

Overview of AER Final Decision on Powerlink's 2018-22 Revenue Proposal



The Australian Energy Regulator (AER) has released its Final Decision, providing Powerlink a maximum allowed revenue of \$3.94 billion for the next regulatory period.

Powerlink has worked with the AER and its guidelines and been provided a reasonable level of regulated revenue to deliver the safe and efficient operation of our network, while also recognising the flat demand outlook and the need to place downward pressure on electricity prices.

The AER has estimated that Powerlink's contribution to the average residential electricity bill would reduce by \$31 per annum. The reduction for each household will vary depending on tariffs and consumption patterns.

The key aspects of the Final Decision include:

Key Component	Powerlink Revenue Proposal (Jan 2016)	AER Draft Decision (Sep 2016)	Powerlink Revised Revenue Proposal (Dec 2016)	AER Final Decision (Apr 2017)
Total revenue	\$4.02b	\$3.72b	\$3.74b	\$3.94b
Total capital expenditure	\$957.1m	\$772.6m	\$886.3m	\$832.9m
Total operating expenditure	\$976.7m	\$976.7m	\$976.7m	\$976.7m
Rate of return	6.04%	5.48%	5.48%	6.02%

Total Revenue

The increase in total revenue compared to the AER's Draft Decision is primarily driven by a change in the rate of return due to higher interest rates based on the latest financial market conditions. A higher capital expenditure allowance has also contributed to higher total revenue.

While total revenue is higher than the amount provided by the AER in its Draft Decision, it is 18% lower than the maximum allowed revenue for the current regulatory period.

Capital Expenditure

The AER has reduced total regulated capital expenditure in the 2018-22 regulatory period by 6.02% compared to Powerlink's Revised Revenue Proposal.

The reduction in capital expenditure mainly relates to network reinvestment, with the AER concluding that we should be able to further optimise the scope and cost of our reinvestment plans and improve the whole-of-life performance of our network assets.

Operating Expenditure

The AER considered Powerlink's total proposed operating expenditure of \$976.7m for the 2018-22 regulatory period was reasonable and accepted this in both the Draft Decision and Final Decision.

Rate of Return

Powerlink adopted the AER's Rate of Return guidelines throughout the process. The increase in the Rate of Return in the Final Decision compared to the Draft Decision is based on current financial market conditions.

Ongoing stakeholder engagement

Powerlink acknowledges the important role played by stakeholders in the revenue determination process. We will continue to engage with customers and consumers and seek input to better inform our decision-making.

Acceptance of Final Decision

Powerlink accepts the AER's Final Decision and will not pursue Limited Merits Review of the decision.

For further information, visit the Powerlink website at www.powerlink.com.au or the AER website at www.aer.gov.au.