



ACCC preliminary view on NBN Co's capital expenditure and operating expenditure for 2022-23

On 31 October 2023, NBN Co submitted its regulatory information for the 2022-23 financial year as part of the annual Long Term Revenue Constraint Methodology (LTRCM) process.

The LTRCM process occurs under the NBN Co Special Access Undertaking (the SAU), which was one of the key components of the regulatory framework governing the supply of NBN Co's wholesale services in the Initial Regulatory Period. An objective of the LTRCM process is to determine the amount of revenue that NBN Co is allowed to earn through its prices, including a return on investment, over NBN Co's rollout and migration period.

In accordance with the SAU, the ACCC must make an LTRCM determination for each financial year of the Initial Regulatory Period of the SAU (which ended on 30 June 2023) that specifies key matters. These include NBN Co's annual allowable revenues, unrecovered costs, the initial cost recovery account (which allows recovery of initial losses later in the SAU period) and compliance with expenditure requirements specified for the Initial Regulatory Period in the SAU. As part of this process, the ACCC must notify NBN Co of the extent to which, if any, the ACCC intends to determine a substitute amount of capital expenditure or operating expenditure (as opposed to amounts proposed by NBN Co). The ACCC must then issue a draft LTRCM determination prior to making a final determination.

This note sets out our preliminary view on NBN Co's capital expenditure and operating expenditure.

Preliminary view on expenditure compliance for 2022-23

Under clause 1E.1.2(d)(vii), the ACCC must provide NBN Co with a preliminary view on the extent to which the ACCC proposes to determine substitute amounts of capital expenditure and/or operating expenditure (as opposed to the values provided by NBN Co) for the period in question.

The ACCC has reviewed and considered the regulatory information provided by NBN Co for the purposes of the LTRCM determination and has reached a preliminary view for 2022-23. The ACCC's preliminary view is that it does not intend to determine a substitute amount of capital expenditure in accordance with clause 1D.3.2(d) of the SAU or a substitute amount of operating expenditure in accordance with clause 1E.7.2(c) of the SAU.

Next steps

The ACCC is required to follow the process set out in the SAU prior to publishing a final LTRCM determination. The next stage of the process requires the release of a draft LTRCM determination for public consultation. We expect to release the draft determination for public consultation in the first quarter of 2024.

Should interested parties want to provide a submission on this preliminary view we request this by 31 January 2023 and sent to nbn@accc.gov.au.

As the Initial Regulatory Period ended on 30 June 2023, NBN Co's 2022-23 LTRCM proposal is the last such proposal under the SAU. After this time, the SAU provides that the

assessment of NBN Co's expenditure will take place on a forecast basis every 3 to 5 years through replacement module applications. For capital costs, the ACCC will further assess actual expenditures before admitting only prudent and efficient costs into the regulated asset base.