

2023-27

POWERLINK QUEENSLAND REVISED REVENUE PROPOSAL

Appendix 17.01 – PUBLIC

Customer Panel Statement on DMIAM

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29 October 2021

TO: Matthew Myers
Manager, Revenue Reset

FROM: Powerlink Customer Panel

RE: APPLICATION OF DMIAM TO POWERLINK'S 2023-27 REGULATORY PROPOSAL

Recommendation

The Customer Panel recommends that Powerlink not seek to apply the DMIAM for the 2023-27 regulatory period.

Background

The final DMIAM scheme for transmission networks was released in June 2021, five months after Powerlink lodged their 2023-37 regulatory proposal in January 2021.

In its Final F&A paper (July 2020), the AER stated an expectation that the DMIAM, once finalised, would apply to Powerlink in its final determination.

In July 2021, Powerlink wrote to the AER requesting that DMIAM not be applied to their 2023-27 determination on the basis that in their view, projects that might be undertaken as part of the scheme should be pursued either in the normal course of business, including through the use of Powerlink's Innovation Framework where they provide benefits to customers, or where these projects are not efficient, they should not proceed. Powerlink stated that this approach is consistent with their commitment to driving ongoing efficiency in the business and affordability for customers.

The AER, in the Draft Decision in September 2021 did not accept Powerlink's request, stating that 'we consider it important that Powerlink's request is publicly consulted on and discussed before we make a decision'.

At the Regulatory Proposal Reference Group (RPRG) meeting on 17 September, Powerlink proposed that the Customer Panel should decide whether, in its view, Powerlink should seek to apply or not apply the DMIAM in the 2023-27 regulatory period.

Analysis carried out by the Customer Panel

Prior to the RPRG meeting, the Customer Panel had already requested further information on aspects of Powerlink's approach to demand management, innovation and information sharing with other network businesses. Specifically, the Customer Panel asked Powerlink to address two issues:

- what work is already being done related to demand management and how is Powerlink responding to demand management issues as part of business-as-usual; and
- what knowledge sharing is occurring between Powerlink and other network businesses, specifically related to demand management innovation.

Material tabled by Powerlink, and discussion at the RPRG meeting satisfied this enquiry.

The Customer Panel also requested details of projects that had been considered as potential candidates for DMIAM, and why they were deemed unsuitable. This information was provided at the Customer Panel meeting held on 22nd October.

Following the RPRG meeting, the Customer Panel met without Powerlink representatives present to discuss our position. The Customer Panel is confident that demand management innovation is managed as part of business-as-usual work at Powerlink, and that this will continue to meet future demands for this type of investigation and research. We also believe that Powerlink has freely shared information on development and innovation programs in the past, including adopting innovations from other businesses, and will continue to do this in the future.

We support Powerlink's focus on driving ongoing efficiencies in the business, and acknowledge that this is a contributing factor to Powerlink's ambition of being a world class TNSP. With this in mind, we do not see the need to apply DMIAM and increase prices for customers (albeit marginally), when we believe the required innovation and research benefits can be achieved under the standard revenue cap.

The Customer Panel has examined the issues raised by QEUN in their 23rd August letter to the AER concerning the application of DMIAM to Powerlink, and we had the opportunity to hear QEUN's views and concerns expressed during the RPRG meeting. On balance, this has not altered the views of the Panel.

Risks

In coming to this recommendation, the Customer Panel recognises that there are risks associated with their position. Our assessment of these risks is as follows.

- 1) We are assuming that the current culture and cost-efficiency mindset within Powerlink continues. We consider it extremely unlikely that this will change over the next 5 years.
- 2) There is a risk that an issue will emerge rapidly akin to system strength, and a DMIAM allowance would provide additional funds to carry out the necessary investigations/research. In this case, we are confident that Powerlink would self-fund the necessary investigations/research. We understand that the maximum funding available under DMIAM is around \$3.5 million, and we would expect Powerlink would absorb such costs if necessary.
- 3) Does this send a negative signal ie is the Customer Panel discouraging research & innovation? We don't believe this to be the case. The Customer Panel views research & innovation to be important and expects this activity to continue to be self-funded as it has been prior to the availability of DMIAM.
- 4) Will this set a precedent for other TNSPs? We do not believe so as AusNet Services Transmission in a contemporary regulatory proposal has applied for application of DMIAM.

Customer Panel Position

The Customer Panel is of the view that the necessary innovation/research projects will be executed without the need for access to a DMIAM allowance, and that this will assist in keeping prices to Queensland consumers as low as possible. We support Powerlink's position.

Customer Panel members request that at a future meeting, say 18 months' time, a briefing on studies undertaken and/or learnings from other TNSPs on DMIAM projects be provided to the panel.

Signed

Powerlink Customer Panel

Dean Gannaway – Aurizon

Andrew Barger – Qld Resources Council

Henry Gorniak – CS Energy

David Hiette – BHP

Robyn Robinson – COTA Queensland

Mark Grenning - EUAA

Ian Christmas - Edify Energy

Georgina Davis – Queensland Farmers' Federation

Claire Hamilton – Shell

Chris Hazzard – St Vincent de Paul

John Gardner – CSIRO