

Brisbane Office

10 April 2001

Mr Michael Rawstron
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Michael

Powerlink Queensland's Application - Transmission Network Revenue Cap

Thank you for the opportunity to comment on issues relating to an appropriate revenue cap for the Powerlink Queensland Transmission Network as indicated in your letter of 16 February 2001. There are several areas of particular interest to Stanwell Corporation Limited (SCL), which include forecasting capital expenditure, transmission constraint contracts and service standards. Each of these issues will be addressed in the following discussion.

Forecasting capital expenditure

First, investment in transmission infrastructure has a significant impact on a generator's competitiveness in the National Electricity Market (NEM) and on its revenue position. This is mainly due to improvements in marginal loss factors (MLFs) and reductions in binding transmission constraints. As a result, future transmission investment is a significant factor in a generator's planning and budgeting processes.

As Powerlink has indicated that it is unable to determine a future investment plan with certainty, SCL supports Powerlink's adoption of a probabilistic approach to long-term capital expenditure forecasting. In particular, SCL believes this approach will result in more stable customer transmission charges. We understand that for investments to proceed they will be required to satisfy the regulatory Net Benefits Test and that over-estimation will be deducted from future revenue caps at subsequent reviews.

In addition, as Powerlink is using the probabilistic approach to capital expenditure forecasting, it is essential that other market participants be provided access to information on the 72 scenarios used to develop the probabilistic outcomes. Full information disclosure will allow participants to assess the potential viability and risks of their own investments.

Further, as this revenue cap is set for a five year period, we consider it appropriate for the Australian Competition and Consumer Commission (the Commission) to conduct a mid-term review of the revenue cap.

Transmission constraint contracts

Secondly, SCL notes that the possibility of transmission constraint contracts between generators and Transmission Network Service Providers (TNSPs) has not been explicitly addressed in Powerlink's application. SCL recognises that the new network pricing regime is expected to be in place within the revenue cap period in question and there is still uncertainty surrounding the Commission's final determination on the issue. In light of this, we consider it appropriate for the Commission to provide for the possibility of such contracts and their likely financial impact, following the implementation of the new network pricing regime, in Powerlink's revenue cap.

Service standards

Finally, SCL welcomes the ACCC establishing, in its *Draft Statement of Regulatory Principles*, a set of service standards and monitoring programme for Powerlink. We recognise that this is part of the Commission's application review process. In relation to the development of these standards, we appreciate that traditional supply quality statistics are important to customers, as they are a measure of the quality of the service they receive.

However, SCL agrees with Powerlink that there are additional issues, which impact upon service delivery that should be incorporated into the package of measures. In particular, we consider that performance outcomes should be more aligned with needs of the market. For example one measure could track the number of times network outages are carried out during "off peak " or conducted as "live work" relative to the number of times network outages are carried out during peak times. We appreciate if more market based performance measures are established the relevant data must be made available to Powerlink, during the revenue cap period, in order for it to assess its own performance.

Nothing in this submission is considered confidential.

Yours faithfully

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