

2/11/2018

Ms Paula Conboy
Chair
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Ms Conboy,

Supplementary Information on Tax Paid by TransGrid

I am writing this supplementary submission to the AER's Review of regulatory tax approach 2018, to ensure aspects of TransGrid's tax obligations and payments are transparent and clearly understood.

As a NSW State owned Corporation the NSW Government received dividends and National Tax Equivalent Regime (NTER) payments from TransGrid consistent with the NSW obligations under the Competition Principles Agreement 1994.

TransGrid was transferred from State Government ownership in December 2015 to the private sector via a long term lease. The NSW Government's sale process required that the NSW public were better off as a result of the transaction than they would have been if the asset had remained in government ownership (the "Retention Value Hurdle"). In the case of TransGrid, the NSW Government received dividends and (NTER) distributions and these payments formed part of the retention value hurdle. The structure of the sale process resulted in future income tax being pre-paid to the NSW Government as part of the sale price, allowing the Retention Value Hurdle, set on the basis of future value of distribution and tax equivalent payments, to be cleared.

TransGrid's investors have effectively pre-paid future tax obligations on a net present value basis for the life of the asset lease. These payments need to be taken into account in the current tax review. The NSW Government received a one-off NTER equivalent payment in 2015 that must be recognised in the assessment of the tax paid by TransGrid.

Please do not hesitate to contact me if you would like any further clarifications of this matter.

Yours sincerely,



Paul Italiano
Chief Executive Officer

CC: Michelle Groves
Warwick Anderson