

Schedule 1: 5. Replacement Capital Expenditure Modelling

5.1 In relation to information provided in Workbook 1 – regulatory determination, regulatory template 2.2 with respect to the AER’s repex model, provide:

(a) For individual asset categories set out in the regulatory templates, provide in a separate document:

- (i) a description of the asset category, including:**
 - (A) the assets included and any boundary issues (i.e. with other asset categories);**
 - (B) an explanation of how these matters have been accounted for in determining quantities in the age profile;**
 - (C) an explanation of the main drivers for replacement (e.g. condition, etc.); and**
 - (D) an explanation of whether the replacement unit cost provides for a complete replacement of the asset, or some other activity, including an extension of the asset’s life and whether the costs of this extension or other activity are capitalised or not.**
- (ii) an estimate of the proportion of assets replaced for each year of the current regulatory period, due to:**
 - (A) aging of existing assets (e.g. condition, obsolesce, etc.) that should be largely captured by this form of replacement modelling;**
 - (B) replacements due to other factors (and a description of those factors);**
 - (C) additional assets due to the augmentation, extension, development of the network; and**
 - (D) additional assets due to other factors (and a description of those factors).**

This is addressed in the accompanying spreadsheet submitted as a RIN Supporting document, TransGrid-Reset RIN Repex Categories-0117-PUBLIC.xls

(b) For the previous, current and forecast regulatory control periods, explain the drivers or factors that have affected changing network replacement capital expenditure requirements. Identify and quantify the relative effect of individual matters within the following categories:

- (i) rules, codes, licence conditions, statutory requirements;**

Rules, codes, licence conditions and statutory requirements have remained relatively stable as a driver or factor for replacement capital expenditure. Changes to expenditure levels are a result of condition and risk.

- (ii) internal planning and asset management approaches;**

Changes to internal asset management factors may affect the scope of individual projects, but the key drivers in this area are condition based.

- (iii) measurable asset factors that affect the need for expenditure in this category (e.g. age profiles, risk profiles, condition trend, etc.). Identify and quantify individual factors;**

The vast majority of the projects in the Repex relate to condition based replacements assessed using the risk tool further information can be found in the revenue proposal supporting document TransGrid – Network Risk Assessment Methodology (RAM) - 1216 – PUBLIC.

(iv) the external factors that can be forecast and the outcome measured (e.g. demand growth, customer numbers) that affect the need for expenditure in this category. Identify and quantify individual factors, covering the forecasts and the outcome (external factors required to be discussed here do not relate to changing obligations which are covered in paragraphs 3.5 and 3.6);

Identified projects in this category are less than 1% of the repex program and are not detailed further.

(v) technology/solutions to address needs, covering:

- (A) network; and**
- (B) non-network;**

No significant projects are identified in this category

(vi) any other significant matters.

No significant projects are identified in this category

The information provided above should at least distinguish between the asset categories defined in response to paragraph 5.1(a).

N/a

(vii) Identify and provide information or documentation to justify and support any responses to paragraph 5.1(b)(i)-(vi).

N/a