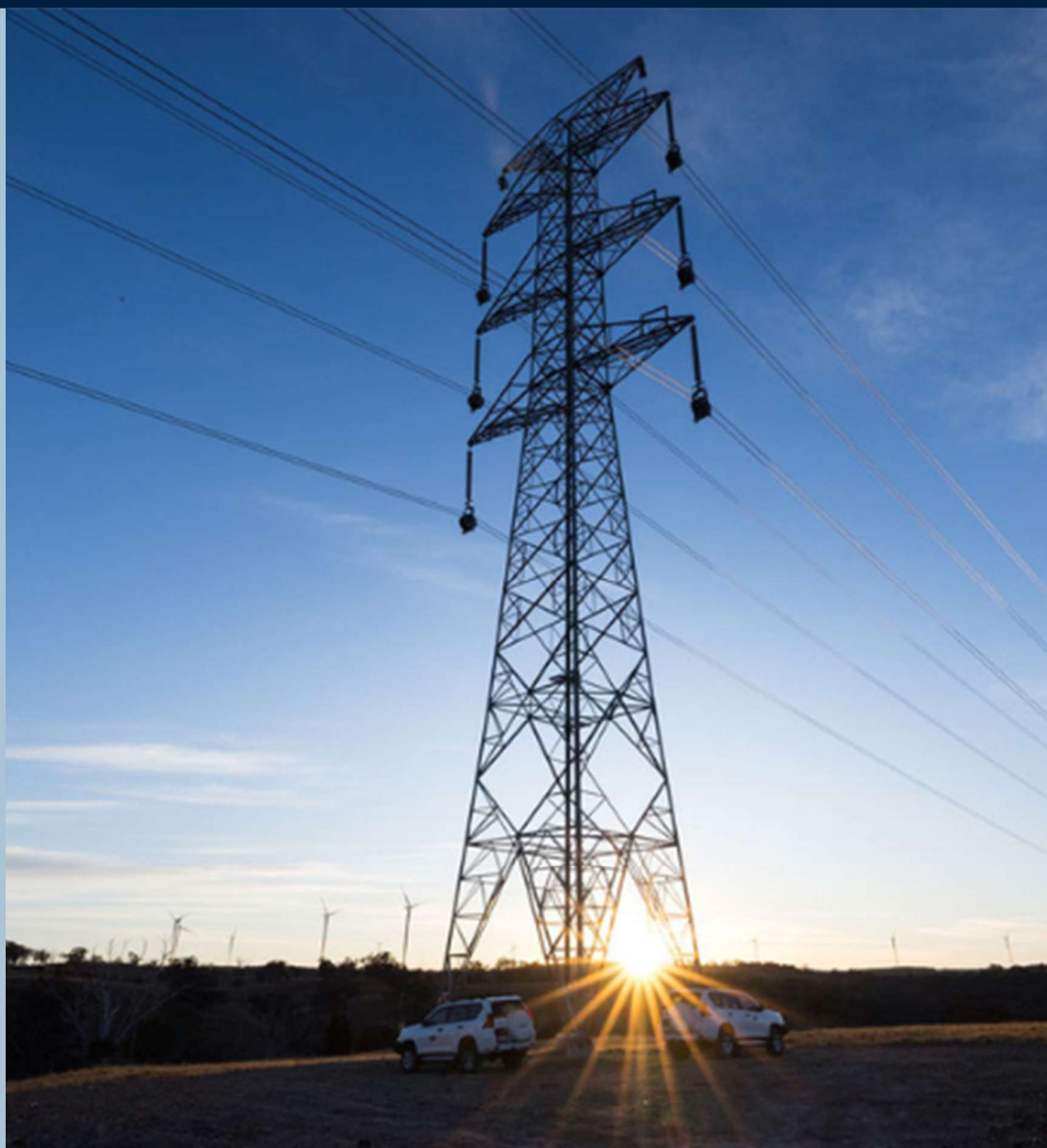




Transmission Ring-fencing Compliance Report

Reporting Period: 1 March 2023 to 31 December 2023

14 May 2024



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1. Statement of Compliance

Powerlink Queensland (Powerlink) considers it has complied with its obligations under:

- the Electricity Transmission Ring-fencing Guideline (Version 3) published by the Australian Energy Regulator (AER) on 6 July 2022;
- clauses 3.1(c), 4.4.1(a), 6.2.1, 6.2.2 and 6.3 of the Electricity Transmission Ring-fencing Guideline (Version 4) published by the AER on 1 March 2023, namely Immediate Obligations; and
- clauses 3.1(a), 3.2.1, 3.2.2, 4.1, 4.2.3(d), 4.2.4(a), 5.7 and 6.1 of Guideline (Version 4), which are Other Obligations required by 1 March 2024;

for this reporting period from 1 March 2023 to 31 December 2023 with the exception of the breaches identified in Section 6 of this report.

2. Background

The Australian Energy Regulator published its Electricity Transmission Ring-fencing Guideline (Guideline), Version 4, and associated Explanatory Statement on 1 March 2023. While the Guideline commenced on 1 March 2023, the AER adopted the following transitional arrangements¹:

- immediate compliance with some of the new obligations, namely:
 - clause 6.3 relating to reporting breaches of the Guideline within 15 business days of becoming aware of the breach;
 - clauses 3.1(c) and 4.4.1(a) regarding compliance with provisions in agreements to lease excess battery capacity and service provider arrangements; and
 - lodgement of the first annual compliance report to the AER by 30 April 2024, which would cover the period 1 March 2023 to 31 December 2023 in accordance with clauses 6.2.1. and 6.2.2.
- compliance with all remaining Version 4 obligations by 1 March 2024.

Under clause 6A.21.1 of the National Electricity Rules (the Rules), the Guideline is binding on transmission network service providers (TNSPs), and seeks to prevent TNSPs from using their position as monopoly providers of prescribed transmission services to distort outcomes in contestable markets.

Note – all references in this document to the Guideline relate to Version 4, unless otherwise stated.

3. First Annual Compliance Report

This is Powerlink's first annual Ring-fencing Compliance Report under the AER's Guideline for the transitional calendar year ending 31 December 2023. The report covers the period 1 March 2023 to 31 December 2023, consistent with the transitional arrangements set out above. The report is accompanied by an independent assurance report from KPMG.

3.1 Requirements

The Guideline requires TNSPs to prepare and lodge an annual compliance report relating to each calendar year to the AER. As set out in clause 6.2.1 of the Guideline, the annual compliance report is to identify and describe, in respect of the calendar year to which the report relates:

- the measures the TNSP has taken to ensure compliance with its obligations under the Guideline;
- any breaches of the Guideline by the TNSP, or which otherwise relate to the TNSP;

¹ AER (2023), Electricity Transmission Ring-fencing Guideline, Explanatory Statement, Version 4, March, p53.

- all other services provided by the TNSP in accordance with clause 3.1; and
- the purpose of all transactions between the TNSP and an affiliated entity.

In addition to these requirements, the AER advised in early 2024 that for the first transitional year, TNSPs should also include:

- information about its compliance with any other obligations in the Guideline where the TNSP had established internal systems to be compliant by 1 March 2024; and
- its compliance with Guideline (Version 3) obligations except where superseded by the Guideline (Version 4).

The annual compliance report must be submitted to the AER within four months of the end of the calendar year to which the compliance report relates, namely by 30 April each year.

In addition, the annual compliance report must be accompanied by an assessment of compliance with each provision of the Guideline (except 6.2.2 and 6.2.3) by a suitably qualified independent authority.

4. Powerlink

Powerlink is a leading Australian provider of high voltage electricity transmission network services, combining innovation with insight to deliver safe, cost-effective and reliable solutions. We are a Government Owned Corporation (GOC) that owns, develops, operates and maintains the high voltage electricity transmission network in Queensland. Our network extends 1,700 kilometres (km) from Cairns to the New South Wales (NSW) border, and comprises 15,358 circuit km of transmission lines and 147 substations.

Our purpose is to connect Queenslanders to a world-class energy future, providing electricity to more than five million Queenslanders and 253,000 businesses. Through our unique central position in the power system, we are guiding the market to help influence the energy system of the future, one that effectively balances customer needs, while transforming to a low carbon future comprising a diverse array of generation and storage technologies including large-scale wind and solar developments, batteries and pumped hydro. Powerlink's network provides the platform to enable the provision of these and many other energy services while maintaining a sharp focus on safety, affordability and reliability of supply for our customers.

As well as connecting large generators to end-use customers through the distribution networks owned by Energex and Ergon Energy (part of the Energy Queensland Group) and Essential Energy (in northern NSW), we also provide electricity directly to large industrial customers such as rail companies, mines and mineral processing facilities.

Powerlink is registered with the Australian Energy Market Operator (AEMO) as a Transmission Network Service Provider (TNSP) and hold a Transmission Authority issued under the Electricity Act (Qld) 1994. Powerlink has also been appointed by the Queensland Government as the entity responsible for transmission network planning in Queensland (the Jurisdictional Planning Body) for the purposes of the National Electricity Rules.

5. Measures to ensure compliance under the Guideline

5.1 Immediate Obligations

Under clause 7(b) of the Guideline, TNSPs were required to comply with the Guideline on and from 1 March 2023 (the commencement date) with respect to the clauses identified in the Table 1 below. The table also provides details of the measures Powerlink has taken to comply with the Guideline.

Table 1: Measures to comply with immediate obligations

Guideline Clause	Compliance Measures
Clause 3.1(c)	<p>Powerlink does not currently own, operate or control any energy storage devices (including batteries).</p> <p>Powerlink had put in place a process to ensure any new agreement with a third party which involves potential use of an energy storage device is reviewed by Powerlink's legal team prior to execution.</p> <p>Powerlink provided training to key parts of the business involved in the potential negotiation and execution of contracts for such devices.</p>
Clause 4.4.1(a)	<p>Powerlink has prepared a template clause which has been inserted into all new or varied agreements with service providers that enable or assist Powerlink in the provision of prescribed transmission services.</p> <p>Powerlink has provided further information in relation to this clause in Section 6.</p> <p>Powerlink provided training to key parts of the business involved in the preparation and execution of contracts.</p>
Clauses 6.2.1 and 6.2.2	<p>Powerlink prepared this compliance report as required under clause 6.2.1 of the Guideline. However, a minor delay in lodgement is identified in Section 6.</p> <p>Powerlink's Ring-fencing Compliance Report is accompanied by an assessment of compliance by a suitably qualified independent authority, KPMG.</p>
Clauses 6.3	<p>Powerlink has notified the AER in writing within 15 business days of becoming aware of any breach of its obligations under this Guideline as required by clause 6.3. See discussion at Section 6 below.</p>

5.2 Other Obligations Required by 1 March 2024

TNSPs were required to fully comply with the Guideline as soon as reasonably practicable, but by no later than the compliance date of 1 March 2024, as per clause 7(a) of the Guideline.

Powerlink notes that the timeframe for full compliance with the AER's Guideline is outside the reporting period to which this report relates. In other words, while Powerlink is not required to, it has provided additional information regarding measures it has put in place by 1 March 2024 (see Table 2), which is outside the reporting period.

Table 2: Measures to comply with other obligations

Guideline Clause	Compliance Measures
Clause 3.1(a)	<p>Powerlink is a body corporate as a registered public company under the <i>Corporations Act 2001 (Cth)</i>.</p>

Clauses 3.2.1 and 3.2.2	Powerlink's financial systems enable it to separate transactions with affiliated entities. Powerlink also allocates or attribute costs consistent with its AER-approved Cost Allocation Methodology. This includes in relation to other services.
Clause 4.1	Powerlink does not discriminate in the provision of prescribed transmission services.
Clauses 4.2.3(d) and 4.2.4(a)	<p>Powerlink prepared and published its Ring-fencing Information Sharing Protocol and Ring-fencing Information Register on its website.</p> <ul style="list-style-type: none"> • Protocol https://www.powerlink.com.au/resources/ring-fencing-information-sharing-protocol • Register https://www.powerlink.com.au/resources/information-register
Clause 5.7	<p>Powerlink prepared and published its Ring-fencing Waiver Register on its website.</p> <ul style="list-style-type: none"> • Register https://www.powerlink.com.au/resources/ring-fencing-guideline-waiver-register
Clause 6.1	<p>Powerlink prepared an internal Ring-fencing Framework which set out activities to help ensure compliance with the Guideline and roles and responsibilities in respect of those activities.</p> <p>Powerlink has delivered ring-fencing training to various teams.</p>

6. Breaches of the Guideline

Clause 6.2.1(b)(ii) of the Guideline requires TNSPs to report any breaches to the Guideline by the TNSP, or which otherwise relate to the TNSP, in respect of the calendar year to which this report relates. In this case the relevant reporting period is 1 March 2023 to 31 December 2023.

6.1 Reported

During the relevant period Powerlink reported one breach to the AER.

- In July 2023, Powerlink reported a breach whereby a Deed of Extension and Amendment with Ergon Energy was entered into without the appropriate drafting to ensure compliance with 4.4.1(a) obligations. Powerlink considered the possible detriment caused by this breach was low given Powerlink remained accountable for the works-carried out under the agreement. The breach was remedied on 17 October 2023 through the inclusion of the appropriate clause into the contract and execution.

6.2 New

Powerlink notes the new breaches below:

- Clause 4.4.1(a) of the Guideline requires that TNSPs ensure that any new or varied agreement between the TNSP and a service provider, for the provision of services to the TNSP that enable or assist the TNSP to provide prescribed transmission services, requires the service provider to comply, in providing those services, with clauses 4.1, 4.2.1 and 4.3 of the Guideline as if the service provider was the TNSP. In the course of preparing this compliance report, Powerlink identified that it entered into a new contract in April 2023 for the provision of services to Powerlink that enable or assist Powerlink to provide prescribed transmission services that did not require the service provider to comply with clauses 4.1, 4.2.1 and 4.3 of the Guideline. Powerlink will formally report this to the AER and take steps to remedy the breach.
- Clause 6.2.2 of the Guideline requires that TNSPs lodge their annual ring-fencing compliance reports to the AER within four months of the end of the calendar year to which the report relates. In other words, by 30 April each year. Following advance notification to and guidance from the AER, Powerlink lodged this compliance report with the AER on 14 May 2024.

7. Other services provided by TNSP

Clause 6.2.1(b)(iii) of the Guideline requires TNSPs to report all other services provided by the TNSP in accordance with clause 3.1 of the Guideline. Under the Guideline, other services are defined as services other than transmission services.

Powerlink notes that full compliance with clause 3.1 (other than 3.1(c)) was not required until 1 March 2024, which is outside the reporting period for this compliance report.

However, Table 3 provides high-level information on other services provided by Powerlink during the reporting period.

Table 3: Other Services

Service	Compliance Measures
All other services below	Powerlink complies with the requirements for separate accounts in clause 3.2 of the Guidelines in relation to these arrangements.
Oil testing and laboratory diagnostic services to: <ul style="list-style-type: none"> non-transmission customers; in respect of non-transmission assets; and to transmission customers not connected to Powerlink's network. 	Powerlink lodged a waiver/interim waiver application in relation to other services with the AER on 19 February 2024. As of the date of lodgement of this compliance report, Powerlink is awaiting a decision from the AER.
Consultancy/advisory services, including in relation to: <ul style="list-style-type: none"> oil testing and laboratory services; capacity and co-location services provided to QCN; and advice to the Queensland Government including in relation to Renewable Energy Zones and development of the Queensland SuperGrid. 	Subject of a waiver/interim waiver application as noted above.
QCN Services – leasing spare capacity on Powerlink's fibre optic network and co-location services to QCN (Queensland Capacity Network Pty Ltd), a telecommunications company jointly owned by Powerlink and Energy Queensland.	Subject of a waiver/interim waiver application as noted above. Tower co-location services does not materially prejudice the provision of prescribed transmission services, as per the clause 3.1(e)(i) exception of the Guideline.
Property Searches – to third parties who request information on the location of existing and/or potential future Powerlink assets.	Subject of a waiver/interim waiver application as noted above.
Property Rentals – on land or buildings purchased directly or incidental to property for future development of the transmission network	Subject to clause 3.1(e)(i) exception of the Guideline as above.
Corporate services, such as accounting, regulatory and/or administrative services to its subsidiaries: <ul style="list-style-type: none"> Harold St Holdings Pty Ltd; Powerlink Transmission Services Pty Ltd; and Copperstring 2.0 Electricity Transmission Corporation Pty Ltd. 	Subject to clause 3.1(e)(i) exception of the Guideline as above.

8. Transactions with Affiliated Entities

Clause 6.2.1(b)(iv) of the Guideline requires TNSPs to report the purpose of all transactions between the TNSP and its affiliated entities. This information is provided in Table 4.

Table 4: Affiliated Entity Transactions

Affiliate ¹	Key Purpose of Transactions
<i>Sales</i>	
CleanCo Queensland Ltd, CS Energy Ltd, Energy Queensland Ltd, Stanwell Corporation Ltd.	To enable or assist in the provision of prescribed transmission services.
CleanCo Queensland Ltd, CS Energy Ltd, Stanwell Corporation Ltd.	To enable or assist in the provision of non-prescribed transmission services (ie. negotiated or non-regulated).
CleanCo Queensland Ltd, Energy Queensland Ltd, Queensland Capacity Network Pty Ltd.	To enable or assist in the provision of other services.
<i>Purchases</i>	
CleanCo Queensland Ltd, Energy Queensland Ltd.	To enable or assist in the provision of prescribed and non-prescribed transmission services.
CS Energy Ltd, Stanwell Corporation Ltd.	Associated with non-prescribed activities.

Note 1 – includes relevant affiliated entities/subsidiaries.

9. Obligations under Guideline (Version 3)

For Powerlink's first annual Ring-fencing Compliance Report, the AER requires that TNSPs report on all obligations in Guideline (Version 3) except where superseded by Guideline (Version 4).

As Powerlink has worked toward compliance with the majority of the Guideline (Version 4) by 1 March 2024, Table 5 sets out Guideline (Version 3) clauses identified as relevant for the reporting period covered by this compliance report.

Table 5: Relevant Guideline (V3) Obligations

Clause	Compliance Measures/Information
Clause 7.1(a)(i)	Powerlink is a body corporate as a registered public company under the <i>Corporations Act 2001 (Cth)</i> .
Clause 7.1(a)(ii) and (b)	Not applicable. Powerlink did not carry on a related business (generation, distribution or retail) during the reporting period.
Clause 7.2(a) and (b)	<p>Powerlink directors are required by law to act in the best interests of Powerlink in all their decision-making, including in respect to decisions relating to the provision of ring-fenced services.</p> <p>Powerlink does not make decisions or act in a manner that discriminates in favour of an associate in relation to the terms or conditions on which ring-fenced services are provided.</p>
Clauses 7.3, 7.4 and 7.5 and 8	<p>Powerlink allocates costs consistent with its AER-approved Cost Allocation Methodology.</p> <p>Powerlink has established and maintained a separate set of accounts for ring-fenced services and an amalgamated set of accounts for its entire business since the AER's first Ring-fencing Guideline was established in 2002.</p> <p>Regulatory Financial Statements for the full financial year, 1 July 2022 to 30 June 2023 were lodged with the AER by 31 October 2023. As in previous years, these statements were accompanied by independent assurance from an appropriately qualified organisation.</p> <p>The Regulatory Financial Statements for the full financial year, 1 July 2023 to 30 June 2024, will be lodged with the AER by 31 October 2024. Again, this information will be accompanied by independent assurance from an appropriately qualified organisation.</p>
Clauses 7.6, 7.7, 7.8 and 7.9	<p>Powerlink has not shared information in relation to its ring-fenced services with an associate who takes part in a related business.</p> <p>Powerlink's marketing staff are not also servants, consultants, independent contractors or agents of an associate that takes part in a related business.</p> <p>Powerlink has four subsidiaries:</p> <ul style="list-style-type: none"> • Harold St Holdings Pty Ltd - <i>inactive</i>; • Powerlink Transmission Services Pty Ltd - <i>inactive</i>; • Queensland Capacity Network Pty Ltd; and • Copperstring 2.0 Electricity Transmission Corporation Pty Ltd. <p>None of these subsidiaries take part in a related business.</p>

	Clauses 7.8 and 7.9 are not applicable to Powerlink.
Clauses 9 and 10	Not applicable as the AER did not issue any notices to Powerlink to comply with additional obligations.
Clause 11	Not applicable as Powerlink have not applied for nor been granted any waivers relating to compliance with Guideline (Version 3).
Clause 12	<p>Powerlink continued to maintain separate and amalgamated accounts and allocated costs consistent with its AER-approved Cost Allocation Methodology.</p> <p>Powerlink developed and provided training about the obligations under the AER's Ring-fencing Guideline (Version 3) to key staff.</p>



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