

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Input Variable	Shorthand	Value	Discussion									
2													
3	General Input												
4	Regulatory Asset Base (\$m)	RAB	\$ 1,000	The initial capital base (ICB) is the value of assets on which a return will be earned. The input sheet requires the value of the ICB at Year 0 (in this case \$1,000 million). The regulatory asset base (RAB), initially set at the ICB will fluctuate from year to year to reflect new capital expenditure, asset disposals and depreciation. In this Cookbook however, the RAB will only fluctuate as a result of depreciation.									
5	Analytical Time Horizon	<i>Time Horizon</i>	10	Determines the period over which analysis is conducted. Default value set equal to economic life of asset									
6	Residual Asset Value		\$0	May be assigned when the asset life exceeds the time horizon specified in conjunction with normalisation and price path models. Set to zero otherwise.									
7	Asset Life		10	Set equal to economic life of asset									
8	Tax Life		6	Set equal to tax life specified by the Australian Tax Office for the category of assets and commissioning date.									
9	CAPM Input												
10	Nominal Risk Free Rate	Rf	5.81%	The Commission uses the five-year Government bond rate as a proxy for the nominal risk free rate to be used in access arrangements of five years duration. Discussion of the risk free rate can be found in section 6.4 of the DRP.									
11	Real Risk Free Rate	rrf	3.23%	The Commission uses the indexed bond rate (of similar duration to the regulatory period) as a proxy for the real risk free rate. The real risk free rate is essentially the nominal risk free rate adjusted for inflation using the Fisher equation. See page 83 of the DRP for further discussion of inflation and the Fisher relationship.									
12	Cost of Debt Margin over rf	dm	1.20%	The debt margin is the interest charged by a lender above the risk free rate as compensation for the risk of the borrower not being able to repay the loan. The model uses a default cost of debt margin of 1.2%. See section 6.8 of the DRP.									
13	Market Risk Premium	MRP	6.00%	The market risk premium represents the additional expected return for investing in the market as a whole over investing in risk free instruments such as government bonds. That is, the level of compensation required to induce investors to assume the risk of the market (in the absence of franking credits). The model uses a default value for the market risk premium of 6%. See section 6.5 of the DRP.									
14	Proportion of Franking Credits attributed value by shareholders	γ	75.00%	Gamma is used in the CAPM model to ensure the value of imputation credits is included in the WACC calculation. While the Commission has used a value of 50% for gamma in the past. Ongoing financial research may lead to revisions of this value in future revenue determinations. See section 6.7 of the DRP.									
15	LT Proportion of Equity Funding	E/V	40.00%	The Commission has adopted a benchmark gearing ratio of 60:40 (60% debt 40% equity). See page 80 of the DRP.									
16	Debt Beta	Bd	0.06	Used in the derivation of the Equity Beta from the benchmark Asset Beta used.									
17	Asset Beta	Ba	0.53	Benchmark Asset Beta for Business being regulated.									
18													
19	Year by Year Input												
20	PERIOD		0	1	2	3	4	5	6	7	8	9	10
21	Operating & Maintenance Costs (current prices)	O&M		50.0	51.3	52.5	53.8	55.2	56.6	58.0	59.4	60.9	62.4
22	Volume Forecast (Petajoules pa)			30	60	70	80	80	80	80	80	80	80
23													
24													
25	Colour Convention												
26	Period / Year												
27	Input Cell												
28	Parameter - either input or derived												
29	Technical Adjustor												
30	Internal Rate of Return (IRR)												
31	Effective Tax Rate												
32	Macro Button												
33	Non-input / Appearance Only												
34	Smoothed Tariff												

POST-TAX REVENUE MODEL Version 1.000 Released October 2001