

Revenue Proposal Reference Group (RPRG)

Meeting overview – 27 February 2020



Full minutes of RPRG meetings can be accessed at www.powerlink.com.au/2023-2027-regulatory-period

Key topic	Key discussion highlights and actions
Previous actions	<ul style="list-style-type: none">• Powerlink provided information on contingent projects for various Transmission Network Service Provider (TNSP) revenue determinations, outlining their cost estimates, application costs and the AER's project decision costs.• Powerlink updated the group on benchmarking in relation to treatment of the 0MWh unserved energy result from 2019 and the associated order of magnitude impacts on results. Powerlink is continuing to work with the Australian Energy Regulator (AER) to understand this impact.• There was discussion on Powerlink's continued efforts to request the AER conducts a Service Target Performance Incentive Scheme (STPIS) review, having coordinated a letter of support on this matter from Energy Networks Australia (ENA).• The group also focused on the Australian Energy Market Operator's (AEMO's) Integrated System Plan (ISP). Powerlink confirmed AEMO had generated the capital costs for the potential QNI medium interconnector upgrade included in the Draft 2020 ISP but that all Queensland jurisdictional project costs came from Powerlink. The ENA submission highlighted the need for project costs to come from TNSPs. <p>Key actions</p> <ul style="list-style-type: none">• Powerlink to circulate the ENA letter of support to the AER calling for the STPIS review.• RPRG members to consider lodging a submission to the AER requesting a STPIS review.• Powerlink to circulate a copy of the ENA submission on the Draft ISP.
Long-term revenue modelling	<ul style="list-style-type: none">• Following discussion at the RPRG meeting in December 2019, Powerlink further explored the potential opportunity to 'smooth' price impacts over the long-term, investigating two key levers – depreciation and indexation of Regulated Asset Base.• Powerlink presented initial modelling to demonstrate forecast impacts from these levers on Powerlink's Maximum Allowed Revenue and changes in the indicative price of the transmission component of electricity bills. Powerlink also shared its analysis on the barriers and benefits to potentially implementing these levers.• On balance, Powerlink recommended not progressing this work further due to challenges in relation to Rule changes required, regulatory risks and overall minimal customer benefits that would result.• RPRG members, and the AER, supported Powerlink's position. The group acknowledged Powerlink's efforts to explore a 'new way of doing things' but agreed the associated complexities of further pursuing this work were not likely to result in material outcomes for customers.
Potential operating expenditure (opex) increases	<ul style="list-style-type: none">• Powerlink noted it had identified 28 potential opex adjustments and highlighted six of these requiring further investigation at this point – Nature Conservation Act fees, Transmission Ring Fencing, National Transmission Planning fee, cyber security, Generator Technical Performance Standards, and IT licences movement to cloud-based storage.• The current estimate of potential increases is approximately \$10 to \$14 million (2019/20 real) per annum for the next regulatory period – equivalent to an approximate 5% to 6.5% increase against the current period opex allowance.• The group discussed which of these costs are in Powerlink's control and which are potentially mandated legislative and regulatory costs – and the perceived fairness around who pays. The RPRG emphasised the importance of considering the cumulative impact of these costs.• RPRG members acknowledged Powerlink's focus on engaging early regarding these potential step-changes. Powerlink will continue investigating these proposed increases in greater detail and remains committed to engaging openly with the RPRG on the updated forecasts being presented in April 2020. <p>Key actions</p> <ul style="list-style-type: none">• Powerlink to clarify whether the RAB includes easements in National Parks.• Powerlink to share initial work regarding managing the cumulative impacts of legislative change on opex.• AER to provide more information on how they assess the prudence and efficiency of cyber security step-changes.• Powerlink to provide more information on insurance arrangements for cyber security.



More information

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