



Statement of Expected Price Trends 2011/12 to 2013/14

This Statement of Expected Price Trends is prepared in accordance with the National Electricity Rules Chapter 11 (section 6.23) and is applicable to the network prices applied from 1 July 2011 until 30 June 2014.

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National Electricity Rule requirement

Clause 6.18.9(a)(3) of the National Electricity Rules (NER) requires that a Distribution Network Service Provider maintain on its website a statement of expected price trends (to be updated for each regulatory year) giving an indication of how it expects prices to change over the regulatory control period and the reasons for the expected changes.

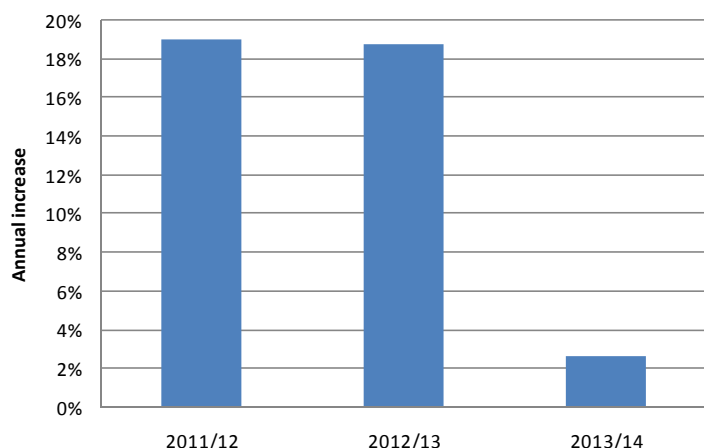
Expected Price Trends

Ausgrid's price changes over the regulatory control period are subject to the transmission and distribution X factors shown in Table 1 below. These X factors form part of the Australian Energy Regulator's 2009 Revenue Determination for NSW DNSPs, and drive annual escalations under the weighted average price cap. The weighted average price cap formula also allows prices to be escalated for CPI. Further information on how this formula affects network prices can be found in Ausgrid's 2011 Network Pricing Proposal, available from Ausgrid's website at http://www.ausgrid.com.au/network_prices. It should be noted that Ausgrid's network revenue includes recovery of revenue on behalf of TransGrid and the NSW Government's Climate Change Fund, and that the X factors shown in Table 1 include the outcomes of the November 2009 Australian Competition Tribunal hearing.

Table 1 Transmission and Distribution X factors for Ausgrid FY 2012 to 2014

Financial Year	2012	2013	2014
Distribution	-18.18%	-18.18%	0.77%
Transmission	-18.46%	-18.46%	-2.02%
Forecast CPI		2.47%	2.47%

The approximate average yearly nominal increase in Ausgrid network charges can be represented by the following graph;



As part of compliance with its NER obligations, Ausgrid has undertaken an analysis of the expected network price trends by tariff class over the regulatory control period. The results of this analysis are shown in the tables below. The level of CPI, the Climate Change Fund, reasonable estimates (tariff transfers), energy volumes and recovery of revenue for TransGrid are likely to change over the regulatory control period and therefore cannot be determined with certainty.

Table 2 Expected average Network Use of System (NUOS) prices FY 2012 to FY 2014 (cents per kWh, nominal, excluding GST)

Tariff Class	2012	2013	2014
Low Voltage	10.0	11.9	12.2
High Voltage	5.2	6.2	6.3
Sub-transmission	2.9	3.5	3.6
Unmetered	7.5	8.9	9.2
Overall	9.6	11.4	11.7

Table 3 Expected average Network Use of System (NUOS) prices FY 2012 to FY 2014 (cents per kWh, nominal, including GST)

Tariff Class	2012	2013	2014
Low Voltage	11.0	13.1	13.5
High Voltage	5.7	6.8	7.0
Sub-transmission	3.2	3.8	3.9
Unmetered	8.3	9.8	10.1
Overall	10.5	12.5	12.8

Table 4 Expected annual average Network Use of System (NUOS) price percentage increases FY 2013 to FY 2014 (nominal)

Tariff Class	FY 2013	FY 2014
Low voltage	18.8%	2.7%
High voltage	18.8%	2.7%
Sub-transmission	18.8%	2.7%
Unmetered	18.8%	2.7%
Overall	18.8%	2.7%

It is important to note that Ausgrid anticipates that the Network Use of System (NUOS) price of each charging parameter within each tariff class will change as a result of underlying changes in the prices for the Distribution Use of System (DUOS) component and the Transmission Use of System (TUOS) component. Ausgrid intends to transition the DUOS component of NUOS tariffs to be more reflective of costs based on the economic principles in the National Electricity Rules over the remainder of the regulatory period.

While it is difficult for Ausgrid to provide expected TUOS prices given that the setting of transmission charges are the responsibility of TransGrid, Ausgrid will preserve the TransGrid transmission price signal in the TUOS component of NUOS tariffs where it is economically desirable and equitable to do so. TransGrid's X factors for the remainder of this regulatory period appear in Table 5.

Table 5 TransGrid's X factors for 2012/13 to 2013/14 (NB. these exclude inflation. A negative percentage indicates an increase in real terms)

Year	2012/13	2013/14
TransGrid X factors	-5.6%	-5.6%

Further Information

For further information of this Statement of Expected Price Trends, please contact Robert Telford on (02) 9269 2136.