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Our Ref:

16 May 2018

Ms Nicola Tully  
Manager Prescribed Revenue and Pricing | Regulation  
TransGrid  
By email ([Nicola.Tully@transgrid.com.au](mailto:Nicola.Tully@transgrid.com.au))

Dear Ms Tully

**Re: Revocation and substitution of TransGrid transmission determination 2014–2018**

We are writing to advise you that the AER has revoked its determination for TransGrid for the regulatory control period 1 July 2014 to 30 June 2018, which was published on 3 July 2015, and substituted a revised determination.<sup>1</sup>

Subsequent to making our determination for TransGrid published on 3 July 2015, in the merits review of Victorian Electricity and ACT Gas decisions, the Australian Competition Tribunal became aware of an inflation estimation error impacting each of the AER's determinations on review in this process.<sup>2</sup> The Tribunal noted the error in each of its determinations and stated it left it to the AER to determine the appropriate response to its error.<sup>3</sup>

The estimation error identified by the Tribunal in the above proceedings is also reflected in the AER's TransGrid determination for the 2014–18 regulatory control period published on 3 July 2015. This is a mathematical calculation error that impacts the TransGrid transmission determination for 2014-2018.

On 15 December 2017 the AER wrote to TransGrid (by email to [andrew.kingsmill@transgrid.com.au](mailto:andrew.kingsmill@transgrid.com.au) and ccd to [Nicola.Tully@transgrid.com.au](mailto:Nicola.Tully@transgrid.com.au)) proposing, subject to consideration of any submissions on our proposal, to make a determination to correct the identified error set out above under clause 6A.15 of the NER by no later than 1

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<sup>1</sup> AER, *Letter to Peter McIntyre advising of the Revocation and substitution of the AER's April 2015 final determination*, 3 July 2015.

March 2018.<sup>4</sup> On 1 March 2018 AER staff sent an email indicating the AER's determination on the matter had been delayed by approximately 1 month.<sup>5</sup>

In addition to the letter sent to TransGrid with respect to its regulatory determination, the AER sent letters proposing to make similar corrections in relation to 9 other regulatory determinations.<sup>6</sup> The AER also sent letters to four service providers the subject of determinations on remittal from the Australian Competition Tribunal proposing to correct the error as part of the AER's remade determinations.<sup>7</sup>

The AER has received 4 submissions with respect to the proposed inflation corrections. These were from APTNT, AusNet Services, Australian Gas Networks and Ausgrid.<sup>8</sup> We also received a submission from Consumer Challenge Panel 10 in response to the AER Remitted debt decision position paper that also commented on the inflation correction.<sup>9</sup>

Under clause 6A.15 of the NER, the AER may revoke a distribution determination where there has been a material error or deficiency of one or more of the following kinds:

- (1) a clerical mistake or an accidental slip or omission;
- (2) a miscalculation or misdescription;
- (3) a defect in form; or
- (4) a deficiency resulting from the provision of false or materially misleading information to the AER.

Having considered the matter and all submissions, the AER has determined to make the proposed correction set out in our Dec 2017 letter referred to above by revoking TransGrid's determination published on 3 July 2015 under clause 6A.15 of the NER and substituting it with a new determination.

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<sup>4</sup> The AER, *letter to Transgrid: Proposed revocation and substitution of Transgrid transmission determination 2014-2018*, 15 December 2017

<sup>5</sup> AER, *Email to Mr Kingsmill and Ms Tully of TransGrid in relation to the inflation correction matter*, 1 March 2018.

<sup>6</sup> The AER, *letter to United Energy: Proposed revocation and substitution of United Energy electricity distribution determination 2016-2020*, 15 December 2017; The AER, *letter to AGN: Proposed revocation and substitution of Australian Gas Networks (SA) access arrangement 2016-2021*, 15 December 2017; The AER, *letter to Amadeus: Proposed revocation and substitution of Amadeus Gas Pipeline transmission access arrangement 2016-2021*, 15 December 2017; The AER, *letter to Ausnet: Proposed revocation and substitution of Ausnet distribution determination 2016-2020*, 15 December 2017; The AER, *letter to Citipowe: Proposed revocation and substitution of Citipowe electricity distribution determination 2016-2020*, 15 December 2017; The AER, *letter to Jemena: Proposed revocation and substitution of Jemena electricity distribution determination 2016-2020*, 15 December 2017; The AER, *letter to Powercor: Proposed revocation and substitution of Powercor electricity distribution determination 2016-2020*, 15 December 2017; The AER, *letter to TasNetworks: Proposed revocation and substitution of TasNetworks transmission determination 2014-2019*, 15 December 2017; The AER, *letter to ActewAGL gas: Proposed revocation and substitution of ActewAGL Gas Distribution access arrangement 2016-2021*, 15 December 2017

<sup>7</sup> The AER, *letter to ActewAGL: Proposed correction of an inflation calculation error impacting ActewAGL distribution determination 2014-2019*, 15 December 2017; The AER, *letter to Endeavour Energy: Proposed correction of an inflation calculation error impacting Endeavour Energy distribution determination 2014-2019*, 15 December 2017; The AER, *letter to Essential Energy: Proposed correction of an inflation calculation error impacting Essential Energy distribution determination 2014-2019*, 15 December 2017; The AER, *letter to Ausgrid: Proposed correction of an inflation calculation error impacting Ausgrid distribution determination 2014-2019*, 15 December 2017

<sup>8</sup> Ausgrid, *Response to AER inflation letter*, February 2018; AGN, *Letter to AER: proposed revocation and substitution of AGN access arrangement*, 1 February 2018; AusNet, *Ausnet response inflation error correction*, 1 February 2018; APA, APTNT response to AER revocation proposal, 9 January 2018

<sup>9</sup> CCP10, *Response to AER position paper: remitted debt decisions for NSW/ACT 2014-19 electricity distribution determinations and Jemena Gas Networks 2015-20 (NSW) Access Arrangement*, December 2017, p. 8.

For the purposes of clause 6A.15(a), we consider the error identified above is material and would come within the scope of a ‘clerical mistake or an accidental slip or omission’ or a ‘miscalculation or misdescription’.

The AER has now revoked the determination under clause 6A.15 of the NER and substituted a new determination. As the regulatory control period for 2014–18 is soon to expire, we have used the latest post-tax revenue model (incorporating the 2017–18 annual return on debt update) to calculate the revenue impact as at 30 June 2018. The amended PTRM was provided to you via email on 23 April 2018 and the amount of over-recovery arising from correcting the error is set out below in table 1.

**Table 1 Difference between the revoked and substituted determination**

Determination	Inflation rate (input for PTRM)		TransGrid smoothed MAR for 2017–18 (\$m, June 2018)			
	2015 Final decision	Corrected rounded value	2017–18 RoD update	Corrected Value	Difference (\$)	Difference (%)
<b>TransGrid 2014-18</b>	<b>2.38%</b>	<b>2.42%</b>	<b>713.05</b>	<b>702.25</b>	<b>10.80</b>	<b>1.51%</b>

Source: AER analysis

The new determination will have the effect of reducing TransGrid’s allowed revenue by the amount of the correction (in net present value terms).

This letter along with the amended PTRM will be published on the AER webpage for TransGrid’s regulatory determination for the 2014–18 regulatory control period.

If you have any questions in relation to this notification, please contact Esmond Smith on 03 9290 1956.

Yours sincerely



Warwick Anderson

General Manager

AER Network Finance and Reporting

