



Powerlink Queensland

Regulated transmission pricing

This information sheet provides an overview of the regulated transmission pricing process for Powerlink Queensland's transmission services and addresses some of the most common questions asked by customers.

Allocation of charges for transmission services

Powerlink is a regulated business with revenues set by the Australian Energy Regulator (AER). Powerlink determines and publishes the regulated transmission service prices for directly connected customers in accordance with Chapter 6A of the National Electricity Rules (NER) and Powerlink's AER-approved pricing methodology.

The pricing process, outlined in Figure 1, begins with Powerlink's **maximum allowable revenue**. This is set by the AER for each year in a five-year regulatory period based on:

- the value of Powerlink's asset base
- capital and operating expenditure (including grid support cost)
- the rate of return that Powerlink is allowed to recover.

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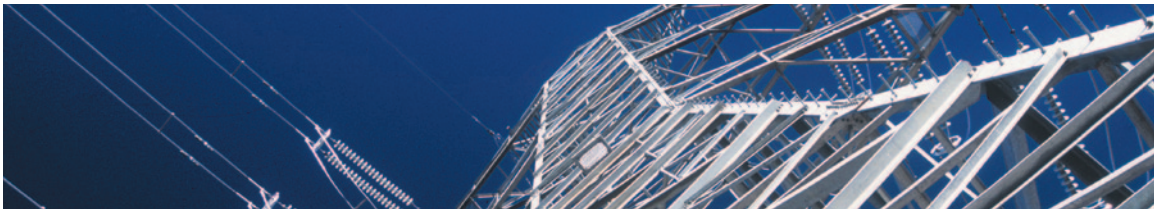
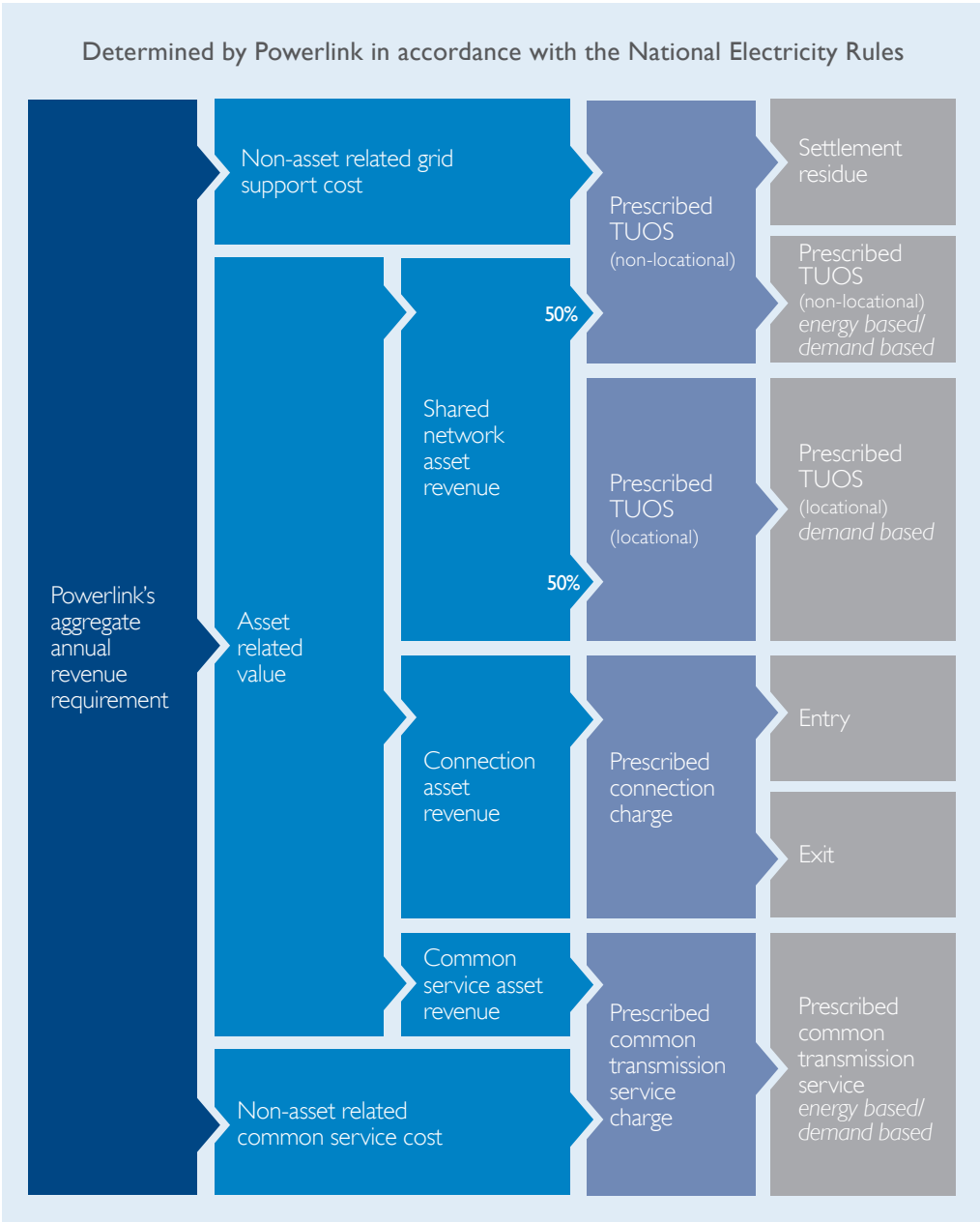


Figure 1: Pricing process for transmission services



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Allocation of charges for transmission services (continued)

The annual revenue is allocated to:

- (a) **non-asset related grid support cost**, which is the cost that Powerlink pays to contracted generators to operate during periods where the demand is greater than the combined transmission capability and local generation operating under market conditions (where this has been demonstrated to be a cost-effective alternative to augmenting the network)
- (b) **non-asset related common service cost**, which includes expenses for the overall functioning of the company that cannot be allocated to the specific assets or locations, for example electricity, rates and insurance
- (c) **asset related revenue**, the remaining amount which is further allocated to the following asset groupings:
 - **shared network assets**, which are assets that are shared by customers
 - **connection assets**, which are the dedicated regulated assets for the supply of a single customer or group connected at a single connection point
 - **common service assets**, which are assets that benefit all customers and cannot reasonably be allocated on a locational basis, for example capacitors, communications and spare parts.

Chapter 6A of the NER sets out how the **regulated transmission charges to customers** are determined. The revenue for transmission services is collected via the following charges:

- (i) **Prescribed TUOS (non-locational) charge**, consisting of 50% of the shared network asset revenue, plus non-asset related grid support cost
- (ii) **Prescribed TUOS (locational) charge**, consisting of the other 50% of the shared network asset revenue
- (iii) **Prescribed connection charge**, consisting of the connection asset revenue for regulated connections
- (iv) **Prescribed common transmission service charge**, which is the sum of non-asset related common service cost and common service asset revenue.

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Transmission prices

To collect the **transmission charges** detailed on page 3, the following **transmission prices** are derived:

- Prescribed TUOS (non-locational) energy based price (c/kWh) or demand based price (\$/kW/month)²
- Prescribed TUOS (locational) demand based price (\$/kW/month)^{3,4}
- Entry price or exit price (\$/month)⁵
- Prescribed common transmission service energy based price (c/kWh) or demand based price (\$/kW/month)².

Transmission prices are calculated by dividing the **transmission charge** by the relevant conversion factor in the table below.

$$\text{TRANSMISSION PRICE} = \text{TRANSMISSION CHARGE} / \text{CONVERSION FACTOR}$$

Customer charges (what customers are billed each month) are determined by multiplying the **transmission prices** determined above by the **invoice quantity** detailed in the table below.

$$\text{CUSTOMER CHARGE} = \text{TRANSMISSION PRICE} \times \text{INVOICE QUANTITY}$$

Summary of transmission charges, prices, conversion factors and invoice quantities

Transmission charges	Transmission prices	Conversion factors	Invoice quantities
Prescribed TUOS (non-locational) (adjusted for settlement residue ¹ and any over or under collection from previous years)	Prescribed TUOS (non-locational)² <ul style="list-style-type: none"> • energy based (c/kWh) or <ul style="list-style-type: none"> • demand based (\$/kW/month) 	Historical energy ⁶ and Maximum contract demand ⁷	<i>Either</i> Historical energy ⁶ <i>or</i> Maximum contract demand ⁷
Prescribed TUOS (locational)	Prescribed TUOS (locational)^{3,4} <ul style="list-style-type: none"> • demand based (\$/kW/month) 	Sum of average historical half-hourly demand ⁸ and either Historical demand ⁹ or Maximum contract demand ⁷	Sum of measured average half-hourly demand ¹⁰ and either Nominated demand ¹¹ or Maximum contract demand ⁷
Prescribed connection charge	Prescribed connection⁵ <ul style="list-style-type: none"> • entry (\$/month) or <ul style="list-style-type: none"> • exit (\$/month) 	Regulated connection asset value and share of infrastructure cost	Fixed charge per month
Prescribed common transmission service charge	Prescribed common transmission service² <ul style="list-style-type: none"> • energy based (c/kWh) or <ul style="list-style-type: none"> • demand based (\$/kW/month) 	Historical energy ⁶ and Maximum contract demand ⁷	<i>Either</i> Historical energy ⁶ <i>or</i> Maximum contract demand ⁷

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Billing

Powerlink's customers are issued with tax invoices at the beginning of each month covering transmission service provided in the previous month. The payment term is set in customers' Connection Agreements with Powerlink.

Tax invoices from Powerlink contain itemised transmission prices, energy consumption, GST and the total charge.

The regulated transmission prices are calculated each year for application from 1 July, in accordance with Chapter 6A of the NER and Powerlink's AER-approved pricing methodology. Non-regulated and negotiated transmission services are subject to the pricing formulae set out in customers' Connection Agreements with Powerlink. Energy estimation may be required for billing purposes when metering data is not available or is incomplete. Actual adjustment will then be made in the next invoice or when data becomes available.

Metering

Customers are responsible for payment of all costs associated with the provision, installation, maintenance, routine testing and inspection of the metering installation.

The type of metering installation and its accuracy requirements are specified in Chapter 7 of the NER schedule 7.2. They vary according to the annual amount of energy passing through each connection point.

Powerlink is an accredited and authorised metering provider. The only persons entitled to have either direct or remote access to metering data in relation to each connection point are the connected customers, network providers, customers' energy retailers and metering providers, Australian Energy Market Operator (AEMO) and the AER.

Additional information

Contact Powerlink's Network Regulation Team for more information on transmission pricing.

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Important note: The contents of this information sheet are current at the time of issue and are indicative only. Powerlink reserves the right to change its policies and procedures from time to time. Before relying on this information, you should contact Powerlink to check whether it is still current.

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Notes

1. Settlement residue is any surplus or deficit of funds retained by the market management, AEMO, upon completion of settlements to all market participants in respect of a trading interval. This surplus or deficit is then included in the transmission pricing process (refer to Figure 1).
2. Customers can pay the energy price, or enter into a capacity contract, which requires Powerlink to charge the lower one of the energy or demand based charge. For the latter option, penalties exist when maximum contract demand is exceeded.
3. Prescribed TUOS (locational) prices for each connection point are capped at $\pm 2\%$ relative to the average price change for all customers. This provides price stability for customers.
4. Customers that enter into a maximum contract demand arrangement in their Connection and Access Agreement can have their Prescribed TUOS (locational) price and charges calculated based on their agreed maximum contract demand.
5. Prescribed connection services include:
 - grandfathered connection services that were in place or committed to be built on 9 February 2006 and are provided to generators (prescribed entry services) and load customers (prescribed exit services) directly connected to the transmission network; and
 - connection services provided to connect the Ergon and Energex distribution networks to the transmission network (prescribed exit services).Prices for prescribed connection services consist of entry prices (applicable to generators), and exit prices (applicable to load customers and Distribution Network Service Providers).
6. Historical energy is energy metered during the most recent full financial year or an estimate where this is not available.
7. Maximum contract demand is the maximum demand agreed between the customer and Powerlink. There are penalties for exceedance.
8. Average historical half-hourly demand is the average of the half-hourly peak demands during the most recent full financial year.
9. Historical demand is the average of the top 10 half-hourly peak demands between November and March during the most recent full financial year.
10. Measured average half-hourly demand is the average half-hourly demand metered for the billing period.
11. Nominated demand is the average of the top 10 half-hourly peak demands between November and March, nominated by customers for the financial year.