



Statement of reasons

Powerlink Queensland
South Pine to Sandgate Contingent Project
(Undergrounding)

December 2007

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The AER has considered Powerlink’s contingent project application relating to the South Pine to Sandgate project. It is satisfied that Powerlink has sufficiently demonstrated that the project meets the requirements in clause 11.6.12(f) of the *National Electricity Rules* and the 2007–2012 Powerlink revenue determination. Construction of the entire line above ground would introduce transmission lines into areas where they are presently not located and this may not be appropriate on public interest grounds. Subject to formal notification that the project has received planning approval from the Queensland Minister for Mines and Energy, Powerlink’s maximum allowable revenue (MAR) will be adjusted.

The AER has assessed Powerlink’s proposed incremental revenue associated with the undergrounding works. It confirmed that it was derived using the PTRM applied by the AER in making its final decision on the Powerlink revenue determination for the regulatory control period 1 July 2007 to 30 June 2012. The AER has also verified that the net allowance for the 2km of undergrounding has been appropriately input into the PTRM and that the operating expenditure is based on the same process and labour escalation rates applied in the final decision.

The amended MAR results in a revised smoothing X factor of –7.67 per cent (the 2007–2012 revenue determination provided a smoothing X factor of –7.60 per cent).

\$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	–	0.44	0.97	1.61	2.39
Amended MAR	–	596.23	662.22	735.53	816.94

Background

On 5 November 2007 the AER received a contingent project application from Powerlink to amend its 2007–2012 revenue determination to meet the additional cost of undergrounding a 2km section of a project to support the augmentation of supply to the north-eastern Brisbane area. The project is known as the South Pine to Sandgate project.

In its application Powerlink advised the AER that it requires an adjustment to its 2007–2012 revenue determination to account for the incremental revenue associated with the undergrounding works for this project.