

Customer Forum Week 11: Potential changes to 2021-25 Regulatory Proposal

Potential changes to July 2019



14 February 2019

Reason for changes to forecasts



Requirement for changes to forecasts driven by.....



- ▶ **Changes to policy and regulatory obligations**
 - › e.g. cyber security, solar homes policy

- ▶ **Changes to regulatory settings**
 - › e.g. WACC, tax allowance, opex productivity parameter

- ▶ **New information, refinement of models**
 - › e.g. asset condition, inflation forecasts, forecasts of customers, energy and demand

- ▶ **We are expecting most material changes from these sources to be known by the end of April 2019**

- ▶ **Also – the AER and the VIC Government are considering changing Victorian regulatory periods from calendar to financial year**
 - › Regulatory period commencing 1 July 2021

AusNet Services is required to provide most accurate forecasts at time of submission



▶ Statutory declaration (see attached)

▶ RIN completion questions

1. *Is the information provided in accordance with the requirements of the Notice, in that it substantively addresses the matters required or, to the extent allowed by the RIN, an explanation as to missing information is provided?*
2. *Is the information true and accurate, based on your knowledge and such reasonable quality checks as you have carried out?*
3. *Can the information be relied upon in all material respects?*
4. *Is the information the best estimate in relation to historical information, or best forecast in relation to forecast information?*

Potential changes to forecasts



Opex



Potential change	Timing to include in proposal	Comments
Base year (2018)	Audit will be complete in March	The base year will be updated with audited 2018 actual data.
Step Change – REFCLs	April	Internal deadline for final forecast is the end of April 2019 Only a new information or external change would result in further changes.
Step Change – IT Opex	April	As above.
Step Change – IT Security	April	IT security cost increases associated with: <ul style="list-style-type: none"> • AEMO to issue security capability requirements to networks (soon) • New obligations stemming from the <i>Security of Critical Infrastructure Act 2018</i> (longer term process)
Step Change - 5 minute meter data	April	Internal deadline for final forecast is the end of April 2019 Only a new information or external change would result in further changes.
Step Change - Environment Protection Amendment Act 2018 (Vic)	April	Possible new step change for legislative change effective 1 July 2020. Internal deadline for final forecast is the end of April 2019.
Step Change - Demand management (transmission network support)	April	Possible new step change for demand management to avoid transmission support related network augmentation . Internal deadline for final forecast is the end of April 2019.

Opex cont.

Potential change	Timing to include in proposal	Comments
Step Change – Insurance	April	Possible new step change. The California bushfires may place upwards pressure on our insurance premiums. If this is material we may need to seek a step change.
Bottom-up Forecast – Innovation	May/June	Finalisation will involve further customer consultation.
Bottom-up Forecast - GSL's	April	Incorporate an additional year of actuals into the five year average. This will be done by the end of April.
Capitalised leases	April	Internal deadline for final forecast is the end of April 2019 Only a new information or external change would result in further changes.
Cost allocation of shared data and communication systems	April	As above.
Trend – Labour Price	April	Consultant report currently being commissioned to finalise the forecast.
Trend – Output Growth	April	Adoption of the AER's revised approach and finalisation of forecasting inputs (demand, circuit length, customer numbers and energy) Internal deadline for final forecast is the end of April 2019 .
Trend - Productivity	AER final decision in February/March	We have committed to adopting the AER's final decision.

Capex



Potential change	Timing to include in proposal	Comments
General refinement of capex forecasts	April	Internal deadline for final forecast is the end of April 2019. Only a new information or external change would result in further changes.
Control Room relocation	April	Firm cost estimate being developed by external consultant by April.
LiDAR (Light Detection and Ranging) program	March	New technology that more accurately identifies asset maintenance and replacement requirements. Program scope, costs and justification currently will be developed by the end of March.
Finalisation of repex major projects	April	Internal deadline for final forecast is early April 2019.
Finalisation of augex major projects with Customer Forum	April	Internal deadline for final forecast is early April 2019.
Finalisation of innovation proposal with Customer Forum	May/June	Finalisation will involve further customer consultation.

Capex cont.



Potential change	Timing to include in proposal	Comments
DER integration and voltage compliance	May following Deep Dive	Internal deadline for forecast is the end of April 2019. Customer input will be sought in the May deep dive
Top-down review	April	We are reviewing our forecasting methodology to ensure it appropriately accounts for interrelationships and synergies between programs, projects and work areas
REFCL program	April	The draft proposal reflects preliminary scopes and cost estimates for Tranche 3, which are currently being refined. Additional expenditure may also be required to address technical issues identified through Tranche 1
IT security	April	IT security cost increases associated with: <ul style="list-style-type: none"> • AEMO to issue security capability requirements to networks (soon) • New obligations stemming from the <i>Security of Critical Infrastructure Act 2018</i> (longer term process)

Other

Potential change	Timing to include in proposal	Comments
AER final tax decision	March	Will materially change tax depreciation approach. Immediate expensing of refurbishment capex. Declining value, rather than straight-line depreciation. These changes will be applied prospectively to new assets.
Risk free rate (part of WACC)	April	Placeholder value for the risk free rate
Shared assets	April	Internal deadline for final forecast is the end of April 2019. Only a new information or external change would result in further changes.
Updated forecasts (demand, energy, customers)	March/April	Final updated forecasts for the July regulatory proposal.
Audited 2018 Accounts	To AER end April	Finalisation of the opening RAB and EBSS/CESS.

Attachment: Statutory Declaration



Attachment 1

State of Victoria

Statutory Declaration

I, _____
[full name]

of _____
[address]

_____, do solemnly and sincerely declare that:
[occupation]

- 1. I am an officer, for the purposes of the National Electricity (Victoria) Law (NEL), of Ausnet Electricity Services Pty Ltd (ABN 91 064 651 118) (Ausnet), a regulated network service provider for the purposes of section 28D of the NEL. I am authorised by Ausnet to make this statutory declaration as part of the response of Ausnet to the Regulatory Information Notice dated 30 January 2015 (**Notice**) served on Ausnet by the Australian Energy Regulator (**AER**).
- 2. I say that the actual information provided in Ausnet’s response to the Notice is, to the best of my information, knowledge and belief:
 - (a) in accordance with the requirements of the Notice; and
 - (b) true and accurate.
- 3. Where it is not possible to provide actual information to comply with the Notice, Ausnet has, to the best of my information, knowledge and belief:
 - (a) provided Ausnet’s best estimate of the information in accordance with the requirements of the Notice; and
 - (b) provided the basis for each estimate, including assumptions made and reasons why the estimate is the best estimate, given the information sought in the Notice.

Declared at _____

this _____ day of _____ 20_____

.....
Signature of person making this declaration
[to be signed in front of an authorised witness]

Before me,

.....

Signature of Authorised Witness

The authorised witness must print or stamp his or her name, address and title under section 107A of the *Evidence (Miscellaneous Provisions) Act 1958* (as of 1 January 2010), (previously *Evidence Act 1958*), (eg. Justice of the Peace, Pharmacist, Police Officer, Court Registrar, Bank Manager, Medical Practitioner, Dentist)