

8<sup>th</sup> March 2012

Mr Warwick Anderson  
General Manager—Network Regulation Branch  
Australian Energy Regulator  
GPO Box 3131  
Canberra  
ACT 2601

Sent by email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear Warwick

**Submission to the AER in relation to its Draft Decision on Powerlink's Revenue Proposal for 2012-13 to 2016-17**

On the 29th of November 2011, the AER released its draft decision on Powerlink's revenue proposal for the regulatory control period 1 July 2012 to 30 June 2017. The draft decision resulted in a significant reduction to Powerlink's Maximum Allowable Revenue and variations to contingent projects directly affecting mining developments in the Galilee Basin.

Hancock Coal Pty Ltd (Hancock) holds mining development leases across Alpha and Kevin's Corner in the Galilee Basin in close proximity to the township of Alpha in Central Queensland. Hancock is planning the development of two coal mining operations at 30Mtpa each. These will be known as the Alpha Coal and Kevin's Corner Mines.

Hancock entered into a Connection and Access Agreement with Powerlink in July 2010 for an initial supply capacity of approximately 150MW from Powerlink's Lilyvale Substation from March 2015. The agreement contains a provision for a service reduction for credible contingencies on the shared 275kV network upstream of Lilyvale.

Hancock submitted a further application to Powerlink in July 2011 (after Powerlink's initial revenue application was submitted) to increase the power transfer beyond the original application in January 2016 and is awaiting a response. Hancock has recently confirmed to Powerlink that the 'likely scenario' in 2022 will be a demand of in excess of 400MW. Hancock is one of a number of large projects being investigated in the Galilee and in other areas of the network in central and northern Queensland.

Hancock is part of a working group, comprised of a number of mining developments in the Galilee Basin, which is investigating the infrastructure requirements in the area. Significant progress is being made by the individual projects represented in the group which are of a similar size and have similar development timeframes to Hancock. This group is working closely with Powerlink on electricity infrastructure downstream of Lilyvale. A significant amount of additional capacity will be required, beyond current network capabilities, in a short period of time, if these projects meet their development objectives. Beyond the operational requirements of the mines additional capacity will be required to supply domestic and commercial load increases in central Queensland driven by the positive flow on effects of the mines.

It is critical that Powerlink has the ability to provide prescribed transmission services in central Queensland to meet demand in the appropriate timeframes in-line with obligations under the National Electricity Rules and the National Electricity Objective.

In its draft decision the AER suggested Powerlink's demand forecast was upwardly biased due to assumptions relating to the energy price and underlying demand<sup>1</sup>. The demand forecast proposed by Powerlink only included 10% of actual enquires from resource related load<sup>2</sup>. Based on the progress of its own projects and that of others in the Galilee Basin, Hancock believes significant new load will be established over the coming years. There is a real danger the reduced demand forecasts by Powerlink and AER will result in inefficient network investment and result in higher costs to network users and will seriously restrict the development proposed in the Galilee region and the resulting negative impact on the Queensland and Australian economies.

The AER must take account of customer's concerns that Powerlink's network development needs to support development, not curtail them.

Hancock is also concerned about the treatment of the impact of mining on the Gross State Product (GSP)<sup>3</sup> and the forecast impacts on load growth beyond the mine fence. The development of the Galilee Basin will result in significant community, commercial and industrial development away from the specific mine sites. For the Galilee Basin developments, there will be new and expanded businesses supporting the mining and gas operations in the region from Bowen to Barcaldine as well as increased load for handling the new volumes of material at various transport points between the mines and the port.

Hancock believes that the AER is underestimating the impact of the mining development on wider load forecasts by removing mining impacts from the GSP used in forecasting general demand growth.

Hancock believes that Powerlink needs to have the ability to respond to the demand growth driven by both specific developments in the Galilee Basin as well as the broader growth stimulated by the unprecedented mining and industrial development in Queensland.

Yours sincerely



*pm* Mr Paul Mulder  
**Managing Director Coal**  
**Hancock Prospecting Pty Ltd**

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<sup>1</sup> P76, AER Draft Decision on Powerlink's Revenue Proposal 2012-13 to 2016-17

<sup>2</sup> P24 Sect 3.5.1, 2013-2017 Powerlink Queensland Revised Revenue Proposal, January 2012

<sup>3</sup> P60 Sect 6.4.3, 2013-2017 Powerlink Queensland Revised Revenue Proposal, January 2012