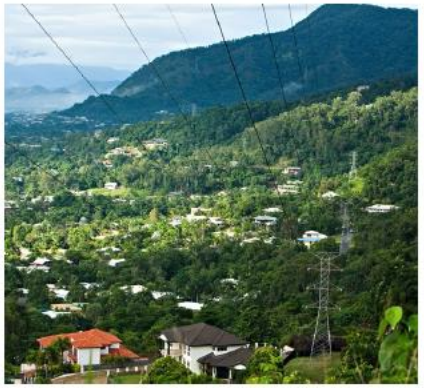


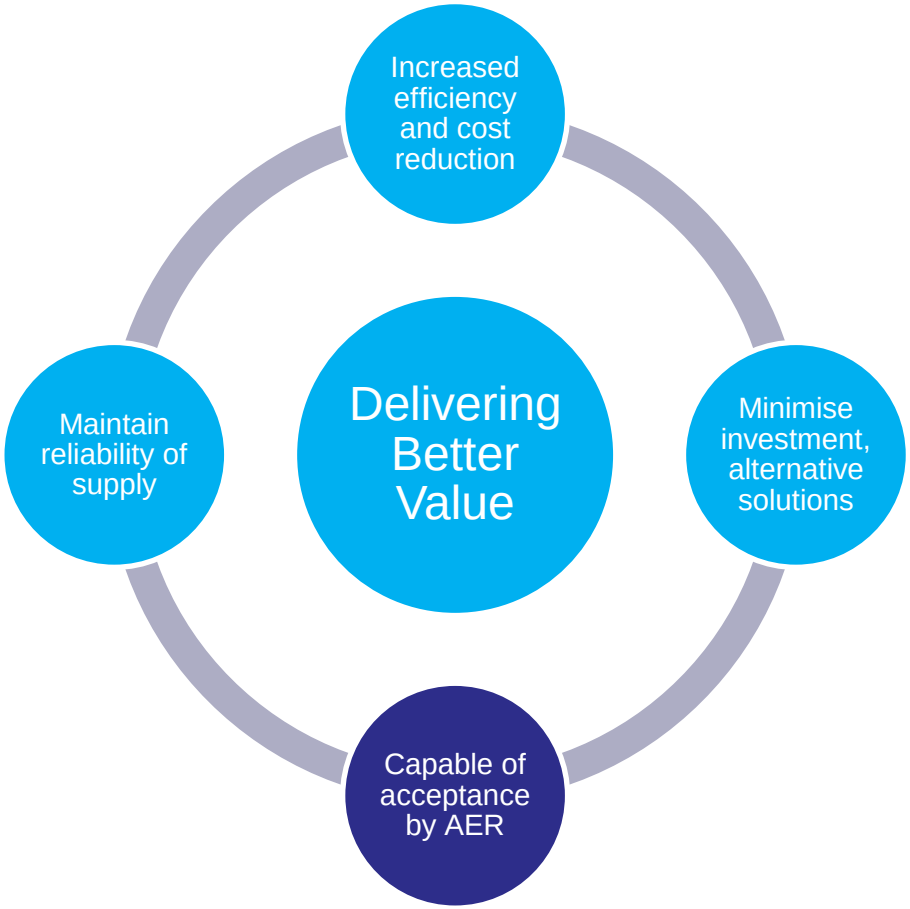



2018-22
POWERLINK QUEENSLAND REVENUE PROPOSAL

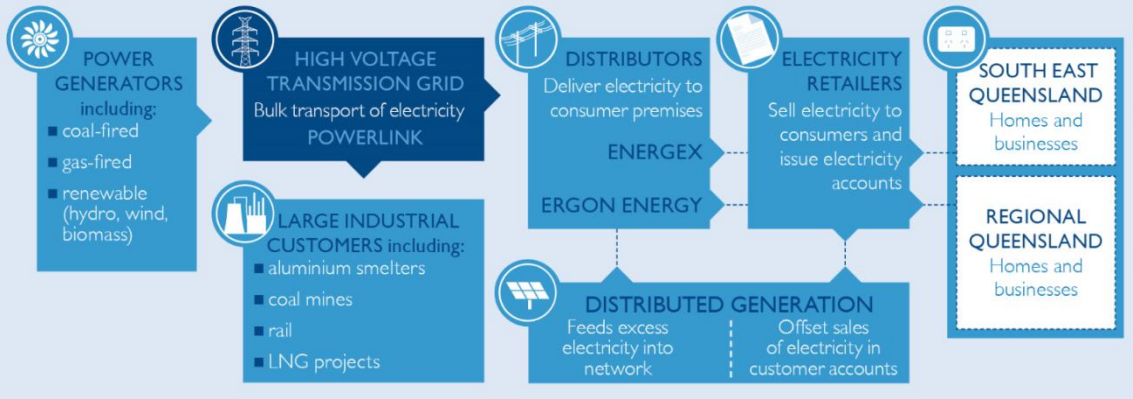
Overview

- Powerlink's approach
- Consumer engagement
- Revenue and price impact
- Forecast expenditure
- Network performance
- Summary

Powerlink's approach

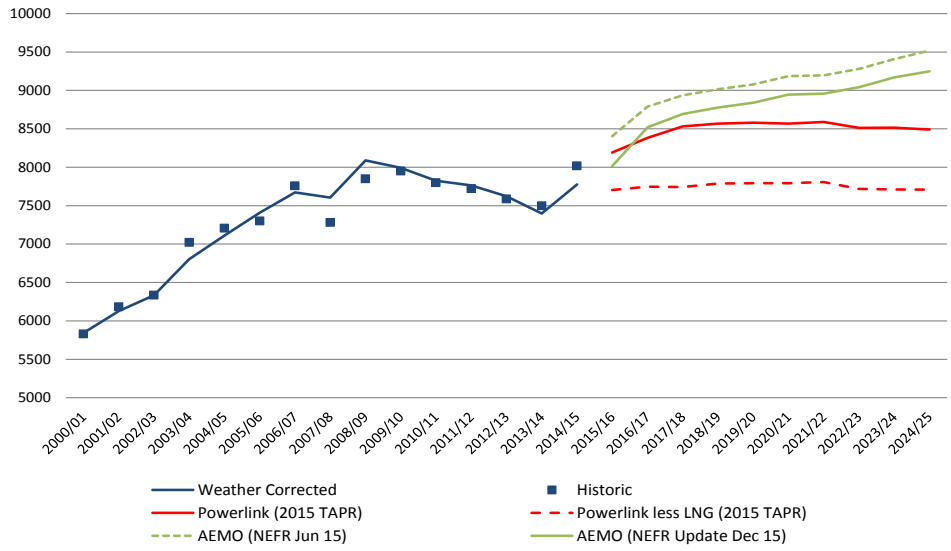


Significant change

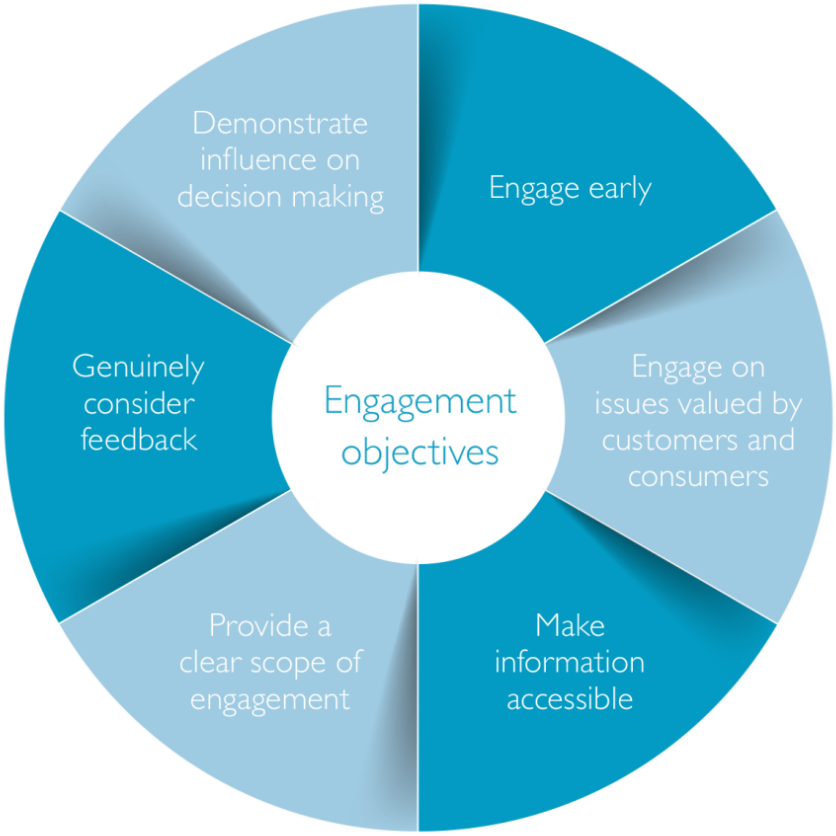


- Consumers driving integration of new technologies in supply chain, changing role of networks and demand for services.

- Underlying demand growth essentially flat or falling over 10 year outlook



Consumer engagement



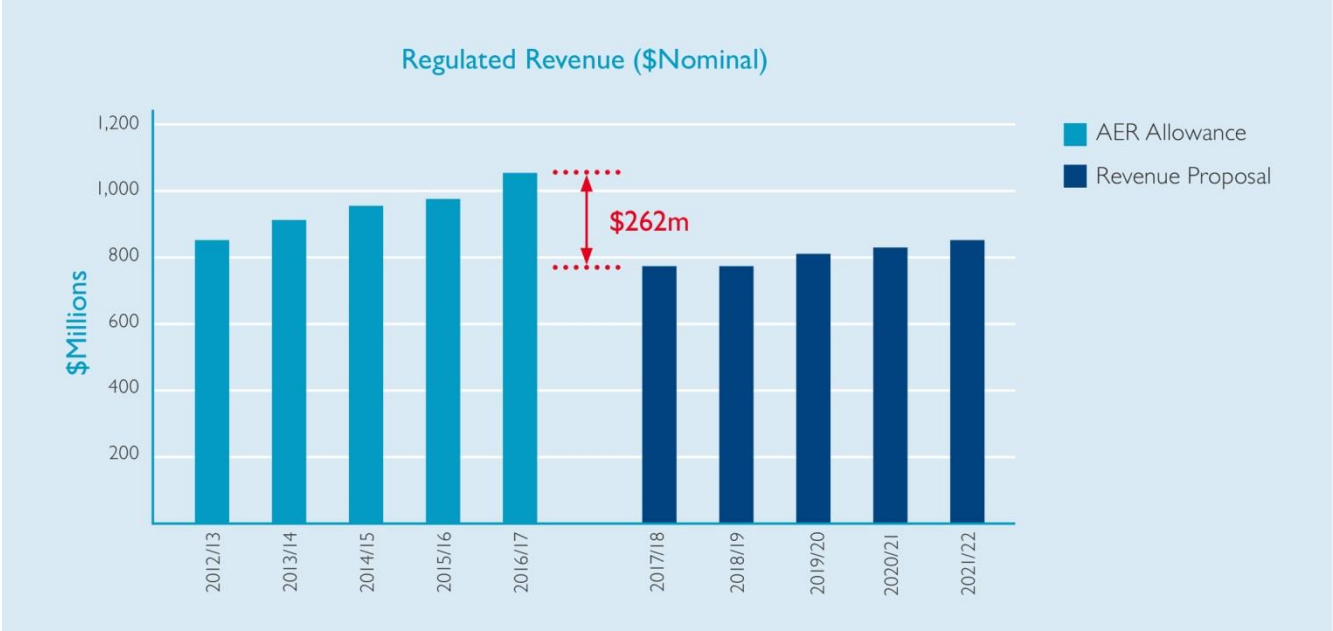
- Adopted AER's Consumer Engagement Guideline
- Targeted "Involve" level of engagement under IAP2
- Reflected in Powerlink's Stakeholder Engagement Framework
- Established Customer & Consumer Panel

Maximum Allowed Revenue

Maximum Allowed Revenue

14% lower in the 2018-22 regulatory period compared to the 2013-17 regulatory period

25% lower regulated revenue in the first year of the 2018-22 regulatory period



Indicative Transmission Price

Electricity Prices

28% drop in indicative transmission price in the first year of the 2018-22 regulatory period

Between **$22 and $37** savings for the average Queensland residential household annual electricity bill

		Current Regulatory Period		Next Regulatory Period
		2015/16	2016/17	2017/18
Average annual residential electricity bill* (based on annual usage range of 2,500kWh and 5,173 kWh)	Transmission Component	$77 - $129	$80 - $134	$58 - $97 (-28%)
Average annual business electricity bill* (based on annual usage range of 10,000kWh and 20,000 kWh)	Transmission Component	$270 - $470	$280 - $488	$203 - $353 (-28%)

*The transmission component represents around 9% of the total delivered cost of electricity for the typical Queensland residence and business

Key Drivers

Rate of Return

8.61% in 2013-17 regulatory period

6.04% estimate for start of 2018-22 regulatory period

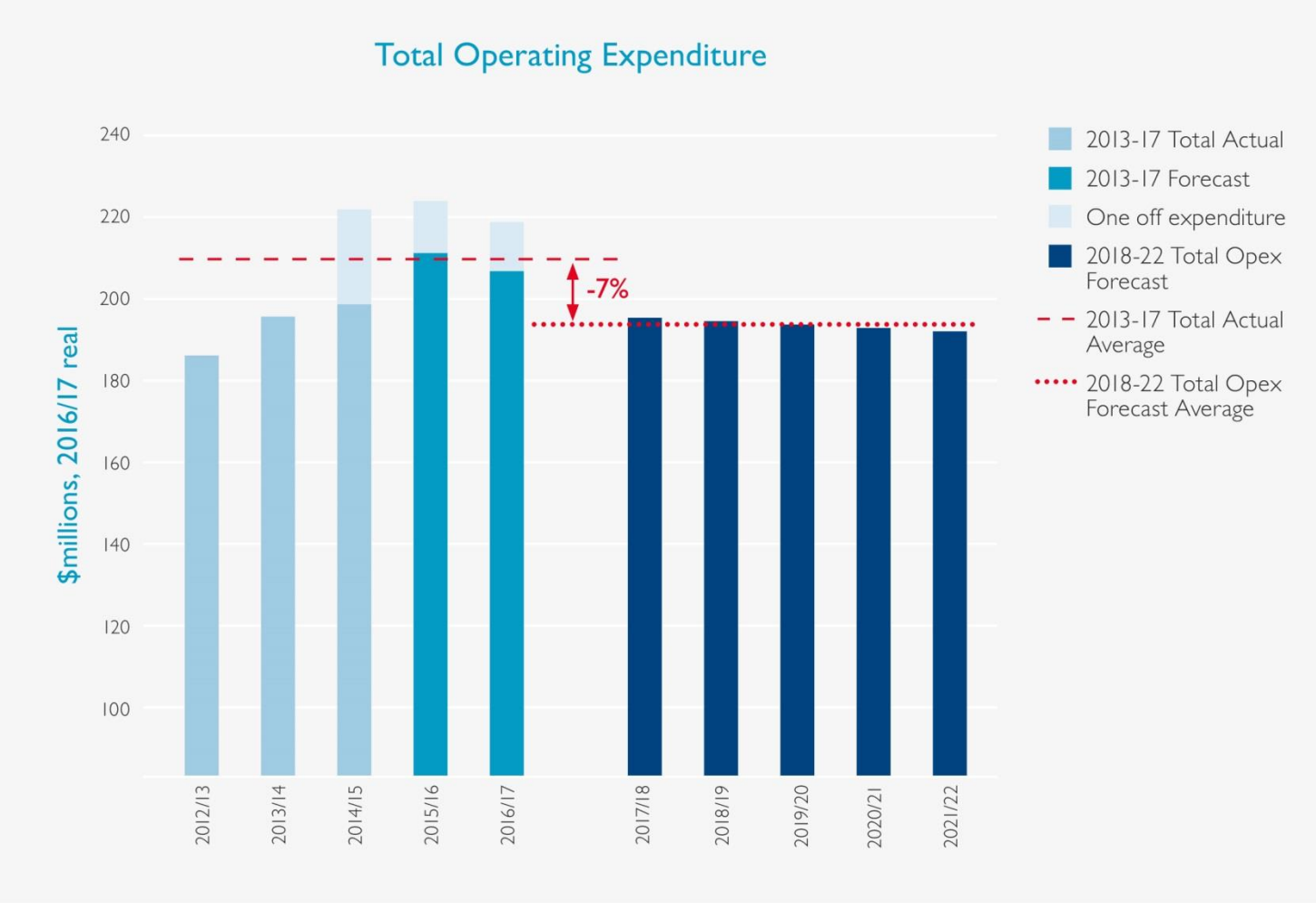
Forecast Capital Expenditure

31% lower compared to actual capital expenditure in the 2013-17 regulatory period

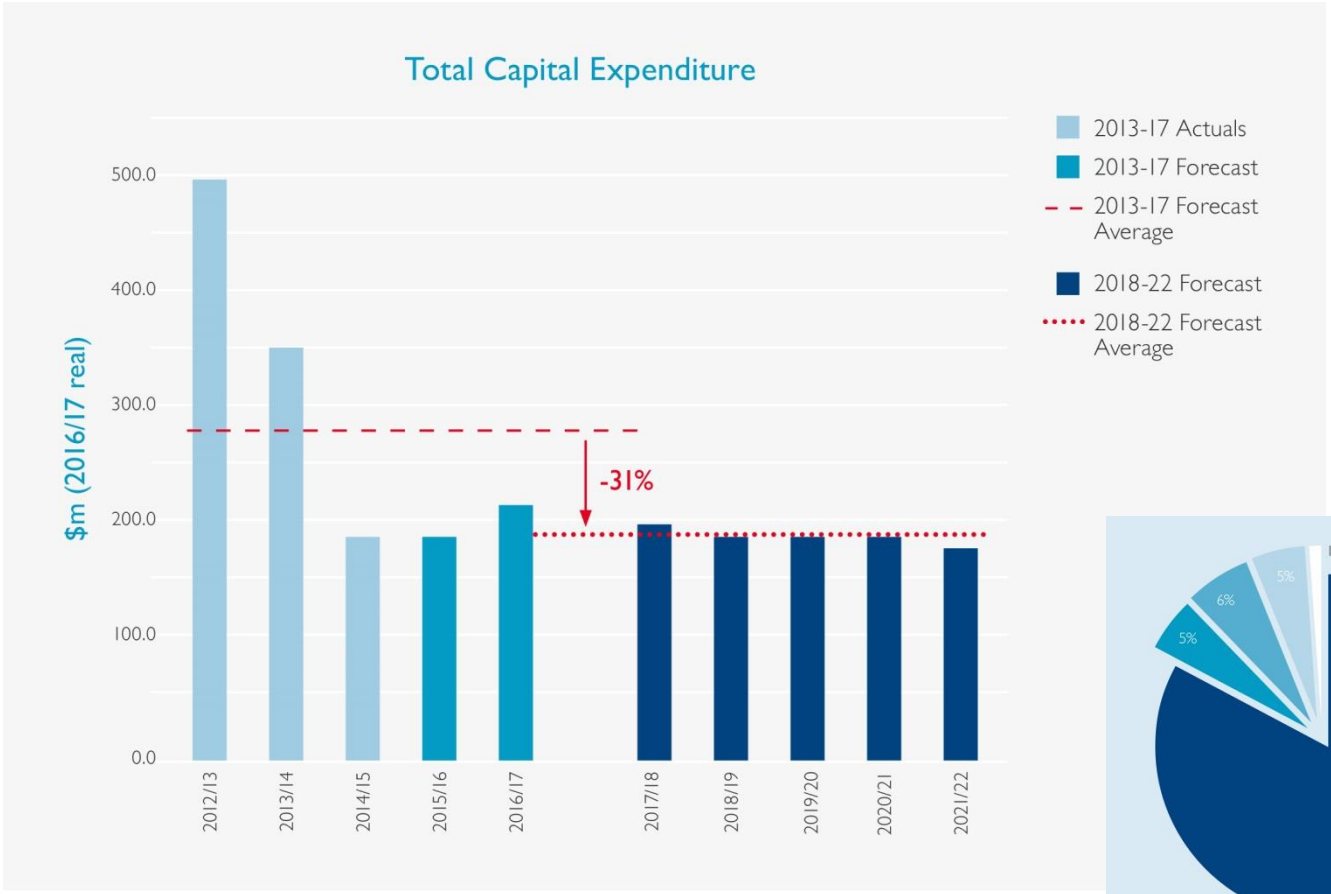
Forecast Operating Expenditure

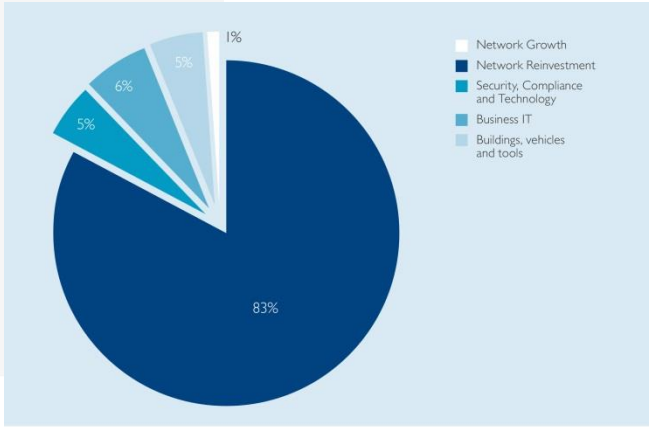
7% lower compared to actual operating expenditure in the 2013-17 regulatory period

Forecast opex will reduce by 7%



Forecast capex will reduce by 31%

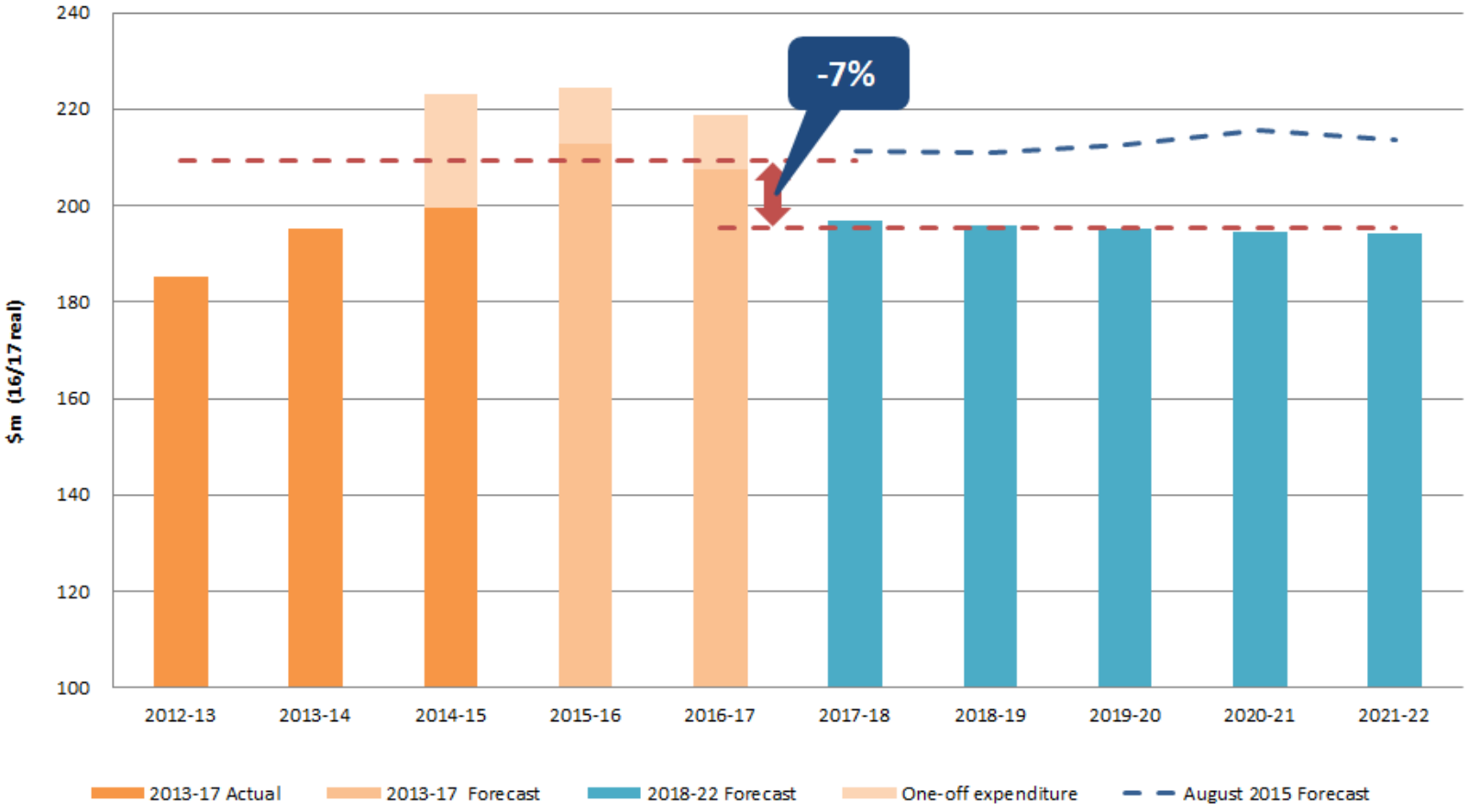




Involving stakeholders - overview

Topic	Feedback received	How Powerlink used the feedback
Capital Expenditure Forecasting Methodology	Modelling needs to be robust to ensure an efficient rate of reinvestment and unit costs.	Introduced geographical zones into the model. Excluded assets from model where there may not be an enduring need. Obtained third party benchmarking of unit costs.
Demand and Energy Forecasting Methodologies	Should gain a better understanding of new technologies.	Assessed the impacts of battery storage and energy efficiency as part of the demand and energy forecasting model for the first time.
Rate of Return Approach	Need to engage early on potential rate of return outcome to assist customers in their decision making.	Communicated upfront that the AER's Rate of Return Guideline approach would be applied. Conveyed early indicative rate of return estimate in engagement forums and meetings.
Transmission Pricing	Support to stay with a 50/50 locational to non-locational revenue split.	Will continue to use 50/50 split.
Network Planning	Take a longer term view with regards to network resilience and strategic value of easements.	Decided to retain assets in Greater Brisbane area to maintain flexibility and lowest costs in the short to medium term.
Engagement Approach	High electricity prices is the main consumer issue. Preference for face-to-face engagement.	Engagement focused on areas that have greatest impact on electricity prices. Majority of engagement was done via face-to-face discussion.

Involving stakeholders - opex



Network performance

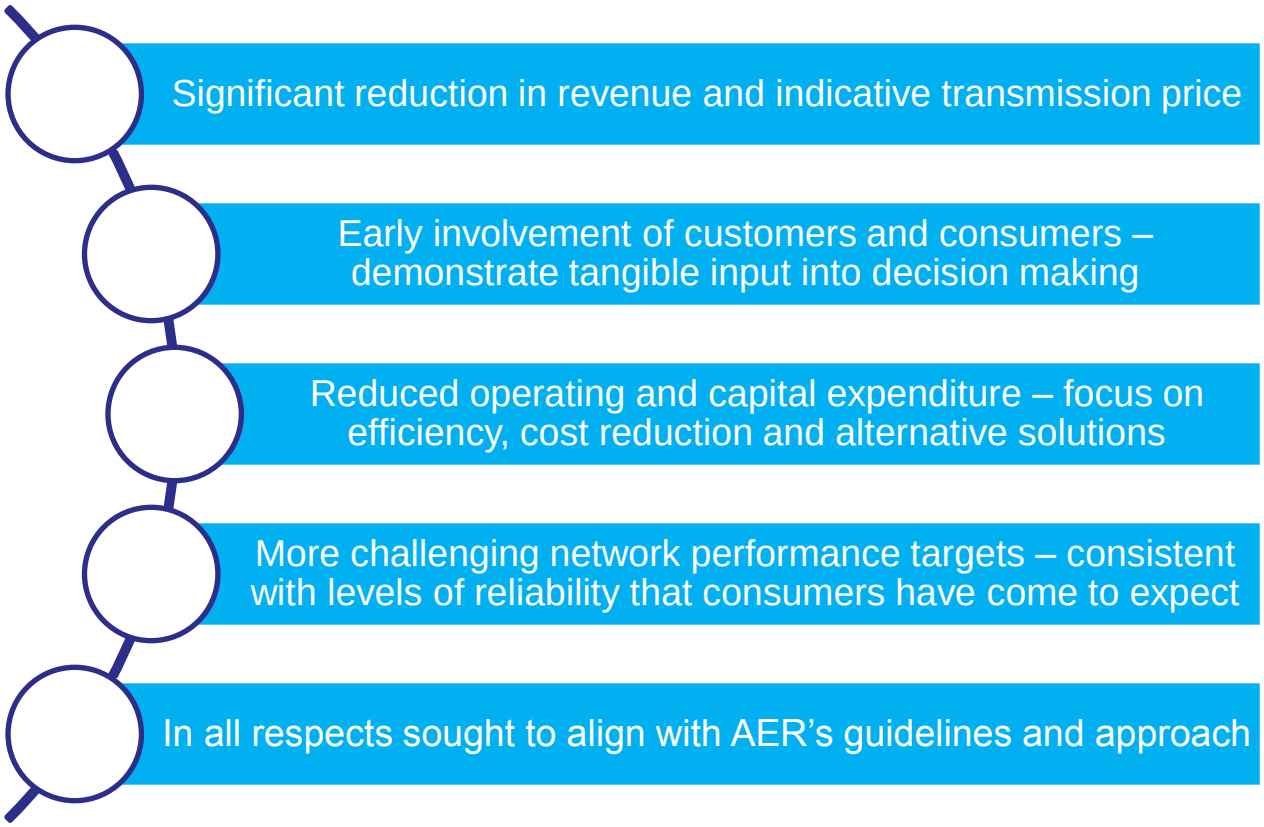
- Powerlink subject to Version 5 Service Target Performance Incentive Scheme (STPIS) during 2018-22 regulatory period.

- Service component (SC)
  - Powerlink will adopt more challenging 'loss of supply event' targets

- Market impact component (MIC)
  - Move to symmetrical bonus/penalty arrangements – stronger financial incentives.

- Network capability component (NCC)
  - Proposal for $3.2m NCIPAP expenditure
  - Significant process of scanning for opportunities, however, limited number with appropriate payback.

Summary


Significant reduction in revenue and indicative transmission price
Early involvement of customers and consumers – demonstrate tangible input into decision making
Reduced operating and capital expenditure – focus on efficiency, cost reduction and alternative solutions
More challenging network performance targets – consistent with levels of reliability that consumers have come to expect
In all respects sought to align with AER's guidelines and approach

Questions & discussion