

Revenue Proposal Reference Group Meeting No.6

Details of Meeting	
Date and time of meeting	13:00 – 16:30, Wednesday 16 July 2025
Location	Powerlink Offices, Virginia
Attendees	Organisation
RPRG members – customer representatives	
Alicia Kennedy	Queensland Farmers’ Federation (QFF)
Katie-Ann Mulder	Queensland Renewable Energy Council (QREC)
Chris Hazzard	St Vincent de Paul Society
Mark Grenning	Energy Users Association of Australia (EUAA)
Nardia Yeates (online)	Aurizon
RPRG members – Powerlink representatives	
Roger Smith (RPRG Chair)	Director Revenue Reset
Gerard Reilly	General Manager Communications, Customer and Engagement
Jenny Harris	General Manager Network Regulation
Guests and speakers	
Jacqui Bridge	Executive General Manager Energy Futures
Sally Taylor	Manager Pricing and Billing
Nina Zhuang	Finance and Modelling Lead, Revenue Reset
Michelle Beavis	Opex Lead, Revenue Reset
Jared Rodell	Pricing and Billing Analyst
Jessica Purdy	Customer Engagement Specialist, Revenue Reset
Invited stakeholders	
Michael Brothers (online)	Australian Energy Regulator (AER)
Albert Tong (online)	Australian Energy Regulator (AER)
Mike Swanston (online)	AER Consumer Challenge Panel No.34
David Prins (online)	AER Consumer Challenge Panel No.34
Apologies	
Robyn Robinson	Council on the Ageing (COTA)

Meeting Agenda

1. Pricing Methodology
2. Opex base year, trend and step changes
3. Price path smoothing
4. Review of actions outstanding and other business

Overview / Notes of Meeting

Roger Smith, Director Revenue Reset, opened the meeting with introductions and an overview of the agenda. Presentation slides that accompany these notes are published on the [Powerlink Customer Panel webpage](#).

1. Pricing Methodology

Sally Taylor, Manager Pricing and Billing, commenced with a brief introduction to Powerlink's Pricing Methodology, which describes how prescribed revenue is allocated and structured into prices, compliant with the National Electricity Rules and the Australian Energy Regulator's (AER's) Pricing Methodology Guidelines. The methodology is submitted to the AER for approval with the Revenue Proposal and applies for the five-year regulatory period.

Our approach to updating our pricing methodology was informed by National Electricity Rule changes made by the Australian Energy Market Commission (AEMC), feedback from customers, and other transmission network service providers.

The RPRG agreed that engagement at an "inform" level on the IAP2 Spectrum is appropriate, due to the administrative nature of the changes being proposed and their limited opportunity for influence.

Discussion, questions and responses

The Pricing Methodology will be updated to be consistent with recent rule changes made by the AEMC to improve cost recovery arrangements for non-network system security contracts and provide flexibility in the allocation of interconnector costs. The Pricing Methodology will continue the transition to locational charges based on peak demand only, a decision made in Powerlink's 2022-27 Revenue Proposal which was supported by customers and approved by the AER. We will also engage with the AER on a potential minor addition.

1. Are there any interconnector projects upcoming in the 2027-32 regulatory period that the new interconnector rule will apply to?
 - a. The Queensland - New South Wales Interconnector (QNI) Connect project falls in the next regulatory period (post 2032).
 - b. The Pricing Methodology will require further update and AER approval if Powerlink becomes subject to a jurisdictional agreement as a result of the QNI Connect project.
2. Is additional revenue associated with system security services allocated according to the same pricing methodology as other revenue?
 - a. Yes, the non-network system security contracts are added to our total revenue cap.
 - b. Powerlink's Pricing Methodology will be updated to reflect the recovery of non-network system security contract payments.
3. Was the transition to peak demand supported by Distribution Network Service Providers (DNSPs) when first implemented?

- a. Energy Queensland made submissions into the consultation process at the time; Powerlink will provide the relevant documentation.
Link to submission to Powerlink's Transmission Pricing Consultation Paper – January 2021 [Powerlink - Appendix 16.05 - Submissions to Powerlink's Transmission Pricing Consultation Paper - January 2021 | Australian Energy Regulator \(AER\)](#)
- 4. What is the benefit for customers, and will direct-connect customers be informed of the impact of continuing the transition?
 - a. The benefit for customers is that it:
 - i. simplifies the way locational prices are calculated;
 - ii. creates greater certainty of monthly locational charges; and
 - iii. provides a stronger link between a customer's peak usage of the network and what they are billed each month.
 - b. The Pricing Methodology will be updated to reflect the transitional arrangements for the 2027-32 regulatory period and we can provide individual direct connect customers with impacts as requested.

2. Opex base year, trend and step changes

2.1 Base year

Michelle Beavis, Opex Lead, explained the rationale for selecting FY26 as the base year for the operating expenditure forecast. FY26 reasonably reflects recurrent operating costs, including new regulatory compliance costs and increased complexity in network operations. It includes key new costs not present in FY25.

Discussion, questions and responses

It was noted that the AER will assess the efficiency of the proposed base year, and Powerlink will also commission an independent assessment of the base year efficiency.

- 5. Does Powerlink anticipate any challenges or issues associated with the base year exceeding its regulatory allowance for operating expenditure?
 - a. Yes, this is a potential issue for FY26, however the same applies for FY25.
 - b. Base year costs will be assessed through the efficiency assessment with regard to current operating conditions, which were not anticipated when the current regulatory period allowance was determined.

2.2 Trend

Two alternative output growth measures to represent growing network complexity were presented for consideration. Whilst it was noted that the RPRG are not in a position to assess specific outcomes, the group encouraged Powerlink to proceed with further analysis and engagement with the AER on alternative output growth measures. Powerlink proposed no change to the AER measures for cost and productivity. The RPRG challenged whether Powerlink can achieve the target productivity improvement given recent declines shown in the AER's annual Economic benchmarking Report for transmission.

Discussion, questions and responses

Discussion focused on suitability of the alternative output growth measures compared to the AER's recommended measures. It was noted that the AER should consider the Revenue Proposal as an overall package.

6. Is the impact of increasing complexity of the network reflected in other line items such as capital expenditure or operating cost step changes?
 - a. Yes, there are impacts to capital expenditure items and also a potential trade-off with step changes.
7. Is Powerlink aware of any other transmission networks proposing to use alternative output growth measures?
 - a. No, other networks have not proposed alternative measures, however they have questioned the ongoing suitability of the AER's measures.
 - b. It was noted that another network has sought step changes relating to complexity.
8. Is the increasing number of connections one of the reasons supporting the decision to select FY26 as the base year?
 - a. Connections are a contributing factor, however there are many factors leading to increased operating complexity and associated costs.
9. Has the operating envelope been used by distribution networks as an alternative output growth measure?
 - a. Meeting attendees were not aware of any precedence for this.
10. What is the methodology used to calculate the weightings for output growth factors?
 - a. The methodology is made publicly available by the AER.
11. Are environmental and easement costs escalating faster than other operating expenditure categories?
 - a. Environmental and social performance costs are typically capitalised and are more significant for major projects outside the scope of the Revenue Proposal.
 - b. It was noted that easement taxes are specific to transmission projects in Victoria.
12. Can Powerlink provide an update and learnings from productivity initiatives identified in the 2023-27 Revenue Proposal?
 - a. An update will be provided at a future meeting.

2.3 Step changes

Michelle provided an update on the step changes included in the operating expenditure forecast, which have reduced in number and cost since last presented. The RPRG observed that their level of influence on the proposed step changes is low, given they are predominantly driven by regulatory changes and external market factors.

Discussion, questions and responses

13. Are escalating insurance costs not considered a step change?
 - a. Insurance has been included as category specific expenditure and will be covered in greater detail at the RPRG meeting scheduled for November.
14. Are cloud-based services a trade-off between capital and operating expenditure?
 - a. Yes, however the change from capital to operating expenditure is not at Powerlink's discretion and it is driven by service options offered by the external market.

3. Price path smoothing

Nina Zhuang, Finance and Modelling Lead, presented different options for smoothing the price path within the regulatory period. These included the AER's default method, which results in a higher increase in year one followed by lower increases in subsequent years, and a more balanced alternative that reduces the initial price impact and smooths increases over the remainder of the regulatory period. The discussion considered regulatory requirements, price predictability and customer impacts. The RPRG supported further exploration of the balanced approach and Powerlink will proceed with further engagement to establish a preferred price path.

Discussion, questions and responses

15. Why does the default smoothing profile increase prices in the first year rather than later years?
 - a. The default smoothing profile is the output of the smoothing function built into the AER's Post-Tax Revenue Model (PTRM).
 - b. It was noted that customers typically prefer a smaller increase in the early years.
16. Does Powerlink or its shareholder have a preferred price path?
 - a. This is a preliminary discussion with the RPRG, and Powerlink has not yet had internal discussions or formed a preferred position.
 - b. Powerlink is seeking to understand customers' views and whether the RPRG has a preferred option that should be further explored before engaging more broadly within Powerlink and with its shareholders.

4. Review of actions outstanding and other business

Roger provided an update on actions arising and still outstanding. Jessica Purdy, Customer Engagement Specialist, presented an early overview of the results of the Queensland Household Energy Survey (QHEs) and insights from directly connected and commercial and industrial (C&I) customers. Gerard Reilly, General Manager Communications, Customer and Engagement, outlined Powerlink's plans for upcoming meetings, including the Central Queensland Transmission Network Forum in Gladstone, which the RPRG are invited to attend.

Discussion, questions and responses

The RPRG encouraged Powerlink to engage as early as possible on information related to any potential ex-post capital expenditure review.

17. Will there be sufficient time and information available for Powerlink to engage with the RPRG and AER prior to commencement of a potential ex-post review?
 - a. The draft Revenue Proposal will include relevant information on historical and future expenditure.
 - b. Finalisation of accounts for the most recent financial year is currently underway and will provide the total outturn for the ex-post review period.
 - c. Whilst the formal ex-post review process would commence, if activated after lodgement of Powerlink's Revenue Proposal, engagement with the AER will commence following publication of the draft Revenue Proposal.
 - d. Powerlink will propose a suitable timeframe for the RPRG to respond to the draft Revenue Proposal, allowing sufficient time for follow up actions and engagement.

Actions Arising

	Action	Responsible person	Due
3.2	Provide a view of the likely value of approved projects anticipated at the time of submitting the Revised Revenue Proposal	Aidan Lawlor	22/05/25 defer to 21/08/25
3.3	Provide commentary on the guiding principles for option selection and the risk of change to forecasts	Aidan Lawlor	11/06/25 defer to 21/08/25
3.4	Provide information to the RPRG to illustrate how changes to the preferred option may have led to material cost increases in the current regulatory period	Aidan Lawlor	11/06/25 defer to 21/08/25
4.4	Present a timeline of the ex-post review process for capex overspend in the current period	Roger Smith	21/08/25
4.5	Provide an overview sheet to explain application of the EBSS	Michelle Beavis	Complete
4.6	Provide information on changing costs of typical project components	Aidan Lawlor	21/08/25
4.8	Propose alternative smoothing profiles for price path	Nina Zhuang	Complete
5.1	Schedule overview of Operational Technology strategy and forecast for a future RPRG meeting (scheduled November 2025)	Jessica Purdy	Complete
5.2	Include actions list in future meeting slides	Jessica Purdy	Complete
6.1	Provide the Energy Queensland response to adopting locational charges based on peak demand.	Sally Taylor	Complete
6.2	Provide an update and learnings on the outcome of productivity initiatives identified in the 2023-27 Revenue Proposal. How have these outcomes influenced the 2027-32 Revenue Proposal?	Michelle Beavis	17/09/25
6.3	Contact RPRG members to coordinate travel to Central Queensland Transmission Network Forum	Gerard Reilly	Complete
6.4	Propose timeframe for the RPRG to respond to the draft Revenue Proposal	Roger Smith	17/09/25