

# Revenue Proposal Reference Group (RPRG)

Meeting overview – 5 December 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
Benchmarking	<ul style="list-style-type: none"><li>Powerlink discussed the Australian Energy Regulator's (AER's) 2019 benchmarking report and reasons for differences in benchmarking outcomes across Transmission Network Service Providers (TNSPs). Powerlink noted that potential changes in reporting (e.g. reclassifying some opex expenditure to capex) could change the shape of how customers pay for transmission services and improve the comparability of benchmarking between TNSPs. It was highlighted that these changes would not necessarily lead to price reductions for customers in the long-term.</li><li>Powerlink highlighted its focus on trying to do the real work that needs to be done, to benchmark meaningfully and balance all competing factors. RPRG members encouraged Powerlink to explain the benchmarking methodology being used so customers can understand how figures have been derived.</li><li>The group highlighted the importance of Powerlink pursuing changes that provide genuine benefits to customers, rather than changes that result in 'cosmetic' improvements.</li><li>There was no strong view on whether insulator replacements should be regarded as opex or capex. Powerlink will consider this and discuss further with customers.</li><li>RPRG members noted the opportunity to offer better comparability across TNSPs but acknowledged it does not seem to be a priority for the industry and regulators at present, thus querying whether this needed to be a high focus for Powerlink.</li></ul> <p><b>Key actions:</b></p> <ul style="list-style-type: none"><li>Powerlink to provide benchmarking information based on 2019 figures.</li><li>RPRG members are invited to share additional feedback on which benchmarking measures they consider most relevant for Powerlink to consider when developing its Revenue Proposal.</li></ul>
Long-term revenue impacts	<ul style="list-style-type: none"><li>Powerlink had an exploratory discussion with the RPRG to gauge their interest in further considering the potential opportunity to 'smooth' revenue impacts for customers over the long-term, while ensuring reasonable returns for shareholders. Potential tools discussed included depreciation and indexation of the Regulated Asset Base (RAB). Possible supporting methods included running an exploratory investigation alongside traditional processes, undertaking a regulatory sandbox, conducting an independent trial and potentially pursuing rule changes.</li><li>The AER expressed some concerns about pursuing a different approach to depreciation or indexing the RAB, citing previous Revenue Determination and Tribunal decisions (e.g. APA GasNet).</li><li>RPRG members noted there would likely be different impacts of any revenue smoothing mechanisms for different customers (in particular between households and small businesses vs. large-scale end users). Members also queried when would be the most appropriate time to implement an alternative tool or method, taking into consideration timeframes for Powerlink's Revenue Determination process.</li><li>RPRG members stated they would like to understand:<ol style="list-style-type: none"><li>how some of the options proposed by Powerlink would be implemented in practice.</li><li>what the impacts on revenue could potentially look like in the short and long term.</li></ol></li></ul> <p><b>Key action:</b></p> <ul style="list-style-type: none"><li>Powerlink to run a range of scenarios and develop a conceptual model to explore the impact of these factors on revenue for various customer groups.</li><li>Powerlink to review the process required to enact changes and provide an idea of this back to the RPRG.</li></ul>
General business – Powerlink Board's risk appetite for investment decision-making	<ul style="list-style-type: none"><li>The group discussed the RPRG's previous interest in learning more about the Powerlink Board's risk appetite i.e. the trade-off with investment and reliability, and focus on driving assets as hard as possible.</li></ul> <p><b>Key action:</b></p> <ul style="list-style-type: none"><li>Provide the RPRG with the draft business narrative for review.</li><li>Provide the RPRG with more details on how Powerlink engages with the Board on risk.</li></ul>



More information

Telephone +61 7 3860 2111 or email [resetteam@powerlink.com.au](mailto:resetteam@powerlink.com.au)