

# Revenue Proposal Reference Group (RPRG)

Meeting overview – 22 October 2019



Full minutes of RPRG meetings can be accessed at [www.powerlink.com.au/2023-2027-regulatory-period](http://www.powerlink.com.au/2023-2027-regulatory-period)

| Key topic   | Key discussion highlights and actions   |
|---|---|
| RPRG governance                                     | <ul style="list-style-type: none"><li>The group endorsed the RPRG's Terms of Reference.</li></ul>   |
| About Powerlink and customer engagement to date     | <ul style="list-style-type: none"><li>Powerlink reiterated its appreciation for members' time and commitment to the RPRG.</li><li>Powerlink provided a brief induction to the RPRG, with the aim being to ensure a base level of understanding and knowledge about Powerlink and its business operations, and offered further detailed training (e.g. on regulatory matters) for interested RPRG members.</li><li>Customer Panel representatives acknowledged Powerlink's 'business as usual' customer engagement approach was positive and proactive, standing the RPRG in good stead to 'hit the ground running' to cultivate transparency and trust.</li></ul> <p><b>Key action/s:</b></p> <ul style="list-style-type: none"><li>A rotating RPRG member to provide an update on the RPRG at each Customer Panel meeting to help guide broader Customer Panel positions.</li></ul>  |
| Capital expenditure (capex) forecasting methodology | <ul style="list-style-type: none"><li>Powerlink presented on its proposed Hybrid+ capital expenditure forecasting approach, outlining its reasons why this approach was considered by Powerlink to be fit-for-purpose.</li><li>The RPRG discussed Powerlink's 'actuals' vs 'allowed' capex for the current regulatory period. Powerlink committed to providing a further overview of its performance during its December 2019 meeting with the RPRG.</li><li>Members noted the challenges facing Powerlink to undertake a full bottom-up forecast and the reasons why Powerlink considers a Hybrid+ approach is most practical and efficient.</li><li>It was suggested to consider including investments that are not forecast bottom-up as contingent projects. Powerlink agreed to explore this further, noting relevant constraints under the National Electricity Rules.</li></ul> <p><b>Key action/s:</b></p> <ul style="list-style-type: none"><li>Provide overview of capex actuals vs allowed for the current regulatory period.</li><li>Powerlink to provide information on the quantum of capex that would not be forecast bottom-up, what this amount might be in dollar terms for customers and an example of typical supporting information that may be used as part of a full bottom-up forecast for a project.</li></ul> |
| Business narrative                                  | <ul style="list-style-type: none"><li>Powerlink discussed its initial thinking on items to be included within its business narrative. The business narrative is intended to allow elements of the Revenue Proposal to be considered against the context of Powerlink's longer-term vision, challenges, opportunities and customer needs.</li><li>The RPRG suggested the business narrative should reference items such as the Energy Charter, political uncertainty, risk appetite and commentary on where Powerlink has come from since the last regulatory period (i.e. reductions from the last regulatory period to this upcoming period).</li></ul> <p><b>Key action/s:</b></p> <ul style="list-style-type: none"><li>Provide information on the Powerlink Board's risk appetite as part of investment decision-making.</li></ul>  |
| Framework and Approach (F&A) initiation letter      | <ul style="list-style-type: none"><li>Powerlink advised it would be flagging three main topics within its F&amp;A initiation letter:<ol style="list-style-type: none"><li>Proposed capex forecasting methodology</li><li>Potential application of the Demand Management Incentive Scheme and Innovation Allowance</li><li>Service Target Performance Incentive Scheme.</li></ol></li><li>The Final F&amp;A will be published by the AER in July 2020, following further engagement and consultation.</li></ul>  |



More information

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