



2 April 2024

Ms Sarah Proudfoot
Executive General Manager
Infrastructure Division
Australian Competition and Consumer Commission
Level 17, Casselden Place
2 Lonsdale Street
Melbourne VIC 3000

Dear Sarah,

Special Access Undertaking – Proposed Accounting Procedures

Under **nbn**'s Special Access Undertaking (SAU), **nbn** is required to submit a set of **Proposed Accounting Procedures** to the ACCC by 2 April 2024 (being the next Business Day after 31 March 2024).¹

Under the SAU, the ACCC may determine Approved Accounting Procedures in either: the form of the Proposed Accounting Procedures submitted by **nbn**²; or a form which incorporates reasonable changes made by the ACCC to the Proposed Accounting Procedures submitted by **nbn**.

nbn's Proposed Accounting Procedures are attached. We note the following:

1. Consultation with the ACCC – as required by clause 21.6.2(a) of the SAU, **nbn** has consulted with the ACCC on the development of the Proposed Accounting Procedures. In the course of this consultation, the ACCC provided feedback that the procedures should (in summary):
 - a. be based on the regulatory accounting principles that are relevant to how the Cost Allocation Manual (CAM) will be used for the purposes of the SAU. These principles differ in key respects from the principles underlying **nbn**'s statutory accounts, including in relation to what is defined as Revenue, Capital Expenditure and Operating Expenditure, the use of a rate of return benchmark, and the approach to rolling forward the asset base over time; and
 - b. provide for the calculation of an asset base, depreciation and return on capital, split between Core Regulated Services (as a category) and Competitive Services (as a category) based on the split of Capital Expenditure and Operating Expenditure in accordance with the approved CAM (once this is available). The ACCC has said that, for the purposes of accounting separation only, **nbn** should calculate two new asset bases (different to those used for the purposes of the building block framework in the SAU), being a new asset base for Core Regulated Services and

¹ See clause 21.6.1 and clause 3(f) of Attachment C (Dictionary – Interpretation clause) of the SAU.

² See clause 21.6.2. This may also result if the ACCC does not notify **nbn** of its determination of Approved Accounting Procedures under clause 21.6.2(b) within 3 months (or a longer period if extended) of **nbn** submitting the Proposed Accounting Procedures.



a new asset base for Competitive Services, with the approved CAM applied to historic Capital Expenditure back to when **nbn** introduced the Competitive Services.

nbn has adopted the ACCC's feedback in its Proposed Accounting Procedures – this is on the expectation, in relation to calculating new asset bases, that the ACCC would make this change in any event when determining the Approved Accounting Procedures. However, **nbn** notes its view that maintaining separate additional asset bases just for accounting separation purposes under the SAU, which are separate and in addition to the Real Core Services RAB Portion and the Real RAB used under the building block framework in the SAU, will involve ongoing complexity, cost and the potential for confusion. For completeness, we note that the asset bases used for the building block framework in the SAU are governed by the terms of the SAU (as recently varied) and cannot be changed through the accounting separation procedures. In particular, clause 2G.5.2(b) of the SAU specifies the value of the Real Core Services RAB Portion as at 30 June 2022 for the purposes of the calculation of the Core Services RAB Portion at the commencement of the Subsequent Regulatory Period. The roll forward of that value in accordance with the SAU is what will inform the building block framework in the SAU and the application of the SAU's weighted average price cap over the period to 30 June 2032 (pursuant to Schedules 2D and 2G of the SAU).

2. Consistency with the CAM – **nbn** lodged its Proposed CAM under clause 2G.6.3 of the SAU on 16 November 2023. On 9 February 2024, the ACCC extended its 3 month decision-making timeframe on the CAM by 2 months to 16 April 2024. Given that the ACCC has not yet approved a CAM, **nbn**:
 - a. has prepared the Proposed Accounting Procedures consistent with the Proposed CAM where relevant. References to the 'CAM' in the Proposed Accounting Procedures therefore relate to the Proposed CAM; and
 - b. may in due course submit an update to the Proposed Accounting Procedures once there is an approved CAM.

Please contact me if you would like to discuss anything in this letter or the attached information.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Matthew Cole', is positioned above the typed name.

Matthew Cole
General Manager Regulatory Economics
Legal and Regulatory