TNSP are conducted by more than one legal entity or
- any entity that is involved in regulated activities is not required to prepare audited financial statements under the Corporations Law

the following requirements must be complied with.

- Consolidated, or aggregated, financial statements must be prepared encompassing the activities of all legal entities that are conducting the regulated activities.
- The consolidated statements must be prepared and audited as if they were required by the corporations law.
- The audited statements are then to be used as the audited financial statements, which are then to be used for the preparation of the disaggregated regulatory financial statements, subject to all of the regulatory requirements of this guideline.

Forecast financial information must be prepared on a consistent basis with the regulatory financial statements. The forecast financial information must include, as notes to the appropriate statements, the rationale and explanations of how the forecasts have been derived, and must state the accounting principles that have been employed.

Proposed Statement – S4

Non financial information

The directors of the TNSP will be required to complete a Directors' Responsibility Statement to be signed by two or more directors.

The TNSPs are to be responsible for ensuring that the Commission receives sufficient assurances from the auditors that the information can be relied upon for regulatory purposes.

If the audit fails to satisfy Commission requirements, the Commission will notify the TNSP that a further audit must be conducted that addresses the Commission's requirements. The Commission will include a rationale for requiring a further audit and timeframe for completion of the audit in the notification.

The TNSP must submit sufficient information to ensure that the Commission can assess compliance with service standard requirements.

Proposed Statement – S5

Information disclosure

The regulatory application must include written consent from the TNSP for the public release of all information within that application or, where confidentiality is sought, details of each specific item for which the TNSP wishes to claim confidentiality and an explanation stating why confidentiality is required.

Information submitted annually, as part of the ongoing monitoring of the TNSP must include written consent from the TNSP for the public release of the regulatory accounts and assumptions underlying those accounts. When confidentiality is sought the TNSP must provide details of each specific item for which confidentiality is claimed and an explanation stating why it is required.

Any additional information requested by the Commission or otherwise provided to the Commission by the TNSP must be accompanied by a written consent for public release, or a detailed statement outlining the claims for confidentiality.

When the Commission decides to release information for which confidentiality is claimed, the Commission will follow the processes set out in clause 6.2.6(b)-(e) of the code.

Proposed Statement – S6

Direction for the future

The Commission will continue to develop the information disclosure requirements over time. The development of the information disclosure requirements will be driven by several factors including:

- the evolving information requirements of the Commission for the discharging of its duties under the code
- developments that occur in the transmission sector
- developments in accounting and reporting theory, including any associated changes in the accounting standards
- developments in regulatory information disclosure requirements and analytical tools to ensure the best regulatory practice is adopted.

Appendix 1. Submissions to the Commission

The following bodies made submissions to the Commission in relation to the initial information requirements as expressed in the draft *Regulatory Principles* and/or the draft *Information requirements guidelines*.

Commonwealth Department of Primary Industries and Energy
ElectraNet SA
Energy Australia
Ergon Energy
NSW Treasury
Powerlink
Siemens
South Australia Treasurer
SPI PowerNet
Transend
TransGrid
Victorian Department of Treasury and Finance (EPD)
Western Power
Yallourn Energy

Appendix 2. Information requirements guidelines

Australian Competition and Consumer Commission

*Transmission Network Service Provider
Information Requirements Guidelines*

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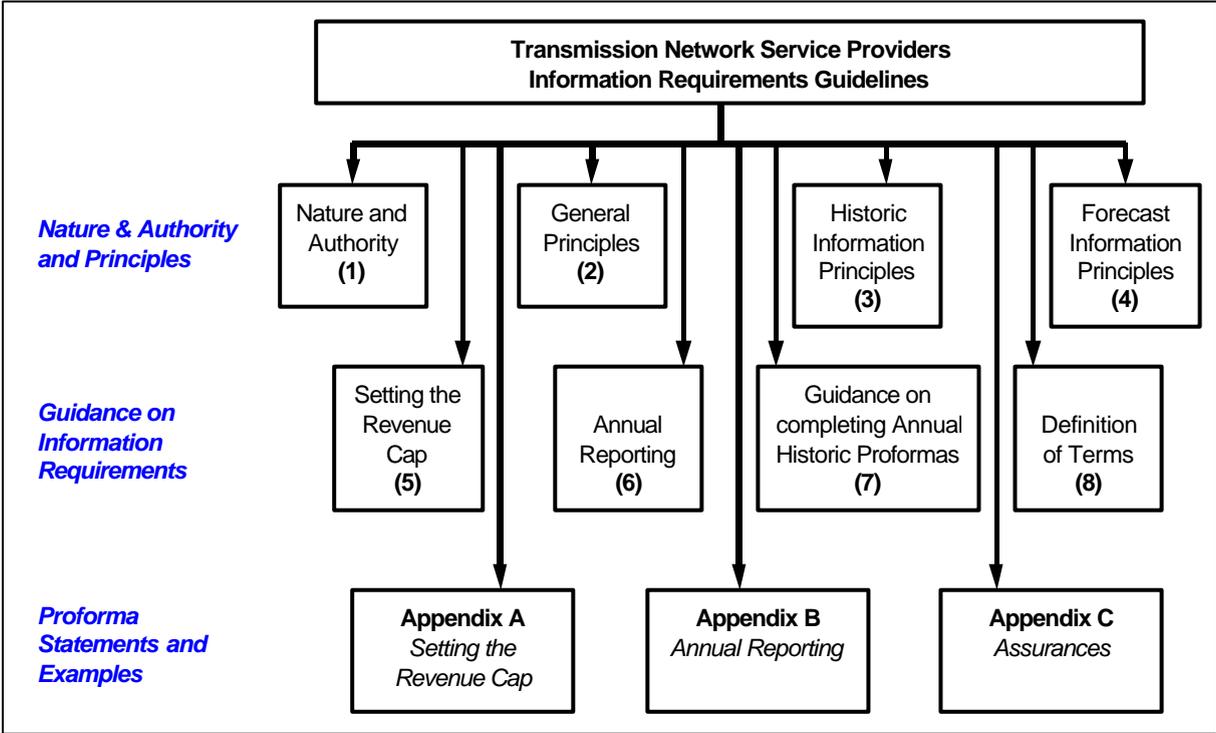
How these guidelines work

These guidelines set out the information requirements and reporting principles and processes for two main areas:

- setting the revenue cap and
- annual reporting

for electricity transmission network service providers (TNSPs).

The diagram below represents a map of the guidelines.



Sections 2, 3 and 4 of these guidelines set out the principles for a TNSP to follow when providing information to the Australian Competition and Consumer Commission (the Commission). Pro forma statements and guidance are set out in the remaining sections of the guidelines. In case of any conflict, the principles take precedence.

1. Nature and authority

1.1 Introduction

These guidelines set out information required by the Commission to regulate TNSPs.

1.2 Objectives

Clauses 6.2.2 to 6.2.5 of the National Electricity Code set out the objectives and principles of the transmission revenue regulatory regime to be administered by the Commission.

The Commission's objective is to determine and monitor compliance with a revenue cap, using an information disclosure regime, which is objective, transparent and light-handed.

As the national regulator of transmission revenues in the NEM, the Commission aims to eliminate monopoly pricing, provide a fair return to network owners, and create incentives for managers to pursue ongoing efficiency gains by reducing costs.

1.3 Powers

The Commission's powers to gather information to set and monitor revenue caps for TNSPs stem from Part IIIA of the *Trade Practices Act 1974* and clause 6.2.5 of the National Electricity Code.

As national regulator for transmission network services, the Commission is responsible for developing national guidelines and rules for application of its draft *Statement of principles for the regulation of transmission revenues* (draft Regulatory principles).

1.4 Confidentiality

Clause 6.2.5(e) of the National Electricity Code states that the Commission must obtain written consent to publicly disclose information provided by a TNSP, unless the procedures set out in clauses 6.2.6(b) to (e) are followed.

To manage the process, the Commission requires a letter to accompany all information agreeing to the Commission publicly releasing that information.

Where a TNSP indicates that information is commercially sensitive, it must include the rationale for its claim.

1.5 Role of these guidelines

These guidelines stipulate the minimum information requirements of the Commission. The obligation of a TNSP to comply with these guidelines:

- is additional to any obligation imposed under any other law applying to a TNSP's business
- does not derogate from such an obligation.

The guidelines include accounting requirements to ring-fence regulated activities, but do not address structural issues regarding ring-fencing. A separate guideline to be released soon addresses such issues.

The Commission anticipates that it will need information about how a TNSP performs against the Commission's service standards. The Commission is currently developing service standard guidelines to provide an incentive-based scheme for the TNSPs. The information requirements arising from such a scheme will be incorporated into the guidelines.

1.6 Definitions and interpretation

In these guidelines:

- a glossary of words and phrases is attached—to provide clarity and reduce the risk of ambiguity
- the words 'shall' and 'must' indicate mandatory requirements, unless the overall meaning of the phrase in which one of these words appears, is otherwise.

These guidelines provide definitions consistent with those in the draft *Regulatory principles* and the National Electricity Code. Where words and phrases are not defined in the glossary, they have the meaning given to them in the draft *Regulatory principles*, National Electricity Code or any other relevant legislative or regulatory document.

Explanations in these guidelines about why certain information is required are for guidance only. They do not limit in any way the Commission's objectives, functions or powers.

1.7 Consultation

The Commission welcomes comments, discussion or suggestions for amendments to these guidelines. Any contribution should be addressed to:

General Manager
Regulatory Affairs—Electricity
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2602

Phone: (02) 6243-1249
Fax: (02) 6243-1260
Email: electricity.group@accc.gov.au

1.8 Processes for revision

The Commission may amend and expand these guidelines from time to time when necessary to meet the needs of TNSPs, customers and the Commission.

The Commission anticipates consulting with TNSPs, customers and other stakeholders before amending significantly these information requirements.

An effective date will be nominated for all substantial revisions which is expected to be not less than 90 days before the date of application.

1.9 Version history and effective date

An issue number and date of issue will identify every version of the guidelines. This version (Issue No 2) became effective on [date], the date of issue.

2. General principles

The Commission requires both historic and forecast financial information.

- this section of the guidelines sets out general principles common to both forms of information
- section 3 of the guidelines sets out the specific principles for historic information
- section 4 sets out the specific principles for forecast information.

2.1 Compliance

A TNSP must comply with the information disclosure requirements set out in these guidelines.

2.2 Accounting principles and policies

TNSPs must give the Commission full and detailed documentation of the financial and regulatory accounting principles and policies adopted. This information must be provided in a way that ensures the Commission understands the financial information and can make comparisons over time.

TNSPs must select and apply regulatory accounting principles and policies so that:

- there is a recognisable and rational economic basis that underlies their use
- the resultant financial information is relevant and reliable, ensuring that the substance of the underlying transactions and events are reported fairly.

Any changes to accounting principles or policies, and the rationale for such changes, must be brought to the Commission's attention. Where applicable, the impact of the changes on the financial reports should be quantified and given to the Commission.

2.3 Substance over form

The regulatory financial statements or regulatory financial forecasts must report the substance of transactions and events.

When the commercial substance of a transaction or event differs from legal form, it is the commercial substance that must be reported.

In determining the substance of a transaction or events, all aspects and implications will be considered, including the expectations of and motivations for it.

To determine the substance of a transaction or event, a group of transactions or events that achieves, or is designed to achieve, an overall commercial effect shall be viewed together.

2.4 Materiality

The Commission requires that all material items must be disclosed in the regulatory financial statements or regulatory financial forecasts.

The Commission will apply the following standards of materiality:

An item is material if its omission, misstatement or non- has the potential to prejudice the understanding of the financial or operational position and nature of the Prescribed Transmission Services, gained by reading the Regulatory Financial Statements or Regulatory Financial Forecasts.

2.5 Ad hoc information requirements

The Commission may require ad hoc information to make revenue cap decisions or for annual reporting. If so, the Commission would request the TNSP in writing, specifying:

- the type of information required
- the format in which it is required
- where relevant, the applicable accounting principles and standards
- the time by which the information is to be delivered
- the form of management assurance or responsibility statement required.

2.6 Audit assurance

The scope of any audit or the form of independent assurance about the regulatory information that the Commission may require, must comply with any requirements set out later in these guidelines.

A TNSP is responsible for:

- employing an auditor to report on the information
- ensuring that the Commission receives the auditors' assurance that the information can be relied upon for regulatory purposes.

A TNSP shall consult with the Commission on the choice of auditor before the regulatory accounting date.

The Commission may consider the independence and the expertise required of the auditor when determining their suitability.

The auditor has a duty of care to the Commission in undertaking any audit according to these guidelines.

Any regulatory audit report prepared by the auditor according to these guidelines shall be addressed to the Commission as well as the TNSP.

If the audit fails to satisfy the Commission's requirements, the Commission may require a further audit. The Commission also reserves the right to appoint an auditor to be employed by the TNSP.

2.7 Directors' responsibility statement

A directors' responsibility statement signed by two or more directors must accompany information that a TNSP gives to the Commission.

As a minimum the statement must include:

- a reference to the specific documents for which responsibility is accepted
- assurances that the documents given to the Commission comply with these guidelines.

The directors' responsibility statement prepared specifically for regulatory financial statements must also include adherence to the specific requirements of these guidelines and assurances relating to the full disclosure to the Commission of:

- related party transactions
- third party benefit transactions
- financing transactions.

An example of a directors' responsibility statement for regulatory financial statements is set out in appendix C.

2.8 Tripartite meeting

If the Commission wants the auditor's opinion explained or more information about their work, the Commission, or its agent, can meet with the auditor in the presence of a TNSP, both before and after the regulatory accounting date.

2.9 Format of information

A TNSP must submit all possible information to the Commission in both electronic and printed form.

Before doing so, a TNSP must ensure that its information can be transmitted in an electronic format compatible with the Commission's information systems.

Information can be submitted to:

General Manager
Regulatory Affairs—Electricity
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2602

Phone: (02) 6243-1249 Fax: (02) 6243-1260

Email: electricity.group@accc.gov.au

3. Historic information principles

This section sets out the principles that a TNSP must follow to complete the regulatory financial statements and other pro formas set out at appendix B.

3.1 Information provided shall be verifiable

A TNSP shall ensure that all historic information provided to the Commission is verifiable. As guidance, the Commission anticipates that it will interpret ‘verifiable’ as meaning, at least, that information can be traced to a source document or assumption, by an independent party such as an auditor.

A TNSP must maintain accounting and reporting arrangements that:

- enable separate regulatory financial statements to be prepared
- provide information in the statements that can be verified.

If the Commission requires more detailed information than a TNSP provides, the Commission reserves the right to request access to the underlying schedules and accounting records.

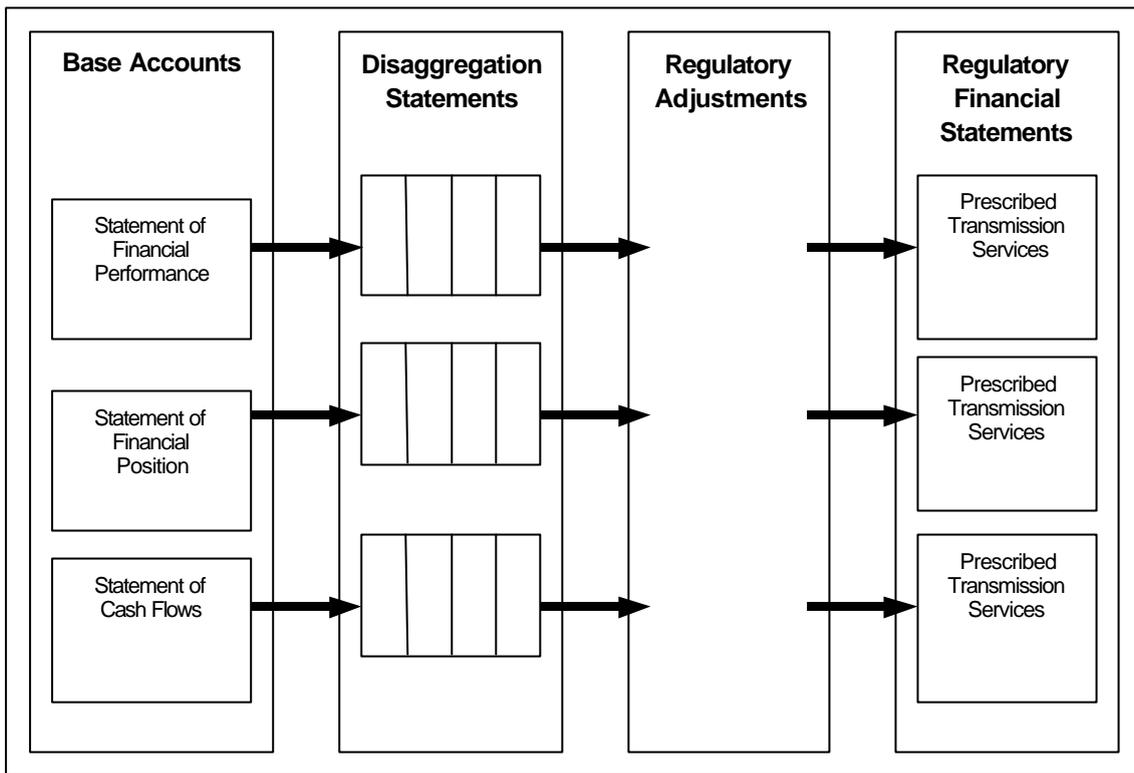
3.2 Dissaggregation—reporting by business segment

Regulatory financial statements are to be prepared by disaggregating base accounts.

The following diagram illustrates that the general process comprises:

- preparing disaggregation statements from the base accounts and the accounting records that underlie the base accounts and then
- applying, where necessary, regulatory accounting adjustments to the business segments in the disaggregation statements, to derive regulatory financial statements.

Accordingly, the disaggregation statements, in combination with any regulatory accounting adjustments, provide an audit trail between the regulatory financial statements and the accounting records that underlie the base accounts.



The above diagram is a concise illustration of the process and does not substitute for an understanding of these guidelines.

It illustrates that the Commission requires a TNSP to prepare disaggregation statements before any regulatory adjustments, for its statement of financial performance, statement of financial position and statement of cash flows.

When:

- the prescribed activities relating to a TNSP are conducted by more than one legal entity or
- any entity that is involved in prescribed activities is not required to prepare audited financial statements under the Corporations Law
- the following requirements must be complied with
- consolidated, or aggregated, financial statements must be prepared encompassing the activities of all legal entities that conduct prescribed activities
- consolidated statements must be prepared and audited as if they were required by the Corporations Law
- the audited consolidated statements are to be used in place of the audited financial statements when reporting to the Commission and are subject to all of the regulatory requirements of these guidelines.

3.3 Disaggregation statements—allocation principles

The disaggregation statement will provide an audit trail to show the disaggregation of the base accounts into business segments.

Pro formas included in appendix B indicate how disaggregation statements should be presented when providing regulatory financial statements.

The disaggregation of base accounts shall be based on the principle that:

- base account records that are directly attributable to the business segments are assigned accordingly
- base account records not directly attributable will be allocated to business segments using an appropriate allocator, as indicated in section 3.3 below.

If account headings used in the regulatory financial statements are not the same as in the base account records, they should be traceable or reconcilable to the chart of accounts and the base account records.

When base account records are directly attributable to business segments, no one account heading shall be used to attribute items to more than one business segment.

Account headings shall be sufficiently descriptive to explain why base account records that have been directly attributable to business segments are uniquely associated with the business segments.

Base account records that are not directly attributed should be allocated on a causation basis.

When a base account record has been allocated between any regulated business segment and another business segment, a supporting work paper shall be provided that describes:

- a description and justification of the allocation basis
- the numeric value of each allocator
- the total amounts that have been allocated to each business segment.

If a causal relationship cannot be established without undue cost and effort, a TNSP must give the Commission a separate list of these items with a description and amount for each base account record. A TNSP may allocate these base account records on a non-causal basis, provided that a supporting note documents for each such base account record:

- a defensible basis of allocation
- the reason for choosing that basis
- an explanation why no causal relationship could be established
- a numeric value of the allocator applied to each business segment and in total.

Non-causal bases of allocation shall only be applied to the extent that the aggregate of all base account records subject to all non causal bases of allocation is immaterial to either the base accounts or the regulatory financial statements. Section 2.4 sets out the standard of materiality.

Non-causal bases of allocation will be subject to the specific approval of the Commission.

The Commission may require further information, or investigate a TNSP's bases of allocation:

- to establish their causality
- to approve non-causal bases of allocation
- where the use of non-causal bases of allocation by a TNSP is more than incidental.

3.4 Regulatory adjustments

In preparing regulatory financial statements, a TNSP will apply to the disaggregation statements or to the base accounts, regulatory adjustments that may be:

- considered appropriate by a TNSP
- required by the Commission.

Pro forma statements that clearly explain the nature and amount of each adjustment shall support all regulatory adjustments. Appendix B sets out such pro forma statements.

3.5 Accounting principles and policies

Except where these guidelines prescribe otherwise, the regulatory reporting requirements should be completed in accordance with applicable Australian accounting standards.

3.6 Time consistent application of accounting policies – unless disclosed otherwise

Regulatory financial statements, as far as practicable, must be prepared in accordance with the general rules and format, and, subject to the following disclosure provisions, use the accounting principles and policies applicable to the base accounts.

A TNSP shall provide to the Commission full and detailed explanation of:

- the accounting principles and policies used to prepare its base accounts
- any regulatory accounting principles and policies that it may have used to prepare the regulatory financial statements, that may be additional to or replace, the accounting principles and policies used to prepare its base accounts.

3.7 Record retention

A TNSP's directors are responsible for preparing and presenting the regulatory financial statements.

A TNSP's directors shall ensure that a TNSP keeps books that:

- correctly record and explain the transactions and financial position of each regulated business segment
- support the disaggregation of the audited financial statements and any regulatory adjustments
- allow an auditor to properly form an opinion on the regulatory financial statements as required by these guidelines.

A TNSP's directors shall also ensure that a TNSP retains the books from which regulatory financial statements are prepared, from either 1 July 1999 or the date the Commission began to regulate the transmission revenues of the TNSP—whichever is the latter.

Books are to be retained for a period ending no sooner than the effective date of the second revenue reset following the date the books were created.

All books shall be made available to the Commission when requested.

3.8 Discretionary headings

Subject to the provisions of this section, a TNSP shall apply the discretionary headings consistently to subsequent regulatory financial statements.

These discretionary headings should be as consistent as possible with those applied in its regulatory financial forecasts.

Discretionary headings shall agree with, or be traceable to, the account headings in a TNSP's general ledger or chart of accounts that underpin its base accounts.

A TNSP shall meet with the Commission before submitting regulatory financial statements, so that the Commission can assess whether a TNSP's proposed discretionary headings meet its requirements.

A TNSP may vary the discretionary headings from those used in a preceding regulatory accounting period if:

- a revision of these guidelines should require such a change or
- the Commission issues written approval after receiving an application from a TNSP for a variation, such an application:
 - does not change a TNSP's obligations under section 3.7 of these guidelines

- should include an explanation of the relationships between revised account headings and their predecessors.

3.9 Regulatory accounting periods

A TNSP's regulatory accounting periods shall correspond to those of its base accounts unless the Commission specifies otherwise.

The Commission reserves the right to require a TNSP to provide all of the following at times other than the normal reporting period or other regulatory accounting dates:

- Corporations Law compliant audited financial statements
- regulatory financial statements
- other pertinent information, for periods other than that of a TNSP's normal reporting periods, as required by the Commission to discharge its duties under the National Electricity Code.

A TNSP shall notify the Commission of any change in its regulatory accounting date in advance of any such change.

A TNSP's regulatory accounting periods shall cover a continuous period.

3.10 Audit assurances

Unless specified otherwise by the Commission, a TNSP must submit a regulatory audit report in the form of an audit report on a special purpose financial report.

Alternatively, the Commission may allow a TNSP to provide a regulatory audit report on its regulatory financial statements and other statements, schedules and work papers listed in appendix B in one of the following forms:

- a review of financial reports (negative assurance)
- an agreed-upon procedures report
- a combination of the above reports and/or an audit report on a special purpose financial report.

Examples of each of the regulatory audit reports are set out in appendix C.

4. Forecast financial information principles

Regulatory financial forecasts refers to financial information based on assumptions about events that may occur in the future and possible actions by a TNSP. The following paragraphs set out specific principles for regulatory financial forecasts prepared by a TNSP for the Commission.

4.1 Underlying assumptions

A TNSP must give the Commission the following minimum information to support its forecast information:

- the assumptions on which all material forecast information is based
- a full and detailed explanation of the basis of preparation of the forecast information.

4.2 Accounting principles and policies

A TNSP must prepare its regulatory financial forecasts consistent with any regulatory financial statements prepared in accordance with these guidelines, using appropriate accounting principles as set out in these guidelines.

4.3 Account headings

Appendix A specifies for the regulatory financial forecasts:

- minimum disclosure requirements
- mandatory headings.

Subject to section 4.4, a TNSP may, within the context of the mandatory headings, define discretionary headings that are most appropriate to conveying an understanding of the TNSP's business.

4.4 Discretionary headings

Subject to the provisions of this section, the discretionary headings applied by a TNSP shall be applied consistently to subsequent regulatory financial forecasts.

Where applicable, discretionary headings applied by a TNSP in any regulatory financial forecasts shall be consistent with the discretionary headings in its regulatory financial statements.

A TNSP shall meet with the Commission before submitting regulatory financial forecasts, so that the Commission can assess whether a TNSP's proposed discretionary headings meet its requirements.

A TNSP may vary the discretionary headings from those used in a preceding revenue cap application if:

- a revision of these guidelines should require such a change or
- the Commission issues written approval after receiving an application from a TNSP for a variation, such an application:
 - does not change a TNSP’s obligations under section 3
 - should include an explanation of the relationships between revised account headings and their predecessors.

4.5 Audit assurance

Unless specified otherwise by the Commission, a TNSP must submit a regulatory audit report in the form of an audit report on prospective financial information.

Alternatively, the Commission may allow a TNSP to provide a regulatory audit report on its forecast information in the form of a review of financial reports (negative assurance), or a combination of the foregoing reports.

An example of a combined report is set out in appendix C.

5. Setting the revenue cap

5.1 Introduction

The Commission has adopted a building block approach to set the maximum revenue that a network can earn from its regulated assets annually (ie. revenue cap).

This section outlines the scope of information the Commission requires to set a revenue cap, consistent with the building block approach and provides guidance on reporting this information to the Commission.

The Commission requires both financial and non-financial information to set the revenue cap for a TNSP. The financial information required is mainly regulatory financial forecasts, as well as some historic information.

Sections 2, 3 and 4 set out the principles for a TNSP to follow when giving the Commission information to set a revenue cap. In case of any conflict of guidance, these principles take precedence over the pro forma statements in appendix A and the guidance set out in this section of the guidelines.

Appendix A sets out the pro forma statements that should be used to submit this information to the Commission.

A TNSP must submit its revenue cap application to the Commission at least 8 months before the current regulatory period expires. Therefore, the information specified in this section must be submitted to the Commission at least 8 months before the current regulatory period expires.

5.2 Forecast financial information

Forecast financial information shall be provided for a minimum of five years from the start of a TNSP's next regulatory period.

The Commission requires forecast information from a TNSP to support its revenue cap application and to help the Commission calculate the revenue cap. Collecting historical information and comparing it with corresponding forecasts made earlier enables the Commission to perform a 'post-audit' of forecasts. The information gathered from such an exercise is useful in improving future forecasts.

The following table identifies:

- the forecast information a TNSP must submit
- reference to the relevant information submission pro forma statements in appendix A.

5.2.1	Pro forma Statement	5.2.2	Pro forma ref.
5.2.3	Rate of Return (ie. Weighted Average Cost of Capital)	5.2.4	WACC
5.2.5	Initial Regulatory Assets	5.2.6	Reg Assets
5.2.7	Forecast Capital Expenditure	5.2.8	Capex
5.2.9	Forecast Customer Contributions	5.2.10	Cust Cont
5.2.11	Forecast Asset Disposals and Retirements	5.2.12	Disp
5.2.13	Forecast Operations and Maintenance Expenditure	5.2.14	Opex
5.2.15	Asset Roll Forward Schedule	5.2.16	Asset R-Fwd

The pro forma statements do not preclude the dialogue of further information should a TNSP believe that this would add to the Commission’s understanding of its business.

Guidance on the regulatory principles adopted by the Commission is set out in the Commission’s statement of principles for the regulation of transmission revenues, once finalised, or any other guideline issued by the Commission setting out the regulatory principles a TNSP must follow.

5.3 Historic financial information

A TNSP shall also prepare historic information referred to in this section when specified by the Commission.

The Commission requires a TNSP to submit a copy of its most recent base accounts.

As the Commission assumes responsibility for the regulation of each TNSP, in its initial revenue determination the Commission will also require a TNSP to prepare a schedule that rolls forward asset values:

- from the later of the date of:
 - the last of regulatory asset valuation
 - the date of the last revenue determination
- to the end of the current regulatory period.

This schedule should detail asset movements (i.e. additions and disposals) and depreciation, to enable the Commission to obtain a TNSP’s opening asset base for the next regulatory period.

This schedule will therefore comprise historic information to the time of preparation and forecast information from the time of preparation to the end of the current regulatory period.

Depreciation shall be calculated. A TNSP shall disclose the basis for calculating such depreciation charges.

Pro forma statement ‘Asset R-Fwd’ in appendix A sets out how the asset roll forward information is to be presented.

5.4 Demand forecasts

A TNSP shall give the Commission demand forecasts for the forthcoming regulatory period. As a minimum, these shall be presented in annual blocks over the five-year period. It is expected that the demand forecasts will be in the same form as provided to NEMMCO.

A TNSP must provide the assumptions on which the demand forecast information is based, and full and detailed explanations of the basis of preparation.

A TNSP is not required to provide audit assurance on the demand forecasts referred to in this section.

5.5 Forecast map of network

A TNSP shall give the Commission a forecast map of the network for the forthcoming regulatory period. This map, together with any appropriate accompanying notes, should identify:

- proposed capital works projects (noting anticipated completion dates)
- the different ratings of the transmission lines
- other network plant
- current capital works projects (noting anticipated completion dates)
- the ages of network assets.

A TNSP is not required to provide audit assurance on the forecast map of the network.

6. Annual reporting

6.1 Introduction

The Commission will monitor annually a regulated TNSP under its revenue cap.

This section outlines the scope of information the Commission requires, and provides guidance on reporting this information to the Commission.

The Commission requires both financial and non-financial information. These are presented separately in the following sections.

Sections 2 and 3 set out the principles for a TNSP to follow in providing annual reporting information to the Commission. These principles take precedence over the pro forma statements in appendix B and guidance set out in this section.

Appendix B sets out the pro forma statements that should be used to submit this information to the Commission.

A TNSP shall deliver this information to the Commission no later than four months after a regulatory accounting date.

6.2 Historic financial information

A TNSP must prepare and submit annual regulatory financial statements and the pro formas listed below to the Commission, prepared in accordance with these Guidelines.

To ensure that the information provided is consistent with these guidelines, these regulatory financial statements and the pro formas must follow the pro forma statements set out in appendix B. They do not preclude the dialogue of further information should a TNSP believe that this would add to the Commission's understanding of the TNSP's business.

The following table identifies the relevant information submission pro forma statements in appendix B.

6.2.1	Pro forma Statement	6.2.2	Pro forma ref.
6.2.3	Regulatory Financial Statement – Statement of Financial Performance	6.2.4	RFS FPerf
6.2.5	Regulatory Financial Statement – Statement of Financial Position	6.2.6	RFS FPos
6.2.7	Regulatory Financial Statement – Statement of Cash Flow	6.2.8	RFS CF
6.2.9	Disaggregated Statement – Statement of Financial Performance	6.2.10	DISAGG FPerf
6.2.11	Disaggregated Statement – Statement of Financial Position	6.2.12	DISAGG FPos
6.2.13	Disaggregated Statement – Cash Flow Statement	6.2.14	DISAGG CF
6.2.15	Disaggregated Operations and Maintenance Expenditure	6.2.16	DISAGG Opex
6.2.17	Causal allocations	6.2.18	DISAGG Alloc 1
6.2.19	Non-causal allocations	6.2.20	DISAGG Alloc 2
6.2.21	Prescribed Transmission Services – Regulatory Adjustment Journals	6.2.22	PTS ADJ 1
6.2.23	Prescribed Transmission Services – Price Reduction/Recovery	6.2.24	PTS PriceRedn
6.2.25	Prescribed Transmission Services – Revenue Analyses	6.2.26	PTS Rev
6.2.27	Summary of Disaggregated Statement Assets	6.2.28	DISAGG Assets
6.2.29	Prescribed Transmission Services – Asset Reconciliation Schedule	6.2.30	PTS Rec Assets
6.2.31	Prescribed Transmission Services – Capital Expenditure Summary	6.2.32	PTS CapexSum
6.2.33	Prescribed Transmission Services – Capital Expenditure Efficiencies	6.2.34	PTS Capex
6.2.35	Prescribed Transmission Services – Asset Aging Schedule	6.2.36	PTS Asset Aging
6.2.37	Provisions Summary Schedule	6.2.38	DISAGG Prov Sum
6.2.39	Prescribed Transmission Services – Provisions Reconciliation	6.2.40	PTS Prov Rec
6.2.41	Australian Income Tax Charges Net of Deferred Tax	6.2.42	DISAGG Tax

Guidance on how the principles in sections 2 and 3 should be applied to complete the pro forma statements listed above is set out in section 7 of these Guidelines,

6.3 Demand forecasts

A TNSP shall give the Commission one-year demand forecasts for the forthcoming year. It is expected that they will be in the same form as provided to NEMMCO.

A TNSP must provide the assumptions on which the demand forecast information is based, and full and detailed explanations of the basis of preparation.

These demand forecasts shall be prepared consistently to the five-year demand forecasts required in section 5.4.

A TNSP is not required to provide audit assurance on the demand forecasts referred to in this section.

6.4 Map of network

A TNSP shall give the Commission a map of the current network as at the regulatory accounting date identifying:

- the different ratings of the transmission lines
- other network plant
- current capital works projects (noting anticipated completion dates)
- the ages of network assets.

A TNSP is not required to provide audit assurance on the forecast map of the network.

7. Guidance on completing annual historic financial pro formas

7.1 Disaggregation of income

Items of income in the base accounts shall be disaggregated between business segments in accordance with the principles set out in section 3.

The regulatory financial statements shall provide for the prescribed services segment, an analysis of income by principal component, together with a description of each component.

7.2 Inter segmental transactions

The base accounts may not account for transactions between business segments. Accordingly, inter segmental income and the corresponding costs shall be recorded in the profit and loss accounts of the business segments in which they arise.

For each item of inter segmental income or cost, arising in each of the business segments, the regulatory financial statements shall also disclose a disaggregation journal that follows the principles of double entry book keeping and provides descriptions of:

- the item
- the balancing accounting entry or entries
- the business segment or segments, in whose income and expenditure account or accounts, the balancing accounting entries arise.

7.3 Operating and maintenance (Opex) costs

The regulatory financial statements shall include a note that:

- dissects total Opex costs by account heading
- disaggregates the Opex costs disclosed by each account heading, across business segments
- provides an audit trail to the account code or account codes that each account heading represents or is based on
- provides totals by account heading and business segment
- discloses the descriptions and amounts of Opex costs that are inter segmental
- reconciles the sum of the individual items in the Opex cost analysis to the total Opex costs included in the base accounts—if no reconciliation is necessary, the note should still state the total of Opex costs included in the base accounts.

Pro forma statement 'DISAGG Opex' in appendix B sets out how this information should be presented.

7.4 Cost attribution

When a cost is attributed to a business segment, it should reflect the consumption or utilisation of a resource or service; and when a business segment consumes or utilises a resource or service, it should attribute a corresponding cost.

In disaggregating costs between business segments, a cost will be either:

- a direct cost that can be directly attributed to a single business segment or
- an indirect cost that needs to be attributed to business segments on the bases of the principles set out in section 3.

When costs are directly attributed to business segments no one account heading should be used to attribute costs to more than one business segment.

The description provided for each account heading that describes costs directly attributed to a business segment, should provide an understanding of their characteristics.

The regulatory financial statements shall include a note that discloses for each Opex cost account heading:

- the amount of costs within the account heading, that can be directly attributed to business segments
- for indirect costs attributed by allocation:
 - a description of the bases of allocation used
 - a quantification of the allocators applied to each business segment
 - the corresponding amount of cost allocated to each business segment.

A note or cross reference shall provide an audit trail to the account code or account codes that each Opex account heading represents or is based on.

A pro forma statement 'DISAGG Alloc 1' in appendix B provides an example of how the information required by paragraph 7.4 should be presented.

7.5 Depreciation

The Commission will allow a TNSP to nominate its depreciation method.

Depreciation charges should be attributed to business segments in accordance with the disaggregation of assets that give rise to these charges.

Regulatory accounting adjustments shall be made to state the depreciation charge attributed to the prescribed services segment.

A TNSP shall disclose the basis for calculating the depreciation charges.

7.6 Other expenditure

Other expenditure arising in the profit and loss account not specifically addressed elsewhere in this section, shall be disaggregated between business segments in accordance with:

- the principles set out in section 3
- the disclosure requirements set out in the pro forma statements in appendix B.

7.7 Extraordinary items

Extraordinary items should be recorded in the disaggregation statement and attributed to business segments as specified in this section.

Before allocation in the disaggregation statement, the amount of any extraordinary item should be analysed between the amount before taxation and the corresponding taxation charge or credit. This may be done either on the face of the disaggregation statement or by way of note. The taxation charge or credit should then be allocated to the not-allocated column of the disaggregation statement.

An extraordinary item stated before related income tax, should be attributed to a business segment as follows.

- if the item can be attributed wholly and exclusively to a single business segment, or if it has discrete components that can each be so attributed, then the item or the components should be directly attributed to the relevant business segments
- to the extent that an item cannot be directly attributed, then it should be allocated to business segments as required in section 3, for the allocation of Opex costs
- if it is necessary to analyse an item into components to effect direct attribution or allocation, a note should be appended to the regulatory financial statements describing:
 - the monetary amount of each component
 - the characteristics of each component that either allow it to be directly attributed to a business segment, or require it to be allocated across business segments.

7.8 Income tax

Regulatory accounting policy

The total Australian income tax charge for a TNSP shall be reported to the Commission for regulatory purposes, net of deferred tax.

Following the adjustment to back out deferred tax, a TNSP is required to:

- adjust for the tax effect of any regulatory adjustments that may need to be made, subject to the guidance set out in this paragraph
- allocate the adjusted income tax charges to business segments—the basis of attribution of the adjusted income tax charges to business segments should follow the attribution of the income and expenses to which they relate.

There are two exceptions to the basis of attribution set out above:

- customer contributions should be treated in accordance with paragraph 7.12
- tax depreciation is calculated on the tax values not the regulatory values of the assets.

Certain items may not be readily attributable to business segments. Such items are to be recorded under the column headed 'Not allocated'. These items might include, but are not limited to:

- franking credits
- tax liabilities on interest received
- tax deductions on interest paid
- investment income
- capital gains tax on investments
- losses brought forward
- losses available for group relief
- double tax relief.

If necessary, the Commission will separately form a view on the allocation of the items referred to above.

Pro forma statement 'DISAGG Tax' in appendix B indicates how this information is to be disclosed.

7.9 Interest payable, interest receivable, dividends payable and dividends receivable

These items may be recorded under the column headed 'Not allocated' in the disaggregation statements.

7.10 Disaggregation of non-current assets

In providing disaggregated balance sheets for the business segments, non-current assets should be attributed to the business segments in which they are principally utilised.

The regulatory financial statements shall include an asset schedule for the prescribed services segment.

The asset schedule shall disclose movements in gross book value and accumulated depreciation.

Additions and decrements shall be disclosed separately in the asset schedule and not be netted off.

The pro forma statements 'DISAGG Assets' at appendix B indicate how an asset schedule should be presented.

The opening and closing asset balances for a regulatory accounting period, totalled for all business segments, shall be capable of reconciliation to the opening and closing non-current asset balances indicated by a comparison of the base accounts for the current and preceding regulatory accounting periods. This reconciliation may be provided by:

- the physical asset records that underlie the regulatory financial statements and the base accounts, for those asset values in the statements that are based on accounting methods or valuations not utilised in the base accounts or
- monetary amounts disclosed by accounting records for those asset values in the regulatory financial statements that are based on valuations utilised in the base accounts.

7.11 Asset categories

When mandatory headings are required, a TNSP may use discretionary headings to define further sub-categories of assets. Discretionary headings may be defined at a TNSP's discretion. However:

- the discretionary headings should provide meaningful information about the composition of the property plant and equipment utilised by a TNSP
- sub-category headings shall be applied consistently between regulatory accounting periods.

The pro forma statements at appendix B set out mandatory headings for the asset schedule and associated schedules.

7.12 Customer contributions

Customer contributions shall be credited against the gross (undepreciated) value of the assets to which they relate, in the asset schedule.

The asset schedule shall disclose the amount of customer contributions credited to asset balances in its reconciliation of opening to closing asset balances for a regulatory accounting period.

For the purposes of regulatory reporting, UIG abstract 17 ‘Developer and Customer Contributions in Price Regulated Industries’ is not to be applied.

The regulatory asset base is to be reported net of customer contributions. Accordingly, TNSPs must maintain contra accounts to the relevant asset accounts. Customer contributions should be recorded in the relevant pro forma statements in the ‘not allocated’ column associated with the asset to which it has contributed.

Regulatory Accounting Policy

Regulatory depreciation charges shall be calculated on asset balances stated net of customer contributions.

7.13 Goodwill arising on acquisition

Any balance representing goodwill on acquisition of assets and its associated amortisation shall be recorded under the column headed ‘Not allocated’ in the disaggregation statements.

7.14 Other Statement of Financial Position items

Statement of financial position and statement of cash flows items not specifically addressed in section 7 shall be disaggregated between business segments in accordance with:

- the principles set out in section 3 of these guidelines
- the disclosure requirements set out in the pro forma statements in appendix B.

7.15 Provisions

The Regulatory Financial Statements shall disclose enough disaggregation information to provide a reconciliation of the provisions disclosed by the base accounts to those disclosed for the prescribed services segment. Pro forma statement ‘DISAGG Prov Sum’ in appendix B sets out the minimum disclosure requirements.

The disaggregation of provisions should follow the principles set out in section 3.

The following information shall be provided for each material provision and in total for all other provisions in the prescribed services segment:

- the balance at the beginning of the regulatory accounting period
- amounts set aside to provisions
- expenditure charged to provisions

- amounts written back from provisions
- the net movement charged or credited to the profit and loss account
- the balance at the end of the Regulatory Accounting Period.

Pro forma statements ‘DISAGG Prov Sum’ and ‘PTS Prov Rec’ in appendix B indicate how this information should be disclosed.

7.16 Related party transactions

A TNSP shall inform the Commission of the extent and nature of:

- the related party transactions attributed to the prescribed services segment for a regulatory accounting period
- the balances with related parties or arising from related party transactions, included in the prescribed services segment’s statement of financial position in the regulatory financial statements.

As a minimum, a TNSP shall report the total value of the transactions and balances described above, by account heading and provide enough descriptions of the transactions and balances to provide an understanding of their underlying substance.

Additionally, a TNSP shall report the value and provide a description of individual material related party transactions included in the regulatory financial statements of the prescribed services segment.

A TNSP shall also provide further detailed information on, or explanations of, transactions with related parties, as the Commission may sometimes require.

The directors’ responsibility statement shall include a specific affirmation that either:

- no material related party transactions arose or
- the disclosure requirements of (this) paragraph 7.16 have been complied with.

7.17 Third party benefits

When the regulatory financial statements record transactions associated with any subcontracting, purchase or other arrangements, that cause:

- a TNSP or
- any related party of a TNSP

to enjoy a beneficial interest in income, or other value that accrues in the hands of a third party, a TNSP shall disclose for each such arrangement:

- a description of the arrangement

- its underlying purpose
- details of the counterparty
- details of the third parties
- the monetary value of such transactions that arose in the regulatory accounting period
- the basis of charge for the transaction entered into by a TNSP
- the basis of calculation of the corresponding benefit received by a TNSP or the related party
- a summary of the associated accounting entries that have been recorded in the prescribed services segment
- The directors' responsibility statement shall include a specific affirmation that either:
 - no such transactions arose or
 - the disclosure requirements of paragraph 7.17 have been complied with.

7.18 Financing transactions

When the disaggregation statements record any accounting entries, the effect of which is to provide:

- a decrement to financing or interest costs in the statement of financial performance
- in the prescribed services segment, a related:
 - decrement to earnings before interest and tax
 - increase in asset values

a TNSP shall disclose:

- descriptions of the transactions, their underlying purpose and any counterparties
- an analysis of:
 - the monetary amounts involved
 - the bases of charge
 - the associated accounting entries that have been recorded in the regulatory financial statements.

The directors' responsibility statement shall include a specific affirmation that either:

- no such transactions arose or
- the disclosure requirements of paragraph 7.18 have been complied with.

8. Definition of terms

These guidelines use the following definitions.

Account codes means the nomenclature used to index the base account records, e.g. general ledger or activity codes.

Account heading means either an account heading used in an accounting record such as a general ledger or a higher-level summarisation of such headings.

Agreed-upon procedures report means an agreed-upon procedures engagement report, prepared in accordance with Australian Auditing Standard AUS 904. The objective is for the auditor to carry out procedures of an audit nature specified by the Commission and to report factual findings.

Asset schedule means a reconciliation of the net value of assets disclosed by the regulatory financial statements at the end of a regulatory accounting period, to the corresponding value at the beginning of that regulatory accounting period.

Auditor means a registered company auditor independent of a TNSP.

Audit report on a special purpose financial report means an audit report on the regulatory financial statements prepared in accordance with Australian Auditing Standard AUS 802, and in accordance with a financial reporting framework such as the information requirements guidelines, other than accounting standards and UIG consensus views.

Audit report on prospective financial information means an audit report on the regulatory financial forecasts prepared in accordance with Australian Auditing Standard AUS 804, and in accordance with a financial reporting framework such as the information requirements guidelines, other than Accounting Standards and UIG consensus views.

Base accounts means general purpose financial statements that:

- contain the entirety of the activities of a TNSP's business segments
- are consolidated or aggregated where appropriate
- are prepared in accordance with:
 - the Australian Corporations Law
 - Australian Accounting Standards
 - Urgent Issues Group consensus views
- are audited under Australian Auditing Standards.

Base account records means the accounting records maintained by a TNSP regardless of any regulatory reporting requirement, for the purposes of preparing base accounts and providing the managers of a TNSP with management reports.

- Books include accounts or accounting records, however compiled, recorded or stored.

A **business segment** or **segment** means a part of the total business reported by the base accounts that is involved with providing either:

- prescribed transmission services
- non-prescribed services
- not allocated.

Causal or causation, basis or relationship means in relation to a basis of allocation, that the allocator is a trigger of the consumption or utilisation of resources or services represented by the amounts, subject to allocation.

Commission means the Australian Competition and Consumer Commission as established under the *Trade Practices Act 1974* (Commonwealth).

Common service assets has the same meaning given to it in the National Electricity Code.

Connection assets has the same meaning given to it in the National Electricity Code.

Connection services means an entry service (being a transmission *or* distribution service provided to serve a generator or group of generators at a single connection point) or an exit service (being a transmission *or* distribution service provided to serve a transmission or distribution customer or group of transmission or distribution customers at a single connection point).

Directly attributable or directly attributed. An item is directly attributable or directly attributed to an object such as a business segment, if it is wholly and exclusively associated with that segment.

Director means a director of a TNSP.

Directors' responsibility statement means a statement signed and dated by not less than two directors of a TNSP, which states whether in the directors' opinion, the regulatory financial statements and other statements, schedules and work papers listed in appendix B of these guidelines:

- present fairly the statement of financial performance and statement of cash flows information required by these guidelines, of each business segment for the regulatory accounting period
- present fairly the statement of financial position information required by these guidelines, for each business segment at the regulatory accounting date
- have been made out in accordance with applicable and appropriate accounting principles and policies
- have been prepared in accordance with the Commission's requirements, set out in these guidelines.

Disaggregation statement means a statement that comprises a TNSP's base accounts disaggregated between business segments.

Discretionary heading means an account heading within the pro forma regulatory financial statements that may be defined by a TNSP.

Entity means a corporate body, business or economic entity, or segment thereof.

Financing transactions has the meaning set out at paragraph 7.18 of the guidelines.

First regulatory financial statements means the first regulatory financial statements prepared for the first regulatory accounting period starting on or after 1 July 2000.

General purpose financial statements means financial statements that are prepared in accordance with Australian Accounting Standards and other generally accepted accounting practices. They are intended to meet the information needs common to users who are unable to command the preparation of reports tailored to satisfy specifically, all of their information needs.

Immaterial means not material

Inter segmental cost means a cost that arises from transactions between business segments.

Inter segmental income means income that arises from transactions between business segments.

Inter segmental transaction means an inter segmental cost or an inter segmental income.

Jurisdictional regulator means the person authorised by a participating jurisdiction to regulate distribution service prices in that jurisdiction.

Mandatory heading means a mandatory account heading within the pro forma statements contained in appendices A and B.

Material has the meaning set out at paragraph 2.4 of the guidelines.

Material related party transaction means a transaction or a number of transactions intended to achieve a common commercial effect, conducted with a related party that had a value of \$0.5m or more in a regulatory accounting period.

National Electricity Law means the National Electricity Law referred to in the *National Electricity (South Australia) Act 1996*.

National Electricity Code means the code, as defined in the National Electricity Law.

A **non causal** or **non causation, basis** or **relationship** in relation to a basis of allocation, is one that is other than a causal or causation, basis or relationship.

Non-prescribed services mean services other than prescribed services or prescribed transmission services.

Not allocated means the content of those account headings that are not required by these guidelines to be allocated between business segments.

Notes to, and forming part of, the regulatory financial statements means the additional information provided in relation to the regulatory financial statements, together with any further information that a TNSP believes is necessary to convey a full and proper understanding of the financial affairs of the regulated business segment.

Prescribed services or prescribed transmission services means transmission services provided by transmission network assets or associated connection assets, which the Commission determines as not being contestable.

Prescribed services segment means that part of the total business reported by the base accounts that is involved in providing prescribed transmission services.

Regulated business segment means a business segment that is involved with providing prescribed transmission services.

Regulatory accounting date means the end date of a regulatory accounting period.

Regulatory accounting period means a period on which a single set of regulatory financial statements report.

Regulatory accounting principles and policies means accounting principles and policies that have been used to prepare regulatory financial statements, that may be additional to or replace, the accounting principles and policies used to prepare base accounts.

Regulatory audit report means an auditor's report on regulatory financial statements or regulatory financial forecasts. A regulatory audit report may include either:

- an audit report on a special purpose financial report
- an agreed-upon procedures report
- a review of financial reports
- an audit report on prospective financial information or
- a combination of the above reports.

Regulatory financial forecasts means forecast information, referred to in sections 3 and 4 of these guidelines, which has been prepared using best-estimate and/or hypothetical assumptions.

Regulatory financial statements means the historic financial information pertaining to prescribed transmission services that includes the:

- statement of financial performance
- statement of financial position
- statement of cash flows
- notes to, and forming part of, the regulatory financial statements

prepared in accordance with these guidelines.

Regulatory period means a period subject to a revenue or pricing determination.

Related party means, in relation to all business segments within a TNSP either:

- (a) any entity that, at any time during the regulatory accounting period, has control or material influence over a TNSP
- (b) any entity that, at any time during the regulatory accounting period, is subject to control or material influence by a TNSP
- (c) any entity that, at any time during the regulatory accounting period, is controlled by the same entity that controls a TNSP
- (d) any entity that, at any time during the regulatory accounting period, is controlled by an entity that materially influences a TNSP
- (e) any entity that, at any time during the regulatory accounting period, is materially influenced by an entity with control over a TNSP
- (f) any entity that, at any time during the regulatory accounting period, is materially influenced by an entity with material influence over a TNSP

- (g) any entity that, at any time during the regulatory accounting period, controlled or materially influenced by an entity which is subject to control or material influence by a TNSP
- (h) any director of a TNSP or any of their director-related entities
- (i) any director of any entity identified as a related party in paragraphs (a) to (g) above, or any of their director-related entities or
- (j) any other business segment within a TNSP

but excludes any other entity (except those identified as a related party under paragraph (h)) where the related party relationship results solely from normal dealings of:

- (k) financial institutions
- (l) authorised trustee corporations (as defined in the Corporations Law)
- (m) fund managers
- (n) trade unions
- (o) statutory authorities
- (p) government departments or
- (q) local governments.

Review of financial reports means a review of a financial report, prepared in accordance with Australian Auditing Standard AUS 902. An auditor should carry out procedures sufficient to enable them to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to their attention that causes them to believe that the financial report is not prepared, in all material respects, in accordance with an identified financial reporting framework, e.g. the Commission's *Information Requirements Guidelines*. The review report contains a clear written expression of negative assurance.

Statement of principles for the regulation of transmission revenue or Regulatory principles means statements of the Commission's intent with regard to regulation of each TNSP's revenue cap as required by the National Electricity Code.

Third party benefits has the meaning set out at paragraph 7.17 of the guidelines.

Transmission network means a network within any participating jurisdiction operating at nominal voltages of 220 kV and above plus:

- any part of a network operating at nominal voltages between 66 kV and 220 kV that operates in parallel to and provides support to the higher voltage transmission network
- any part of a network operating at nominal voltages between 66 kV and 220 kV that does not operate in parallel to and provide support to the higher voltage transmission network but is deemed by the Commission to be part of the network.

Transmission network assets has the same meaning given to it in the National Electricity Code.

Transmission network service provider or TNSP means the entity that engages in the activity of owning, controlling, or operating a transmission system.

Transmission services means the services provided by a transmission system associated with the conveyance of electricity, which include entry services, transmission use of system service and exit services.

Transmission system means a transmission network together with the connection assets associated with the transmission network, which is connected to another transmission or distribution system

Appendix A: Pro forma statements for setting the revenue cap

Setting the Revenue Cap Forecast - Table of Contents

*This is a list of the minimum mandatory statements required by this guideline. The attached pro-forma statements indicate the minimum required **Account Headings** for each statement.*

Proforma Statement	Statement no.
Rate of Return ("WACC")	WACC
Initial Regulatory Assets	Reg Assets
Forecast Capital Expenditure	Capex
Forecast Customer Contributions	Cust Cont
Forecast Asset Disposals and Retirements	Disp
Forecast Operations and Maintenance Expenditure	Opex
Asset Roll Forward Schedule	Asset R-Fwd
Base Accounts (most recent)	<i>No set proforma</i>
Five-year Demand Forecasts	<i>No set proforma</i>
Forecast Map of the Network	<i>No set proforma</i>

Setting the Revenue Cap Forecast - Rate of Return ("WACC")

Notes for the preparation of information on this proforma:

1. The proforma sets out the minimum inputs required by the **Commission** to model a **TNSP's** estimate of WACC.
2. The minimum inputs set out in the proforma are averages for the five-year regulatory period.
3. A post-tax nominal WACC framework involves the use of a cash flow modelling approach to derive the revenue requirement.
4. A **TNSP** shall provide to the **Commission**:
 - (a) an estimate of its post-tax nominal return on equity; post-tax nominal WACC; and pre-tax real WACC.
 - (b) the assumptions underlying the estimation.
 - (c) full and detailed explanations of the basis of any calculations.
 - (d) references to any sources of information or precedents.

Setting the Revenue Cap Forecast - Rate of Return ("WACC")

TNSP: _____

Reporting date: _____

	<i>Lower range</i> %	<i>Upper range</i> %	<i>Proposed value</i> %
Nominal risk free rate	<input type="text"/>	<input type="text"/>	<input type="text"/>
Expected inflation rate	<input type="text"/>	<input type="text"/>	<input type="text"/>
Debt as a long term proportion of total funding	<input type="text"/>	<input type="text"/>	<input type="text"/>
Cost of debt margin over the risk free rate	<input type="text"/>	<input type="text"/>	<input type="text"/>
Market risk premium	<input type="text"/>	<input type="text"/>	<input type="text"/>
Corporate tax rate	<input type="text"/>	<input type="text"/>	<input type="text"/>
Effective tax rate for equity	<input type="text"/>	<input type="text"/>	<input type="text"/>
Proportion of franking credits attributed to shareholders	<input type="text"/>	<input type="text"/>	<input type="text"/>
Asset beta	<input type="text"/>	<input type="text"/>	<input type="text"/>
Debt beta	<input type="text"/>	<input type="text"/>	<input type="text"/>
Equity beta	<input type="text"/>	<input type="text"/>	<input type="text"/>
Post-tax nominal return on equity	<input type="text"/>	<input type="text"/>	<input type="text"/>
Post-tax nominal WACC	<input type="text"/>	<input type="text"/>	<input type="text"/>
Pre-tax real WACC	<input type="text"/>	<input type="text"/>	<input type="text"/>

Setting the Revenue Cap Forecast - Initial Regulatory Assets (gross)

TNSP: _____

Reporting date: _____

<i>Asset class</i>	Opening ODRC values \$'000	Average remaining economic lives (yrs)	Standard useful lives (yrs)	Historic cost for tax purposes (\$'000)	Tax shield claimed to date (\$'000)	Tax depreciation rates (%)
Transmission Lines - Overhead (<i>suggested</i>)						
Insert <i>Discretionary Headings</i>						
Transmission Lines - Underground (<i>suggested</i>)						
Insert <i>Discretionary Headings</i>						
Substations (<i>suggested</i>)						
Transformers (<i>suggested</i>)						
Plant (<i>suggested</i>)						
Land and easements (<i>suggested</i>)						
Insert <i>Discretionary Headings</i>						

Notes for the preparation of information on this proforma:

- Initial assets** are those assets generally in service on 1 July 1999, determined in accordance with clause 6.2.3(d)(4)(iii) of the **National Electricity Code**, which states that the opening asset value is that determined by the **Jurisdictional Regulator** or consistent with the regulatory asset base established in the participating jurisdiction provided that the value of those existing does not exceed the the deprival value of the assets.
- Opening asset values shall be stated at the optimised depreciated replacement cost of these assets.
- Asset classes** refer to any sub-categories of a **TNSP's** assets. The **Commission** has suggested certain **Account Headings**, however, a **TNSP** may propose some **Discretionary Headings** that should provide meaningful information about the composition of the assets.
- Average remaining economic lives and standard lives of assets are those lives derived by a **TNSP** or its consultants.
- Standard useful lives refers to the total economic life of the assets.
- Historic cost of the assets to be disclosed by a **TNSP** to the **Commission** are the acquisition costs of the assets, where available.
- The tax shield claimed to date is the amount of tax depreciation that has been claimed by the **TNSP** against the assets at the reporting date.
- A **TNSP** shall provide to the **Commission** the assumptions underlying the asset information and any supporting information, including any independent consultant's report that may have been prepared.

Setting the Revenue Cap Forecast - Forecast Capital Expenditure (gross)

TNSP: _____

Reporting date: _____

	<i>Most recent Base Accounts or Regulatory Financial Statements</i> \$'000	<i>Period _{t-2}</i> \$'000	<i>Period _{t-1}</i> \$'000	<i>Regulatory Period</i>				
				<i>Year _t</i> \$'000	<i>Year _{t+1}</i> \$'000	<i>Year _{t+2}</i> \$'000	<i>Year _{t+3}</i> \$'000	<i>Year _{t+4}</i> \$'000
<i>Asset class no. 1:</i> Capex project Capex project Sub-total								
<i>Asset class no. 2:</i> Capex project Capex project Sub-total								
<i>Asset class no. 3:</i> Capex project Capex project Sub-total								
<i>Work in progress:</i> Capex project Sub-total								
Total								

Notes for the preparation of information on this proforma:

- Capital expenditure on regulated assets shall be reported by a **TNSP** to the **Commission** for each class of asset by individual project for the forthcoming regulatory period.
- 't' refers to the initial regulatory year in the five-year regulatory period.
- Capital expenditure is to be reported in real terms at the commencement of the regulatory period.
- Asset classes** refer to any sub-categories of a **TNSP's** assets. The **Commission** has nominated certain **Mandatory Headings**, however, a **TNSP** may propose some **Discretionary Headings** that should provide meaningful information about the composition of the assets.
- The **Commission** requires that "Work in progress" be defined as a **Mandatory Heading**.
- Asset classes** must be consistent with the **asset classes** reported in Proforma "Reg Assets" and must be consistent between regulatory periods.
- Capital expenditure projects refer to specific projects being undertaken by a **TNSP**.
- A **TNSP** shall provide to the **Commission** the assumptions underlying the asset information and any supporting information, including internal reports that may have been prepared by a **TNSP** on its future capital expenditure program, which may provide detailed explanations of the proposed projects.

Setting the Revenue Cap Forecast - Forecast Capital Expenditure (gross)

TNSP: _____

Reporting date: _____

Further notes and explanation required by the **Commission** on forecast capital expenditure that is attributable to large customers connecting to the network. The Commission would also like a TNSP to cross-reference its forecast capital expenditure set out in this proforma to the forecast customer contributions set out in proforma "Cust Cont".

Setting the Revenue Cap Forecast - Forecast Customer Contributions

TNSP: _____

Reporting date: _____

		Regulatory Period							
		<i>Most recent Base Accounts or Regulatory Financial Statements</i>	<i>Period_{t-2}</i>	<i>Period_{t-1}</i>	<i>Year_t</i>	<i>Year_{t+1}</i>	<i>Year_{t+2}</i>	<i>Year_{t+3}</i>	<i>Year_{t+4}</i>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Asset class no. 1:</i>									
	Capex project								
	Capex project								
	Capex project								
	Sub-total								
<i>Asset class no. 2:</i>									
	Capex project								
	Capex project								
	Sub-total								
<i>Asset class no. 3:</i>									
	Capex project								
	Capex project								
	Sub-total								
<i>Work in progress:</i>									
	Capex project								
	Capex project								
	Sub-total								
Total									

Notes for the preparation of information on this proforma:

1. Customer contributions on regulated assets shall be reported by a **TNSP** to the **Commission** for each class of asset by individual project for the forthcoming regulatory period.
2. 't' refers to the initial regulatory year in the five-year regulatory period.
3. Real values of customer contributions at the commencement of the regulatory period are to be reported to the **Commission**.
4. **Asset classes** refer to any sub-categories of a **TNSP's** assets. The **Commission** has suggested certain **Account Headings**, however, a **TNSP** may propose some **Discretionary Headings** that should provide meaningful information about the composition of the assets.
5. The **Commission** requires that "Work in progress" be defined as a **Mandatory Heading**.
6. **Asset classes** must be consistent with the **asset classes** reported in Proforma "Reg Assets" and must be consistent between regulatory periods.

Setting the Revenue Cap Forecast - Forecast Asset Disposals and Retirements

TNSP: _____

Reporting date: _____

	Notes	Most recent Base Accounts or Regulatory Financial Statements \$'000	Period _{t-2} \$'000	Period _{t-1} \$'000	Regulatory Period				
					Year _t \$'000	Year _{t+1} \$'000	Year _{t+2} \$'000	Year _{t+3} \$'000	Year _{t+4} \$'000
					Asset class no. 1: Capex project Capex project Capex project Sub-total				
Asset class no. 2: Capex project Capex project Sub-total									
Asset class no. 3: Capex project Capex project Sub-total									
Asset class no. 4: Capex project Capex project Sub-total									
Total									

Notes for the preparation of information on this proforma:

1. Disposals of regulated assets shall be reported by a **TNSP** to the **Commission** for each class of asset by individual project for the forthcoming regulatory period.
2. 't' refers to the initial regulatory year in the five-year regulatory period.
3. Real values of disposals and retirements at the commencement of the regulatory period are to be reported to the **Commission**.
4. **Asset classes** refer to any sub-categories of a **TNSP's** assets. The **Commission** has suggested certain **Account Headings**, however, a **TNSP** may propose some **Discretionary Headings** that should provide meaningful information about the composition of the assets.
5. The **Commission** requires that "Work in progress" be defined as a **Mandatory Heading**. When WIP is commissioned, record the credit to WIP as a "retirement" on WIP on this schedule. The corresponding debit should therefore be included in forecast capital expenditure, categorised according to the asset that has been commissioned.
6. **Asset classes** must be consistent with the **asset classes** reported in Proforma "Reg Assets" and must be consistent between regulatory periods.

Setting the Revenue Cap Forecast - Forecast Asset Disposals and Retirements

TNSP: _____

Reporting date: _____

Further notes and explanation required by the **Commission** on why assets have been disposed of or retired by a **TNSP**:

Setting the Revenue Cap Forecast - Forecast Operations and Maintenance Expenditure

TNSP: _____

Reporting date: _____

<i>Account Heading</i>	<i>Most recent Base Accounts or Regulatory Financial Statements</i>	<i>Period</i> _{t-1}	<i>Regulatory Period</i>				
			<i>Year</i> _t	<i>Year</i> _{t+1}	<i>Year</i> _{t+2}	<i>Year</i> _{t+3}	<i>Year</i> _{t+4}
			\$'000	\$'000	\$'000	\$'000	\$'000
Insert <i>Discretionary Headings</i>							
Insert <i>Discretionary Headings</i>							
Insert <i>Discretionary Headings</i>							
Total							

Assumed operational expenditure efficiency (X factor) for the regulatory period set out in the table: %

Notes for the preparation of information on this proforma:

1. Operational expenditure should be expressed in real dollars at year t.
3. A **TNSP** shall report to the Commission its operations and maintenance costs by **Account Heading**. These **Account Headings** should be consistent with the capital expenditure project headings used in the "Capex" proforma statement.
3. A **TNSP** may propose some **Discretionary Headings** that should provide meaningful information about the composition of its operations and maintenance expenditure.
4. A **TNSP** shall provide to the **Commission** the assumptions underlying the operations and maintenance forecasts and any supporting information, including independent consultant's report that may have been prepared.

Setting the Revenue Cap Forecast - Asset Roll Forward Schedule

TNSP: _____

Reporting date: _____

<i>Asset class</i>	<i>Asset values at independent valuation</i> (refer note 1)	<i>Additions</i>	<i>Asset disposals & retirements</i>	<i>Depreciation</i>	<i>Closing asset values at the end of the current regulatory period</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
Transmission Lines - Overhead (suggested)					
Insert Discretionary Headings					
Transmission Lines - Underground (suggested)					
Insert Discretionary Headings					
Substations (suggested)					
Transformers (suggested)					
Plant (suggested)					
Insert Discretionary Headings					
Work in progress (mandatory heading)					
Total					

Notes for the preparation of information on this proforma:

- 1 Asset values at valuation are those assets generally in service on 1 July 1999, which are valued at their last independent valuation or that have been determined by the **Jurisdictional Regulator** or consistent with the regulatory asset base established in the participating jurisdiction.
- 2 Depreciation shall be calculated in accordance with section 7.5 of this Guideline. A **TNSP** shall disclose the basis for calculating such depreciation charges.
- 3 Asset classes refer to any sub-categories of a **TNSP's** assets. The **Commission** has suggested certain **Account Headings**, however, a **TNSP** may propose some **Discretionary Headings** that should provide meaningful information about the composition of the assets.

Appendix B: Pro forma statements for annual reporting

This is a list of the minimum mandatory statements required by these Guidelines. The attached pro-forma statements indicate the minimum required **Account Headings** for each statement.

Type	Proforma Statement	Statement no.
Regulatory Financial Statements	Statement of Financial Performance	RFS FPerf
	Statement of Financial Position	RFS FPos
	Statement of Cash Flows	RFS CF
Disaggregation Statements	Statement of Financial Performance	DISAGG FPerf
	Statement of Financial Position	DISAGG FPos
	Statement of Cash Flows	DISAGG CF
Workpapers supporting the Disaggregation Statements:	Operations and maintenance expenditure	DISAGG Opex
	Causal allocations	DISAGG Alloc 1
	Non-causal allocations	DISAGG Alloc 2
Prescribed Transmission Services	Regulatory adjustment journals	PTS ADJ
Prescribed Transmission Services	Price reduction/recovery	PTS PriceRedn
Prescribed Transmission Services	Revenue analysis	PTS Rev
Asset schedules and supporting papers:		
Disaggregation Statements	Summary of Disaggregation Statement Assets	DISAGG Assets
Prescribed Transmission Services	Reconciliation of Property, Plant and Equipment	PTS Rec Assets
	Asset Aging Schedule	PTS Asset Aging
	Capital Expenditure Summary	PTS CapexSum
	Capital Expenditure Efficiencies	PTS Capex
Provisions Schedules:		
Disaggregation Statements	Provisions Summary	DISAGGProvSum
Prescribed Transmission Services	Provisions Reconciliation	PTS Prov Rec
Disaggregation Statements:		
Tax Schedule	Australian Income Tax Payable Net of Deferred Tax	DISAGG Tax
Non-financial schedules	One-year Demand Forecast	<i>No set proforma</i>
	Current Map of the Network	<i>No set proforma</i>

Statement of Financial Performance - Prescribed Transmission Services

For the period ended []

Account code or reference to Account Code	Description	Regulatory financial statements				
		Disaggregation Statement - Prescribed Services	Journal number	Regulatory adjustments	Regulatory financial statements	Support reference
		\$'000		\$'000 Dr/(Cr)	\$'000	
	Network charges					
	Gross proceeds from sale of assets					
	Other revenue <i>(analysed as appropriate)</i>					
	Total revenue					
	Opex costs					
	- Network operations					
	- Network maintenance <i>(Analysed as appropriate by Discretionary Headings)</i>					
	- Other costs <i>(Analysed as appropriate by Discretionary Headings)</i>					
	Depreciation					
	Book value of assets disposed					
	Earnings before interest and tax (EBIT)					
	Taxation					

Note:

In addition it is mandatory to produce for each cost or revenue item that has been allocated to the **Prescribed Services Segment** a supporting workpaper that i

- a) the amounts that have been directly attributed to the **Prescribed Services Segment**
- b) the amounts that have been allocated to each **Prescribed Services Segment**
- c) a description of the allocation basis
- d) the numeric quantity of each allocator.

Statement of Financial Position - Prescribed Transmission Services

As at []

<i>Account code or reference to Account Code</i>	Description	<i>Regulatory financial statements</i>				
		Disaggregation Statement - Prescribed Services	Journal number	Regulatory adjustments	Regulatory financial statements	Support reference
		\$'000		\$'000 Dr/(Cr)	\$'000	
	CURRENT ASSETS Receivables Prepayments Accrued revenue Inventories NON-CURRENT ASSETS Receivables Investments Other Property, plant and equipment CURRENT LIABILITIES Trade creditors and accruals Provisions NON-CURRENT LIABILITIES Provisions					

Note:

In addition it is mandatory to produce for each cost or revenue item that has been allocated to the **Prescribed Services Segment** a supporting work

- a) the amounts that have been directly attributed to the **Prescribed Services Segment**
- b) the amounts that have been allocated to each **Prescribed Services Segment**
- c) a description of the allocation basis
- d) the numeric quantity of each allocator.

Statement of Cash Flows - Prescribed Transmission Services

For the period ended []

Account Code or reference	Description	<i>Regulatory financial statement</i>				Support reference
		Disaggregation Statement - Prescribed Services	Journal number	Regulatory adjustments	Regulatory financial statements	
		\$'000		\$'000 Dr/(Cr)	\$'000	
D1	Disaggregated earnings before interest and tax					
	Plus					
	Proceeds from sale of property, plant and equipment					
	(Less)					
	Payments for property, plant and equipment					
	Plus / (less)					
Prov 1	Increases / (decreases) in provisions					
D2	Increases / (decreases) in trade creditors and accruals					
D2	Increases / (decreases) in customer deposits					
D2	(Increases) / decreases in receivables					
D2	(Increases) / decreases in prepayments					
D2	(Increases) / decreases in inventory					
D2	(Increases) / decreases in accrued revenue					
	Operating cash flow					

Note:

In addition it is mandatory to produce for each cashflow item that has been allocated to the **Prescribed Services Segment** a supporting workpaper that includes the following:

- a) the amounts that have been directly attributed to the **Prescribed Services Segment**
- b) the amounts that have been allocated to the **Prescribed Services Segment**
- c) a description of the allocation basis
- d) the numeric quantity of each allocator.

Disaggregation Statement - Financial Performance

For the period ended []

Account code or reference to Account Code	Description	Audited financial statements	Prescribed Services	Non-Prescribed Services	Not allocated	Workpaper reference
		\$'000	\$'000	\$'000	\$'000	
	Network charges					
	External project work					
	Gross proceeds from sale of assets					
	Other revenue <i>(analysed as appropriate)</i>					
	Total revenue					
	Opex costs					
	- Network operations					
	- Network maintenance <i>(Analysed as appropriate by Discretionary Headings)</i>					
	- Other costs <i>(Analysed as appropriate by Discretionary Headings)</i>					
	Depreciation					
	Book value of assets disposed					
	Earnings before interest and tax (EBIT)					
	Interest and dividend income					
	Finance charges					
	Profit(loss) before income tax expense					
	Australian income tax expense					
	Deferred income tax					
	Other income tax <i>(including tax on extraordinary items)</i>					
	Profit(loss) after income tax expense					
	Dividends paid					
	Retained profit(loss)					

In addition it is mandatory to produce for each cost or revenue item that has been allocated to the **Prescribed Services Segment** workpaper that includes the following:

- a) the amounts that have been directly attributed to the **Prescribed Services Segment**
- b) the amounts that have been allocated to the **Prescribed Services Segment**
- c) a description of the allocation basis
- d) the numeric quantity of each allocator.

Disaggregation Statement - Financial Position

As at []

<i>Account code or reference to Account</i>	Description	Audited financial statements	Prescribed Services	Non-Prescribed Services	Not allocated	Workpaper reference
		\$'000	\$'000	\$'000	\$'000	
	CURRENT ASSETS					
	Cash					
	Receivables					
	Investments					
	Prepayments					
	Accrued revenue					
	Inventories					
	Total current assets					
	NON-CURRENT ASSETS					
	Property, plant and equipment					
	Receivables					
	Investments					
	Other					
	Total non-current assets					
	TOTAL ASSETS					
	CURRENT LIABILITIES					
	Trade creditors and accruals					
	Loans					
	Customer deposits					
	Bank overdraft					
	Provisions					
	Total current liabilities					
	NON-CURRENT LIABILITIES					
	Provisions					
	TOTAL LIABILITIES					
	NET ASSETS /(LIABILITIES)					
	SHAREHOLDER'S EQUITY					
	Share capital					
	Accumulated profits/losses					
	TOTAL SHAREHOLDERS' EQUITY/DEFICIENCY					
	ACCUMULATED PROFITS & LOSSES					
	- At the start of the period					
	- Profit / Loss retained					
	- At the end of the period					

Note:
 In addition it is mandatory to produce for each cost or revenue item that has been allocated to the **Prescribed Services Seg** workpaper that includes the following:
 a) the amounts that have been directly attributed to the **Prescribed Services Segment**
 b) the amounts that have been allocated to the **Prescribed Services Segment**
 c) a description of the allocation basis
 d) the numeric quantity of each allocator.

Disaggregation Statement - Cash Flows

For the period ended []

Account Code or reference	Description	Audited financial statements	<i>Disaggregation statement</i>		
			Prescribed Services	Non-Prescribed Services	Not allocated
		\$'000	\$'000	\$'000	
D1	Disaggregated earnings before interest and tax				
	Plus Proceeds from sale of property, plant and equipment				
	(Less) Payments for property, plant and equipment				
	Plus / (less) Increases / (decreases) in provisions				
Prov 1					
D2	Increases / (decreases) in trade creditors and accruals				
D2	Increases / (decreases) in customer deposits				
D2	(Increases) / decreases in receivables				
D2	(Increases) / decreases in prepayments				
D2	(Increases) / decreases in inventory				
D2	(Increases) / decreases in accrued revenue				
	Operating cash flow				

Note:

In addition it is mandatory to produce for each cost or revenue item that has been allocated to the *Prescribed Services Segment* a supporting workpaper that includes the following:

- a) the amounts that have been directly attributed to the *Prescribed Services Segment*
- b) the amounts that have been allocated to the *Prescribed Services Segment*
- c) a description of the allocation basis
- d) the numeric quantity of each allocator.

Operations and maintenance expenditure

For the period ended []

----- code or reference to account	Account Heading	rows to indicate which rows are intersegment	Prescribed Services \$'000	Non-Prescribed Services \$'000	Total \$'000
Directly Attributed Costs					
	- (Analysed 'as appropriate by Discretionary Headings)				
	- Other costs (Analysed as appropriate by Discretionary Headings)				
	Subtotal of Directly Attributed costs		_____	_____	_____
Allocated Costs					
	- (Analysed 'as appropriate by Discretionary Headings)				
	<i>Basis of allocation Work paper Ref. **</i>				
	Causal / Non- Causal*				
	- Other costs (Analysed as appropriate by Discretionary Headings)				
	Causal / Non- Causal*				
	Subtotal of Allocated costs		_____	_____	_____
	Total Opex Costs per DISAGG FPerf		=====	=====	=====

					=====

					Total =====

Explanation of opex costs required by the **Commission** (for example, bushfire costs, insurance etc)

* Delete as appropriate

** For each **Account Heading** item subject to **Causal** allocation, ensure that it is included on a workpaper Alloc 1

For each **Account Heading** item subject to Non-**Causal** allocation, ensure that it is included on a workpaper Alloc 2

Note: Where **Intersegmental** costs arise, the total costs of all **Business Segments** will be greater than the costs in the **Base Accounts**. This is why the reconciliation to the **Base Accounts** is required on this schedule.

Causal allocation

For the period ended []

A copy of this workpaper is to be produced for each Causal basis that has been used to allocate costs between Business Segments.

1. Causal basis of allocation

2. Complete the table set out below to indicate:
- the Account Headings and the amounts subject to this Causal basis; and
 - the description and quanta of allocator that has been used

----- code or reference to account	Account Heading	Prescribed Services	Non- Prescribed Services	Not allocated	Total
--	-----------------	------------------------	--------------------------------	------------------	-------

For each **Account Heading** that has been allocated on this basis, provide the following information

Numeric quantity of allocator (eg no of man-hours) _____

Corresponding cost allocation \$ \$ \$ \$ _____

3. Provide a detailed description and explanation of the basis of allocation:

Non-causal allocation

For the period ended []

A copy of this workpaper is to be produced for each Non-causal basis that has been used to allocate costs by Segments.

1. Non-causal basis of allocation

2. Complete the table set out below to indicate the Account Headings and the amounts subject to non-causal basis.

Account code or reference to account	Account Heading	Prescribed Services	Non-Prescribed Services	Not allocated	Total
		\$'000	\$'000	\$'000	\$'000

*(List all **Account Headings** that have been allocated on this basis)*

-
3. Provide a detailed description and explanation of the basis of allocation:

4. Explain why no causal basis could be established:

5. Explain the reasons for choosing this non-causal basis and why it was preferred over others:

6. Date on which the Commission granted approval:

Regulatory adjustment journals - Prescribed Transmission Services
--

For the period ended []

Journal number	Account Debited Account Credited	Amount		Supporting Statement No.
		Debit \$'000	Credit \$'000	

Note:

This schedule must contain for each Regulatory Adjustment made on the Statement of Financial Performance and Statement of Financial Position, the following:

- a) a journal entry showing accounts debited and credited
- b) an explanation of why the adjustment has been made.

Price Reduction/Recovery - Prescribed Transmission Services

For the period ended []

Reduction in prices payable by transmission customers	\$Customer TUOS general charges	\$Common servic charges
--	------------------------------------	----------------------------

Total Reduction

***Recovery of above reduction in prices
from other transmission customers**

Total Recovery

Note:

Each instance of a price reduction/recovery should be detailed.

*The amount of any reduction in a transmission customer's Customer TUOS general charges and/or common service charges recovered from other transmission customers under clause 6.5.8(c)(2) of the Code.

Summary of Disaggregation Statement Assets

Analysis of property, plant and equipment disclosed in disaggregation Statement "DISAGG Fpos", regulatory adjustments.

For the period ended []

	Prescribed Services \$'000	NON- Prescribed Services \$'000	Not allocated \$'000	Total \$'000
Gross book value				
Balance brought fwd				
Revaluation adjustments				
Additions				
Disposals / retirements				
Balance carried fwd				
Accumulated depreciation				
Balance brought fwd				
Revaluation adjustments				
Depreciation charges				
Disposals				
At end of period				
Net book value at end of period				

Reconciliation of Property, Plant and Equipment - Prescribed Transmission Services

Use multiple sheets if necessary

For the period ended []

	Asset class <i>Discretionary</i> <i>Heading</i> #1	Asset class <i>Discretionary</i> <i>Heading</i> #2, etc	Total
	\$'000	\$'000	\$'000
Gross values			
As agreed by the Commission as at 1 July 1999			
Plus / minus			
Revaluation adjustments			
Additions			
Disposals / retirements			
At prior accounting date			
Revaluation adjustments			
Disposals during the period			
At end of period			
Accumulated depreciation			
Revaluation adjustments			
Depreciation charges			
Disposals / retirements			
At start of period			
Revaluation adjustments			
Current period depreciation charge			
Depreciation released on disposals			
At end of period			
Values agreed by the Commission as at 1 July 1999			
Net regulatory values at start of period			
Net regulatory values at end of period			

Asset Aging Schedule - Prescribed Transmission Services
--

All asset values are net regulatory values

<i>Asset class</i>	Useful life remaining (years after <i>Regulatory Accounting Date</i>)					
	Total \$'000	1-5 \$'000	6-10 \$'000	11-15 \$'000	16-20 \$'000	>20 \$'000
Use same <i>Discretionary Headinas</i> as Statement "PTS"						
Total net regulatory value						

Capital expenditure summary - Prescribed Transmission Servi

For the period ended []

This proforma summarises a **TNSP's** actual annual capital expenditure. Forecast capital expenditure for the period is derived from the capital expenditure forecast submitted by the TNSP to set its revenue cap.

	\$'000
<i>Total capital expenditure:</i>	
Forecast	<input type="text"/>
Actual	<input type="text"/>

Note:

Variances or efficiencies for individual capital expenditure projects, with explanations, should be reported on the PTS Capex proformas.

Capital expenditure efficiencies - Prescribed Transmission Serv
--

For the period ended []

As part of the setting a **TNSP's** revenue cap, the **Commission** has reviewed and approved capital expenditure for the regulatory period. This proforma enables a **TNSP** to set out explanations for any variances or efficiencies that it may have achieved in its capital expenditure projects or other information on its capital expenditure program that will assist the **Commission** to understand a **TNSP's** business.

\$'000

Capital expenditure project:

Forecast

Actual

Description of project:

Explanation for variances or efficiencies:

Notes:

1. Capital expenditure projects refer to specific projects being undertaken by a **TNSP**. These projects should align with the projects defined by a **TNSP** in its capital expenditure forecast, submitted to the **Commission** for setting its revenue cap.
2. A **TNSP** should complete one proforma for each capital expenditure project that it would like to provide additional information to the **Commission** to consider.

Summary of provisions

For the period ended []

	Prescribed Services	Non- Prescribed Services	Not allocated	Total
	\$'000	\$'000	\$'000	\$'000

Amount set aside to provisions

Expenditure incurred debited to provisions

Amounts written back from provisions

Net movement in provisions

Balance at start of period

Balance at end of period

Comprising:

Current provisions

Non-current provision

Total per balance sheet

Note:

In addition it is mandatory to produce for each item that has been allocated to the **Prescribed Serv.** supporting workpaper that includes the following:

- a) the amounts that have been directly attributed to the **Prescribed Services Segment**
- b) the amounts that have been allocated to the **Prescribed Services Segment**
- c) a description of the allocation basis
- d) the numeric quantity of each allocator.

The basis of attribution of provisions to the **Prescribed Services Segment**, should follow the attrib which they relate. Taxation, interest and dividend provisions should be attributed to the **Not Alloca**

Provisions Reconciliation - Prescribed Transmission Services

For the period ended []

Description	<i>Discretionary Heading for each Material Provision</i>					Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at start of period							
Amount set aside to provisions							
Expenditure incurred debited to provisions							
Amounts written back from provisions							
Balance at end of period							
Net Movement in provisions per RFS FPerf							

Note:

In addition it is mandatory to produce for each item that has been allocated to the **Prescribed Services Segment** a supporting workpaper that includes the following:

- a) the amounts that have been directly attributed to the **Prescribed Services Segment**
- b) the amounts that have been allocated to the **Prescribed Services Segment**
- c) a description of the allocation basis
- d) the numeric quantity of each allocator.

The basis of attribution of provisions to the **Prescribed Services Segment**, should follow the attribution of the expenses to which they relate. Taxation, interest and dividend provisions should be attributed to the **Not Allocated Segment**.

Australian Income Tax Payable Net of Deferred Tax
--

For the period ended []

	Prescribed Services \$'000	Non- Prescribed \$'000	Not Allocated \$'000	Total \$'000
Assessable income - <i>(Analysed as appropriate by Discretionary Headings)</i>				
Total assessable income				
Tax depreciation				
Allowable opex - <i>(Analysed as appropriate by Discretionary Headings)</i>				
Other allowable deductions - <i>(Analysed as appropriate by Discretionary Headings)</i>				
Total allowable deductions				
Taxable Income				
Income Tax Payable @ current company tax rate				

Appendix C: Examples of regulatory audit reports and pro forma of a directors' responsibility statement

Example Audit Report on a Special Purpose Financial Report

Example Review of Financial Report

Example Report of Factual Findings from Agreed-Upon Procedures

Example Audit of Prospective Financial Information

Pro forma Directors' Responsibility Statement

Example: Audit report on a special purpose financial report

[Date]

General Manager
Regulatory Affairs / Electricity
Australian Competition and Consumer
Commission
PO Box 1199
Dickson ACT 2602

The Chief Executive Officer
[*The TNSP*]

Dear _____

REGULATORY FINANCIAL STATEMENTS

PERIOD ENDED [*period end*]

Scope

We have audited the regulatory financial statements and other required statements, schedules and work papers (other required statements) of [the TNSP] for the regulatory accounting period ended 30 June [200x].

These statements are special purpose financial reports consisting of the statements, schedules and work papers listed in appendix B of the Commission's *Transmission Network Service Provider Information Requirements Guidelines* set out on pages [] to [].

[The TNSP]'s directors are responsible for preparing and presenting the regulatory financial statements and other required statements. The directors have determined that the accounting principles and policies used are appropriate to meet the requirements of the Commission's *Transmission Network Service Provider Information Requirements Guidelines*.

We have conducted an independent audit of the regulatory financial statements and other required statements to express an opinion on them to the Commission and the directors on their preparation and presentation. No opinion is expressed about whether the accounting principles and policies used are appropriate to the needs of the

The statements have been prepared to fulfil the requirements of the Commission. We have prepared this report to submit to the Commission and for the disclosure of [the TNSP] and it is not to be used for any other purpose than that. We disclaim any responsibility for any reliance on this report, or on the regulatory financial statements and other required statements to which it relates, to any person other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the statements, and the evaluation of significant accounting estimates.

These procedures have been undertaken to form an opinion about whether, in all material respects, the regulatory financial statements and other required statements are presented fairly in accordance with the regulatory accounting principles and policies and the requirements of the Commission. These principles and policies do not require all accounting standards be applied nor other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the regulatory financial statements and other required statements present fairly the financial position of [the TNSP] as at [period end], the results of its operations and its cash flows for the period then ended, as required by the Commission. .

Yours faithfully

[Name of Auditor]

Chartered Accountants

[Name of signatory]

[Position of signatory]

Example: Review of financial report

[Date]

General Manager
Regulatory Affairs / Electricity
Australian Competition and Consumer
Commission
PO Box 1199
Dickson ACT 2602

The Chief Executive Officer
[*The TNSP*]

Dear _____

REGULATORY FINANCIAL STATEMENTS

PERIOD ENDED [*period end*]

Scope

We have reviewed the regulatory financial statements and other required statements, schedules and work papers of [the TNSP] for the regulatory accounting period ended 30 June [200x]. The regulatory financial statements and other required statements are listed in appendix B of the Commission's *Transmission Network Service Provider Information Requirements Guidelines* set out on pages [] to [].

[The TNSP]'s directors are responsible for preparing and presenting the regulatory financial statements and other required statements and the information contained therein. We have reviewed the statements to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that they are not presented fairly as required by the Commission.

The statements have been prepared to fulfil the Commission's requirements. This report is for submission to the Commission and for the directors of [the TNSP] and is not to be used for any other purpose. We disclaim any responsibility for any reliance on this report, or on the regulatory financial statements and other required statements to which it relates, to any person other than that for which it was prepared.

Our review has been conducted in accordance with Australian Auditing Standards that apply to review engagements. A review is limited primarily to inquiries of company personnel and analysis of the financial data. These procedures do not provide all the evidence necessary in an audit, and thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the regulatory financial statements and other required statements of [the TNSP] for the period 30 June [200x], ended 30 June [200x], period end, does not fairly present the regulatory information in accordance with the Commission's *Transmission Network Service Provider Information Requirements Guidelines*.

Yours faithfully

[*Name of Auditor*]

Chartered Accountants

[*Name of signatory*]

[*Position of signatory*]

Example: Report of factual findings from agreed-upon procedures

[Date]

General Manager
Regulatory Affairs / Electricity
Australian Competition and Consumer
Commission
PO Box 1199
Dickson ACT 2602

The Chief Executive Officer
[*The TNSP*]

Dear _____

REGULATORY FINANCIAL STATEMENTS

PERIOD ENDED [*period end*]

Scope

We have performed the procedures agreed with you as detailed in the written instructions of [date] and described below with respect to the regulatory financial statements and other required statements, schedules and work papers of [TNSP] for the period ending [date] set forth in the attached schedules [describe and reference the schedules].

Our engagement was undertaken in accordance with Australian Auditing Standards that apply to agreed-upon procedures engagements. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of [those who engaged the auditor]. The procedures were performed solely to assist you in evaluating [e.g. the compliance of TNSP] with paragraphs [detail paragraphs considered] of the Commission's *Transmission Network Service Provider Information Requirements Guidelines* and are summarised as follows:

- [Agreed upon procedure]
- [Agreed upon procedure]
- [Agreed upon procedure]

Because the above procedures do not constitute either an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards that apply to review engagements, we do not express any assurance on the regulatory financial statements and other required statements of [the TNSP]. Had we performed additional

procedures or an audit in accordance with Australian Auditing Standards or a review in accordance with the standards, other matters might have come to our attention that would have been reported to you.

Findings

We report as follows:

- (a) With respect to 1 above ...
- (b) With respect to 2 above ...
- (c) With respect to 3 above ...

[Detail any exceptions noted]

Our report is solely for the purpose set forth in the first paragraph of this report and for submission to the Commission and is not to be used for any other purpose or distributed to any other party. This report refers only to the accounts and items specified above and does not extend to any financial report of [the TNSP], taken as a whole.

Yours faithfully

[*Name of Auditor*]

[*Chartered Accountants*]

[*Name of signatory*]

[*Position of signatory*]

Example: Report on prospective financial information

(Example 1: Best-estimate assumptions—a forecast, where a statement of negative assurance is issued on the reasonableness of management’s assumptions. The review was carried out based on the requirements of AUS 804, adapted for review engagements under AUS 902.)

Source—Australian Auditing Standard 804 ‘Audit of prospective financial information’

[Date]

General Manager
Regulatory Affairs / Electricity
Australian Competition and Consumer
Commission
PO Box 1199
Dickson ACT 2602

The Chief Executive Officer
[*The TNSP*]

Dear _____

PROSPECTIVE FINANCIAL INFORMATION

PERIOD ENDED [*period end*]

Scope

We have reviewed the forecast of [TNSP] for the [period] as set out on pages ... to The directors of [TNSP] are responsible for preparing and presenting the forecast and the information it contains, including the assumptions as set out in note ... on which the forecast is based. We have conducted an independent review of the forecast to express an opinion on it to the Commission and the directors of [TNSP].

The forecast has been prepared for distribution to the Commission and the directors of [TNSP] to help the Commission set a revenue cap for [TNSP]. We disclaim any responsibility for any reliance on this report or on the forecast to which it relates to any person other than to the Commission and the directors of [TNSP] or for any purpose other than that for which it was prepared.

Our review has been conducted in accordance with Australian Auditing Standards that apply to review engagements. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the forecast and the evaluation of accounting policies. These procedures have been undertaken so that we can form an opinion on whether anything has come to our attention which causes us to believe that

management's assumptions as set out in note ... do not provide a reasonable basis for the preparation of the forecast. These procedures will also help us decide whether¹, in all material respects, the forecast is properly prepared on the basis of the assumptions as set out in note ... and is presented fairly in accordance with the *Transmission network service provider information requirements guidelines* of the Commission. The forecast must also be based consistently with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period] ended [date]² so as to present a view of the [TNSP] which is consistent with our understanding of the [TNSP's] past, current and future operations.

(Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which prospective financial information is based, such evidence is generally future oriented and therefore speculative in nature. Given the nature of the evidence available in assessing the reasonableness of management's assumptions, we are not in a position to obtain the level of assurance necessary to express a positive opinion on those assumptions. Accordingly, we provide a lesser level of assurance on the reasonableness of management's assumptions.)³

The opinion expressed in this report has been formed on the above basis.

Statement

Based on our review, which is not an audit, of the evidence supporting the assumptions, nothing has come to our attention that causes us to believe that the assumptions as set out in note ... do not provide a reasonable basis for the preparation of the forecast.

In our opinion,

- (a) the forecast is properly prepared on the basis of the assumptions as set out in note ...
- (b) the forecast is presented fairly in accordance with:
 - (i) the Commission's *Transmission Network Service Provider Information Requirements Guidelines*
 - (ii) on a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period]⁴ ended [date] (except for the changes in accounting policies as disclosed in note ...).⁵

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.

¹ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

² Where appropriate.

³ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

⁴ Where appropriate.

⁵ Where appropriate.

Accordingly, we express no opinion as to whether the forecast will be achieved.

Yours faithfully

[Name of Auditor]

[Chartered Accountants]

[Name of signatory]

[Position of signatory]

Example: Report on prospective financial information

(Example 2: Hypothetical assumptions—a projection. The review was carried out based on the requirements of AUS 804, adapted for review engagements under AUS 902)

Source—Australian Auditing Standard 804 ‘Audit of prospective financial information’

[Date]

General Manager
Regulatory Affairs / Electricity
Australian Competition and Consumer
Commission
PO Box 1199
Dickson ACT 2602

The Chief Executive Officer
[*The TNSP*]

Dear _____

Scope

We have reviewed the projection of [TNSP] for the [period] as set out on pages ... to The directors of [TNSP] are responsible for preparing and presenting the projection and the information it contains, including the assumptions as set out in note ... on which the projection is based. We have conducted an independent review of the projection to express an opinion on it to the Commission.

The projection has been prepared for distribution to the Commission and the directors of [TNSP]] to help the Commission set a revenue cap for [the TNSP]. We disclaim any responsibility for any reliance on this report or on the projection to which it relates to any person other than to [the Commission [and the directors of the TNSP] or for any purpose other than that for which it was prepared. In addition, the projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur. Consequently, readers are cautioned that this projection may not be appropriate for purposes other than that described above.

Our review has been conducted in accordance with Australian Auditing Standards that apply to review engagements. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the projection and the evaluation of accounting policies. Because hypothetical assumptions relate to future events and management actions, which are not necessarily expected to take place, we are not in a

position to, and do not express an opinion on the hypothetical assumptions. The procedures have been undertaken so that we can form an opinion on whether anything has come to our attention which causes us to believe that management's best-estimate assumptions as set out in note ... do not provide a reasonable basis for the preparation of the projection given the occurrence of the hypothetical assumptions. These procedures will also help us decide whether⁶, in all material respects, the forecast is properly prepared on the basis of the assumptions as set out in note ... and is presented fairly in accordance with the Commission's *Transmission Network Service Provider Information Requirements Guidelines* (and on a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period] ended [date])⁷ so as to present a view of the [TNSP] which is consistent with our understanding of the [TNSP's] past, current and future operations.

(Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the best-estimate assumptions on which prospective financial information is based, such evidence is generally future oriented and therefore speculative in nature. Given the nature of the evidence available in assessing the reasonableness of management's best-estimate assumptions, we are not in a position to obtain the level of assurance necessary to express a positive opinion on those assumptions. Accordingly, we provide a lesser level of assurance on the reasonableness of management's assumptions.)⁸

The opinion expressed in this report has been formed on the above basis.

Statement

(Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the best-estimate assumptions as set out in note . . . do not provide a reasonable basis for the preparation of the projection, given the occurrence of the hypothetical assumptions.)⁹

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the assumptions as set out in note . . . do not provide a reasonable basis for the preparation of the projection.

In our opinion,

- (a) the projection is properly prepared on the basis of the assumptions as set out in note ...
- (b) the projection is presented fairly in accordance with:
 - (i) the Commission's *Transmission Network Service Provider Information Requirements Guidelines*
 - (ii) a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report for the [period] ended [date]¹⁰ (except for the changes in accounting policies as disclosed in note ...).¹¹

⁶ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

⁷ Where appropriate.

⁸ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

⁹ Include only in circumstances where best-estimate assumptions are presented with hypothetical assumptions.

¹⁰ Where appropriate.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projection since other anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the projection will be achieved.

Yours faithfully

[Name of Auditor]

[Chartered Accountants]

[Name of signatory]

[Position of signatory]



¹¹ Where appropriate.

Pro forma: Directors' responsibility statement for regulatory financial statements

In the opinion of the directors of [the TNSP]:

- the regulatory financial statements and other statements, schedules and work papers set out on pages [x] to [y] are drawn up to present fairly as required by the Commission's *Transmission Network Service Provider Information Requirements Guidelines* issued [version date].
 - the results of each business segment for the regulatory accounting period ended [period end]
 - information concerning the state of affairs at [period end], of each business segment
 - information concerning all related party transactions required by paragraph 7.16 of the guidelines; [delete if inapplicable]
 - information concerning all third party benefit transactions required by paragraph 7.17 of the guidelines [delete if inapplicable]
 - information concerning all financing transactions required by paragraph 7.18 of the guidelines [delete if inapplicable]
- no related party transactions arose during the regulatory accounting period that require disclosure under paragraph 7.16 of the guidelines [to be deleted only if disclosure is confirmed above]
- no third party benefit transactions arose during the regulatory accounting period that require disclosure under paragraph 7.17 of the guidelines [to be deleted only if disclosure is confirmed above]
- no financing transactions arose during the regulatory accounting period that require disclosure under paragraph 7.18 of the guidelines [to be deleted only if disclosure is confirmed above].

The terms and definitions used in this statement accord with the definitions set out in the Commission's *Transmission Network Service Provider Information Requirements Guidelines* referred to above.

Signed in accordance with a resolution of directors:

[Name of director]	Dated
Director	

[Name of director]	Dated
Director	