



OFFICE OF THE CHIEF EXECUTIVE

Ref. A4516545

28 January 2021

Ms Clare Savage  
Chair  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE, VIC 3001

Dear Clare,

A handwritten signature in black ink that reads "Clare".

### **Powerlink's 2023-27 Revenue Proposal**

I am pleased to provide our Revenue Proposal, Proposed Pricing Methodology and supporting information for the five year regulatory period from 1 July 2022 to 30 June 2027.

Our Revenue Proposal has been prepared consistent with the Rules, the Australian Energy Regulator's (AER's) Final Framework and Approach Paper for Powerlink's 2023-27 Revenue Proposal and the Regulatory Information Notice (RIN) issued by the AER for this process.

The current business and operating environment for Powerlink, and for many of our customers, is one of change and uncertainty. Affordability, the impact of COVID-19 on the economy and the challenges presented by an energy system in transition are all key factors that have shaped our Revenue Proposal.

#### *Engagement*

In May 2019 we set a clear objective to deliver a Revenue Proposal that is capable of acceptance by our customers, the AER and ourselves at the time we lodged it with the AER in January 2021. We consider that, as an overall package, our Revenue Proposal meets this objective.

We have engaged extensively with customers, stakeholders, the AER's Consumer Challenge Panel (CCP23) and AER staff on all key elements of our Revenue Proposal. We have listened and acted on customer feedback, particularly around affordability. We have also appreciated the accessibility to AER staff and CCP23 members, and their willingness to provide input throughout the development of our Revenue Proposal.

The input we have received from our engagement has directly contributed to our decisions to propose a 3% reduction in capital expenditure and a target of no real growth in operating expenditure, and has shaped a number of other positions put forward in our Revenue Proposal. We also forecast our Regulated Asset Base (RAB) to decline in both nominal and real terms over the 2023-27 regulatory period, along with a significant reduction in our Rate of Return.

Under our Revenue Proposal customers can expect to see a drop of 11% in average transmission prices in the first year of the next regulatory period (2022/23), and for price growth over the remainder of the regulatory period to be in line with inflation. For average residential and small business customers, this represents an estimated saving in the first year of \$13 and \$23, respectively. This is on the basis of assumed tariffs and consumption.

### *Challenge*

Our business has pushed itself to develop and propose the key positions on forecast capital and operating expenditure in our proposal. This has created constructive discomfort within the business as ultimately it represents stretch targets, especially for operating expenditure, which we will need to do our best to deliver on.

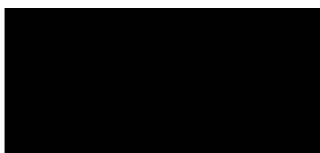
Powerlink's Board, Executive Team, and I are of the view that our Revenue Proposal has regard to the challenges and opportunities the highly dynamic economic and energy market environment presents. It demonstrates our commitment to being customer-focused, and to providing safe, secure, reliable and cost-effective transmission services to our directly-connected customers and almost five million Queenslanders.

Given the extensive engagement we have undertaken and trust we have built over the last 12-18 months to get to this point, including with the AER, we similarly put out the challenge to the AER to recognise that our Revenue Proposal is capable of acceptance. This will enable us to apply greater focus on the development and implementation of initiatives and works to deliver on our commitments and take care of business.

We look forward to the opportunity to talk directly with your Board and continuing to work with the AER, customers and stakeholders in the review of our Revenue Proposal.

If you have any queries in relation to this matter, please do not hesitate to contact me directly, or Matthew Myers.

Yours sincerely



Paul Simshauser  
**CHIEF EXECUTIVE**

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Powerlink Queensland is the registered business name of the  
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