

Our Ref: S2007/180
Contact Officer: Scott Haig
Contact Phone: (02) 6243 1207

8 July 2008

Mr Gordon Jardine
Chief Executive
Powerlink Queensland
PO Box 1193
Virginia QLD 4014


Dear Mr ~~Jardine~~

Revocation and substitution of Powerlink 2007–08 to 2011–12 revenue cap—amendment for South Pine to Sandgate contingent project

Thank you for providing the AER with a copy of the planning approval document from the Queensland Minister for Mines and Energy in relation to the South Pine to Sandgate (undergrounding route) contingent project in your letter dated 25 June 2008.

The AER has reviewed this information and is satisfied that Powerlink has met the requirements of the AER decision as set out in its December 2007 *Statement of reasons—Powerlink Queensland South Pine to Sandgate contingent project (undergrounding)*. Accordingly, the AER has adjusted Powerlink’s 2007–08 to 2011–12 revenue cap for the expected maximum allowed revenue (MAR) to take account of the South Pine to Sandgate contingent project.

An AER input error made in the post-tax revenue model (PTRM) used for determining Powerlink’s expected MAR was identified during the process of reviewing Powerlink’s contingent project application. The error was made during the determination of Powerlink’s revenue cap and had the effect of increasing Powerlink’s expected MAR beyond what was intended by the AER’s revenue cap determination. I note that in your letter dated 4 February 2008 Powerlink agreed with the AER’s request to correct this error. The AER has netted off the error from the impact of the contingent project on the expected MAR.

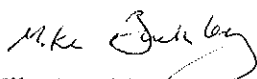
Pursuant to clause 6.2.4(d)(2) of version 9 of the National Electricity Rules, the AER considered that the revenue cap set for Powerlink on 14 June 2007 for the regulatory period

2007–08 to 2011–12 is revoked and pursuant to clause 6.2.4(e) a new revenue cap made for Powerlink for the remainder of the regulatory period (2008–09 to 2011–12). The AER has determined the amended expected MAR as shown in the table below and a revised smoothing X factor of –7.61 per cent to be applied by Powerlink for 2008–09 to 2011–12 under the CPI – X revenue cap framework.

\$nominal (million, smoothed)	2007–08	2008–09	2009–10	2010–11	2011–12
2007–2012 determination MAR	536.81	595.79	661.26	733.91	814.55
Incremental revenue	–	0.07	0.15	0.26	0.38
Amended MAR	–	595.86	661.41	734.17	814.93

A copy of the PTRM which nets off the input error from the impact of the contingent project on the expected MAR is available for inspection. Should you wish to further discuss this matter please contact Scott Haig on (02) 6243 1207.

Yours sincerely



Mike Buckley
 General Manager
 Network Regulation North Branch