



Ref: A2630178

OFFICE OF THE CHIEF EXECUTIVE

1 December 2016

Ms Paula Conboy
Chair
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Dear Paula

Powerlink's 2018-22 Revised Revenue Proposal

Powerlink provides its Revised Revenue Proposal, Revised Pricing Methodology and supporting information for the five years from 1 July 2017 to 30 June 2022.¹

Through the regulatory determination process, Powerlink has focused on responding to consumer concerns over electricity prices through increased efficiency, cost reductions and the implementation of alternative solutions in the current flat demand outlook that minimised the requirement for additional investment in the prescribed network. Powerlink also sought to align its Revenue Proposal and Revised Revenue Proposal with the AER's Guidelines and approach.

Powerlink is pleased that the AER has made a Draft Decision that accepted most of the key elements of its Revenue Proposal, including the rate of return methodology, forecast operating expenditure and most elements of forecast capital expenditure with the exception of reinvestment.

Powerlink has carefully reviewed all of the matters raised by the AER in its Draft Decision. While Powerlink has accepted many elements of the AER's Draft Decision, there remain some areas where Powerlink does not agree with the AER's draft position. In particular:

- the decision to reduce forecast total capital expenditure by 19.3%, due to a reduction in forecast reinvestment capital expenditure of 23.2%;
- adjustments made by the AER to incentive schemes for operating expenditure and network performance; and
- an issue with one aspect of Powerlink's proposed Pricing Methodology.

¹ Powerlink notes that in its Draft Decision the AER approved Powerlink's Negotiating Framework for Negotiated Transmission Services. Therefore, no new document has been provided in the Revised Revenue Proposal.

Powerlink has responded to these matters in its Revised Revenue Proposal and submitted a revised capital expenditure forecast based on its current investment outlook, having regard to aspects of the AER's Draft Decision.

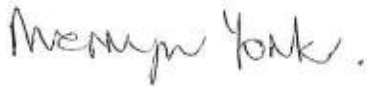
Powerlink's Revised Revenue Proposal substantially aligns with the revenue and electricity price reductions set out in the AER's Draft Decision. In the first year of the regulatory period the Revised Revenue Proposal delivers a 31% reduction in the indicative transmission price, with price growth expected to remain within CPI on average for the remainder of the period. For a residential electricity consumer, Powerlink's Revenue Proposal is expected to reduce the average annual electricity bill by about 2.9% in the first year. On the basis of assumed tariffs and consumption, this represents an estimated initial saving of between \$25 and \$41.

Powerlink looks forward to continuing to work with the AER, customers and other interested parties in the review of its Revised Revenue Proposal.

All information provided as part of the Revised Revenue Proposal may be publically disclosed unless identified in the confidentiality register submitted as part of the proposal.

If you have any queries in relation to this matter, please contact Ian Lowry.

Yours sincerely



Merryn York
CHIEF EXECUTIVE

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