

1. Pricing consultation recap

In July 2019 as part of a review into transmission pricing arrangements, Powerlink published a transmission pricing Consultation Paper. The review was prompted by customer input and changing expectations to:

- provide stronger signals to customers to encourage more efficient use of the network and therefore lower future network costs
- enable customers to reduce their costs by changing their network usage.

To help guide the assessment and discussion during the consultation process, Powerlink proposed three pricing criteria and 10 potential options to enhance pricing signals at a conceptual level (see the Appendix for criteria and options).

2. What we have heard so far

Following release of the Consultation Paper, Powerlink engaged with many of its directly connected customers and other stakeholders. Feedback on the Consultation Paper was limited. Key themes expressed during consultation included:

- General support for the proposed criteria, noting there would be potential trade-offs
- Support for the general direction of the review and acknowledgement there may be potential value in greater alignment with distribution pricing structures
- Customers want to understand the full implications of alternative pricing methodologies before providing specific comments
- Some customers considered there was merit in investigating a higher weighting of locational costs, moving towards capacity based pricing and alternatives to peak/off-peak pricing
- Interest in why Powerlink is looking to enhance demand based signals when demand is not driving network constraints.

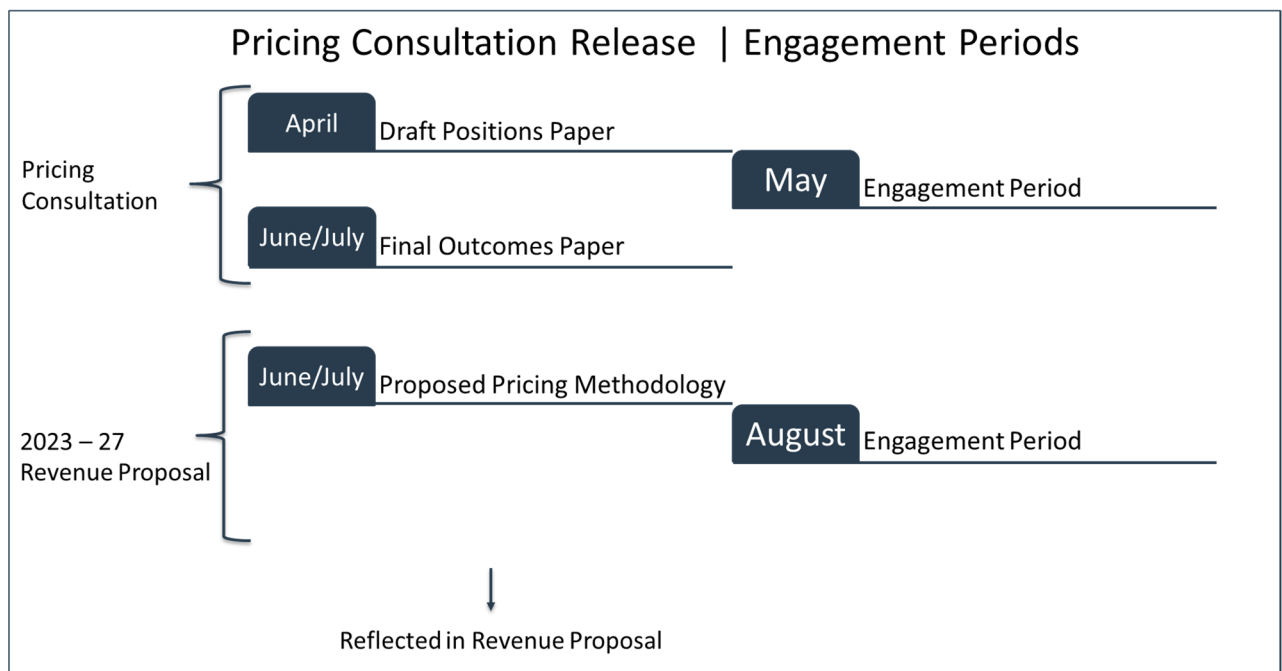
3. Proposed pricing options

Powerlink has considered feedback on the Consultation Paper and proposes to provide further detail on the following three options in its Draft Positions Paper. These options strike a balance between how customers currently use the network, advancing cost reflective signals in Powerlink's transmission pricing arrangements and the potential impacts on customers.

The table below presents the proposed options for further investigation in the context of the pricing criteria.

Pricing criteria	Efficient price signal	Price stability and transparency	Equity and fairness
Option	Rebalancing between locational and non-locational components to a 60/40 split	Locational charges determined on peak demand only	kVA Charging
Implementation timeframe	Within the Proposed Pricing Methodology as part of the 2023-27 Revenue Proposal	Within the Proposed Pricing Methodology as part of the 2023-27 Revenue Proposal	Can be progressed in future as a Rule change

4. Indicative timeframe for 2020 activities



5. Customer Panel input

We are seeking input from Customer Panel members on the following:

Should any additional options be considered in further detail in the Draft Positions Paper?

Appendix

Pricing criteria

Proposed pricing criteria	Description
Equity and fairness	<p><u>Equity</u> – transmission prices should apply to all network users based on the services provided to them</p> <p><u>Fairness</u> – transmission prices should be fairly applied and allow for transitional arrangements where network users face significant price impacts resulting from changes to pricing arrangements</p>
Price stability and transparency	<p><u>Price stability</u> – transmission prices should be sufficiently stable to enable network users to make informed investment decisions with a level of confidence</p> <p><u>Transparency</u> – transmission prices should be sufficiently transparent to enable network users to understand how prices are derived</p>
Efficient price signals	Transmission prices should provide <u>efficient signals</u> to inform network users about how their use of transmission services affects existing and future network investment and costs.

List of alternative transmission pricing options

Pricing area	Options	Impacted prescribed charges	Rule change required*
Alternatives to Cost Reflective Network Pricing (CRNP)	Modified CRNP	Locational charges, non-locational charges	No
	Long Run Marginal Cost	Locational charges, non-locational charges	Yes
	Rebalancing between locational and non-locational components	Locational charges, non-locational charges	No
Improving how transmission customers are charged	Locational charges determined on a peak demand basis only (average demand component removed)	Locational charges	No
	Postage stamped charges all demand based	Non-locational charges, common charges	No
	kVA charging	Locational charges and/or non-locational charges, common charges	Yes
Peak and off-peak pricing	Removing penalties for exceedance	Locational charges	No
	Applying specific operating periods for locational charging	Locational charges	No
Other initiatives	Timing of provision of pricing information	All charges	No
	Offering more predictable transmission prices	All charges	Will depend on implementation