



# **Matters relevant to distribution determinations for ACT and NSW DNSPs for 2009-14**

## **Roll forward model handbook**

January 2008

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## Shortened forms

AER	Australian Energy Regulator
capex	capital expenditure
CPI	consumer price index
DNSP	distribution network service provider
ICRC	Independent Competition and Regulatory Commission
IPART	Independent Pricing and Regulatory Tribunal
NEL	National Electricity Law
NER	National Electricity Rules
PTRM	post-tax revenue model
RAB	regulated asset base
RFM	roll forward model
WACC	weighted average cost of capital

# 1 Nature and authority

## 1.1 Introduction

This handbook sets out the Australian Energy Regulator's (AER) roll forward models (RFM) for electricity distribution network service providers (DNSPs) in the ACT and NSW.

The AER has developed two RFMs as follows:

- a model for each NSW DNSP (including EnergyAustralia's transmission assets) (the NSW RFM). This model incorporates many of the basic calculations of the AER's RFM for electricity transmission regulation with some modifications
- a model for the ACT (the ACT RFM) based on the approach adopted by the Independent Competition and Regulatory Commission (ICRC) in its 2004 determination.

Both models have been developed in accordance with the requirements of clause 6.5.1 of the transitional Chapter 6 of the National Electricity Rules (NER).<sup>1</sup>

## 1.2 Authority

Clause 6.5.1(b) of the transitional Chapter 6 rules requires the AER to develop and publish the RFMs before 1 February 2008 or the date that is one month after the commencement of the transitional rules.

## 1.3 Role of the model

The RFMs will be used by the AER to determine the closing regulated asset base (RAB) for each DNSP as at 30 June 2009. This closing RAB value becomes the opening RAB to be used for the purposes of making a determination for the next regulatory control period. The roll forward of RAB values from the beginning of one regulatory year to the next on a forecast, indicative basis will be done in the AER's post-tax revenue model (PTRM) and in accordance with the requirements of the rules.

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<sup>1</sup> For the purposes of this document and unless otherwise stated, references to the NER mean the transitional Chapter 6 rules for the ACT and NSW in appendix 1 of Chapter 11, as amended on 1 January 2008.

## **1.4 Confidentiality**

The AER's obligations regarding confidentiality and the disclosure of information provided to it by a DNSP are governed by the *Trade Practices Act 1974*, the National Electricity Law (NEL) and the NER.

## **1.5 Process for revision**

This handbook and the associated RFMs have been developed for transitional purposes and are intended to apply to the AER's determination for the 2009-14 regulatory control period for DNSPs in the ACT and NSW. These RFMs will be replaced for the purposes of the determinations to be made for the regulatory control period commencing on 1 July 2014. Clause 6.5.1(c) of transitional Chapter 6 rules allows the AER to amend or replace the RFM from time to time and with the agreement of each affected DNSP. The RFM that will apply after this determination will be that developed under the 'general' chapter 6, which will be published by the end of June 2008. A subsequent version of this handbook will accompany each new version of the RFM.

## **1.6 Version history and effective date**

A version number and an effective date of issue will identify each version of this handbook.

## 2 The NSW model

The NSW RFM is a set of Microsoft Excel spreadsheets that perform calculations to derive a closing RAB for the current regulatory control period from a given set of inputs. The NSW RFM allows the user to vary the inputs to assess their impact on the output data and other derived parameters.

### 2.1 Input sheet

The **Input** sheet provides for key input variables to be entered in the NSW RFM. They are automatically linked to corresponding cells in the relevant sheets. Values should be entered into each cell with light blue shading. This sheet has been split into five sections:

- opening RAB
- actual nominal capital expenditure (capex)—as-incurred
- actual nominal asset disposals—as-incurred
- actual real net capex—as-incurred
- inflation and rate of return.

The input data must be recorded in the PTRM in a format that is consistent with that provided in the DNSP's submission and information templates. Any differences or inconsistencies will need to be explained by the DNSP.

Figure 1 provides an example of the **Input** sheet. Note that numbers in the published NSW RFM are illustrative only.

The NSW RFM can handle input data for up to an 11-year period. This includes the final year of the previous regulatory control period, as well as up to 10 years of the current regulatory control period.<sup>2</sup> The NSW RFM can be adjusted to account for regulatory control periods of longer duration.

The NSW RFM is configured to use the straight-line method as the default position for calculating depreciation. DNSPs may propose depreciation profiles other than the straight-line method to be accommodated within the NSW RFM in consultation with the AER as part of pre-lodgement discussions and subject to satisfying the criteria at clause 6.5.5(b) of the transitional Chapter 6 rules.

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<sup>2</sup> For a standard (shorter) regulatory control period, the input spaces which are not required should be left blank or equal to zero.

The NSW RFM is also configured to recognise capex on a full as-incurred approach as per that used by IPART in its 2004 determination.<sup>3</sup> This method also aligns to the ACCC's 2004 determination for EnergyAustralia's transmission assets.

**Figure 1: Input sheet**

	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V					
2	Input Variables																					
3	Input cells are in blue																					
4																						
5	Opening Regulated Asset Base for 2003-04 (\$m Nominal)																					
6		Asset Class Name	Opening Asset Value	Remaining Life	Standard Life	Forecast Net Capex	Forecast Regulatory Depreciation	Prudent Additional Allowance	Foregone Return on Additional Capex	Forecast Assets Under Construction	Actual Assets Under Construction	Opening Tax Value	Tax Remaining Life	Tax Standard Life	Base Financial Year							
7	Asset Class 1	Sub-transmission lines	1,000.00	20.0	50.0	40.0						1,000.00	20.0	50.0	2004-05							
8	Asset Class 2	distribution lines	800.00	30.0	50.0	20.0						800.00	30.0	40.0								
9	Asset Class 3	substations	700.00	30.0	40.0	10.0						700.00	30.0	40.0								
10	Asset Class 4	distribution transformers	600.00	30.0	40.0	5.0						600.00	30.0	40.0								
11	Asset Class 5	LVS and meters	500.00	30.0	30.0	5.0						500.00	30.0	40.0								
12	Asset Class 6	communications	400.00	30.0	10.0	5.0						400.00	30.0	40.0								
13	Asset Class 7	vehicles	300.00	30.0	7.0	5.0						300.00	30.0	40.0								
14	Asset Class 8	land and easements	500.00	n/a	n/a	5.0						500.00	n/a	n/a								
15	Asset Class 9																					
16	Asset Class 10																					
17	Asset Class 11																					
18	Asset Class 12																					
19	Asset Class 13																					
20	Asset Class 14																					
21	Asset Class 15																					
22	Asset Class 16																					
23	Asset Class 17																					
24	Asset Class 18																					
25	Asset Class 19																					
26	Asset Class 20																					
27	Total		4,800.00			95.00	-	-	-	-	-											
28																						
29	Actual Capital Expenditure – As Incurred (\$m Nominal)																					
30	Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14										
31	Total	108.00	115.00	67.00	103.00	68.00	80.00	-	-	-	-	-										
32																						
33	Actual Asset Disposal – As Incurred (\$m Nominal)																					
34	Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14										
35	Total	6.00	6.00	6.00	6.00	6.00	6.00	-	-	-	-	-										
36																						
37	Actual customer contributions – As Incurred (\$m Nominal)																					
38	Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14										
39	Total	2.00	2.00	2.00	2.00	2.00	2.00	-	-	-	-	-										
40																						
41	Actual Net Capital Expenditure – As Incurred (\$m Real 2003-04)																					
42	Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14										
43	Total	100.00	103.88	55.65	86.62	53.64	62.89	-	-	-	-	-										
44																						
45	Inflation and Rate of Return																					
46	Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14										
47	Actual CPI Inflation Rate	3.00%	2.94%	3.44%	1.98%	2.36%	2.98%															
48	Actual CPI (one year lagged)	1.0000	1.0300	1.0603	1.0968	1.1185	1.1448	1.1790	1.1790	1.1790	1.1790	1.1790										
49	Forecast Inflation Rate	2.70%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%										
50	Forecast Inflation Cumulative Index	1.0000	1.0300	1.0609	1.0927	1.1255	1.1593	1.1941	1.2299	1.2668	1.3048	1.3439										
51																						
52	Nominal WACC	8.88%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%										
53	Real WACC	6.00%	6.31%	6.31%	6.31%	6.31%	6.31%	6.31%	6.31%	6.31%	6.31%	6.31%										
54	Nominal WACC	9.18%	9.44%	9.97%	8.42%	8.82%	9.48%	0.00%	0.00%	0.00%	0.00%	0.00%										

## Opening regulated asset base

The opening RAB is the value of assets on which a return will be earned. The **Input** sheet requires a value for the opening RAB (broken into asset classes) at the start of the final year of the previous regulatory control period. The RAB will fluctuate each year to reflect actual capex, asset disposals and regulatory depreciation. Using forecast data as provided for in the RFM, DNSPs should be able to reconcile the calculated RAB values as at the end of the final year of the previous regulatory control period to those values prescribed clause S6.2.1 of the transitional Chapter 6 rules.

The recorded input values are linked to subsequent sheets that calculate a running balance of the RAB for the regulatory control period. Notes have also been included for various cells with specific comments and explanations on the relevance of the inputs.

<sup>3</sup> The full as-incurred method for recognising capex calculates the return on capital and the return of capital (depreciation) from when expenditure is incurred.

### **Asset class name**

The asset classes/names are recorded in column G. It is important that the number of asset classes recorded in the RAB section matches the number of asset classes identified in the capex section. This allows the NSW RFM to model consistent depreciation across the asset classes.

The NSW RFM is configured to accommodate up to 20 asset classes.<sup>4</sup> The number of asset classes used in the NSW RFM will vary between businesses. However, for each business, the number of asset classes used in the RFM must be consistent with that used in the PTRM to allow the closing RAB values determined in the RFM to be used as inputs to the opening RAB values in the PTRM.

### **Opening asset value**

The opening asset values for each asset class are recorded in column J.

### **Remaining life**

The remaining life of the asset classes are recorded in column K, based on the economic life of the assets as at the start of the current regulatory control period. These values should be consistent with those used in the previous revenue determination.<sup>5</sup>

### **Standard life**

The standard life of the assets is recorded in column L. It measures how long the infrastructure would physically last if it had just been built. These values should be consistent with those used in the previous revenue determination.

### **Forecast net capex**

The forecast net capex for each asset class is recorded in column M. It is based on the forecast made in the final year of the previous regulatory control period. These values would be contained in the modelling used for the previous revenue determination. The forecast net capex values are linked to the **Adjustment for previous period** sheet.

### **Forecast nominal regulatory depreciation**

The forecast nominal regulatory depreciation for each asset class is recorded in column N. It is based on the forecast made for the final year of the previous regulatory period. These values would be contained in the modelling used for the previous determination. The forecast nominal regulatory depreciation values are linked to the **Adjustment for previous period** sheet.

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<sup>4</sup> The RFM can be expanded to accommodate additional asset classes, when necessary.

<sup>5</sup> References to 'previous determinations' include pass through determinations.

### **Prudent additional capex allowance**

The prudent additional capex allowance for each asset class is recorded in column O. This data may be required for DNSPs where the allowance was added to the closing RAB in accordance with incentive arrangements for the previous regulatory control period. The amount of prudent additional capex allowance (if any) would be contained in the previous determination. This input data is linked to the **Adjustment for previous period** sheet.

### **Foregone return on additional capex**

The foregone return on additional capex for each asset class is recorded in column P. This data may be required for DNSPs where, in the case of a capex overspend, the foregone return associated with the amount of prudent additional capex allowed in the previous regulatory control period was added to the closing RAB for the previous regulatory control period. The amount of foregone return on additional capex (if any) would be contained in the previous determination. This input data is linked to the **Adjustment for previous period** sheet.

### **Forecast assets under construction**

The forecast value of assets under construction for each asset class during the final year of the previous regulatory control period is recorded in column Q. This data would be required for DNSPs transitioning to recognising capex from an as-commissioned to an as-incurred approach.<sup>6</sup> In this case, forecast assets under construction values would have been added to the closing RAB for the previous regulatory control period. The amount of forecast assets under construction (if any) would be contained in the previous determination. The forecast assets under construction values are linked to the **Adjustment for previous period** sheet.

### **Actual assets under construction**

The actual value of assets under construction for each asset class during the final year of the previous regulatory control period is recorded in column R. This data would be required for DNSPs transitioning to recognising capex from an as-commissioned to an as-incurred approach. These actual assets under construction values are linked to the **Adjustment for previous period** sheet.

### **Tax asset values**

The NSW RFM incorporates a mechanism to roll forward tax asset values between regulatory control periods. The **Input** sheet requires the opening tax asset value for each asset class at the start of the final year of the previous regulatory control period.

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<sup>6</sup> Inputs for actual and forecast assets under construction will not be required for the purposes of this reset.

The NSW RFM is configured to calculate tax asset values using actual capex including the value of contributed assets on an as-incurred basis.

For each asset class, the opening tax value is recorded in column S, the remaining tax asset life is recorded in column T and the standard life for tax purposes is recorded in column U. This input date is linked to the **Tax asset roll forward** sheet to calculate a running balance of the tax asset values for the regulatory control period.

As per the AER's agreed approach, DNSPs will not be required to establish their tax asset values using the NSW RFM as at 1 July 2009. However, these calculations will be required for EnergyAustralia's transmission assets and have been retained.

### **Base financial year**

The financial year for the start of the current regulatory control period is recorded in cell V7.

### **Actual nominal capital expenditure<sup>7</sup>**

The actual capex values for the current regulatory control period (including the final year for the previous regulatory control period) are recorded for each year in which expenditure is incurred in rows 31 to 50 (by asset class).

### **Actual nominal asset disposals**

The actual asset disposal values that have taken place over the regulatory control period for each year are recorded in rows 55 to 74. These values reflect the proceeds of sale or disposal of the asset rather than its depreciated value.

### **Actual customer contributions**

The values of actual assets contributed by other parties over the regulatory control period for each year are recorded in rows 79 to 98.

### **Actual real net capital expenditure**

This section on real net capex does not require inputs to be recorded. For each asset class, actual real net capex is calculated based on the recorded nominal capex less asset disposal values and contributed assets, and adjusted for actual inflation. The real net capex values are displayed in rows 103 to 122 and form part of the roll forward of the RAB in the **Adjustment for previous period** and **Actual RAB roll forward** sheets.

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<sup>7</sup> Actual capex and actual asset disposals are undertaken evenly over a year and therefore the reported capex values are assumed to be in mid-year terms. All other input values are assumed to be in end of the year terms.

## **Inflation and rate of return**

This section records the actual inflation rates (based on the consumer price index) over the current regulatory control period and in the final year of the previous regulatory control period. It also records the forecast inflation and WACC rates used in the revenue determinations corresponding to the two regulatory control periods. Each of these parameters is linked to the **Adjustment for previous period** and **Actual RAB roll forward** sheets.

## **2.2 Adjustment for previous period sheet**

The **Adjustment for previous period** sheet adjusts for the final year of the previous regulatory control period the difference between:

- 1) forecast and actual net capex values
- 2) forecast and actual assets under construction values (if any).

These adjustments are consistent with the requirements of clause S6.2.1 of the transitional Chapter 6 rules, which specifies that a reconciliation would include adjustments that remove any benefit or penalty on the returns associated with any difference between the forecast and actual capex values for the final year of the previous regulatory control period.

First, this sheet calculates the difference between forecast and actual net capex for the final year of the previous regulatory control period, as well as the aggregate compounded return on that difference (rows 11 to 118). This adjustment is made to the closing RAB at the end of the current regulatory control period in the **Total actual RAB roll forward** sheet. This two-step process is outlined in box 1.

**Box 1: Adjusting for actual capex in the final year of the previous regulatory control period**

<b>1) Calculating the difference between actual and forecast net capex</b>
<p>Nominal actual net capex (including a half-nominal WACC allowance)</p> <p>– Nominal forecast net capex</p> <p>= Nominal difference between actual and forecast net capex (adjusted for lagged actual inflation)</p>
<b>2) Calculating the return on the difference and compounding it for each year of the current regulatory control period</b>
<p>Note:</p> <ul style="list-style-type: none"> <li>▪ Nominal forecast net capex = forecast net capex allowed in the final year of the previous regulatory control period.</li> <li>▪ Nominal actual net capex = actual net capex incurred during the final year of the previous regulatory control period.</li> <li>▪ Adjustments for lagged actual inflation are to ensure that the actual net capex is consistent with the forecast net capex in nominal terms. The actual inflation rate is required as an input to cell F6.</li> <li>▪ The return on the difference between actual and forecast net capex is calculated by applying the nominal WACC (adjusted for actual inflation) applicable to the current regulatory control period (as determined in the current determination).</li> <li>▪ Each of these adjustments is made to the final closing RAB for the current regulatory control period in the <b>Total actual RAB roll forward</b> sheet.</li> </ul>

Second, this sheet calculates the difference between forecast and actual assets under construction values for the final year of the previous regulatory control period (if any), as well as the aggregate compounded return on that difference (rows 122 to 229). This adjustment is also made to the closing RAB at the end of the current regulatory control period in the **Total actual RAB roll forward** sheet. This two-step process is outlined in box 2.

**Box 2: Adjusting for actual assets under construction in the final year of the previous regulatory control period**

<b>1) Calculating the difference between actual and forecast assets under construction</b>
<p>Nominal actual assets under construction</p> <p>– Nominal forecast assets under construction</p> <p>= Nominal difference between actual and forecast assets under construction</p>
<b>2) Calculating the return on the difference and compounding it for each year of the current regulatory control period</b>
<p>Note:</p> <ul style="list-style-type: none"> <li>▪ Forecast assets under construction = forecast assets under construction allowed in the final year of the previous regulatory control period.</li> <li>▪ Actual assets under construction = actual assets under construction incurred during the final year of the previous regulatory control period.</li> <li>▪ The return on the difference between actual and forecast assets under construction is calculated by applying the nominal WACC (adjusted for actual inflation) applicable to the current regulatory control period (as determined in the current determination).</li> <li>▪ Each of these adjustments is made to the final closing RAB for the current regulatory control period in the <b>Total actual RAB roll forward</b> sheet.</li> </ul>

Finally, this sheet uses the opening RAB for the final year of the previous regulatory control period then rolling forward for forecast net capex, regulatory depreciation as well as any specific adjustments that may be required as a result of the previous revenue determination (e.g. transition to an as-incurred approach for recognising capex) to determine the closing RAB for that year. This adjustment process is set out in box 3. Because inflation during the final year of the previous regulatory control period is known at the time the previous revenue determination is made, there is no need to make an adjustment in this sheet for actual inflation when rolling forward the RAB to the end of the final year of the regulatory control period.

**Box 3: Adjusting for actual inflation in the final year of the previous regulatory control period and calculating the opening RAB for the current regulatory control period**

<b>Adjusting nominal values for actual inflation</b>
<p><b>Opening RAB for the final year of the previous regulatory control period</b></p> <p>+ Forecast net capex</p> <p>– Forecast nominal regulatory depreciation</p> <p><b>= Interim closing RAB for the final year of the previous regulatory control period</b></p>
<p>+ Nominal prudent additional capex allowance from the previous regulatory control period (if any)</p> <p>+ Nominal foregone return on prudent additional capex allowance from the previous regulatory control period (if any)</p> <p>+ Forecast value of assets under construction adjusted for the difference between forecast and actual inflation (if any)</p> <p><b>= Opening RAB for the first year of the current regulatory control period</b></p>
<p>Where:</p> <ul style="list-style-type: none"> <li>▪ Forecast nominal net capex = forecast net capex allowed for the final year of the previous regulatory control period.</li> <li>▪ Forecast nominal regulatory depreciation = forecast straight-line depreciation – forecast inflation adjustment on the opening RAB.</li> <li>▪ Forecast assets under construction = forecast assets under construction for the final year of the previous regulatory control period. This may be relevant for some DNSPs transitioning to recognising capex on a partially as-incurred approach.</li> <li>▪ The prudent additional capex allowance and the foregone return on that amount are one-off adjustments to the closing RAB for the previous regulatory control period that may be relevant for some DNSPs.</li> </ul>

Figure 2 provides an example of the **Adjustment for previous period** sheet.

**Figure 2: Adjustment for previous period sheet**

	A	B	C	D	E	F	G	H	I	J	K	L
1												
2		<b>Adjustments for Previous Regulatory Control Period</b>										
3												
4		<b>Year</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>			
5												
6		Actual CPI Inflation Rate	2.50%	3.00%								
7		Nominal Vanilla WACC (fixed real time varying)			9.44%	9.97%	8.42%	8.82%	9.48%			
8												
9		<b>Nominal Adjustments for Difference Between Forecast and Actual Capex</b>										
10												
11		Nominal Forecast Net Capex (previous regulatory control period)		40.00								
12												
13		Nominal Actual Net Capex		71.05								
14												
15		Nominal Difference Between Actual and Forecast Net Capex		30.71								
16												
17		Compounded Return on Difference - Net Capex			2.90	3.35	3.11	3.53	4.13			
18		Total Return at End of Regulatory Period							17.02			
19												
20		<b>Nominal Adjustments for Difference Between Forecast and Actual Assets Under Construction</b>										
21												
22		Nominal Forecast Assets Under Construction (previous regulatory period)		100.00								
23												
24		Nominal Actual Assets Under Construction		103.00								
25												
26		Nominal Difference Between Actual and Forecast Assets Under Construct		3.00								
27												
28		Compounded Return on Difference - Assets Under Construction			0.28	0.33	0.30	0.35	0.40			
29		Total Return at End of Regulatory Period							1.66			
30												
31		<b>Nominal Roll Forward for Final Year of Previous Regulatory Control Period</b>										
32												
33		Nominal Opening Regulated Asset Base		2,400.00	2,630.00							
34												
35		Nominal Forecast Net Capex		40.00								
36												
37		Nominal Forecast Regulatory Depreciation		-	30.00							
38												
39		Nominal Prudent Additional Capex Allowance		120.00								
40												
41		Nominal Foregone Return on Prudent Additional Capex		-								
42												
43		Nominal Forecast Assets Under Construction		100.00								
44												

## Nominal adjustments for difference between forecast and actual capex

This section calculates the difference between forecast and actual capex for the final year of the previous regulatory control period and determines the compounded return on that difference. The process involved is equivalent to that depicted in box 1.

The nominal forecast net capex for each asset class in the final year of the previous regulatory control period is displayed in rows 12 to 31. This data is sourced from the **Input** sheet. Row 11 displays the sum of each asset class calculation for rows 12 to 31.

The nominal actual net capex with a half WACC allowance for each asset class in the final year of the previous regulatory control period is calculated in rows 34 to 53. Given the timing assumption that capex on average takes place halfway through the year, a half-nominal WACC is applied to the actual net capex for each asset class to 'gross-up' the actual values. Row 33 displays the sum of each asset class calculation for rows 34 to 53.

The difference between the actual and forecast net capex values for each asset class is calculated in rows 56 to 75. Row 55 displays the sum of each asset class calculation for those rows.

Finally, in rows 77 to 117 a nominal WACC (row 7) is applied to calculate the return on the difference, which is compounded to the end of the current regulatory control

period.<sup>8</sup> The total compounded return at the end of the current regulatory control period is displayed in row 118. This value is linked to the **Total actual RAB roll forward** sheet.

### **Nominal adjustments for difference between forecast and actual assets under construction**

This section calculates the difference between forecast and actual assets under construction values for the final year of the previous regulatory control period and determines the compounded return on that difference. The process involved is equivalent to that depicted in box 2.

The nominal forecast assets under construction values for each asset class in the final year of the previous regulatory control period are displayed in rows 123 to 142. This data is sourced from the **Input** sheet. Row 122 displays the sum of each asset class calculations for rows 123 to 142.

The nominal actual assets under construction values for each asset class in the final year of the previous regulatory control period are displayed in rows 145 to 164. This data is sourced from the **Input** sheet. Row 144 displays the sum of each asset class calculations for rows 145 to 164.

The difference between the actual and forecast assets under construction (adjusted for actual inflation) values for each asset class is calculated in rows 167 to 186. Row 166 displays the sum of each asset class calculations for those rows.

Finally, in rows 188 to 228 a nominal WACC (row 7) is applied to calculate the return on the difference, which is compounded to the end of the current regulatory control period. The total compounded return at the end of the current regulatory control period is displayed in row 229. This value is linked to the **Total actual RAB roll forward** sheet.

### **Nominal roll forward for final year of previous regulatory control period**

This section calculates the closing RAB for the final year of the previous regulatory control period, based on the net capex and regulatory depreciation forecasts for that year (including any additional adjustments that may be required—e.g. assets under construction, prudent additional capex allowance and foregone return on prudent additional capex). The process involved is equivalent to that depicted in box 3.

The opening RAB for the final year of the previous regulatory control period (cell C233) is sourced from the **Input** sheet. The sum (cell G255) of the forecast net capex values shown in cells G256 to G275 is rolled into the opening RAB for the final year

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<sup>8</sup> The nominal WACC is based on a fixed real time varying WACC—that is, adjusted for actual inflation.

of the previous regulatory control period. The sum (cell G277) of the nominal forecast regulatory depreciation values shown in rows 278 to 297 is deducted from the opening RAB for the final year of the previous regulatory control period.<sup>9</sup> This then provides an interim closing RAB for the final year of the current regulatory control period, which becomes the opening RAB for the first year of the next regulatory control period.

The nominal prudent additional capex allowance from the previous regulatory control period (if any) as well as the foregone return on that amount (if any) are included (rows 299 to 341) as additions to the opening RAB for the first year of the current regulatory control period. Similarly, the nominal forecast assets under construction (rows 343 to 363) are rolled into the opening RAB for the first year of the current regulatory control period.

### **Nominal opening RAB**

The nominal opening RAB for the first year of the current regulatory control period (cell H233) is calculated based on the forecast capex and regulatory depreciation values including any additional adjustments that may be required—e.g. assets under construction, prudent additional capex allowance and foregone return on prudent additional capex. This opening RAB appears again in the **Actual RAB roll forward** sheet so that the roll forward of the RAB can be undertaken for the current regulatory control period.

## **2.3 Actual RAB roll forward sheet**

The **Actual RAB roll forward** sheet calculates the nominal closing RAB (which becomes the opening RAB) for each year of the current regulatory control period. Under clause S6.2.1 of the transitional Chapter 6 rules, in rolling forward the RAB from year to year during the current regulatory control period, the AER must have regard to actual data such as capex and inflation outcomes. Accordingly, the opening RAB for the first year of the current regulatory control period is rolled forward for actual net capex (as-incurred) and regulatory depreciation values and adjustments for actual inflation.

It is possible that a DNSP may overspend or underspend the capex allowance during the current regulatory control period. Such variances may be caused by unforeseen increases or decreases in demand, higher than expected costs of construction or forecasting error. The RFM handles such variances by adjusting the closing RAB to reflect the actual capex and actual regulatory depreciation for the year. On the basis of the incentive framework set out in the transitional Chapter 6 rules, there are no additional adjustments in rolling forward the asset base to account for the

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<sup>9</sup> Nominal regulatory depreciation is based on the nominal straight-line depreciation less the inflation applied to the opening RAB.

For example, in relation to a lower than forecast capex, the DNSP retains both the returns on and of capital associated with the current regulatory control period. Conversely, in relation to a higher than forecast capex, the DNSP is not compensated for the returns on and of capital foregone associated with the current regulatory control period.

Figure 3 provides an example of the **Actual RAB roll forward** sheet.

[illegible]

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**Box 4: Rolling forward the RAB in the current regulatory control period****Rolling forward actual net capex and depreciation amounts into the RAB****Opening RAB for year 1**

- + Nominal actual net capex for year 1
- Nominal actual regulatory depreciation for year 1

**= Closing RAB for year 1****= Opening RAB for year 2**

- + Nominal actual net capex for year 2
- Nominal actual regulatory depreciation for year 2

**= Closing RAB for year 2****= Opening RAB for year 3**

...

**= Closing RAB for year 5****= Interim closing RAB for the current regulatory control period**

Where:

- Opening RAB for year 1 = closing RAB for the final year of the previous regulatory control period, which was calculated in accordance with box 1.
- Nominal actual net capex = real actual net capex (including half-nominal WACC allowance) adjusted for actual inflation.
- Nominal actual regulatory depreciation = Nominal actual straight-line depreciation – actual inflation adjustment on the opening RAB.

Note:

The interim closing RAB for the current regulatory period becomes the opening RAB for the next regulatory period after the final adjustments for the previous regulatory control period have been made (these adjustments are included in the **Total actual RAB roll forward** sheet—see box 4 for a description).

## Real asset values

Real asset values are displayed in rows 11 to 293. The real actual net capex values (including a half-nominal WACC allowance) for each asset class is displayed in rows 12 to 31.<sup>11</sup> Row 11 displays the sum of each asset class calculations for those rows.

These capex values for the current regulatory control period (sourced from the **Input** sheet) are those provided by the DNSPs to the AER for the purpose of rolling forward their asset base at the end of the current regulatory control period.

The real actual straight-line depreciation for each asset class (rows 34 to 293) is calculated based on the opening RAB, actual net capex values and asset lives from the **Input** sheet. Row 33 displays the sum of each asset class calculations for those rows.

## Nominal asset values

Nominal asset values are displayed in rows 297 to 473. The nominal opening RAB for each year is displayed in row 297. The nominal opening RAB for the first year of the current regulatory control period (cell G297) is the same value as that calculated in the **Adjustment for previous period** sheet in accordance with box 1.

The nominal opening RAB for the remaining years is calculated in accordance with box 4. The nominal actual net capex for each year (row 319) is equal to the real actual net capex (row 11) indexed by actual inflation (row 7). The nominal actual regulatory depreciation (row 341) is calculated as nominal actual straight-line depreciation (row 431) less the actual inflation applied to the opening RAB (row 453).

## 2.4 Total actual RAB roll forward sheet

The **Total actual RAB roll forward** sheet brings together the relevant data from the **Adjustment for previous period** and **Actual RAB roll forward** sheets to calculate the final closing RAB for the current regulatory control period in nominal terms.

In this sheet, row 6 calculates the opening RAB values for each year of the regulatory control period (which is based on the interim closing RAB in row 138). The calculations are based on data sourced from the **Actual RAB roll forward** sheet. Similarly, the nominal actual net capex (row 28) and regulatory depreciation (row 50) values (including any additional adjustments that may be required—e.g. prudent additional capex allowance (row 72), foregone return on prudent additional capex (row 94) and assets under construction (row 116)) are sourced from the **Actual RAB roll forward** sheet .

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<sup>11</sup> The half-nominal WACC is based on a fixed real time varying WACC—that is, adjusted for actual inflation.

Rows 160 to 246 represent the required adjustments based on the final year of the previous regulatory control period and are sourced from the **Adjustment for previous period** sheet. These adjustments include:

- the difference between forecast and actual capex (and a compounded return on that difference)
- the difference between forecast and actual assets under construction (and a compounded return on that difference).

The process for calculating the final closing RAB for the current regulatory control period is set out in box 5.

**Box 5: Adjusting for the final year of the previous regulatory control period**

**Calculating the differences between actual net capex and forecast net capex, actual assets under construction and forecast assets under construction, and the compounded return on the differences**

**Interim closing RAB for the current regulatory control period**

- + Difference between nominal actual net capex and forecast nominal net capex (adjusted for actual inflation)
- + Compounded return on that difference for net capex
- + Difference between nominal actual assets under construction and nominal forecast assets under construction (adjusted for actual inflation)
- + Compounded return on that difference for assets under construction

**= Final closing RAB for the current regulatory control period**

**= Opening RAB for the first year of the next regulatory control period**

Note:

- The opening RAB for the first year of the next regulatory control period becomes an input into the PTRM for the purposes of determining a revenue cap for the next regulatory control period.

The final closing RAB for the current regulatory control period is shown in cell L248. This value becomes the opening asset base for the next regulatory control period and is used as an input into the PTRM for the purposes of making the next revenue determination. A break down of the final closing RAB by asset classes is displayed in rows 249 to 268.

Figure 4 provides an example of the **Total actual RAB roll forward** sheet.

**Figure 4: Total actual RAB roll forward sheet**

	A	B	C	D	E	F	G	H	I	J	K	L
1												
2			<b>Total Asset Base Roll Forward</b>									
3												
4			<b>Year</b>				<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
5												
6			Nominal Opening Regulated Asset Base				2,400.00	2,630.00	2,682.20	2,701.71	2,719.26	2,709.21
27												
28			Nominal Actual Net Capex				40.00	64.86	19.92	61.43	27.12	38.71
49												
50			Nominal Actual Regulatory Depreciation			-	30.00	12.66	0.42	43.88	37.17	23.76
71												
72			Nominal Prudent Additional Capex Allowance				120.00					
93												
94			Nominal Foregone Return on Prudent Additional Capex			-						
115												
116			Nominal Forecast Assets Under Construction				100.00					
137												
138			<b>Interim Closing Regulated Asset Base</b>				<b>2,630.00</b>	<b>2,682.20</b>	<b>2,701.71</b>	<b>2,719.26</b>	<b>2,709.21</b>	<b>2,724.16</b>
159												
160			Difference Between Actual and Forecast Net Capex									30.71
181												
182			Return on Difference - Net Capex									17.02
203												
204			Difference Between Actual and Forecast Assets Under Construction									3.00
225												
226			Return on Difference - Assets Under Construction									1.66
247												
248			<b>Closing Regulated Asset Base</b>									<b>2,776.56</b>
269												

## 2.5 Tax value roll forward sheet

The **Tax value roll forward** sheet calculates the nominal opening tax value for each year of the current regulatory control period by taking the opening tax value for the final year of the previous regulatory control period and rolling forward for actual net capex and tax depreciation values. Since the calculations are based on actual nominal data the roll forward of the tax values does not require any adjustments for inflation.

The process for rolling forward the tax asset values is set out in box 6.<sup>12</sup>

<sup>12</sup> Assuming a standard five-year regulatory control period.

### Box 6: Rolling forward the tax asset values

Rolling forward actual net capex and depreciation values into the RAB	
<b>Opening tax asset value for the final year of the previous regulatory control period</b>	
+ Nominal actual net capex for the final year of the previous regulatory control period	
– Nominal actual tax depreciation for the final year of the previous regulatory control period	
<b>= Closing tax asset value for the final year of the previous regulatory control period</b>	
<b>= Opening tax asset value for year 1 of the next regulatory control period</b>	
+ Nominal actual net capex for year 1	
– Nominal actual tax depreciation for year 1	
<b>= Closing tax asset value for year 1 of the next regulatory control period</b>	
<b>= Opening tax asset value for year 2 of the next regulatory control period</b>	
...	
<b>= Closing tax asset value for year 5 of the next regulatory control period</b>	
<b>= Opening tax asset value for the next regulatory control period</b>	

Where:

- Nominal actual net capex = nominal actual capex – nominal actual asset disposals.
- Nominal actual tax depreciation = nominal actual straight-line tax depreciation.

Note:

The closing tax asset value for the current regulatory control period becomes the opening tax asset value for the next regulatory control period.

Figure 5 provides an example of the **Tax value roll forward** sheet.

**Figure 5: Tax value roll forward sheet**

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2		<b>Tax Asset Value Roll Forward</b>											
3													
4		<b>Year</b>					<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
5		<b>Nominal Tax Values</b>											
6													
7		Opening Tax Asset Values					2,400.00	2,376.33	2,287.98	2,259.52	2,236.95	2,180.24	2,096.63
28													
29		Actual Net Capex					75.00	12.00	72.00	78.00	46.00	20.00	-
50													
51		Actual Tax Depreciation					- 98.67	- 100.35	- 100.46	- 100.57	- 102.71	- 103.60	-
332													

## Opening tax asset values

Rows 8 to 27 roll forward the tax asset values for each asset class by taking the previous year's nominal opening tax asset value, then adding nominal actual net capex (as-incurred) and subtracting nominal actual tax depreciation.

Based on the sum of each asset class calculations for those rows, the opening tax asset value for each year of the regulatory control period is displayed in row 7. These values are calculated in accordance with box 6. The opening tax asset value for the next regulatory control period is shown in cell M7. This value is used as an input into the PTRM for the purposes of making the next revenue determination.

## Actual net capex

Actual net capex for each asset class (rows 29 to 49) is calculated by taking nominal actual capex from the **Input** sheet (rows 103 to 123) and subtracting nominal actual disposals from the same sheet (rows 127 to 147). Row 29 displays the sum of each asset class calculations for rows 28 to 49. Note that capex used for tax purposes includes the value of contributed assets.

## Actual tax depreciation

Actual tax depreciation for each asset class (rows 52 to 331) is calculated based on the nominal opening tax asset values, nominal actual net capex values and tax asset lives, in accordance with the straight-line method. Row 51 displays the sum of each asset class calculations for those rows.

### 3 The ACT model

The ACT RFM is based on that used by the ICRC for the current determination. Due to the modelling of ActewAGL's RAB as a single asset, the ACT RFM is contained on a single spreadsheet, and comprises of the following tables:

- total capital expenditure
- adjustment to opening RAB
- assumptions made in roll forward
- rolled forward RAB.

These are explained in the following sections. Input cells are marked in yellow in each table. Cells marked in blue allow the user to alter some assumptions but provide a default value as used by the ICRC. Note that numbers in the published ACT RFM are illustrative only.

#### 3.1 Total capital expenditure

The actual capex values for the current regulatory control period (including the final year for the previous regulatory control period) are recorded for each year in which expenditure is incurred in rows 25 to 36. Capex is broken down into system and non-system expenditure, with system capex containing inputs for capital and relocated contributions.

As per the ICRC's approach, capex is reported on an as-incurred basis.

**Figure 6: Total capital expenditure inputs**

Financial year ending 30 June		2004	2005	2006	2007	2008	2009
<b>System Assets</b>							
- Asset renewal/replacement	\$'000	100	100	100	100	100	100
- Growth (demand related)	\$'000	50	50	20	20	20	20
- Reliability enhancement	\$'000	20	20	20	20	20	20
- Full retail contestability	\$'000	10	10	10	10	10	10
- Relocation	\$'000	5	5	5	5	5	5
- Capital Contributions	\$'000	-2	-2	-2	-2	-2	-2
- Relocation Contributions	\$'000	-1	-1	-1	-1	-1	-1
- Other	\$'000	1	1	1	1	1	1
Total system Capex	\$'000	183	183	153	153	153	153
<b>Non-system assets</b>							
- Full retail contestability	\$'000	2	2	2	2	2	2
- Other	\$'000	1	1	1	1	1	1
Total non-system Capex	\$'000	3	3	3	3	3	3
<b>Total regulated network Capex</b>	<b>\$'000</b>	<b>186</b>	<b>186</b>	<b>156</b>	<b>156</b>	<b>156</b>	<b>156</b>

#### 3.2 Adjustment to opening RAB

The **Adjustment to opening RAB** table adjusts for the difference between forecast and actual net capex used in 2004 as required by clause S6.2.1 of the transitional Chapter 6 rules. This clause requires the AER to remove any benefit or penalty on the

returns associated with any difference between the forecast and actual capex values for the final year of the previous regulatory control period.

This table calculates the difference between forecast and actual net capex for the final year of the previous regulatory control period (rows 45 to 56), as well as the aggregate compounded return on that difference (rows 59 to 65). The amount of forecast net capex is adjusted for the difference between forecast and actual inflation implied in that amount.

The amount of the difference is added to the opening RAB as at 1 July 2004 while the compounded return is added to the closing RAB for the period in the **Rolled forward RAB** table. This two-step process is outlined in box 1.

**Box 1: Adjusting for actual capex in the final year of the previous regulatory control period**

<b>1) Calculating the difference between actual and forecast net capex</b>
<p>Nominal actual net capex</p> <p>– Nominal forecast net capex (adjusted for inflation)</p> <p>= Nominal difference between actual and forecast net capex</p>
<b>2) Calculating the return on the difference and compounding it for each year of the current regulatory control period</b>
<p>Note:</p> <ul style="list-style-type: none"> <li>▪ Nominal forecast net capex = forecast net capex allowed in the final year of the previous regulatory control period.</li> <li>▪ Nominal actual net capex = actual net capex incurred during the final year of the previous regulatory control period.</li> <li>▪ Adjustments for lagged actual inflation are to ensure that the actual net capex is consistent with the forecast net capex in nominal terms.</li> <li>▪ The return on the difference between actual and forecast net capex is calculated by applying the nominal WACC (adjusted for actual inflation) applicable to the current regulatory control period (as determined in the current revenue cap decision).</li> <li>▪ Each of these adjustments is made to the final closing RAB for the current regulatory control period in the <b>Rolled forward RAB</b> table.</li> </ul>

Figure 7 provides an example of the **Adjustment to opening RAB** table.

**Figure 7: Adjustment to opening RAB**

Financial year ending 30 June	2004	2005	2006	2007	2008	2009
Actual capex	186					
Actual disposals	-5					
Actual contributed assets	-3					
Actual net capex	178					
Estimated net capex	180					
Estimated disposals	-4					
Estimated contributed assets	-2					
estimated inflation	2.80%					
estimated net capex, inflation adjusted	185					
difference in net capex	(7)					
<b>return on difference</b>						
Decision nominal pre tax WACC	9.00%					
Decision inflation	3.00%					
real WACC	5.83%					
actual inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
nominal time varying WACC	8.47%	8.47%	8.47%	8.47%	8.47%	8.47%
annual return on difference		-0.63	-0.69	-0.74	-0.81	-0.87
total return on difference						-3.74

The difference between the actual and forecast net capex (adjusted for actual inflation) is calculated in row 56. In rows 59 to 65 a nominal WACC (row 63) is applied to calculate the return on the difference, which is compounded to the end of the current regulatory control period.<sup>13</sup> The total compounded return at the end of the current regulatory control period is displayed in cell J65. This value is used in the **Rolled forward RAB** table.

### 3.3 Assumptions made in roll-forward

This table displays other inputs relevant to the roll forward calculation, namely the (unadjusted) RAB value as at 1 July 2004, the RAB's standard and remaining life and values of disposals for each year of the regulatory control period.

This table allows users to also modify the timing assumptions for the indexation and depreciation of capex and disposals. However, the ICRC's model applies a default set of these assumptions, whereby 50% of capex and disposals are assumed to occur at the beginning of the year and the other 50% at the end of the year.

Users can also modify the valuation of disposals to either their regulatory value or the proceeds of sale (the latter being the default for modelling). Similarly, write offs can be valued in terms of their regulatory or book value, with book value as the default.

This table also displays the values of inflation and net capex from previous tables.

<sup>13</sup> The nominal WACC is based on a fixed real time varying WACC—that is, adjusted for actual inflation.

**Figure 8: Assumptions made in roll-forward table**

Financial year ending 30 June		2005	2006	2007	2008	2009
<b>Inflation rate to roll forward RAB</b>		2.50%	2.50%	2.50%	2.50%	2.50%
Inflator		1.000	1.025	1.051	1.077	1.104
<b>Opening value and assets lives</b>						
Opening value	\$'000	500				
adjustment for 2004 actual capex and disposals		(7)				
Av remaining life of assets	years	15				
Av expected life of new assets	years	30				
<b>Capital expenditure (net of cash capital contributions)</b>						
Total capex for roll forward	\$'000	186	156	156	156	156
<b>Value of assets disposed and written off</b>						
Regulatory value of disposals	\$'000					
Default = proceeds from sale	\$'000	1	1	1	1	1
Regulatory value of write-offs						
Default = book value		1	1	1	1	1
Disposals for roll forward		1	1	1	1	1
Write-offs for roll forward		1	1	1	1	1
Total for roll forward	\$'000	2	2	2	2	2
% of disposals/write-offs in year depreciated and indexed		50%				
% of capex in year depreciated		50%				
% of capex of year indexed		50%				

### 3.4 Rolled forward RAB

The **Rolled forward RAB** table calculates the nominal closing RAB (which becomes the opening RAB) for each year of the current regulatory control period. Under clause S6.2.1 of the transitional Chapter 6 rules, the AER is required to apply the approach adopted by the ICRC in rolling forward the RAB from year to year during the current regulatory control period.

Similar to the approach adopted for the NSW DNSPs, and the AER's approach in electricity transmission, the incentive framework underlying the ICRC's approach involves the use of 'actual' depreciation. This means that, in the case where ActewAGL spends less than its capex allowance, it is able to retain the benefits of the higher depreciation associated with the forecast capex amount, without this value of depreciation being deducted from its RAB at the end of the period. Conversely, where capex is higher than forecast, ActewAGL would not earn any additional depreciation during the period, but the depreciation associated with its higher actual capex would be deducted from its RAB at the end of the period. This represents a stronger incentive to reduce capex than under the alternative use of 'forecast' depreciation.

The incentive framework applied in the ICRC's model also provides no adjustments to account for the above/below forecast returns on capital resulting from the capex over or underspend in the current regulatory control period. For example, in relation to a lower than forecast capex, ActewAGL would retain the returns on capital associated with the current regulatory control period. Conversely, in relation to a higher than forecast capex, ActewAGL would not be compensated for the returns on capital foregone.

Figure 9 provides an example of the **Rolled forward RAB** table. The process for rolling forward the RAB from year to year is set out in box 4.

**Figure 9: Rolled forward RAB table**

Financial year ending 30 June	2005	2006	2007	2008	2009
<b>Network assets</b>					
Opening value \$'000	493	654	783	909	1,032
Capex/Additions (net of cap cons) \$'000	186	156	156	156	156
disposals/assets written off \$'000	2	2	2	2	2
depreciation \$'000	37	43	50	56	63
Indexation \$'000	15	18	22	25	28
<b>Closing value</b> \$'000	<b>654</b>	<b>783</b>	<b>909</b>	<b>1,032</b>	<b>1,151</b>
adjustment for return on 2004 capex estimate					(4)
<b>Adjusted closing value</b>					<b>1,147</b>
average remaining life (rough estimate)	16.26	17.26	17.74	18.02	18.14
<b>Calculation of depreciation</b>					
<u>Existing assets</u>					
	1.0	2.0	3.0	4.0	5.0
% depreciation remaining	100%	100%	100%	100%	100%
Opening value of existing assets	493	503	513	524	534
disposals before further depreciation after 2005	2	2	2	3	3
Indexation	12	13	13	13	13
Closing value before further depreciation	503	513	524	534	545
Depreciation of indexed value	6.67%	34	34	35	36
<u>Depreciation on new assets (undepreciated values)</u>					
Opening value (undepreciated)	-	188	351	518	689
Capex/Additions (net of cap cons)	186	156	156	156	156
Indexation new assets	2	7	11	15	19
Closing value	188	351	518	689	864
Depreciation for year	3.33%	3	9	15	20

Depreciation is calculated using a straight-line method on the existing RAB value and capex in each year. In the case of existing assets, depreciation is calculated on:

- the opening RAB value, adjusted for indexation and less any disposals
- 50% of the value of disposed assets.

For new assets (i.e. expenditure incurred after 1 July 2004) depreciation is calculated on the accumulated undepreciated value of new assets at the start of the year, plus 50% of capex in that year. The opening value plus a specified percentage of additions (default is 50%) is indexed for inflation each year.

The adjusted closing value at cell I:110 forms a basis for RAB inputs into the AER's PTRM.

**Box 4: Rolling forward the RAB in the current regulatory control period****Rolling forward actual net capex and depreciation amounts into the RAB****Opening RAB for year 1**

- + Nominal actual capex for year 1 (net of contributed assets)
- + indexation, calculated on the opening RAB less the percentage of disposals assumed to occur at the beginning of the year (default = 50%)
- disposals and depreciation for the year

**= Closing RAB for year 1****= Opening RAB for year 2**

- + Nominal actual capex for year 1 (net of contributed assets)
- + indexation, calculated on the opening RAB less the percentage of disposals assumed to occur at the beginning of the year (default = 50%)
- disposals and depreciation for the year

**= Closing RAB for year 2****= Opening RAB for year 3**

...

**= Closing RAB for year 5****= Interim closing RAB for the current regulatory control period****+ adjustment**

Note:

The interim closing RAB for the current regulatory period becomes the opening RAB for the next regulatory period after the final adjustments for the previous regulatory control period have been made.