



Powerlink Queensland 2022–27 Electricity Transmission Revenue Proposal

Public forum
8 April 2021

Agenda

Time (AEST)	Item
10:00 – 10:05	Welcome & introductions
10:05 – 10:20	AER
10:20 – 10:40	Consumer Challenge Panel (CCP23)
10:40 – 10:50	Powerlink's Customer Panel
10:50 – 11:00	Energy Users Association of Australia
11:00 – 11:20	Powerlink Queensland
11:20 – 11:55	Discussion / Q&A
11:55 – 12:00	Thank you & close

About this process

- AER is responsible for the economic regulation of electricity transmission in all Australian jurisdictions, except WA.
- Regulated electricity network businesses must periodically apply to the AER to assess their revenue requirements (typically, every five years).
- Powerlink is one of seven electricity transmission businesses the AER regulates by determining revenues over a five-year period.

Our determination for Powerlink

- In this determination process, the AER will:
 - set the maximum allowed revenue Powerlink can recover from consumers for the provision of electricity network services
 - approve a pricing methodology which prescribes how that revenue is recovered.

Delivering improved outcomes for consumers

- Strong consumer engagement helps us test network service providers' expenditure proposals.
- Our framework for considering consumer engagement includes the following elements:
 - nature of engagement
 - breadth and depth of engagement
 - clearly evidenced impact
 - assessment of outcomes (or 'proof points').

Powerlink's consumer engagement approach

- Developed through a co-design process involving consumers, stakeholders and Powerlink's Board, Executive, Senior Leaders.
- Powerlink submits its overarching goal has been “to deliver a Revenue Proposal that is capable of acceptance” and this has been the “guiding objective” for its engagement.
- In its proposal, Powerlink self-assessed its consumer engagement approach using the AER's consumer engagement framework.

Key stakeholder issues

- Prominent themes from Powerlink's consumer engagement:
 - Affordability
 - price signals
 - customer choice.

Assessment of outcomes

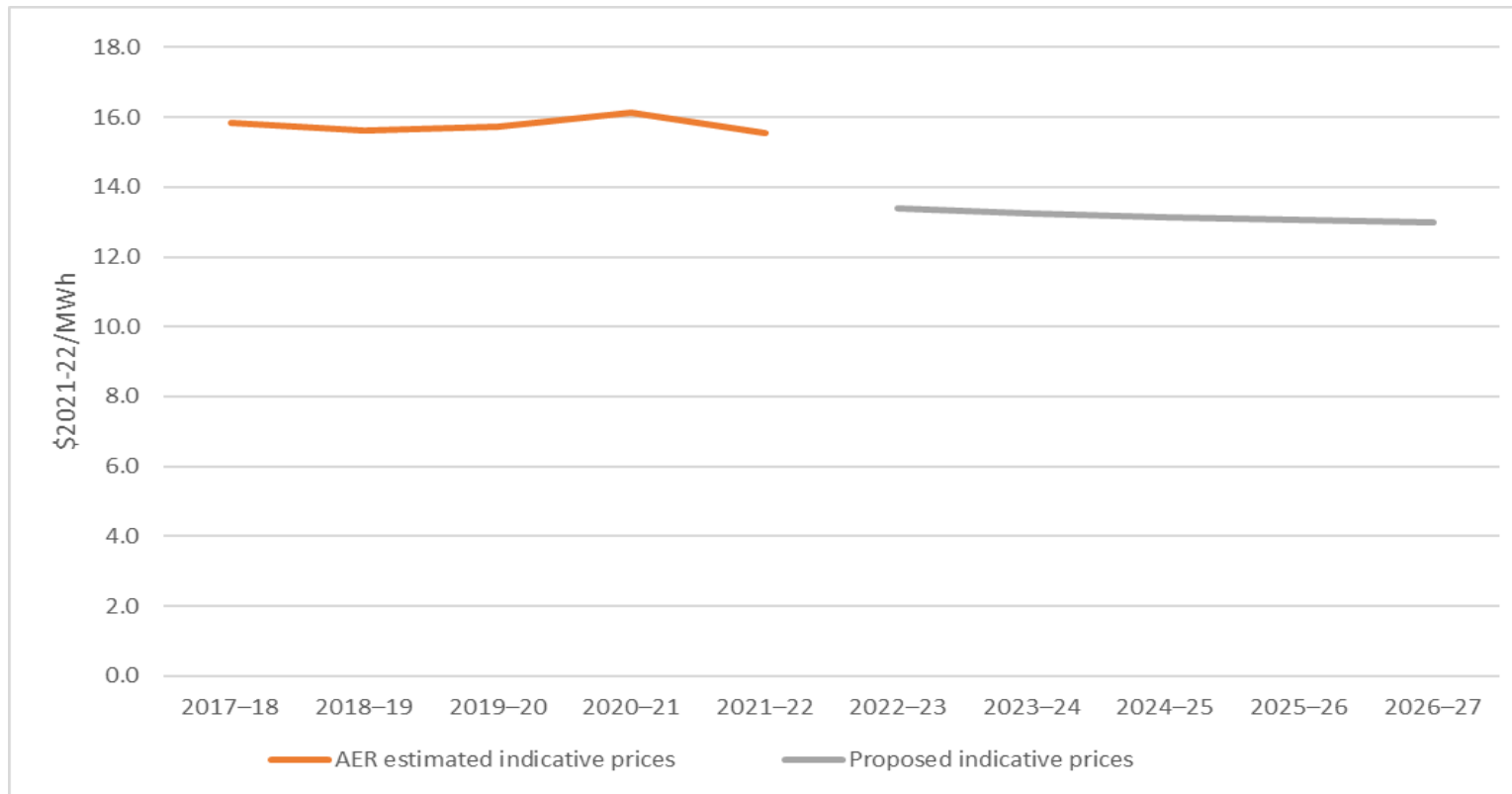
- AER has published an Issues Paper to assist stakeholders in their consideration of Powerlink's proposal.
- Our initial observations are presented on the following slides.
- Stakeholders can assist our process by providing their views on these observations, or any other aspect of Powerlink's proposal.

Capable of acceptance

- Is Powerlink's revenue proposal acceptable in its current form?
- If the proposal is not acceptable, what changes would be required to make it acceptable?

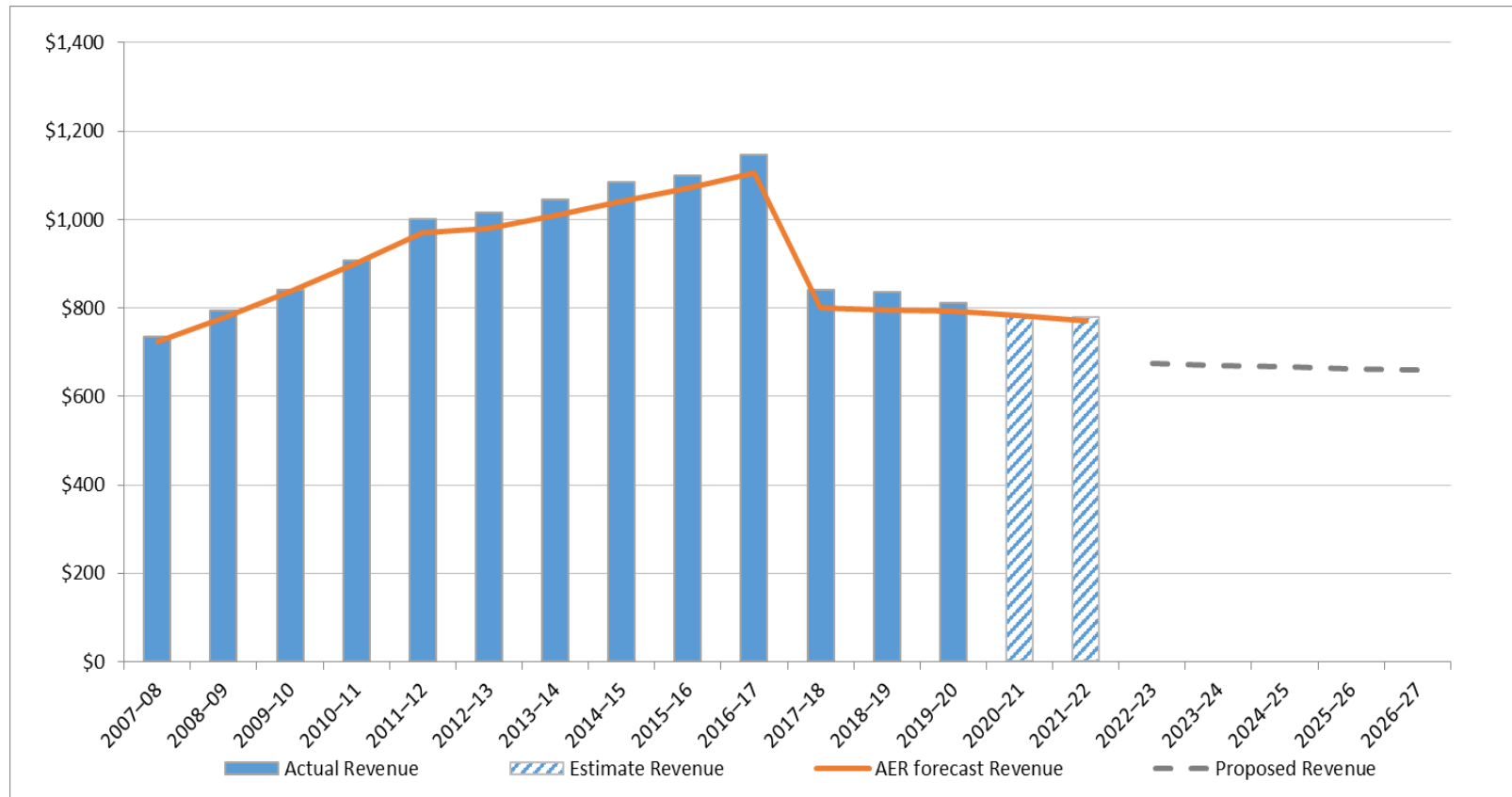
Bill impacts

- Powerlink’s proposed revenue translates to transmission price decreases for QLD consumers of 14% in 2021–22 in real terms.



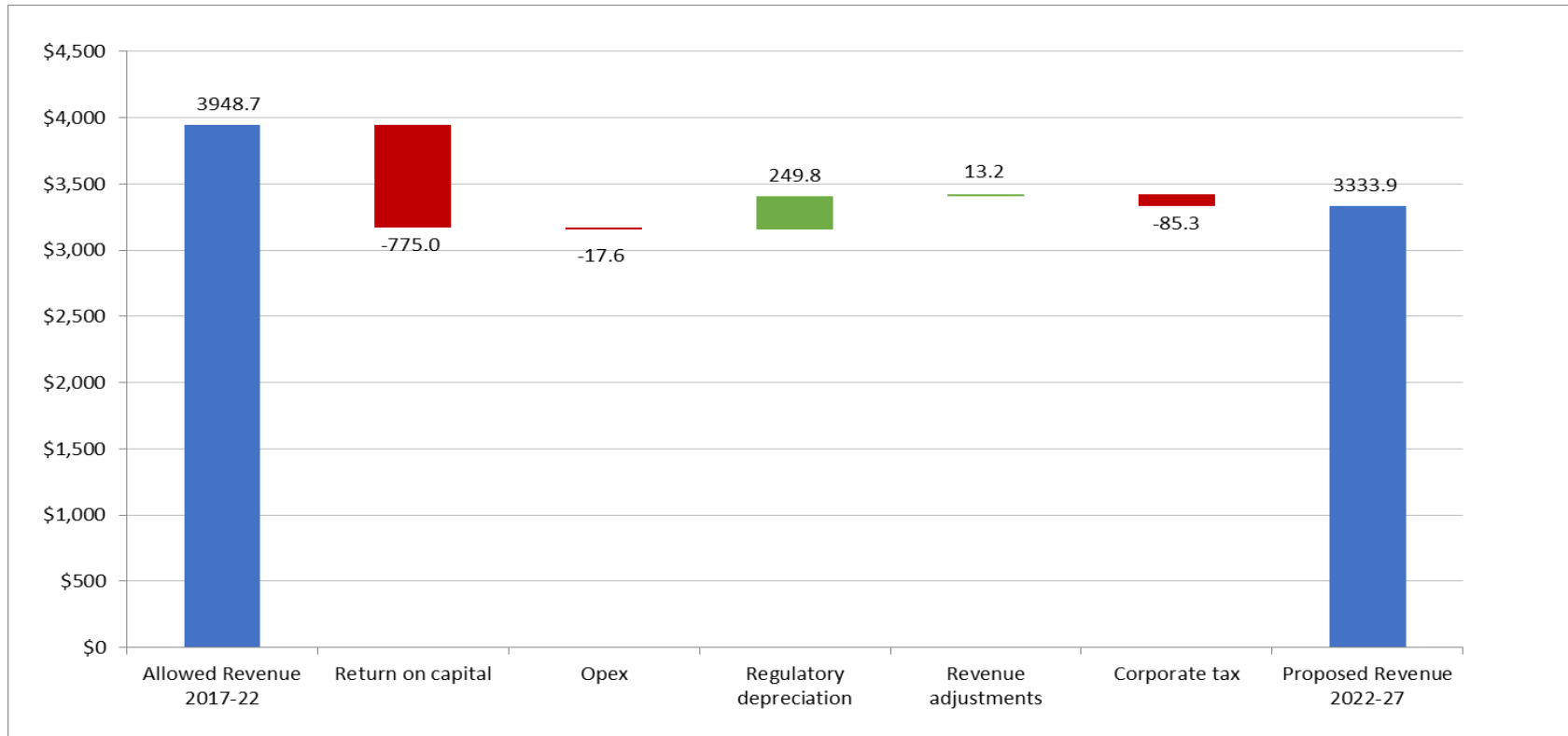
Total revenue

- Proposed 2022–27 revenue of \$3,333.9m (\$2021–22, unsmoothed) is 15.6% lower than approved 2017–22 revenue.



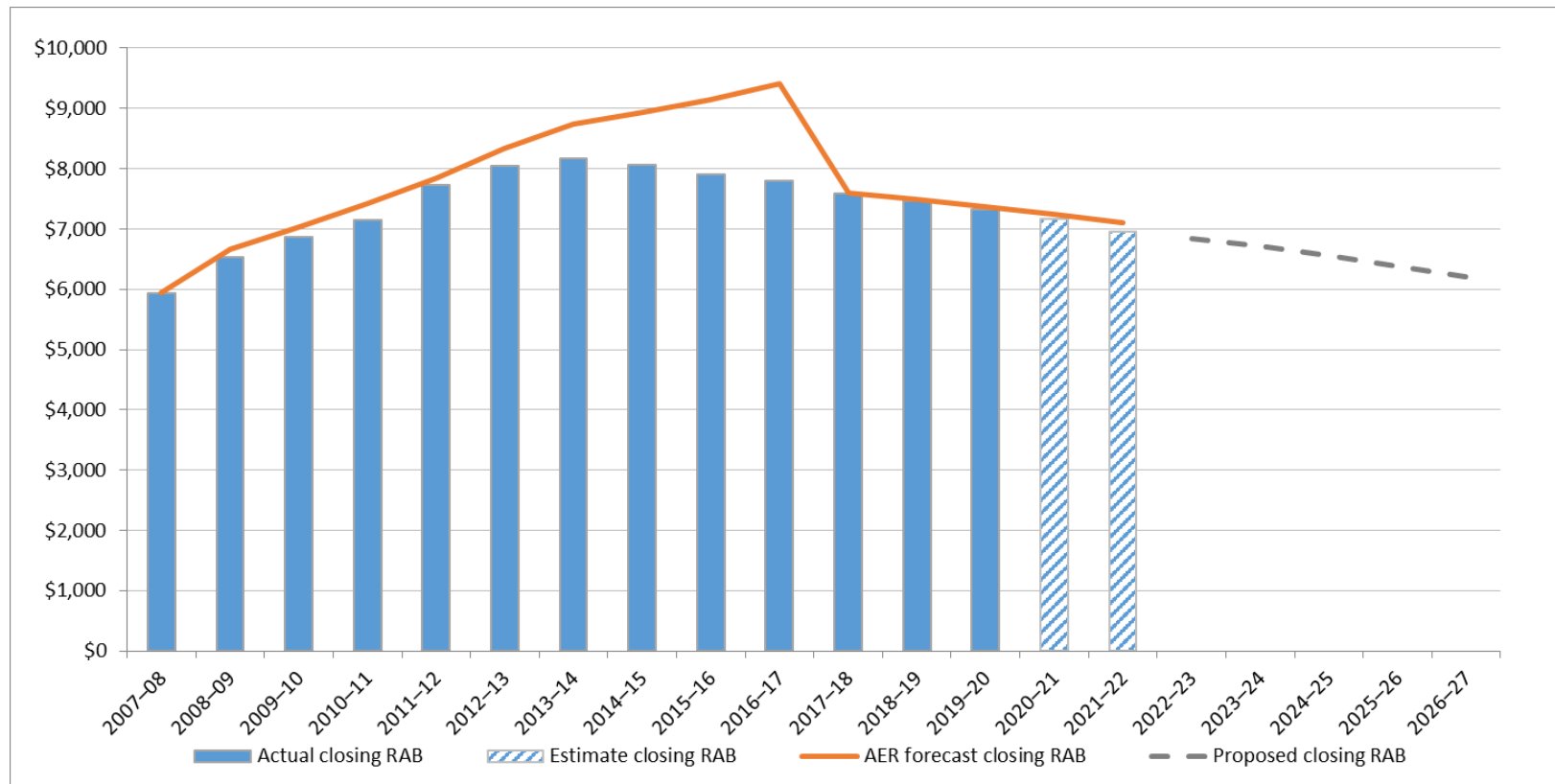
Building blocks

- Proposed lower revenue at the ‘building block’ level driven by:
 - lower return on capital, tax, opex
 - higher depreciation, incentive scheme payments.



Regulatory Asset Base

- Proposed RAB of \$6,939m (\$ nominal) by the end of the 2022–27 period is \$19.4m lower than for the 2017–22 period.
- RAB reductions driven by lower capex and higher depreciation.

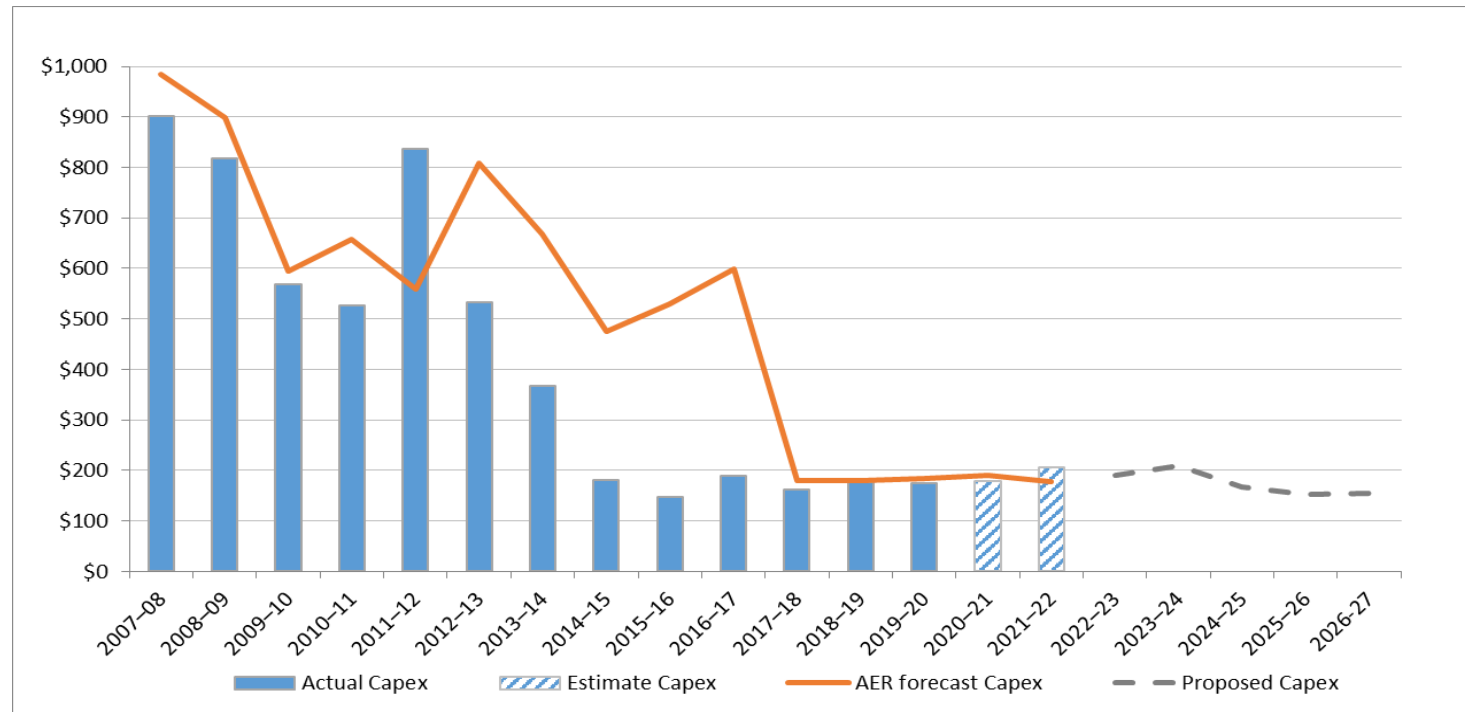


Regulatory depreciation

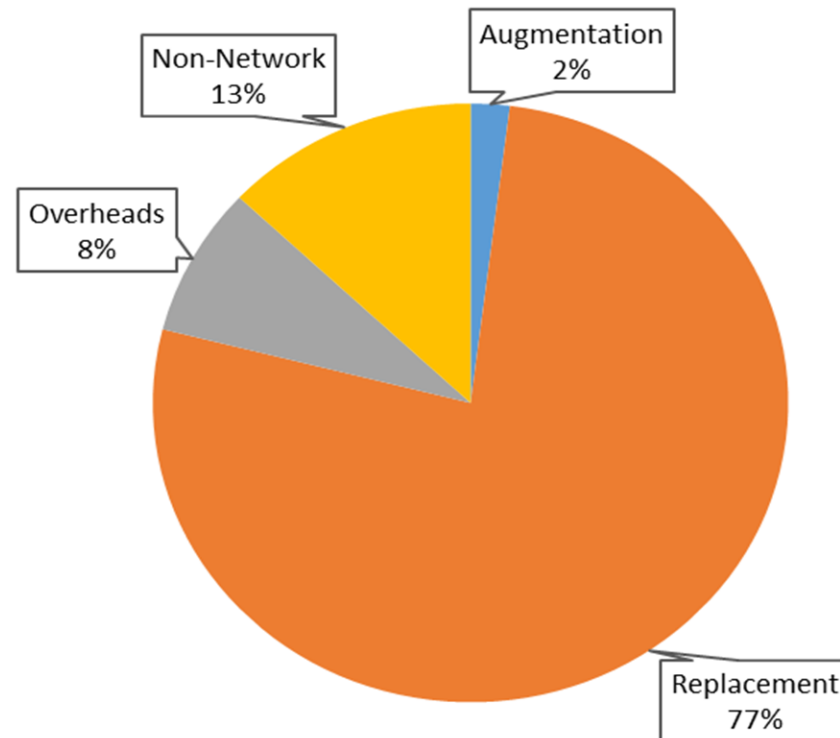
- Proposed depreciation of \$881.3m (\$2021–22) for the 2022–27 period is \$261.2m (42%) higher than for the 2017–22 period.
- Higher depreciation due to change in depreciation forecasting approach from a ‘weighted average remaining life’ approach to a ‘year-by-year tracking’ approach, lower forecast inflation and an increase in depreciation from the recovery of prior years’ indexation.

Capital expenditure (capex)

- Proposed capex of \$863.9m for the 2022–27 period is 3.1% lower than forecast/actual capex for the 2017–22 period.
- Driven by non load-driven expenditure of \$726.1m (4.9% lower), load-driven expenditure of \$30.2m (13% higher), and non-network expenditure of \$107.7m (6.7% higher).



Capital expenditure (capex) – by category



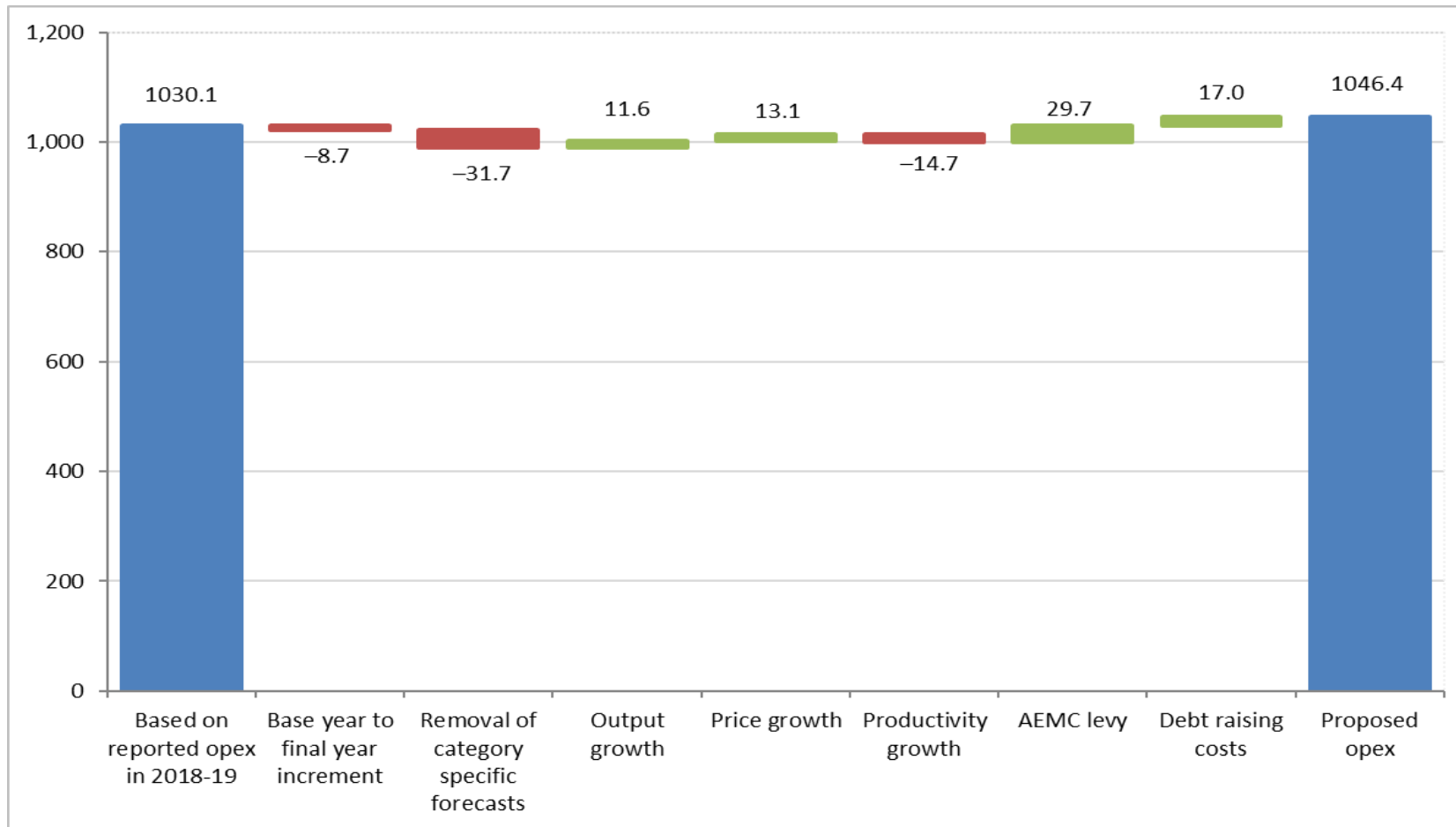
Operating expenditure (opex)

- Proposed opex of \$1,046.4m (\$2021–22) for the 2022–27 period is \$0.5m less than forecast/actual opex for the 2017–22 period, and \$17.7m less than the approved opex forecast for the 2017–22 period.



Operating expenditure (opex) – key drivers

- No step changes are proposed.



Incentive schemes and allowances

- Powerlink proposes application of four schemes and allowances for 2022–27:
 - Efficiency benefit sharing scheme (EBSS)
 - Capital expenditure sharing scheme (CESS)
 - Service target performance incentive scheme (STPIS)
 - Demand management innovation allowance mechanism (DMIAM).

What happens next?



Milestone	Date
Powerlink submitted its revenue proposal	28 January 2021
AER published its issues paper	24 March 2021
AER holds public forum	8 April 2021
Stakeholder submissions due on revenue proposal & issues paper	24 May 2021
AER publishes draft decision	30 September 2021
AER holds public forum on draft decision (predetermination conf.)	14 October 2021
Powerlink submits its revised proposal	2 December 2021
Stakeholder submissions due on revised proposal & draft decision	11 January 2022
AER publishes final decision	29 April 2022

Questions?



How You Can Get Involved

1

Write a submission to the AER

Stakeholder submissions
are due 24 May 2021

2

Subscribe to our website for updates

<https://www.aer.gov.au/newsletter/subscribe>

3

Contact us

Powerlink2022@ aer.gov.au