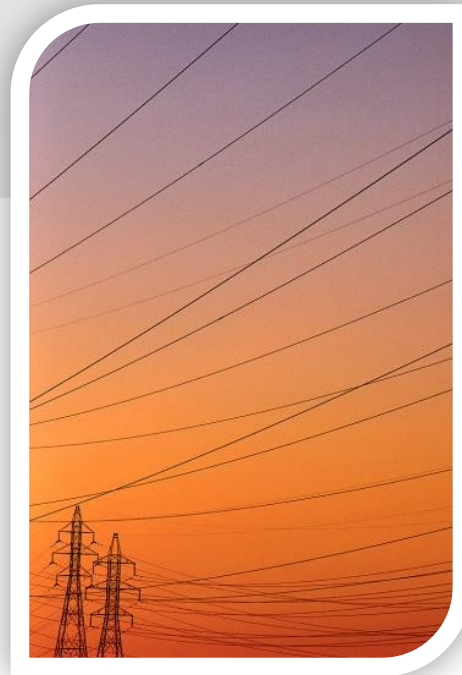


The Australian Energy Regulator



Powerlink transmission
revenue proposal 2017-22

Public Forum
15 March 2016

Agenda

- Powerlink presentation of its transmission revenue proposal
- Consumer Challenge Panel (CCP) presentation of initial views
- AER presentation of its issues paper
- Questions
- Next steps

Powerlink presentation of its revenue proposal

CCP presentation of its initial views

AER presentation of issues paper

Key points

- Proposal compliant
- A 23% drop in revenue and a Po reduction of 28% is a good start
- WACC of 6.04% reflects RoR guideline but we wait to see what Powerlink will do next
- Capex reflects much weaker demand, as we would expect
- Opex needs to be reviewed
- Contingent projects are substantial
- Tribunal outcome creates some uncertainty going forward – will become clearer in time

Powerlink reset timeline

Step	Date
Powerlink submitted its revenue proposal to AER	28 January 2016
AER published issues paper	11 March 2016
AER to hold public forum on issues paper	15 March 2016
Submissions on revenue proposal close	28 April 2016
AER to publish draft determination	September
AER to hold public forum on draft determination	October
Powerlink to submit revised proposal to AER	tba
Submissions on revised proposal and draft determination close	tba
AER to publish final determination	April 2017

Questions?

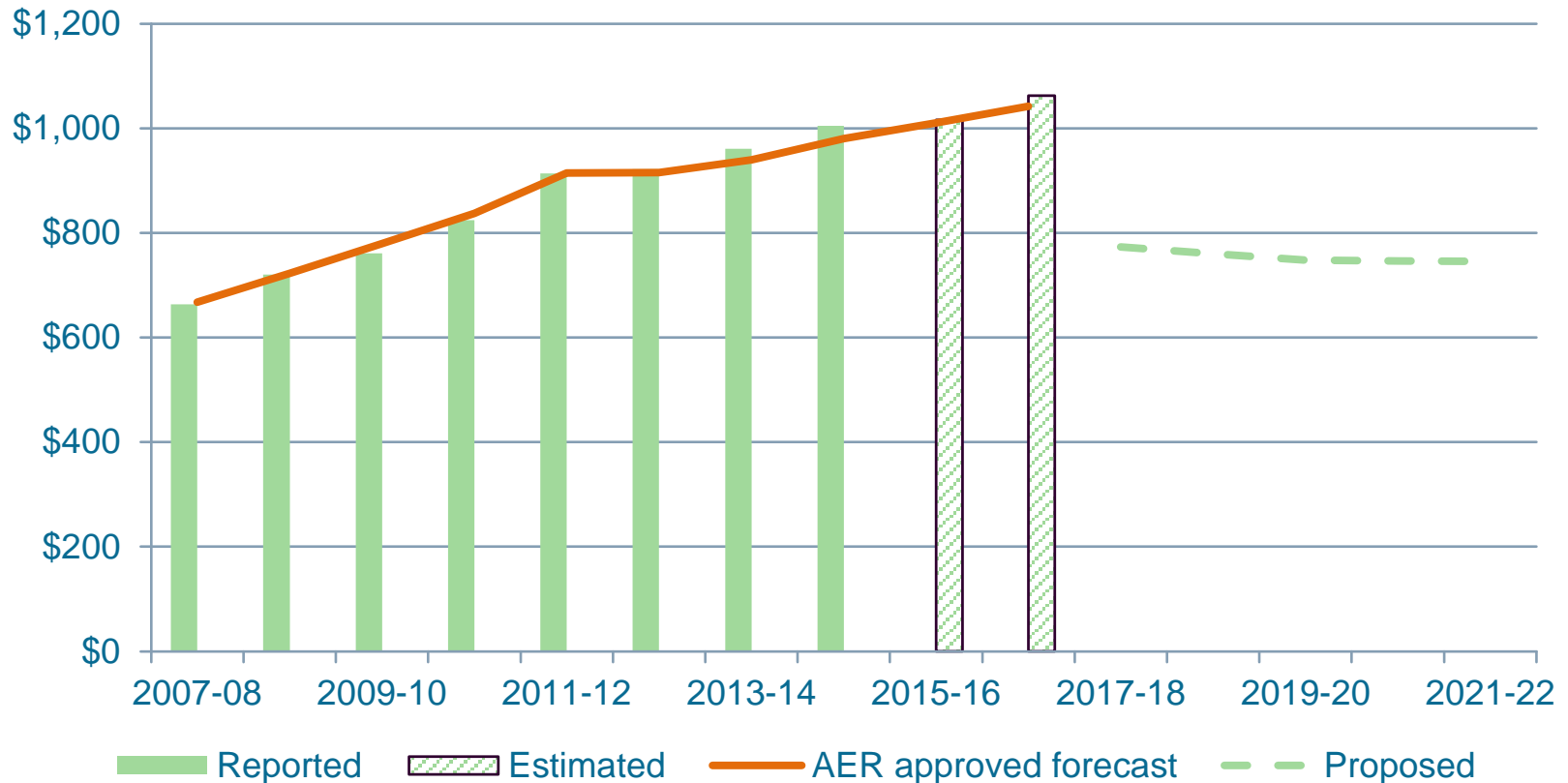
Next steps

- Submissions due by 28 April 2016
- Draft decision expected in September 2016
- Final decision due by 30 April 2017

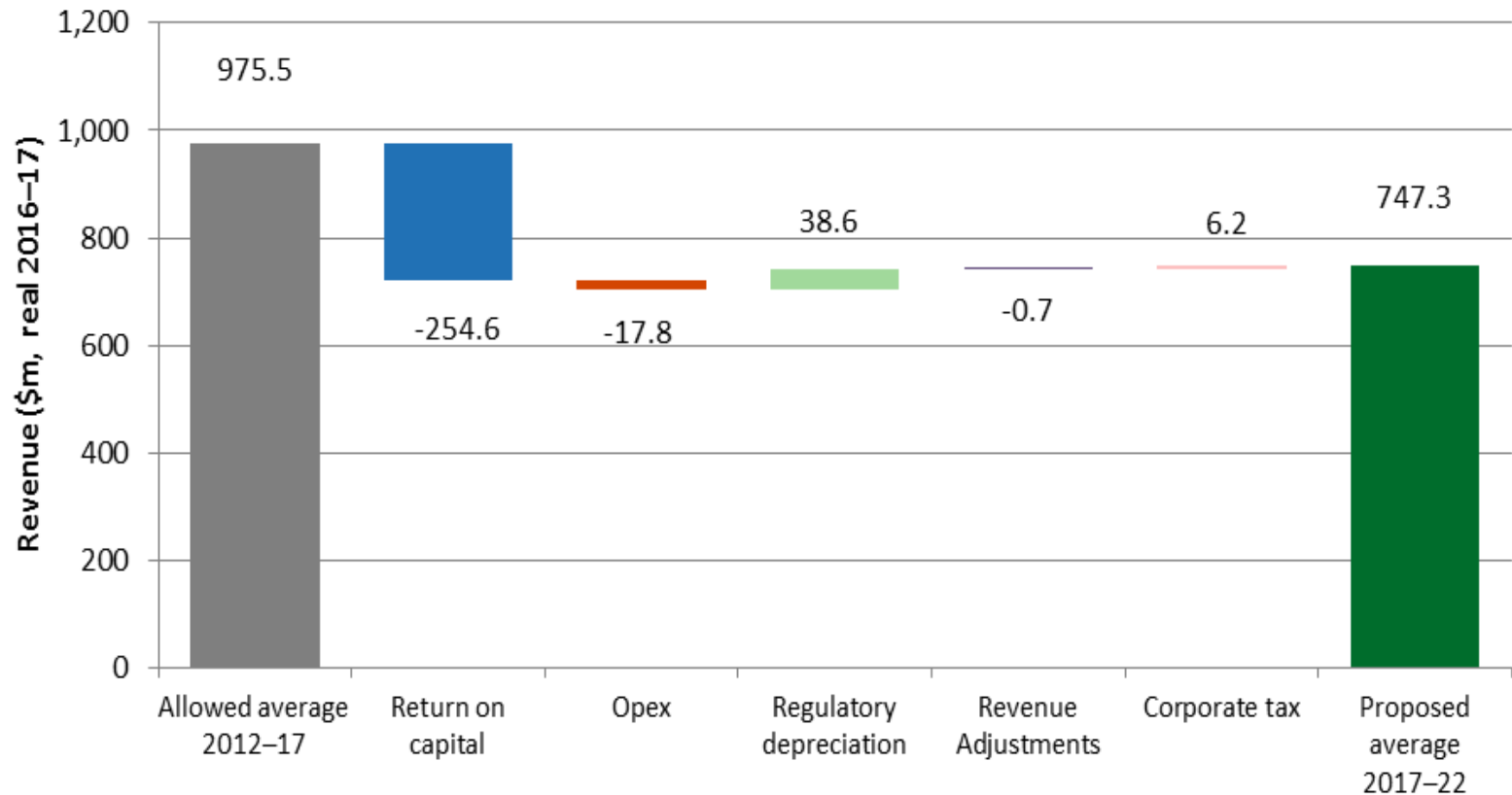
- AER contact:
 - Powerlink2016@aer.gov.au

Background information

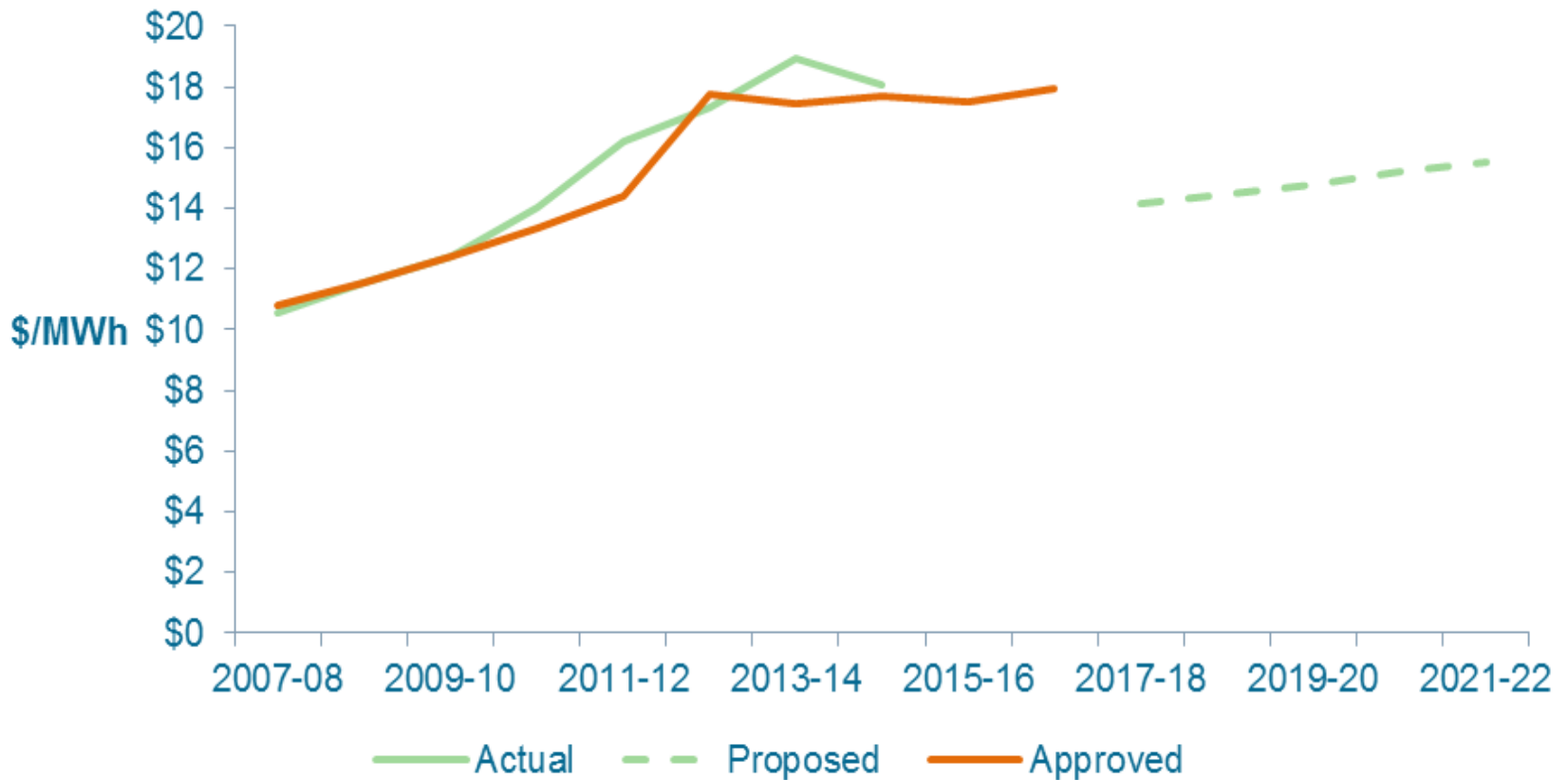
Powerlink proposed total revenue (\$m, real 2016-17)



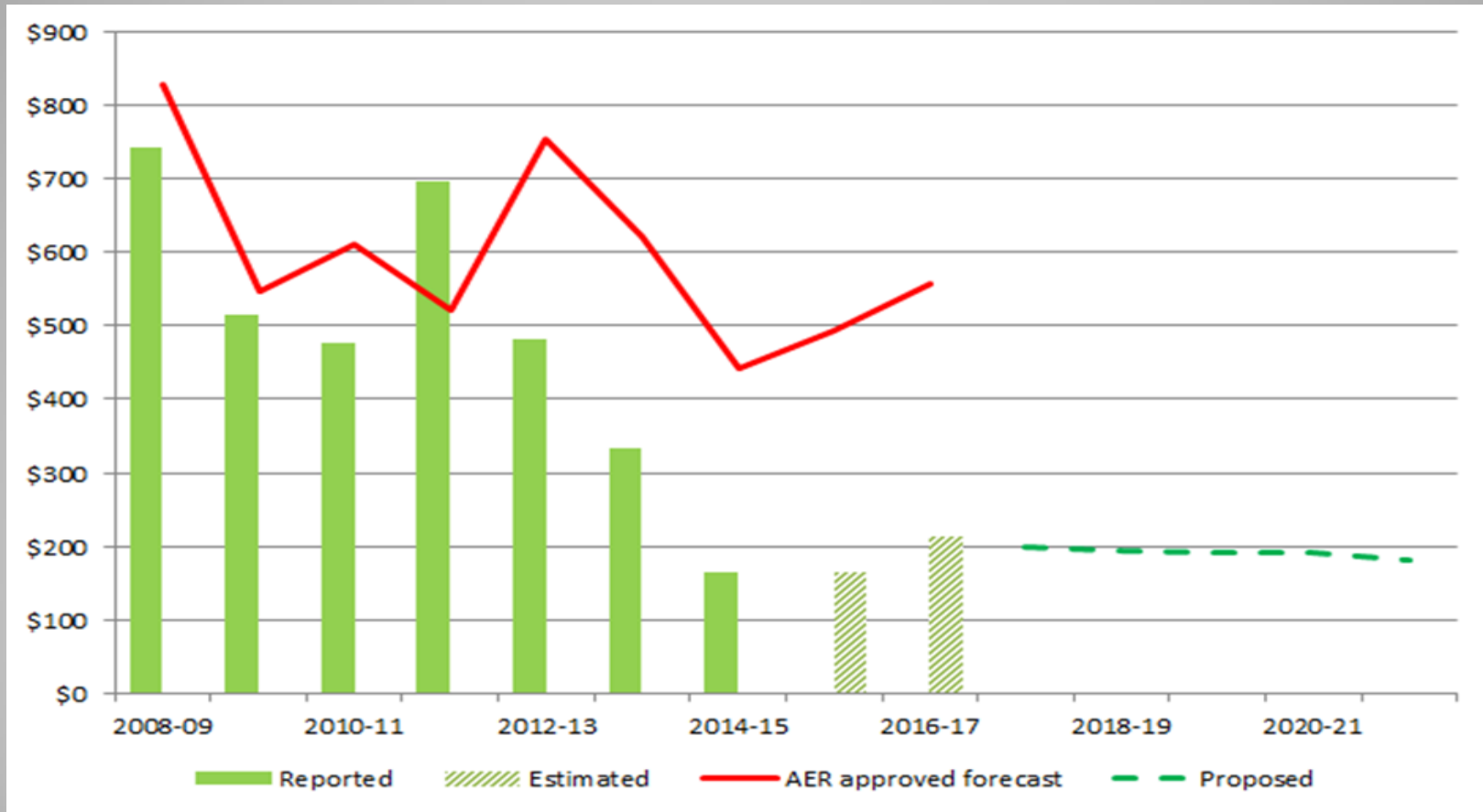
Change in 2016–17 revenue to proposed average revenue allowance for 2017–22 by revenue component



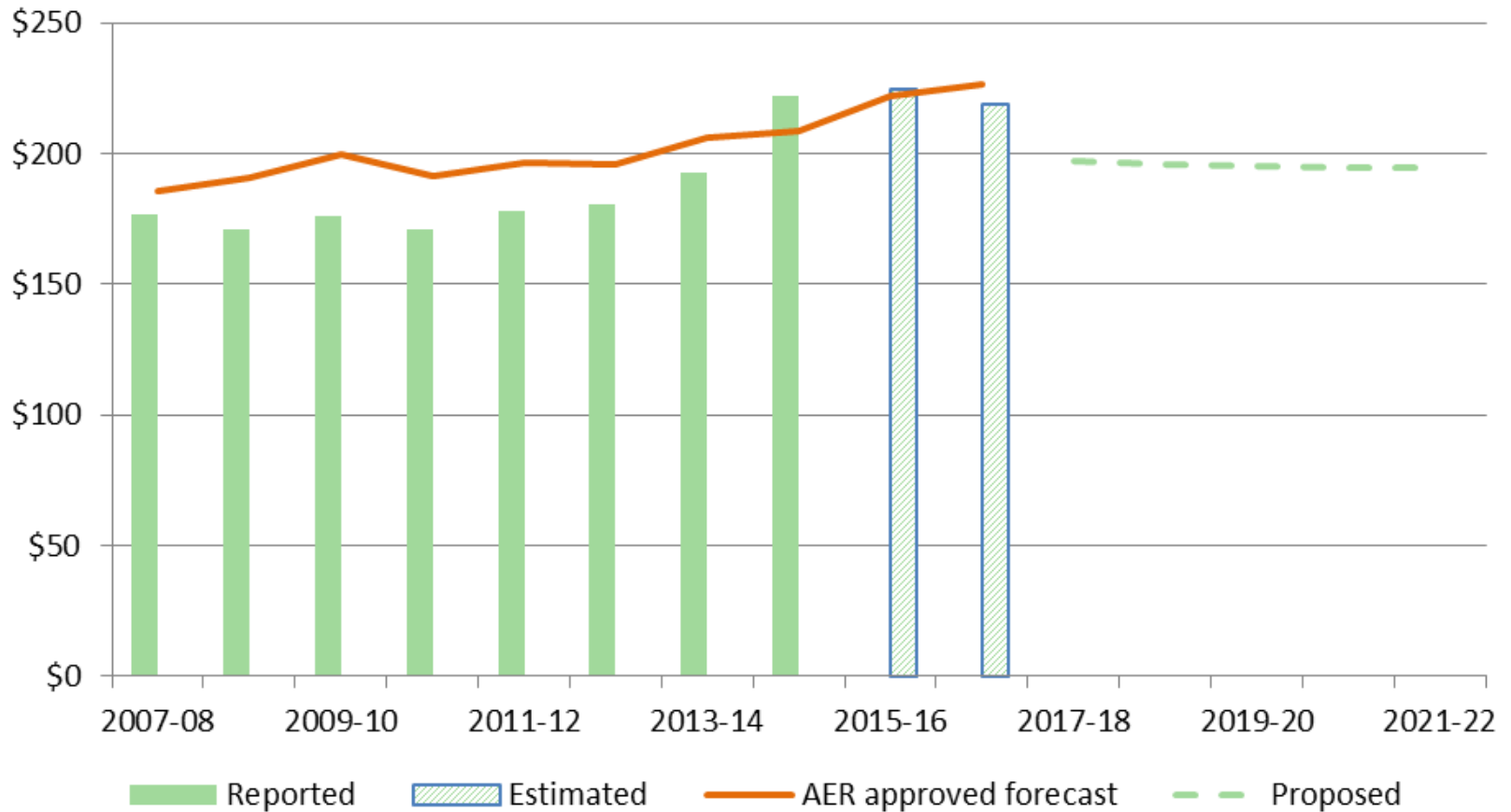
Indicative transmission price path from 2008-09 to 2017-22 (\$/MWh, nominal)



Powerlink - Historical and forecast capex (\$million, real 2016-17)



Powerlink- Operating expenditure (\$million, 2016-17)



Proposed rate of return

	Proposed*
RoE (nominal post-tax)	7.3%
RoD (nominal pre-tax)	5.2%
Nominal Vanilla WACC	6.04%
RFR (nominal)	2.72%
MRP	6.5%
Beta	0.7
Gearing	60%
Gamma	0.4

* Subject to ACT outcome