

Friday 29 April 2016

Australian Energy Regulatory
Powerlink Revenue Determination 2017-2022
via email: Powerlink2015@aer.gov.au

Dear Sir or Madam,

Thank you for the opportunity to provide a brief submission to the Australian Energy Regulator (AER) on Powerlink's Revenue Determination 2017 to 2022.

The QRC is the peak representative organisation of the Queensland minerals and energy sector. QRC's membership encompasses minerals and energy exploration, production, and processing companies and associated service companies. QRC works on behalf of members to ensure Queensland's resources are developed profitably and competitively, in a socially and environmentally sustainable way.

QRC has participated in a number of briefings on Powerlink's revenue determination and is a member of Powerlink's customer and consumer committee. While QRC would expect that the AER will subject Powerlink's proposal to detailed analysis and benchmarking to ensure that their proposed costs closely resemble the efficient costs of a transmission business, QRC wanted to also provide some general contextual comments as inputs to the AER's overall deliberations.

- a. Powerlink's [decision in July 2015](#) to accept the AER's guideline on the weighted average cost of capital (WACC) has greatly simplified the regulatory process for all stakeholders. QRC appreciates Powerlink's decision - which is at odds with many of their peers in other States and Territories, who have opted for more ambitious bids for their WACC.

As far as QRC is aware, Powerlink's July 2015 decision was well in advance of the [Queensland Energy Minister's direction](#) to Energex and Ergon on 29 October 2015 to similarly accept the AER's WACC guideline.

- b. Powerlink's decisions to invite members of the AER's Consumer Challenge Panel to participate as observers in Powerlink's customer and consumer committee has been a very useful innovation. It has allowed Consumer Challenge panel members to offer opinions and observations based on their experience with other regulatory processes to members of Powerlink's customer and consumer committee. Again, QRC recognises Powerlink's approach as laudable and constructive.

QRC has appreciated the way in which Powerlink has engaged with their customer and consumer committee. In particular, QRC appreciates that Powerlink has not sought to present the views of the committee as representing any form of customer mandate during the regulatory process.

- c. QRC supports Powerlink's proposal to adopt a system of contingent projects in presenting their revenue proposal. Having a clear project scope and a trigger for that project to be considered is a much better system for managing demand uncertainty than the complex probabilistic weighting that was used for Powerlink's current revenue determination.

QRC notes that at a number of public forums, stakeholders have questioned Powerlink's relatively low reduction in operational capital (7%), which seems inconsistent with the much larger reductions in forecast capital expenditure (31%) or even in maximum allowable revenue (14%). The opinion offered in these public events was that the relatively small reduction in operational capital represented an inefficient inflexibility in Powerlink's operating costs – but QRC would expect that the AER will closely assess these claims.

Thank you again for the chance to provide comments to the AER's deliberations on Powerlink. I can confirm that this submission is public and the AER is welcome to publish it on their website.

If you have any questions, or would like any further information on this submission, the contact at QRC is Andrew Barger on 3316 2502 or andrewb@qrc.org.au

Yours sincerely



Michael Roche
Chief Executive