

26 August 2021

Sebastian Roberts
General Manager – Expenditure
Australian Energy Regulator

Dear Sebastian

RE AER standardised model for Standard Control Services capital expenditure

TasNetworks appreciates the opportunity to provide comments to the Australian Energy Regulator (**AER**) on the development of a standardised model for Standard Control Services (**SCS**) capital expenditure (**capex**). TasNetworks is the Transmission Network Service Provider (**TNSP**) and Distribution Network Service Provider (**DNSP**) in Tasmania, the focus of these roles is to deliver safe, secure and reliable electricity network services to Tasmanian customers.

TasNetworks supports the development of a standardised SCS model, noting the benefits of streamlining the post-tax revenue model inputs and increased transparency for stakeholders comparing capex proposals of multiple DNSPs. As a combined transmission and distribution network service provider, however, TasNetworks looks forward to further discussions with the AER as to model applicability to our transmission capex and any amendments that may be required to accommodate for example assets split between distribution and transmission services.

TasNetworks is supportive of the preliminary approach of enabling a DNSP to input capitalised overhead forecasts into the model. However, in recognition of the diversity of DNSPs' Cost Allocation Methodologies, we would suggest that an increased choice in drivers for CAM allocations be included in the model. This would allow overhead allocations to be more consistent with actual Cost Allocation Methodology allocations for each DNSP.

Further, while we welcome the development of the standardised SCS model, the model template itself should not preclude a DNSP from proposing elements in their capex proposal that are subject to the regulatory determination processes. To that end, we suggest that the model should allow, for example, contract services and escalation of the cost of materials to be addressed as part of individual determinations, rather than be predetermined by the specification of the SCS capex model.

To ensure model robustness and application effectiveness we would welcome the AER undertaking a further review of the model to ensure consistency in formula application and overall best practice prior to finalisation.

Overall, TasNetworks is supportive of the AER's standardised model for SCS capex and we look forward to working with the AER in developing the model for use as part of TasNetworks' regulatory determination for the 2024 to 2029 regulatory control period.

Should you have any questions regarding the views expressed in this submission, please contact William Godwin, Revenue and Economic Regulation Team Leader at

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Yours sincerely

Chantal Hopwood

Leader Regulation TasNetworks