



Hon Geoff Wilson MP
Member for Ferny Grove



**Queensland
Government**

Minister for Mines and Energy

Your Ref:
Our Ref: DME07/05514

08 FEB 2007

Mr Steve Edwell
Chairman
Australian Energy Regulator
PO Box 5250
MELBOURNE VIC 3001

Dear Mr Edwell

I refer to the Australian Energy Regulator's (AER's) draft decision regarding the Powerlink Queensland (Powerlink) revenue reset.

The draft decision provides for significantly less capital expenditure than judged prudent by Powerlink in its revenue reset application and subsequent supplementary submission. I note that this AER-imposed reduction may greatly impede Powerlink's ability to deliver an acceptable network service to customers in Queensland's environment of high load growth and increasing, volatile input costs.

As you are aware, recent public reviews of electricity distribution and service delivery in Queensland have highlighted the need for a renewed focus on investment in Queensland's electricity networks. The Queensland Government remains committed to enabling necessary investment and I urge the AER to play its part by providing sufficient revenue to enable Powerlink to continue to adequately maintain and replace Queensland's transmission network and augment it to meet growing demand.

The Queensland transmission grid is part of the 'export infrastructure chain', and timely investments in network upgrades are pivotal to the contemporaneous upgrades of mines, mineral processing plants, rail and port facilities. Queensland is experiencing an export-led mining and minerals boom with over \$6 billion of capital investment in mines and mineral processing under way and equally significant investment in major capacity expansions in rail and ports. These mine, rail and port expansions typically involve project timeframes of two and a half to three years, during which time major grid upgrades, including new transmission lines and easements, must be planned and built.

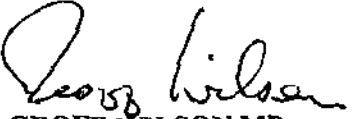
Level 17
61 Mary Street Brisbane 4000
PO Box 15216 City East
Queensland 4002 Australia
Telephone +61 7 3225 1861
Facsimile +61 7 3225 1828
Email MinesandEnergy@ministerial.qld.gov.au
ABN 65 959 415 158

I consider that the AER should provide certainty regarding recovery of costs associated with transmission investment projects which are contingent upon commitment of large metals processing and other major industrial and mining projects. To achieve this it is desirable that triggers for recovery of these costs be sufficiently broad to accommodate reconfiguration and relocation of these projects in response to changing circumstances outside Powerlink's control.

I am advised that the AER's proposed approach to accounting treatment of capital works in progress would result in an increase in network charges and retail electricity prices. I note the proposed approach would advance costs to customers, who accrue no benefit from the shift. This is of particular concern given the Queensland Government's significant investment in the introduction of full retail contestability and other market reforms to promote competition and deliver efficient consumer prices.

Should you wish to discuss this matter, please contact Mr Alan Millis, Deputy Director-General of the Department of Mines and Energy, on telephone (07) 3224 2191.

Yours sincerely


GEOFF WILSON MP
Minister for Mines and Energy