

Powerlink Engagement Plan

September 2020
Version 5

2023-27
REVENUE
DETERMINATION
PROCESS



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I. A Co-Designed Approach

The purpose of this plan is to guide Powerlink's engagement approach for its 2023-27 Revenue Determination process.

This engagement plan was developed through a co-design process with Powerlink's customers and stakeholders. Customers, advocates and stakeholders collaborated with members of Powerlink's Board, Executive and Senior Leadership Team to gain insights into Powerlink's potential:

- Overarching engagement approach
- Engagement scope
- Engagement techniques
- Engagement sequencing
- Communications to support engagement
- Engagement evaluation.

Our business as usual (BAU) approach to engagement over a number of years has been dynamic and will adapt over time to ensure engagement continues to be targeted and effective.

Powerlink views engagement on its Revenue Determination process as an extension of its BAU engagement activities.

Powerlink's engagement is guided by our commitment to the following:

- [Stakeholder Engagement Framework](#)
- [Powerlink's Customer Service Charter and](#)
- [The Charter.](#)

2. Feedback and changes from previous version

This is version 2 of Powerlink's Revenue Determination process engagement plan. Version 1 of the plan was provided to Powerlink's Customer Panel, the Australian Energy Regulator (AER), the AER's Consumer Challenge Panel (CCP) and interested stakeholders for input from mid-July to August.

The table below provides an overview of input received and how it has been integrated into this version of the plan.

In addition to the responses provided below, Powerlink commits to engaging on an ongoing basis through the Revenue Determination process on scoping items related to engagement, such as content within the Preliminary Positions and Forecasts Paper, topics for deep dives, evaluation KPIs, areas for collaboration during the engagement process and engagement to occur post-Revenue Proposal lodgement.

Feedback received	Powerlink response
Investigate benefit of creating a sub-group of the Customer Panel to meet more regularly to discuss aspects of the Revenue Determination process in greater detail.	Powerlink is proposing to form a Revenue Proposal Reference Group (RPRG), subject to Customer Panel agreement. The intended role and associated governance structure of the RPRG, at a broad level, is now included within this Engagement Plan.
Be specific about the role of the Customer Panel, governance arrangements for panels and sub-panels and whether we are seeking formal agreement.	Powerlink has provided further information in Version 2 of the Engagement Plan on the role of the Customer Panel, as well as how Powerlink intends to engage at a broad level with the AER's CCP. Powerlink intends to engage further with the AER, CCP and Customer Panel on formal roles and governance framework.

Be explicit about whether you intend to publish a "Draft Plan"/"Draft Proposal".	Powerlink will publish a Preliminary Positions and Forecasts Paper by June 2020 for public consultation. This document is expected to cover a range of items (e.g. broader business narrative related to Powerlink's 2023-27 Revenue Proposal, initial capital expenditure and operating expenditure forecasts and current performance and engagement).
Use submissions received on the Preliminary Positions and Forecasts Paper to inform focus areas for deep dives in late 2020.	Powerlink will consider submissions received on the Preliminary Positions and Forecasts Paper when determining potential deep dives for consultation during July-September 2020.
Provide greater detail on evaluation KPIs and include quantitative KPIs	Powerlink has proposed a set of draft quantitative KPIs within Version 2 of the Engagement Plan.
Try and get greater clarity from the AER on its early involvement – need to get AER technical experts involved in deep dives.	Powerlink is engaging with the AER regarding early involvement opportunities and welcomes early AER involvement.
Powerlink should seek more opportunities to "collaborate" on the International Association of Public Participation (IAP2) spectrum, as opposed to consult and involve.	Powerlink has identified contingent and Integrated System Plan (ISP) projects and the Operating Environment (Narrative) as potential collaboration opportunities.
Provide clarity on whether engagement will occur post lodgement of the Revenue Proposal.	The current engagement schedule only covers the timeframe up to the Revenue Proposal stage. Powerlink is committed to engaging on the Revenue Determination process post this point (e.g. around the Draft Decision and elements of its Revised Revenue Proposal) and will discuss and determine appropriate engagement points and approach with the RPRG and Customer Panel later in this process.

In addition to changes based on customer and stakeholder input, Powerlink has made the following noteworthy changes to the Engagement Plan:

- Updated the engagement schedule to provide further detail around topics and timings.
- Added an appendix to explain terms used in **Figure 1** (Engagement Scope).
- Minor amendments to the diagram in **Figure 1** (Engagement Scope), including:
 - > Adding the Service Target Performance Incentive Scheme (STPIS) as a potential engagement area. Since the Co-Design Workshop in May 2019, Powerlink has identified an engagement opportunity regarding STPIS.
 - > Amending the positions of the capital expenditure forecasting methodology and operating expenditure forecasting methodology. The position of these items previously indicated they had a significant impact on Maximum Allowed Revenue (MAR). Powerlink's view is that while methodologies are important, it is the components forecast themselves which contribute to MAR, and have therefore moved these two items down on the MAR axis of the diagram.

3. Engagement Goal & Principles

2023-27 Revenue Determination Process Engagement Goal

To undertake engagement to deliver a Revenue Proposal that is capable of acceptance by our customers, the Australian Energy Regulator and Powerlink.

2023-27 Revenue Determination Process Engagement Principles

- **Active Engagement** - Actively involve customers and stakeholders in developing and refining our engagement approach.
- **Appropriate Influence** - Engage at the appropriate level of the International Association for Public Participation (IAP2) Spectrum so that customer and stakeholder feedback appropriately influences decisions.
- **Plan Ahead** - Communicate timings for key engagement activities well in advance to maximise participation by customers and stakeholders.
- **Efficient Scope** - Ensure scope leads to efficient engagement by discussing the elements of Powerlink's Revenue Proposal that have the greatest ability to be influenced and significant impact on Maximum Allowed Revenue (MAR) or improvement of outcomes.
- **Appropriate Resourcing** - Provide education and funding support to allow customer representatives to undertake independent research and reviews if required.
- **Accessible Information** - Present information in a clear and accessible manner so that customers and stakeholders can meaningfully participate in engagement activities and provide informed feedback.
- **Demonstrate Impact** - Demonstrate how engagement has changed Powerlink's positions throughout the process by regularly communicating with customers and stakeholders about how their feedback was taken into account.

4. Powerlink's Engagement Approach

Powerlink's engagement approach will be built on the following foundations:

1. **Fit-for-purpose with positive customer outcomes**
2. **Create a clear business narrative**
3. **Seek early involvement from the AER**
4. **Apply a transparent and rigorous approach.**

4.1. Fit-for-purpose approach

As a Queensland-based transmission business, Powerlink will adopt an engagement approach that aligns with our business, customer and stakeholder needs. Leveraging off BAU engagement activities will be a key focus – in particular working closely with our Customer Panel – as well as working with the AER and the AER's CCP.

4.1.1. Customer Panel

Powerlink's Customer Panel will play a primary role in influencing Powerlink's Revenue Proposal.

The composition of the current panel is:

Customer and stakeholder representatives	Powerlink representatives
• Aurizon • BHP • Council on the Ageing (COTA) • CSIRO • Edify Energy • Energy Consumers Australia • Energy Queensland • Energy Users Association of Australia (EUAA) • Queensland Farmers' Federation • Queensland Resources Council • Shell/QGC • St Vincent de Paul	• General Manager Network Regulation • General Manager Strategy • General Manager Business Development • Customer Strategist • General Manager Communications (facilitator)

Since its establishment in May 2015, Powerlink has worked closely with panel members to improve knowledge of the transmission industry, the regulatory framework and Powerlink operations.

While the knowledge of existing panel members is extensive, Powerlink will work with the Customer Panel regarding any additional or complementary skill sets which may be required to assist during the Revenue Determination process.

4.1.2. Proposed Revenue Proposal Reference Group

Following feedback from customers and stakeholders on this Draft Engagement Plan, Powerlink has committed to form a Revenue Proposal Reference Group (RPRG) involving four to five members of its existing Customer Panel. The purpose of the RPRG is to enable Powerlink to engage in more detail, and more regularly, than with the larger existing Customer Panel. The RPRG will consider key aspects of the Revenue Proposal in detail and provide customer input to Powerlink's Revenue Proposal development on a monthly basis. Formulation of the RPRG as a sub-set of the Customer Panel is in line with feedback from Co-Design Workshop participants who indicated their preference was to not establish a negotiating panel separate to the existing Customer Panel.

The table and diagram below outlines Powerlink's proposed format for the RPRG and broadly outlines the operations of both the Customer Panel and RPRG. Powerlink will engage with its Customer Panel members to obtain agreement regarding the formation of the RPRG.

	Existing Customer Panel	RPRG
Standing membership	12 external representatives 5 Powerlink representatives	4 to 5 members of Customer Panel General Manager Network Regulation General Manager Communications Manager Revenue Reset
Invited stakeholders / observers	AER CCP and AER staff for Revenue Proposal related discussions.	AER CCP, AER staff, other Customer Panel members
Meeting frequency & duration	Three hour meeting, three to four times a year.	Monthly meetings of two to three hours duration.
Focus areas	Provide input and guidance on key aspects of the Revenue Proposal, including areas for discussion at RPRG meetings. Provide input on other BAU Powerlink activities.	Detailed involvement on key aspects of the Revenue Proposal. Report back to Customer Panel on discussions.
Budget to support engagement on Revenue Determination process	Powerlink will financially support reasonable expenditure by the Customer Panel, for instance, to commission its own research into aspects of Powerlink's Revenue Proposal. A governance framework will be developed for funding approvals.	

Membership of the RPRG will be through an Expression of Interest (EOI) process to ensure appropriate representation of customer views and experience. A formal Terms of Reference (ToR) will be developed for the RPRG to guide its operations.

Membership of the RPRG will be through an Expression of Interest (EOI) process to ensure appropriate representation of customer views and experience. A formal Terms of Reference (ToR) will be developed for the RPRG to guide its operations.

Discussions held with the RPRG will be presented to the full Customer Panel before any position is confirmed.

The RPRG's primary role is not as a separate negotiating panel, rather allow for more regular discussions and input on aspects of the Revenue Determination process. This is in line with feedback from Co-Design Workshop participants who indicated their preference was to not establish a negotiating panel separate to the existing Customer Panel. Powerlink's intention would be to use the RPRG as a negotiating panel only if agreement with the Customer Panel could not be reached on key elements of the Revenue Proposal.

4.1.3. Role AER CCP

The AER's CCP provides an advisory role to the AER. Its objective is to advise the AER on:

- whether network businesses' proposals are in the long-term interests of consumers;
- the effectiveness of network businesses' engagement activities with their customers and how this is reflected in the development of their Revenue Proposal¹.

Powerlink will involve the AER CCP in engagement activities as appropriate, including key forums such as Customer Panel and RPRG meetings. As per the role of the AER CCP and its Governance Handbook, Powerlink's engagement with the CCP will be in their advisory capacity to the AER, not as a negotiation party.

4.1.4. Other Customers and Stakeholders

Powerlink will continue to engage with other customers and stakeholders as part of existing business processes and will build upon this where individual customers and stakeholders would prefer greater direct interaction where practical.

4.1.5. Regional focus

With Powerlink's network stretching 1,700 kilometres from north of Cairns to the New South Wales border, it is important that engagement opportunities are provided across relevant parts of Queensland. Powerlink will provide opportunities for interested regional stakeholders to participate and provide input on areas relevant to them and their communities.

4.2. Create a clear business narrative

Powerlink will work with our customers and stakeholders to create a clear business narrative so elements of the Revenue Proposal can be considered within the context of our longer-term vision, challenges, opportunities and customer needs.

The narrative will communicate how the future operating environment may shape Powerlink operations and its impact on potential future revenue requirements. It will outline how the 2023-27 regulatory period sits in the context of past performance as well as potential requirements in the next 10 to 20 years. It will also discuss how Powerlink benchmarks against other transmission networks.

4.3. Seek early involvement from the AER

For Powerlink to achieve its engagement objective, it relies on early involvement from the AER to provide input and feedback on key aspects of the Revenue Proposal prior to lodgement is critical.

Customer and stakeholder representatives rely on the AER's technical analysis to gain confidence on the more technical elements of the Revenue Proposal.

Powerlink will continue to seek to involve the AER from an early stage on key aspects of the Revenue Proposal, such as capital and operational expenditure forecasts and participation in deep dives.

4.4. Apply a transparent and rigorous approach

Powerlink will establish engagement protocols regarding confidentiality, panel and forum operations and potential conflicts of interest to ensure a transparent and rigorous approach is followed.

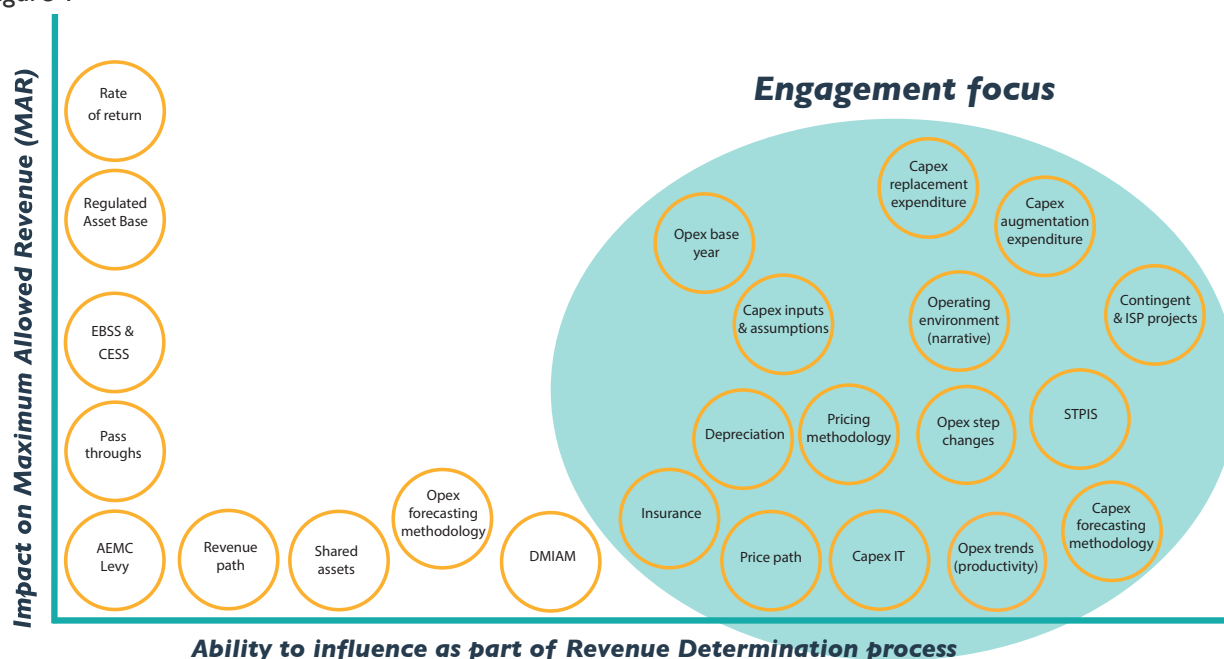
The terms of reference for the Customer Panel will be updated to ensure purpose, composition, responsibilities and reporting requirements are clearly understood and met. Terms of reference for the Revenue Proposal Reference Group will also be developed.

¹ AER CCP objectives: <https://www.aer.gov.au/about-us/consumer-challenge-panel>

5. Powerlink's Engagement Scope

Powerlink understands that customer and stakeholder representatives are time poor and resource constrained. Providing a clear scope for engagement so they can best allocate their time is vital to delivering a Revenue Proposal that is capable of acceptance. The scope will drive efficient engagement by discussing the most relevant elements of Powerlink's Revenue Proposal. During the Co-Design Workshop, participants plotted elements which they considered had the largest impact on MAR against the ability for that aspect to be influenced by engagement. A consolidation of the input from the workshop is shown below in **Figure 1**. A definition table for terms used is included as **Appendix 1**.

Figure 1



5.1. Engagement scope against IAP2 Spectrum

Using the inputs from the Co-Design Workshop, the following aspects of the Revenue Determination process have been plotted against the relevant level of the IAP2 Spectrum in **Table 1**. Powerlink will work with customers and stakeholders further to refine these items e.g. any potential opportunities to include aspects of the Revenue Determination process at the “Collaborate” level of the spectrum.

Table 1

Level of IAP2 Spectrum	Aspect of Revenue Determination Process
Empower <i>To place final decision-making in the hands of customers and stakeholders</i>	
Collaborate <i>To work together with our customers and stakeholders to formulate alternatives and incorporate their advice into final decisions to the maximum possible extent</i>	Engagement approach Operating environment (Business Narrative) Contingent projects (including contingent reinvestment concept) Depreciation tracking approach
Involve <i>To work directly with customers and stakeholders to ensure their concerns and aspirations are directly reflected in the alternatives developed</i>	Insurance Capital expenditure – forecasting methodology Operating expenditure – efficient base year, step changes, productivity Service Target Performance Incentive Scheme (STPIS) Transmission Pricing Consultation / Proposed Pricing Methodology AER Benchmarking Cyber security Long-term revenue smoothing Capable of acceptance criteria Preliminary Positions and Forecasts Paper (PPFP) content Publication of a draft Revenue Proposal
Consult <i>To obtain feedback on alternatives and draft proposals.</i>	ISP projects COVID-19 potential impacts Capital expenditure – augmentation expenditure, reinvestment expenditure, key inputs and assumptions, Information Technology Inflation
Inform <i>To provide balanced information to keep customers and stakeholders informed.</i>	Operating expenditure – forecasting methodology AEMC Levy Risk appetite Rate of return Efficiency Benefit Sharing Scheme (EBSS) and Capital Expenditure Sharing Scheme (CESS) Regulated Asset Base Shared assets Pass throughs

Increasing level of influence on decision

6. Powerlink's Engagement Techniques

Powerlink will review its engagement techniques to ensure alignment with customer and stakeholder preferences and expectations.

Feedback received from customers and stakeholders with regards to engagement techniques was to leverage off existing BAU engagement activities as much as possible. Insights included:

- Customer Panel should play a primary engagement role
- Publish early forecasts approximately six months in advance of the Revenue Proposal to provide greater visibility and opportunity for comment
- Need to undertake one-on-one briefings with directly-connected customers and target stakeholder groups
- Raise customer and stakeholder understanding of transmission industry including regulatory environment
- Deep dives should focus on large, complex or contentious topics that have the greatest potential to impact MAR (see Engagement Focus diagram on page 7)
- Test interest in hosting engagement forums in regional locations
- Use webinars and Powerlink website to make information easily accessible despite geographic location
- Establish microsite or dedicated section on Powerlink website to educate and facilitate interactive feedback and discussion
- Investigate site tours to allow customers and stakeholders to learn about Powerlink's operations.

6.1. Range of techniques

The following sections outline the range of techniques Powerlink will use for engagement on its Revenue Determination process. This list is not intended to be exhaustive and Powerlink welcomes suggestions for new techniques from customers and stakeholders. Identified techniques include:

- Customer Panel
- Revenue Proposal Reference Group (RPRG)
- Preliminary Positions and Forecasts Paper
- Transmission Network Forum
- Workshops/webinars
- Deep Dives
- Regional Engagement Forums
- Digital engagement
- Formal research
- Site tours
- Information development.

6.1.1. Customer Panel

The Customer Panel will play a key role in engagement on a range of relevant aspects of the Revenue Determination process, with Powerlink's goal to come to formal agreement on relevant aspects of the Revenue Determination process.

At this stage, Powerlink proposes to have dedicated sessions with the Customer Panel on the following topics prior to lodgement of its Revenue Proposal in January 2021. This is in addition to other business-as-usual discussions Powerlink will have with the panel.

Indicative Timeframes	Potential discussion topics
August 2019	Draft Engagement Plan
December 2019	Business Narrative and benchmarking
February 2020	Contingent projects, ISP projects and IT capital expenditure
May 2020	Expenditure Forecasting Methodology
July 2020	Preliminary Positions and Forecasts Paper and deep dive focus areas
November 2020	Dedicated session on Revenue Proposal

6.1.2. Revenue Proposal Reference Group (RPRG)

Formed from members of the Customer Panel, the RPRG will meet on a monthly basis to have more detailed discussions on aspects of the Revenue Determination process. This group will then report back to the wider Customer Panel for consideration. See section 4.1.2 for further detail.

6.1.3. Preliminary Positions and Forecasts Paper

To be released in July 2020, this paper will outline Powerlink's positions and expenditure forecasts. Public submissions will be invited for one month following publication of this document. The feedback received will help shape future engagement priorities, including deep dives and regional forums.

6.1.4. Transmission Network Forum

Powerlink hosts the Transmission Network Forum each year. It brings together more than 120 customer, industry and government representatives to discuss key transmission challenges and opportunities. An update on Powerlink's Revenue Determination process will be discussed at the Transmission Network Forum with dedicated sessions held as required.

6.1.5. One-on-one briefings

One-on-one briefings will be held with Powerlink's directly-connected customers and key industry and stakeholder organisations where appropriate. These briefings will allow information on the Revenue Determination process to be tailored to suit individual customer or stakeholder needs.

6.1.6. Workshops/webinars

Powerlink will seek to hold workshops/webinars on the following aspects of its Revenue Determination process. Workshops/webinars will be held up to June 2020 (prior to the release of the Preliminary Positions and Forecasts Paper). Webinars may be utilised in favour of physical workshops to allow customers and stakeholders to provide input regardless of their physical location.

The topics may change following engagement with the RPRG and Customer Panel on their relevancy (i.e. relative impact on MAR and ability to influence), plus time available to dedicate toward these sessions and interest from wider customers:

Potential topics

- Capital expenditure forecasts, methodology, key inputs and assumptions.
- Operational expenditure forecasts, methodology, key inputs and assumptions.
- Integrated System Plan (ISP) and contingent projects.
- Service Target Performance Incentive Scheme (STPIS).

6.1.7. Deep dives

Powerlink will undertake deep dive sessions during August-September 2020, post publication and receiving submissions on the Preliminary Positions and Forecasts Paper in July 2020. Deep dive sessions focus on complex subjects to allow detailed exploration of issues. These sessions could potentially run up to a full-day. Powerlink will seek to involve a wide group of customer and stakeholder representatives, including the Customer Panel, the AER and AER CCP.

Deep dives focus areas will be determined based on significant focus areas of the Revenue Determination process, submissions received on Preliminary Positions and Forecasts Paper and input from the RPRG and Customer Panel.

6.1.8. Regional engagement forums

Powerlink will gauge interest in hosting a series of regional engagement forums to allow customers and stakeholders the opportunity to provide input in a face-to-face environment in their community. These forums would likely coincide with the release of the initial forecasts to allow feedback on multiple aspects of the Revenue Determination process. Potential locations for the forums are Townsville, Mackay, Gladstone and Cairns.

6.1.9. Digital engagement

Powerlink will establish a microsite or dedicated section on its website that will act as a central point for customers and stakeholder to access information on the Revenue Determination process and provide interactive feedback and input through a digital platform.

6.1.10. Formal research

Powerlink will gain customer and stakeholder insights from its formal research mechanisms including the Queensland Household Energy Survey and Powerlink Stakeholder Perception Survey.

6.1.11. Site tours

Powerlink will include potential site tours of network assets as part of discussions on capital and operational expenditure forecasts to provide the opportunity for customer and stakeholder to see firsthand asset condition and proposed management practices.

6.1.12. Information development

Powerlink will develop information sheets, animations and infographics as required to simply explain key aspects of its Revenue Proposal.

7. Evaluation

The overarching measure to evaluate the success of Powerlink's engagement on its Revenue Determination process is if we achieve our goal of undertaking engagement to deliver a Revenue Proposal that is capable of acceptance by our customers, the AER and Powerlink.

Evaluation of Powerlink's engagement will:

- Be iterative throughout the Revenue Determination process
- Use a combination of formal and informal methods
- Use both quantitative and qualitative measures
- Demonstrate the value of engagement and how it is impacting on decision-making
- Determine the effectiveness of information provided to participants
- Identify satisfaction levels of participants with engagement activities
- Be made available to participating customers and stakeholders.

7.1. Engagement tools

Powerlink will use a range of tools to evaluate the effectiveness of its engagement. This is not intended to be an exhaustive list and Powerlink is open to suggestions from customers and stakeholders about other tools that may be available:

- Pulse check surveys
- Post-activity satisfaction surveys
- Formal research
- Informal debriefs
- Website analytics

7.1.1. Pulse check surveys

Regular pulse check surveys will be used to rate the effectiveness and quality of information provided to customers and stakeholders.

7.1.2. Post-activity satisfaction surveys

After every major engagement activity, Powerlink will distribute a feedback form to gauge satisfaction levels and identify improvement opportunities.

7.1.3. Formal research

Insights into the engagement approach will be gained from Powerlink's Stakeholder Perception Survey, which surveys a range of customers and stakeholders.

7.1.4. Informal debriefs

Powerlink will regularly check in with key customer and stakeholder representatives and ask, 'How are we going?' and 'What can we do better?' to gain direct feedback on the engagement approach.

7.1.5. Website analytics

Review traffic and engagement levels on Revenue Determination process related pages on Powerlink's website.

7.2. Draft evaluation Key Performance Indicators (KPIs)

Powerlink has identified a set of potential evaluation KPIs, following Customer Panel input for some specific quantitative and qualitative measures to be developed within this Engagement Plan. Powerlink's intention is to work further with the Customer Panel and RPRG to finalise these KPIs and seek input from other key stakeholders.

What are we measuring	How are we going to measure	KPI
Effectiveness and quality of information provided to stakeholders	- Pulse check surveys - Informal debriefs - Test materials (e.g. information sheets) with customers	70% of participants rated the information provided relevant and accessible.
Satisfaction level of stakeholders with engagement activities	- Post-activity satisfaction surveys - Informal debriefs and feedback	An overall satisfaction rating of 7/10 for engagement activities.
Stakeholders were engaged at appropriate level on the IAP2 spectrum	- Survey/solicit feedback from external stakeholders - Internal review - Peer review/audit	Identified that majority of stakeholders had appropriate level of influence on Powerlink decision-making.
Impact of engagement on Powerlink decision making and quality of feedback/input received	- Internal review - Peer review/audit	Ability to demonstrate what changed as a result of engagement.
Timely delivery of engagement program	Internal monitoring	Engagement program delivered on-schedule.
Improvement in social licence to operate score and reputation scores	Formal research via the Stakeholder Perception Survey	Improvement in 2018 social licence to operate and reputation scores, and positive verbatim feedback regarding Revenue Determination process engagement.

8. Powerlink's Engagement Schedule

The following outlines at a high level the proposed timings of key engagement activities up to lodgement of Powerlink's 2023-27 Revenue Proposal in January 2021. Powerlink is committed to engaging on the Revenue Determination process post this point (e.g. around the Draft Decision and elements of the Revised Revenue Proposal) and will discuss and determine appropriate engagement points and approach post-Revenue Proposal with the RPRG and Customer Panel later in this process. This schedule will be reviewed and updated as required.

[illegible]

9. Appendix

Revenue Proposal Definitions

The following table provides a definition of terms as outlined in **Figure 1 Powerlink's Engagement Scope**.

Term	Definition
AEMC Levy	A levy on Queensland electricity transmission and gas networks required under the Queensland Electricity Act 1994 to fund the Australian Energy Market Commission (AEMC).
Capex augmentation expenditure	Works to expand the network capacity between generators and loads (e.g. new lines and substations).
Capex IT	Expenditure to maintain/replace Information Technology (IT) capability and improve business system functionality where appropriate.
Capex replacement expenditure	Works required when existing assets need to be retired due to end of life, asset obsolescence, asset reliability or safety requirements.
Contingent & ISP projects	Contingent = typically large (>\$30m or 5% MAR in the first regulatory year), uncertain and location-specific projects that may be required to be undertaken within a regulatory period subject to certain triggers. The revenue for these projects is not included in the MAR determined by the AER in its Final Decision. ISP projects = those projects included in the Australian Energy Market Operator's (AEMO) Integrated System Plan.
Forecasting methodology for: - Capital Expenditure - Operating Expenditure	Documents required by the AER that set out how a business will forecast its capital / operating expenditure in its upcoming Revenue Proposal.
Incentive schemes: - Capital Efficiency Sharing Scheme (CESS) - Efficiency Benefit Sharing Scheme (EBSS) - Service Target Performance Incentive Scheme (STPIS)	Regulatory schemes that apply to capital expenditure (CESS), operating expenditure (EBSS) and management of the network (STPIS). The capital and operating expenditure incentives are designed to encourage efficiency improvements. In broad terms the STPIS is designed to maintain/improve reliability of the network and minimise impacts on the National Electricity Market (NEM).
Inputs and assumptions	These are the key inputs and assumptions that underpin a business' capital, operating and maintenance expenditure forecasts in a Revenue Proposal (e.g. demand forecasts).
Depreciation	An annual allowance to reflect wear and tear on an asset over its life.
Maximum Allowed Revenue (MAR)	The maximum revenue set by the AER for a business using a building-block approach.
Operating environment (narrative)	Broad external factors that may impact the business (e.g. economic outlook, regulation, Government policy and customer drivers).
Opex base year	A single year of opex within a regulatory period that is used to forecast opex in the next regulatory period.
Opex step changes	Step changes account for any material changes in opex (up or down) compared to the base year (e.g. new regulatory obligations).
Opex trends (productivity)	Productivity is intended to capture the efficiency improvements a network business can make in providing their services.
Pass throughs	Material events that cannot be insured for or where it is uneconomic to self-insure (e.g. terrorism events).

Price path	Indicative price that will apply to an average customer over a period of time (e.g. an average residential or business customer with a specified energy consumption level).
Pricing methodology	Sets out how the MAR determined by the AER is allocated to the different categories of prescribed transmission services (e.g. locational, non-locational, connection and common service charges).
Rate of return	The return a business can earn on its regulated assets each year. May also be referred to as Weighted Average Cost of Capital (WACC).
Regulated Asset Base (RAB)	The total value of regulated assets.
Revenue path	The revenue that can be earned by a business over a period of time. For regulated energy businesses, this is typically over a five-year period.
Revenue Determination process	The process governed by the AER that occurs every five years to determine regulated revenues for Powerlink for the following five-year regulatory period.
Revenue Proposal	A document lodged by Powerlink to the AER, which outlines forecast revenue requirements to provide an efficient, safe and reliable transmission network. The AER assesses the Revenue Proposal before setting Powerlink's MAR for the following five-year regulatory period.
Shared assets	Assets included in the RAB that provide both prescribed and either non-regulated transmission services or non-transmission services (e.g. for Powerlink this would include oil testing services).



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