

SENATE ENVIRONMENT AND COMMUNICATIONS REFERENCES COMMITTEE

INQUIRY INTO THE PERFORMANCE AND MANAGEMENT OF ELECTRICITY NETWORK COMPANIES

ANSWER TO A QUESTION TAKEN ON NOTICE

I offered to provide confirmation of my assertion on p29 that a network who spent less capital expenditure than budgeted in its price control would have its regulatory asset base (RAB) adjusted at the next review.

This requires comparison of the final decision for one period with the decision on the opening RAB at the next period. As an example, see Energy Australia/Ausgrid's 2009-14 determination and its 2014-19 determination.

Table 9 (p29) of the final determination of the 2009-14 price review (http://www.aer.gov.au/sites/default/files/CACHE_DUVIE=cf655d575e73f1701d30e19561f77099/NSW%20DNSPs%20final%20decision%2028%20April%202009.pdf) shows the allowed capex.

Table 2-1 of attachment 2 (p2-8) of the draft determination for 2014-19 shows the opening RAB using the lower, actual capex that the network incurred (notably for 2013-14 when it spent \$605m instead of the allowed \$1,200m).
<http://www.aer.gov.au/sites/default/files/AER%20%E2%80%93%20Draft%20decision%20Ausgrid%20distribution%20determination%20%E2%80%93%20Attachment%20%E2%80%93%20Regulatory%20asset%20base%20%E2%80%93%20November%202014.pdf>

While this is only a draft determination, Ausgrid's response confirms that they accept this opening RAB (p61, <http://www.aer.gov.au/sites/default/files/Ausgrid%20-%20Ausgrid%20Revised%20Regulatory%20Proposal%20%28amended%29%20-%20February%202015%20.pdf>).

Hopefully this is sufficient to illustrate the point.

Kind regards

Kieran Donoghue

General Manager, Policy



Energy Supply Association of Australia