



**TransGrid**

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20/02/2018

Mr Sebastian Roberts  
General Manager Networks  
Australian Energy Regulator  
GPO Box 520  
Melbourne  
VIC 3001

Sent by email: [sebastian.roberts@aer.gov.au](mailto:sebastian.roberts@aer.gov.au)

Dear Sebastian

**Update On Step Change Requirements Resulting From Approved NSW Licence Conditions**

TransGrid proposed a step change in operating expenditure in its revenue proposal related to new IT costs to achieve compliance with new NSW Licence Conditions.

At the time of submitting our revised proposal, we were aware that changes to our licence conditions were being considered by the NSW government and that these changes if approved, would lead to lower costs.

Recognising this, our revised proposal put forward costs related to the licence conditions as they applied at the time of submission, \$13.9 million, and an alternate lower case, \$8 million, should the conditions change in line with those being discussed at that time.

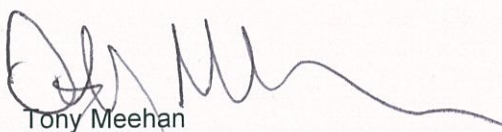
I am pleased to formally advise the AER that the revised licence conditions have been approved consistent with expectations, resulting in a reduction in costs of \$5.9 million in accordance with Appendix B of the revised proposal.

On 20 December 2017, TransGrid received advice on the approved Instrument of Variation of Conditions of TransGrid Licence from the Minister for Energy and Utilities, see attached.

The approved licence conditions are consistent with those set out in the revised proposal as "proposed" licence conditions. The updated step change requirement has resulted in \$5.9 million reduction in total operating expenditure. We have updated the operating expenditure model and post-tax revenue model to reflect these lower costs. These are attached to this letter.

Should you require further information in this matter, please contact Nicola Tully via [Nicola.tully@transgrid.com.au](mailto:Nicola.tully@transgrid.com.au) or alternatively on (02) 9284 3120.

Yours sincerely



Tony Meehan  
Executive Manager, Regulation