

17 December 2018

AER Rate of Return Guideline and Tax Review

The Australian Energy Regulator (AER) published its final Rate of Return Guideline this morning. This sets the rate of return that will be received through regulated revenues and is binding. The AER has also published its decision on how the revenue allowance for corporate tax will be set.

The Rate of Return Guideline includes a positive movement in the cost of equity compared to the Draft Guideline (market risk premium from 6.0% to 6.1%) and a negative movement in the value of imputation credits (gamma from 0.5 to 0.585). Gearing remains at 60%.

The tax decision includes prospective changes to the depreciation approach to reflect observed tax practices which is likely to reduce future revenues, including:

- reflecting immediate expensing of refurbishment capex;
- adopting declining value, rather than straight line, depreciation; and
- capping the lives of gas assets at 20 years.

AusNet Services' regulated network businesses have certainty of cash flows in the short term from their existing regulatory determinations. AusNet Services expects these changes to be incorporated in regulated revenues for electricity distribution from 1 January 2021, electricity transmission from 1 April 2022 and gas distribution from 1 January 2023.

AusNet Services will fully assess the AER's decisions, the impact on our business plans and opportunities for any further avenues to engage with the AER.

For a full copy of the Final Rate of Return Guideline and the tax decision please refer to the AER's website, www.aer.gov.au.

Claire Hamilton
Company Secretary