



Ref. A3226599

17 October, 2019

Mr Evan Lutton
Director – Networks Branch
Australian Energy Regulator
Casseldon Place
Level 17, 2 Lonsdale Street
MELBOURNE VIC 3000

Dear Evan,

DRAFT ANNUAL BENCHMARKING REPORT 2019

Powerlink Queensland (Powerlink) is pleased to provide this submission to the Australian Energy Regulator's (AER's) Draft Annual Benchmarking Report for electricity transmission network service providers (Draft Report) for 2019.

Comparing Across TNSPs

When the first Annual Benchmarking Report was produced in 2014 the AER was careful to not draw firm conclusions on the relative efficiency of the transmission networks. The reasons stated for this caution were that the relative rankings are sensitive to the model specification, that MTFP analysis is in its early stage of development in application to transmission networks, and that there are only a few TNSPs within Australia which makes efficiency comparisons at the aggregate expenditure level difficult.

Powerlink notes that in the Draft Report for 2019 the AER is now much less cautious on this subject. The Draft Report for 2019 includes the statement that MTFP "allows us (the AER) to compare total productivity levels between TNSPs". Powerlink considers the AER should remain cautious about drawing firm conclusions about the relative efficiency of the transmission networks. Many of the reasons for the AER's initially cautious approach in 2014 remain valid today – including sensitivity to the model specification and there being only a few TNSPs within Australia.

Powerlink also notes that the two TNSPs who have improved their MTFP results relative to their starting points in 2006, AusNet Services and TasNetworks, are both integrated with distribution network businesses. It would be useful for the AER to consider whether this is merely coincidental or if there is a causal relationship between combined TNSP/DNSP businesses and improving MTFP results.

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Opex MPFP

Powerlink is concerned that in the discussion of Powerlink's results for Opex MPFP that the AER has slipped into subjective commentary instead of the more objective reporting of results for other TNSPs.

Powerlink suggests that instead of:

Powerlink, despite a solid improvement in opex productivity over 2007 – 2011 and 2018, is only 8.6 per cent above its 2006 level in 2018.

More appropriate wording would be:

Powerlink, having improved opex productivity over 2007 – 2011 and 2018, is now 8.6 per cent above its 2006 level in 2018.

If you have any questions please contact me.

Yours sincerely,



Jennifer Harris

GENERAL MANAGER NETWORK REGULATION

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