

POWERLINK REVENUE PROPOSAL 2022-27

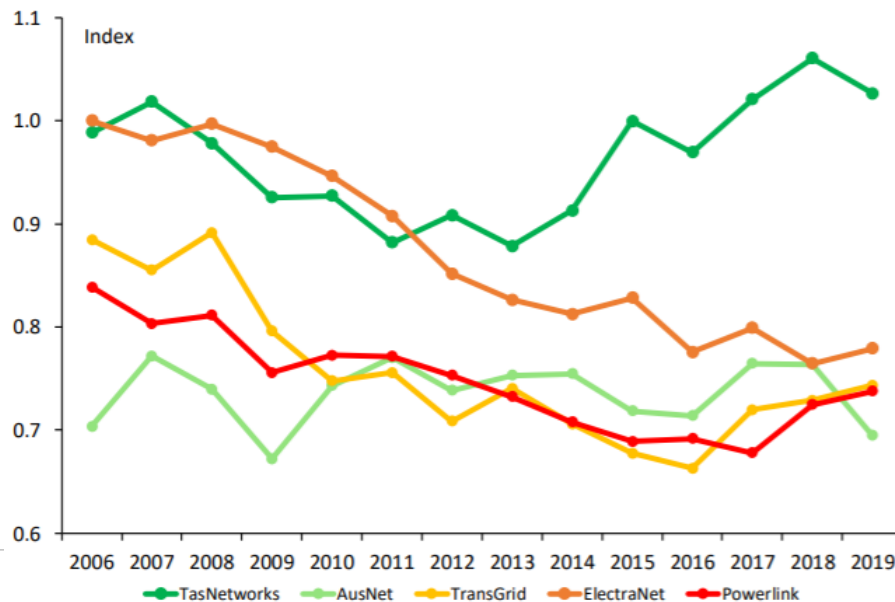


AER Public Forum Presentation – 8 April 2021



- Powerlink has excellent BAU engagement through its Customer Panel so very reasonable to expect a ‘capable of acceptance’ objective
- Significant challenges as renewables expand and the impact of rapidly falling minimum demand – it is responding to those challenges through its Integrated Electricity Pathways (IEP) work recognising the particular characteristics of the Queensland market eg REZ’s business model, importance of large loads and uncertainty around impact of the NSW Roadmap

Figure 2 Electricity transmission MTFP indexes by TNSP, 2006–2019



- Good to see the long term decline in Powerlink total factor productivity has been reversed in recent years, but still a long way to go given long term decline

EXCELLENT CONSUMER ENGAGEMENT

- EUAA is a member of the Customer Panel and the Revenue Proposal Reference Group and was a signatory to the ‘Statement on Engagement’
- Support Robyn Robinson’s comments on excellent consumer engagement
 - Co-design approach to engagement – what is best form? what are key issues? where on IAP2 spectrum should engagement sit? (not everything needs to be collaborate)
 - Genuine, consistent, deep and transparent engagement – which began with development of the business narrative and continued through many stages
 - CP clear influence as proposal developed eg move to keep opex constant
- Key observation given our extensive involvement in network resets – while no doubt room to improve, the revenue proposal does not seem to be an ambit claim
 - Impact of falling WACC clearly separated so focus on matters under Powerlink’s control
 - Capex, opex, RAB heading in the right direction and laying basis for further improvement in 2027-32 (when WACC may well increase)
 - Management willing to commit to significant improvement without knowing a clear pathway – but having confidence in the organisation to deliver
 - All designed to enable an efficient reset process that does not deflect Powerlink from their core work to build and maintain an efficient transmission system in a challenging world

SO WHAT DOES IT MEAN FOR THE ROLE OF THE AER IN THEIR ASSESSMENT OF THE PROPOSAL?

- Initial review of 'Table 3' in the AER Issues Paper suggests Powerlink has met many of the assessment criteria for the 'Nature of engagement', 'Breadth and depth' and 'Clearly evidenced impact' elements
- Scoring well on Table 3 is a necessary, but not sufficient, condition for an unconditional 'capable of acceptance'
- AER still has to undertake its role under the rules eg is the proposed reduced capex expenditure 'prudent and efficient' (the 'Proof point') - because consumers do not have the resources/skills to do this
 - Cannot give unconditional 'capable of acceptance' now - need to see the Draft Decision
- A good score on Table 3 should change the way the AER assesses its proposal – otherwise why would Powerlink undertake the detailed engagement process?
 - Considerably less AER information requests
 - Fewer outstanding issues in the Draft Decision that can easily be resolved by further targeted consumer engagement and a slightly revised final proposal
 - Let Powerlink get on with its business
- We look forward to having a closer examination of the proposal and making a detailed submission

THANKYOU

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