

Revenue Reset Reference Group

TUESDAY, 27 MAY 2025

Acknowledgement of Country

ElectraNet acknowledges
the Traditional Owners of
the land and waters on
which we operate.

We pay our respects to
their Elders past, present
and emerging and extend
that respect to all other
Aboriginal and Torres Strait
Islander people of Australia.



Meeting Agenda

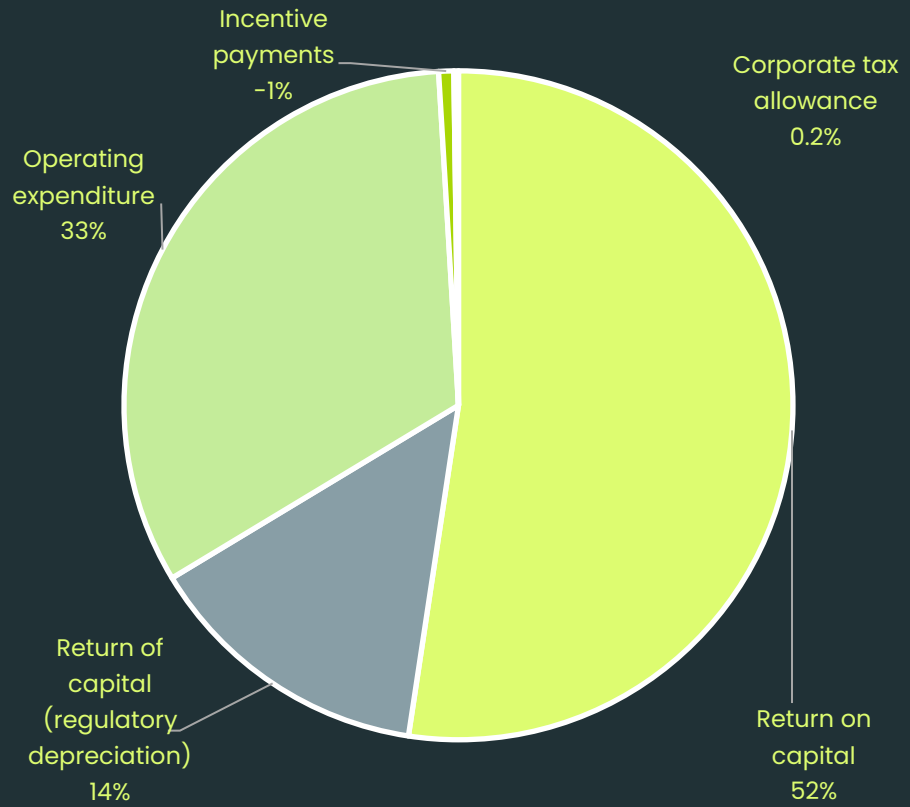
	TIME	ITEM	PRESENTERS
1.	10.00am (15 mins)	Acknowledgement of Country, welcome and minutes	Leanne Muffet, (Independent Facilitator)
2.	10:15am (25 mins)	Revenue Reset Background plus Q+A	Bec Malhotra & Jeremy Tustin
3.	10:40am (70 mins)	Spheres of Influence <ul style="list-style-type: none"> • Understanding what can be influenced • What would you like to undertake a deep dive on 	Bec Malhotra & Jeremy Tustin All
4.	11:50am (10 mins)	Break	All
5.	12.00am (30 mins)	Guest speaker	Arek Gulbenkoglu
6.	12.30pm (15 mins)	Pulse check – is this process working	Leanne Muffet & All
7.	12.45pm (15 mins)	AOB	Leanne Muffet, Bec Malhotra & Jeremy Tustin
Next meeting			

Revenue Reset Background

Revenue Setting Framework



Revenue by building block – FY24 to FY28



Revenue Proposal – revenue building blocks



Return on Capital = a measure of return on investments (capex)

Return of Capital = annual regulatory depreciation allowance

Opex = annual operating and maintenance cost allowance

Tax = regulatory tax allowance

EBSS = carryover amounts for the Efficiency Benefit Sharing Scheme from the previous regulatory period.

CESS = carryover amounts for the Capital Expenditure Sharing Scheme from the previous regulatory period.



WACC – ElectraNet must apply the AER’s Rate of Return Guidelines

RAB – adjusts each year for new assets (capex), disposals and depreciation

Key data & insights

66% of our MAR is driven by our regulated asset base (RAB)

Opening RAB at the start of the regulatory period was \$3.8b

Opening RAB + Capex – Depreciation = Closing RAB

The 2023–28 Capex forecast was \$820m ~ 20% of the RAB

ElectraNet will recover the \$820m + a return on capital over the asset's life

ElectraNet's asset lives range from 5–50 years

In summary customer bills impacted largely by old assets 80%, little by new assets 20%

33% of our MAR is driven by operating expenditure (opex)

Total opex approved was \$674m across the period

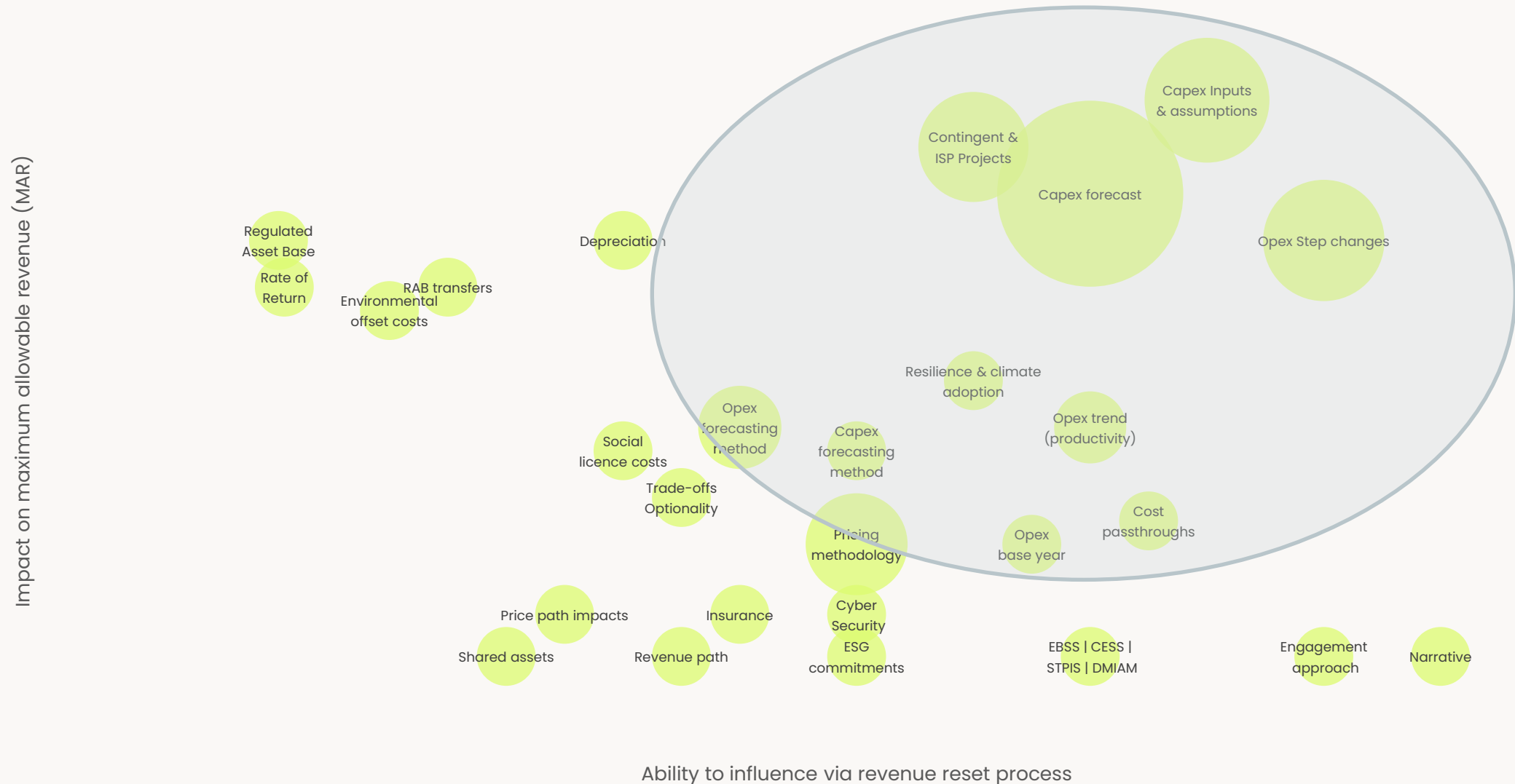
Approved opex step changes accounted for \$75m

In summary customer bills impacted by \$140m p.a.

Spheres of Influence (Background)



Engagement focus



Capex

Capex criteria

CLAUSE

6A.6.7

Forecast capital expenditure

- (a) A *Revenue Proposal* must include the total forecast capital expenditure for the relevant *regulatory control period* which the *Transmission Network Service Provider* considers is required in order to do each of the following (the *capital expenditure objectives*):
- (1) meet or manage the expected demand for *prescribed transmission services* over that period;
 - (2) comply with all applicable *regulatory obligations or requirements* associated with the provision of *prescribed transmission services*;
 - (3) to the extent that there is no applicable *regulatory obligation or requirement* in relation to:
 - (i) the quality, reliability or security of supply of *prescribed transmission services*; or
 - (ii) the reliability or security of the *transmission system* through the supply of *prescribed transmission services*,to the relevant extent:
 - (iii) maintain the quality, reliability and security of supply of *prescribed transmission services*; and
 - (iv) maintain the reliability and security of the *transmission system* through the supply of *prescribed transmission services*;
 - (4) maintain the safety of the *transmission system* through the supply of *prescribed transmission services*; and
 - (5) contribute to achieving *emissions reduction targets* through the supply of *prescribed transmission services*.

Key elements

Forecast capex required to

- meet or manage demand
- comply with regulatory obligations or
- meet quality, reliability, security standards
- maintain safety
- contribute to achieving emission reduction targets.

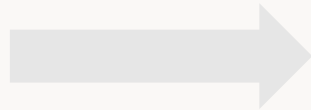
Forecast Capital Expenditure

Capex forecast methodology

- Bottom-up
- Top-down
- Hybrid

Contingent Projects

- Trigger-based

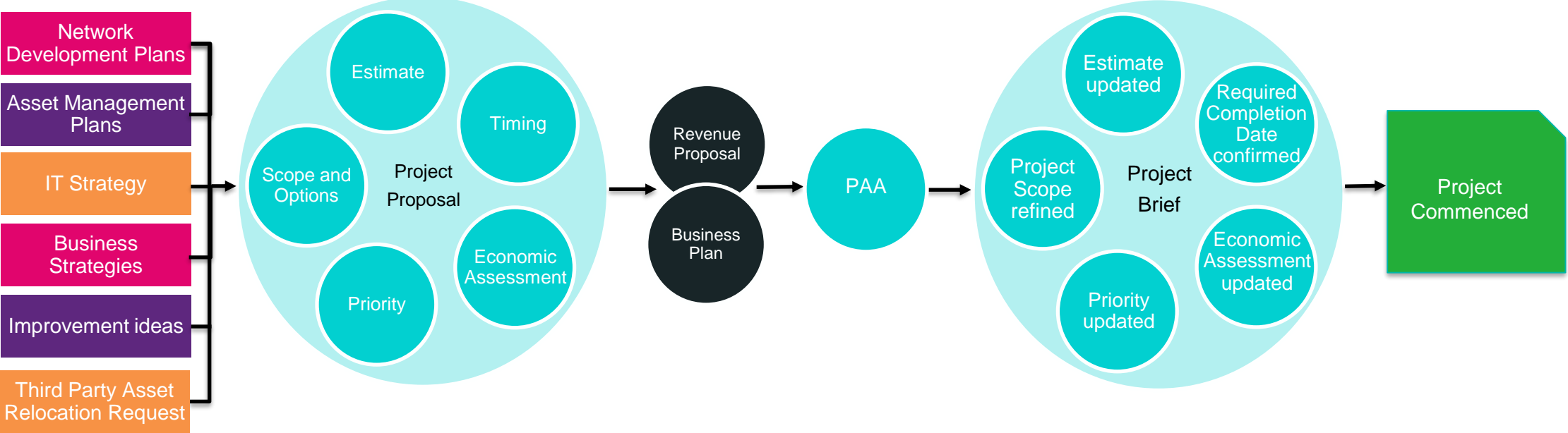


Key inputs and assumption

Categories

- Network – Load driven
 - Augmentation expenditure (Augex)
- Network – non load
 - Asset replacement (Repex)
 - Security/Compliance
 - Reliability Resilience
- Non-network
 - Corporate IT
 - Facilities
- Contingent Projects
 - e.g., PEC upgrade

Capital Expenditure Process



Identification of projects

Proposed project details defined including economic assessment

Included in 5 Yearly Revenue Proposal (Regulated only) and Annual Business Plan

Approval to commence work on Project Brief
* Not required for Opex Refurbishment

Defines project delivery parameters and sets project baseline.
* Economic assessment and priority not required for 3rd party asset relocation request

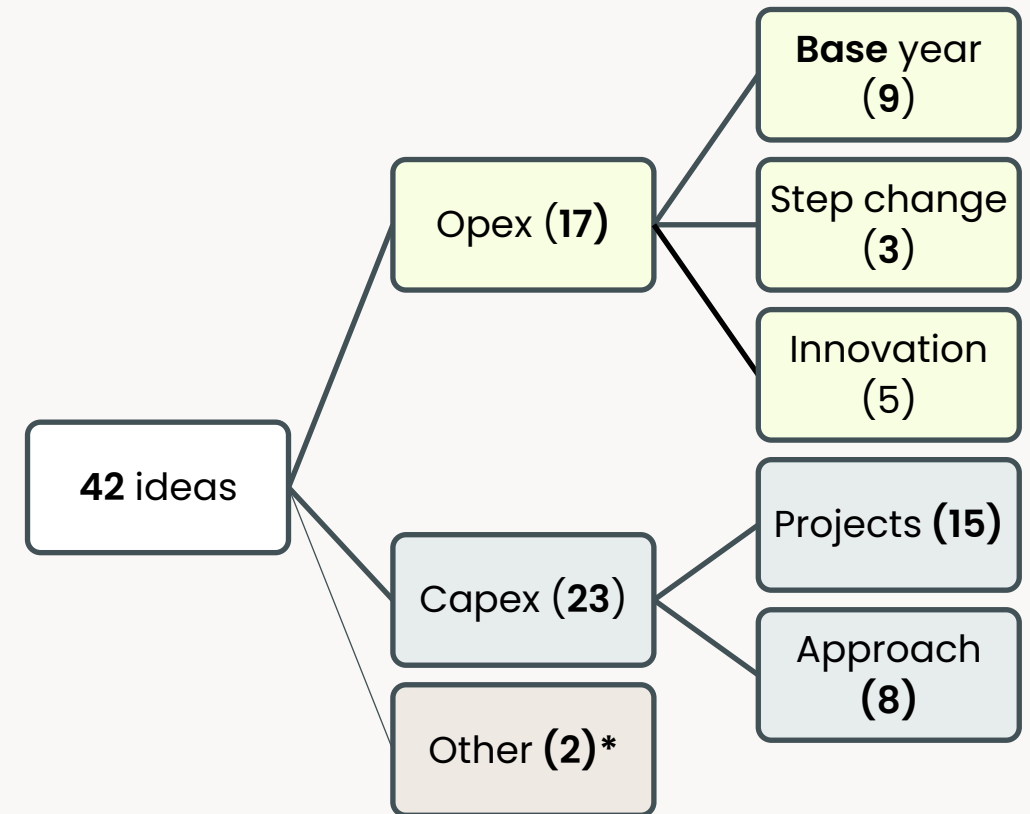
Delivery as per SPARQ Methodology

Bottom-up forecasting

Ideation phase

Approach

- Divisions to consider and share all ideas
- Be expansive
- No bad ideas – past negative decisions should not hold ideas back
- Expect ideas to be refined as we progress



* These may either be opex or capex in nature

Focusing on the process

Focusing on the Process: consumer engagement in the revenue reset

Why the Process Matters More Than the Decision

- Transparency Builds Trust
- Process Legitimacy Increases Acceptance
- Engagement Enhances Outcomes
- Consumer Perspective

Key Takeaway

An open and inclusive process builds confidence in the energy system—because engagement isn't just about the 'what', it's about the 'how'.

Opex

Operating Expenditure (Opex)

Opex Forecasting Methodology

Base

Determine an efficient
base year

Step

Step changes e.g.,
new obligations

Trend

Rate of change in
output, price* &
productivity growth

Opex Categories

Controllable

Maintenance
Operational refurb
Network operations

Other Controllable

Asset Management support
Corporate support

Non-Controllable

Insurances
Network Support
Licence fees
Debt raising

Guest Speaker

**Is this process working for
you?**

RRRG Engagement Objective

Engagement Objective

To ensure that the Consumer Advisory Panel (CAP) can produce a comprehensive report confirming the following:

Acceptable Level:

- The CAP has been appropriately engaged throughout the process.
- The CAP has sufficient access to relevant information, people and resources, enabling it to form well-informed views.
- The CAP's view on ElectraNet's Revenue Proposal are clearly outlined.

Desired Level:

- The CAP considers ElectraNet's Revenue Proposal to be worthy of support and capable of being accepted by the Australian Energy Regulator (AER).

To achieve this, ElectraNet's objective for the Revenue Reset Reference Group is to commission a report assessing the engagement process. This report should affirm that the engagement was conducted as outlined and recommend to the CAP that it adopt or endorse the findings.

CAP vs CCP – Roles in the Reset Process

	Consumer Advisory Panel (CAP)	Consumer Challenge Panel (CCP)
Primary Role	CAP RRRG core purpose is to: 1. Provide advice to the CAP on how to respond to the Revenue Reset. 2. Ensure ElectraNet's Revenue Reset Proposal has a strong consumer lens	Advise the AER on whether network proposals reflect the long-term interests of consumers
Focus	Ensure that consumer perspectives are considered in the revenue proposal.	Assess the quality and effectiveness of consumer engagement processes undertaken by ElectraNet.
Engagement	Apply a consumer lens to ensure consumer perspectives are reflected.	Review and critique network proposals from a consumer advocacy perspective.
Outcome	Provide networks with actionable consumer input to inform their proposals i.e., clearly evidenced impact of reset engagement.	Provide independent advice to the AER to inform regulatory decisions.

CAP vs CCP – Roles in the Transmission Reset Process

Potential overlaps

Shared objective: Both aim to ensure that consumer interests are considered in the regulatory process.

Collaborate opportunities: insights from RRRG engagements can inform the CCP assessments, leading to more robust regulatory outcomes.

Clear distinctions

CAP: operates at the grassroots level, representing consumer interests.

CCP: operates at the regulatory level, providing expert analysis and advice to the AER.

The Better Resets Handbook emphasizes the importance of high-quality consumer engagement in network proposals, aiming for outcomes that better reflect the long-term interests of consumers.



Thank You

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