

**Presentation to the ACCC  
Pre-Determination Conference –  
TransGrid's Draft Revenue Cap  
Determination 2004 – 2009**

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18 June 2004**

# ACCC Pre-Determination Conference TransGrid's Draft Revenue Cap 2004-2009

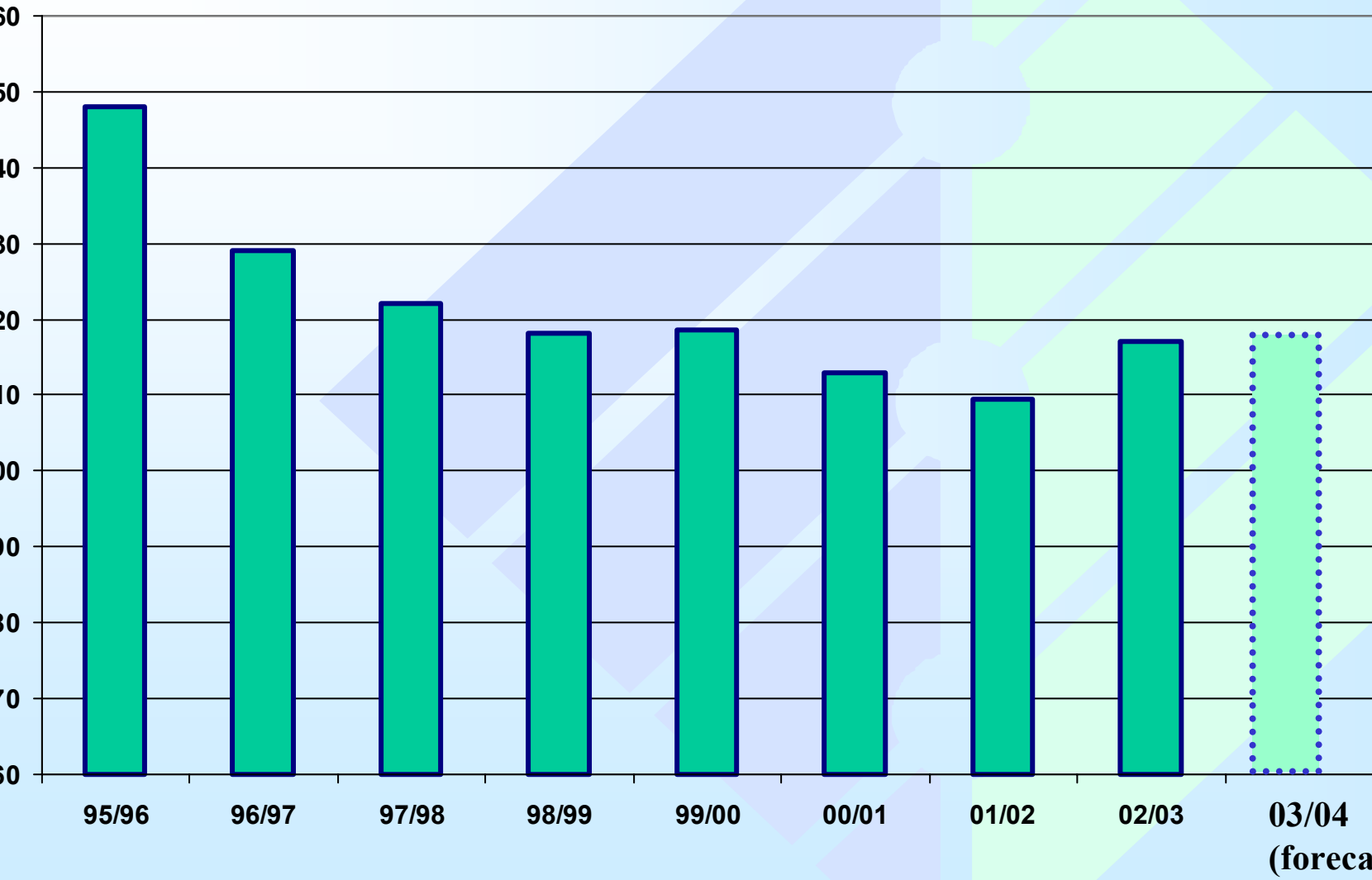


# Presentation Outline

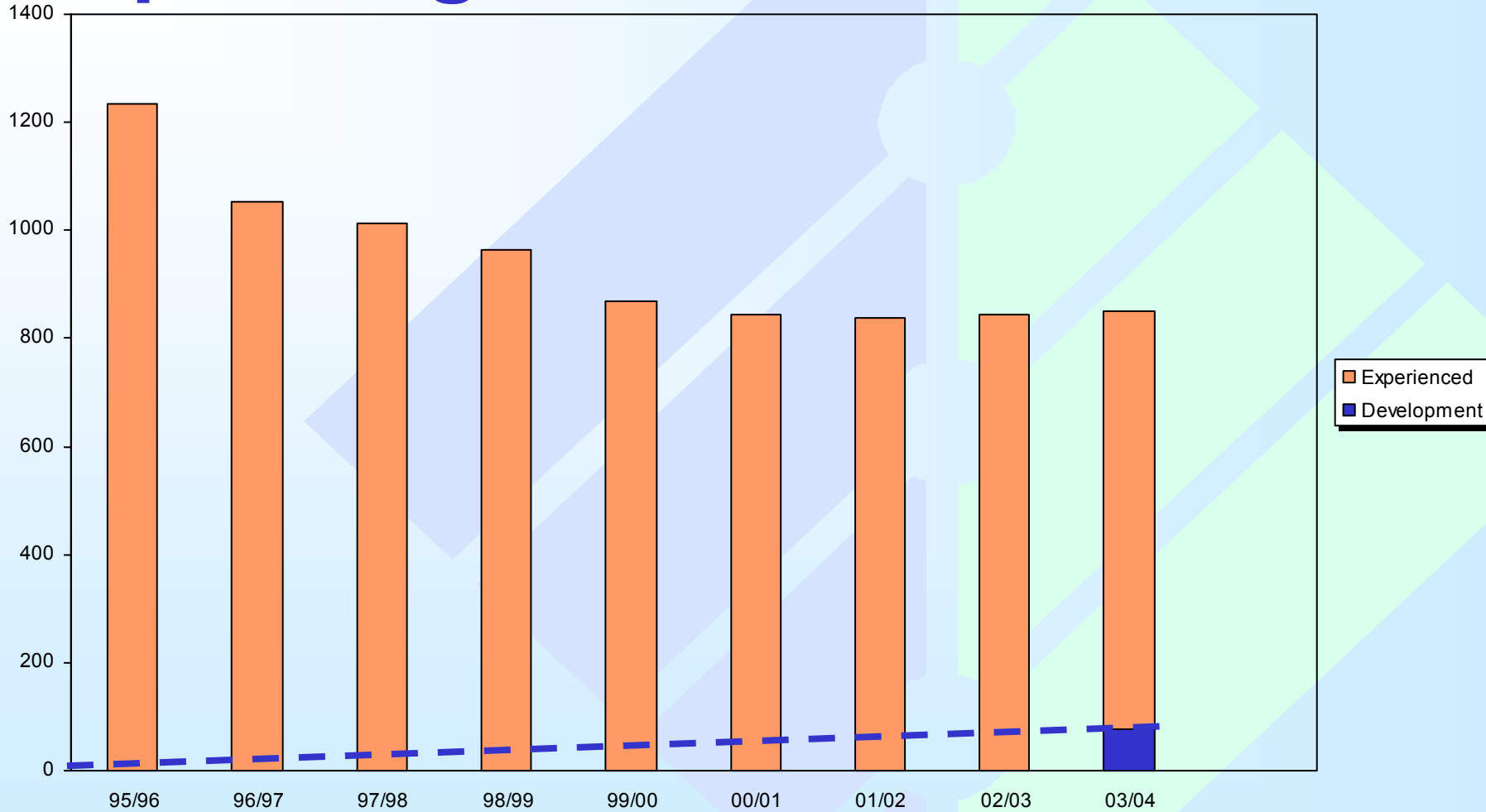
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- ◆ **Balancing operating expenditure targets and service outcomes**
- ◆ **500kV asset value 'write down' of \$ 70 million**
- ◆ **MetroGrid project**

# Real Operating Cost Reductions (\$ 2004)

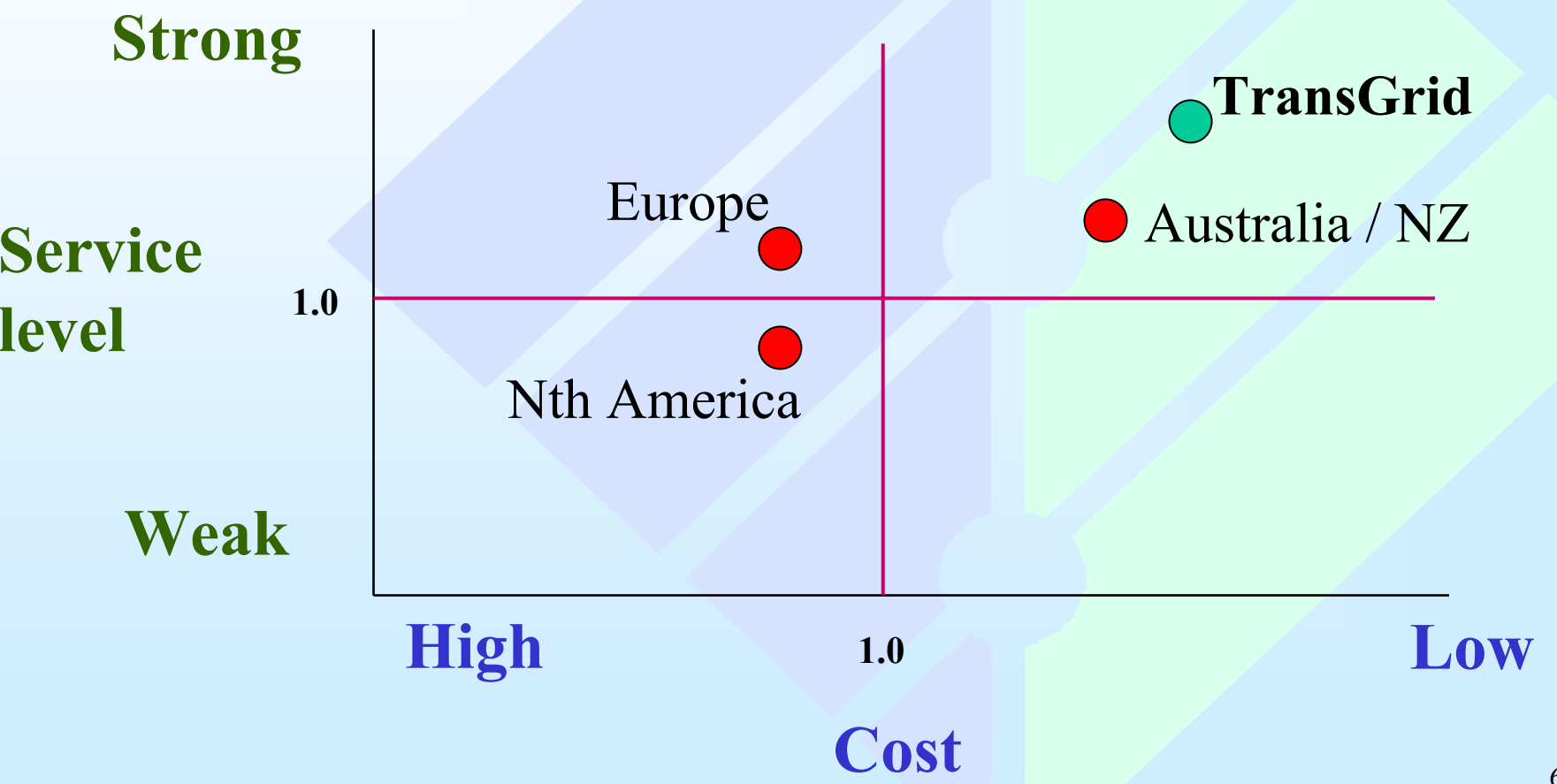


# Operating Staff Levels Since 1995



 **Development Staff**

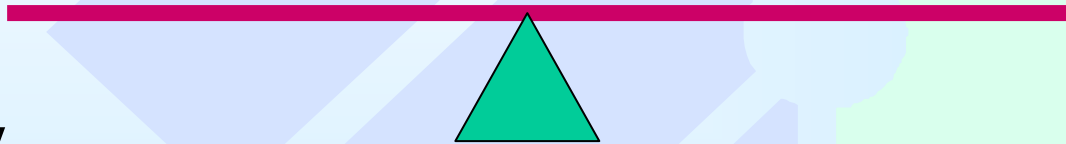
# Service Outcomes – 2001 International Benchmarking Study



# Maximum Value Results from Getting the Service/Price Balance Correct

## Service Obligations

- Reliability
- Safety
- Environment
- Market



## Price

- Asset values
- Return on Investment
- Operating Costs

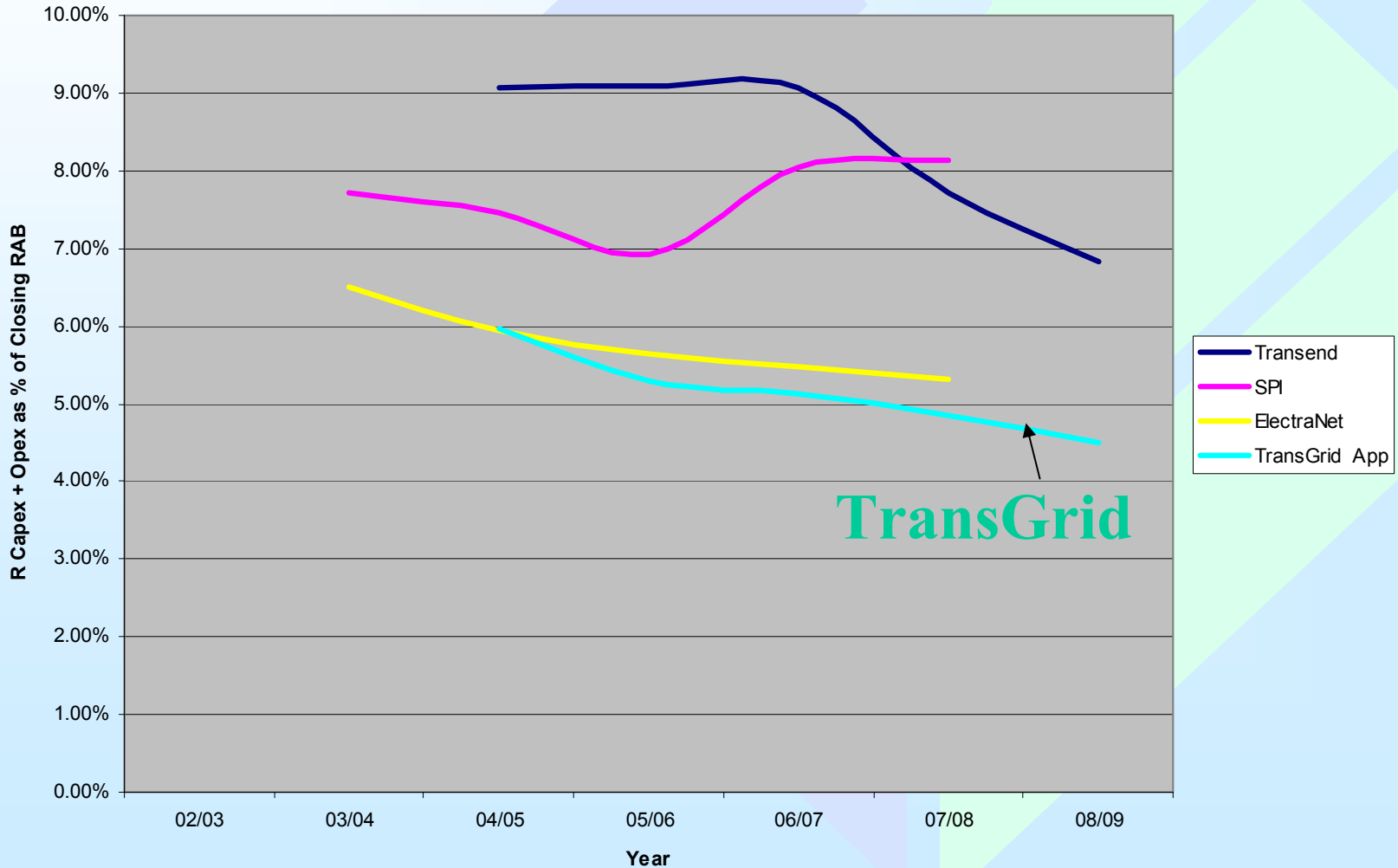
# Information Provided by TransGrid but not Considered by the Commission

- ◆ **Operating efficiency gains achieved to date**
- ◆ **Additional service obligations:**
  - Vegetation management practices
  - Code changes
  - Technical standards
- ◆ **Outage management**
- ◆ **Environmental and safety requirements**
- ◆ **Infrastructure security**



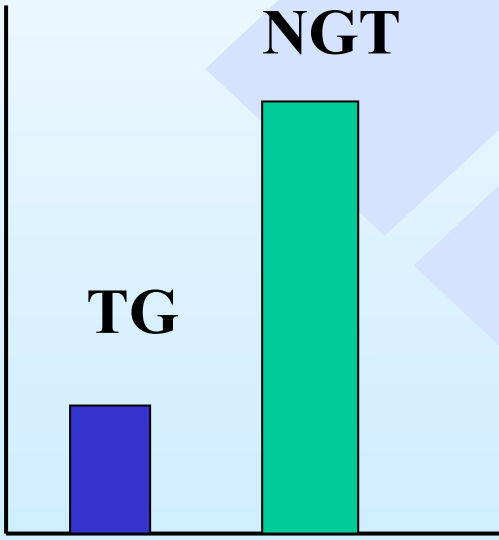
# Comparing TNSPs: (Operating Costs + Non-Augmentation Capex)/RAB

R Capex + Opex as % of Closing RAB per annum

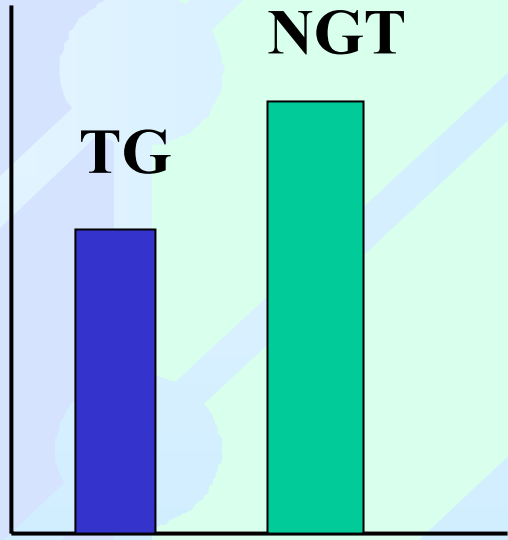


# TransGrid v National Grid Transco - Operating Costs for 2001/2002

**Operating Costs / Km of line**



**Operating Costs / Substation**



# 500kV Asset 'Write Down'

- ◆ **500kV construction consistent with 'good industry practice'**
- ◆ **Captures the economies of scale and reduces environmental impacts**
- ◆ **Either operating at 500 kV or likely to operate at 500kV in 5 to 10 years**
- ◆ **Propose that the optimisation decision be tested against the principles used last time**

# Summary of Key Points

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- ◆ **Operating cost targets need further justification**
- ◆ **A clear and stable efficiency sharing framework will achieve better outcomes than poor targets**
- ◆ **\$70 million 'write down' of 500kV assets – review this against established guidelines**
- ◆ **MetroGrid – a vital project reflecting the new realities of environmental approval in city areas**