

2023-27

POWERLINK QUEENSLAND REVISED REVENUE PROPOSAL

Regulatory Information Notice Return - PUBLIC

Basis of Preparation

November 2021



Glossary of Terms

AEMO	Australian Energy Market Operator
AFW	Application for Work
ABS	Australian Bureau of Statistics
CA RIN	Annual Category Analysis Regulatory Information Notice
CESS	Capital Expenditure Sharing Scheme
CPI	Consumer Price Index
DAE	Deloitte Access Economics
EB RIN	Annual Economic Benchmarking Regulatory Information Notice
EBSS	Efficiency Benefit Sharing Scheme
MIC	Market Impact Component of the STPIS
MIP	Movements In Provisions
NCC	Network Capability Component of the STPIS
NCIPAP	Network Capability Incentive Parameter Action Plan
NOS	Network Outage Scheduler (AEMO system)
PTRM	Post Tax Revenue Model
RAB	Regulatory Asset Base
RBA	Reserve Bank of Australia
Reset RIN	2023-27 Revenue Proposal Regulatory Information Notice
SC	Service Component of the STPIS
SCADA	Supervisory Control and Data Acquisition
SMP	Statement on Monetary Policy
STPIS	Service Target Performance Incentive Scheme

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Overarching Comments

For clarification, Powerlink has adopted the following general approach to its 2023-27 Revenue Proposal Regulatory Information Notice (Reset RIN) return templates. Where relevant, these have been identified in the Basis of Preparation (BoP) for the specific workbook/sheet/table.

This BoP relates to historical information that is required to be provided for the purposes of the Revised Revenue Proposal only, in accordance with Powerlink's Reset RIN requirements outlined in:

- Schedule 1, Section 11.1(b) to (h);
- Schedule 1, Section 11.2(b) to (e); and
- Appendix E Instructions.

These requirements relate specifically to the Service Target Performance Incentive Scheme (STPIS) Service Component and Market Impact Component. Powerlink has also resubmitted Market Impact Component data for 2015 and 2019, consistent with the AER's Draft Decision¹.

Powerlink is not required to provide or resubmit any other data already provided in its Revenue Proposal, lodged with the AER in January 2021.

Actual and Estimated Data

All data provided in this Revised Revenue Proposal Reset RIN return is actual information.

Historical Data Workbooks

For clarification, the relevant Reset RIN workbooks which contain historical data include the following:

Workbook 1 – Forecast

- Sheet 7.9 – Service Target Performance Incentive Scheme.

Workbook 2 – Market Impact Component – 2015

Workbook 2 – Market Impact Component – 2019

Workbook 2 – Market Impact Component – 2020

¹ Draft Decision Powerlink Queensland Transmission Determination 2022-27, Attachment 10 Service Target Performance Incentive Scheme, Australian Energy Regulator, p. 16.

Workbook 1 – Forecast

Sheet: 7.9 Service target performance incentive scheme (STPIS)

Table: 7.9.1 Historical performance and proposed floor, caps and targets for the service component of the STPIS

Parameter: Unplanned circuit outage event rate

Variables: *Transmission line outage – fault*

Transformer outage – fault

Reactive plant – fault

Transmission line outage – forced outage

Transformer outage – forced outage

Reactive plant – forced outage

RIN Requirements

The requirements set out below and approach apply to all service component variables listed above.

This section and each following sub-section have been completed in accordance with Schedule 1, Section 11.1 (b) of the Reset RIN. Clause 11.1 states that:

For the service component of the STPIS, provide the values that Powerlink proposes are to be attributed to the performance incentive scheme parameters for the purposes of the application to Powerlink of the STPIS² in the attached Workbook 1 – Forecast, regulatory template 7.9, in two parts:

- (a) data for 2015-19, and the proposed scheme parameters based on that data is to be provided by 1 February 2021;
- (b) data for 2016-20, and the proposed scheme parameters based on that data is to be provided by 30 November 2021.

The data provided in Workbook 1 – Table 7.9.1 has been populated with actual data for calendar years 2016 through to 2020 and populated with proposed values for floors, targets and caps.

For clarification, data reported in Workbook 1 – Table 7.9.1 on the service component of the STPIS, relates to calendar years 2016 through to 2020, consistent with the AER's STPIS reporting periods³. Version 5 of the STPIS has been used and Powerlink has provided additional information consistent with its annual Economic Benchmarking RIN Return to assist in user understanding.

There are no revisions to historical data previously provided in Powerlink's annual Economic Benchmarking RIN Returns.

² Final Electricity Transmission Network Service Provider, STPIS Version 5 (corrected), Australian Energy Regulator, October 2015.

³ *Ibid*, p. 4.

Source

The source of information for all elements of the Service Component is consistent with the Basis of Preparation provided with our Revenue Proposal⁴. For this reason, we have not replicated this information here.

Methodology and Assumptions

The methodology and assumptions used to calculate all elements of the Service Component are consistent with the Basis of Preparation provided with our Revenue Proposal⁵. For this reason, we have not replicated this information here.

⁴ Powerlink 2023-27 Revenue Proposal, Reset RIN Basis of Preparation January 2021, pp. 7-13.

⁵ *Ibid.*

Workbook 1 – Forecast

Sheet: 7.9 Service target performance incentive scheme (STPIS)

Table: 7.9.4 Market impact component

Workbook 2 – MIC Data Template

RIN requirements

This section has been completed in accordance with Schedule 1, Section 11.2 (b) of Powerlink’s Reset RIN. Clause 11.2 states that:

For the market impact component of the STPIS, provide performance data in accordance with Appendix C of the STPIS⁶ for the seven calendar years, in two parts:

- (a) data for 2013-19 is to be provided by 1 February 2021;
- (b) data for 2014-20 is to be provided by 30 November 2021.

For clarification, data reported in Workbook 1 – Table 7.9.4 and Workbook 2 – MIC Data Template on the market impact component of the STPIS relate to calendar years 2014 through to 2020, consistent with the AER’s STPIS reporting periods⁷. Version 5 of the STPIS has been used and Powerlink has provided additional information consistent with its annual Economic Benchmarking RIN Returns to assist in user understanding.

Source

Workbook 1 – Table 7.9.4 and Workbook 2 – MIC Data Template have been populated with actual data for calendar years 2014 through to 2020.

For performance actuals, historical network constraint equation records have been sourced from AEMO’s Market Management System (MMS). The historical network constraint equation records have been used as the source for the MIC data.

Data for 2014, 2016, 2017 and 2018, provided as part of our Revenue Proposal Reset RIN submission, has not changed and therefore has not been resubmitted.

We have resubmitted data for 2015 and 2019 and included data for 2020. Our reasons for this are outlined in the Explanatory Note section below.

Methodology and assumptions

The methodology applied is as follows and is consistent with the Basis of Preparation provided with our Revenue Proposal:

- The AER requires that MIC performance records exclude any events, consistent with Version 5 STPIS MIC definition exclusions⁸ and AER MIC Guidance Document⁹.
- The historical network constraint equation records from AEMO were reviewed in conjunction with AEMO’s Network Outage Scheduler (NOS), Market Notices published by AEMO and Powerlink’s internal network operating systems.

⁶ *Ibid.*

⁷ *Ibid.*, p. 4.

⁸ *Ibid.*, Appendix C, pp. 36-38.

⁹ STPIS Version 5 - MIC Guidance, Australian Energy Regulator, 30 October 2015.

- This dataset was assessed against the Version 5 STPIS MIC exclusion criteria and a planned and unplanned outage type was allocated to each record to prepare the market impact parameter values that are required by the Reset RIN workbooks (Workbook 1 – Table 7.9.4 and Workbook 2 – MIC Data Template).

Explanatory Note

Calendar year 2019 and 2020 data

On 15 January 2021, AEMO¹⁰ notified Powerlink that it completed uploading all calendar year 2020 Marginal Constraint Cost (MCC) data. Powerlink lodged its annual STPIS report for the 2020 reporting year with the AER on 1 February 2021 and advised the AER that:

- its performance for the MIC was based on the AEMO's MCC data provided to Powerlink on 15 January 2021; and
- it would update the AER on any changes to the MCC data in our Revised Revenue Proposal¹¹.

Subsequent to provision of the initial MCC data:

- the AER advised Powerlink on 21 January 2021 that AEMO had made manual updates to its MCC data¹². These changes added new reportable events to Powerlink's 2020 MIC information, but had no financial impact on the 2020 STPIS result; and
- Powerlink confirmed an agreed approach with the AER on 11 August 2021¹³ on how to treat duplicate network constraint DI counts. This issue affected 2019 and 2020 MCC data.

Calendar year 2015 data

In its Draft Decision for Powerlink's 2018-22 regulatory period¹⁴, the AER determined that the 38 counts in 2015 relating to a Powerlink initiated planned network outage associated with multiple generators should be excluded as the constraints were related to AEMO directions to generators. Consistent with this advice, Powerlink's 2023-27 Revised Revenue Proposal excludes the 38 MIC counts.

Powerlink's 2023-27 Revised Revenue Proposal Reset RIN return incorporates these changes for 2015, 2019 and 2020. For clarification, the revised figures are provided below and in Workbook 2 – MIC Data Template.

Powerlink's annual Economic Benchmarking RIN section 7.1¹⁵ states that quality of services information must be reported in accordance with the AER's December 2012 STPIS¹⁶. As a result, the Economic Benchmarking RIN Return data is not directly comparable to the performance data reported in Powerlink's Reset RIN return. Powerlink has provided the Version 5 equivalent performance in brackets in the following table for direct comparison with its Reset RIN requirements.

¹⁰ Email – 2020 MCC Data – Qld, Australian Energy Market Operator, 15 January 2021.

¹¹ Powerlink cover letter for its 2020 STPIS submission to AER (Ref: A3306195), Powerlink Queensland, 1 February 2021.

¹² Email - AEMO manual rerun MCC cases for 2020, Australian Energy Regulator, 21 January 2021.

¹³ Powerlink - Information Request #012 - STPIS, Australian Energy Regulator, 11 August 2021.

¹⁴ Draft decision for 2017-2022 Powerlink determination – Attachment 11 STPIS, Australian Energy Regulator, p.11-13.

¹⁵ Economic Benchmarking RIN for Transmission Network Service Providers Instructions and Definitions, Section 7, Australian Energy Regulator, p. 29.

¹⁶ This is referred to as Version 4 (V4) of the AER's STPIS.

MIC Dispatch Intervals	2014	2015	2016	2017	2018	2019	2020
Annual Economic Benchmarking RIN Return Version 4	3941	28	42	73	446	15113	26376
(Version 5 equivalent)	(3941)	(27)	(42)	(73)	(217)	(12620)	(24900)
2023-27 Revenue Proposal – Version 5	3941	65	42	73	217	13152	23909
<i>Addition of MIC events for the 2020 year</i>	0	0	0	0	0	0	25514
<i>Removal of duplicate constraints in 2019 and 2020 response to AER Information Request¹⁷ – Version 5</i>	0	0	0	0	0	12549	23172
<i>Exclusion of generator constraints in 2015</i>	0	27	0	0	0	0	0
2023-27 Revised Revenue Proposal Reset RIN Return – Version 5	3941	27	42	73	217	12549	23172

¹⁷ Powerlink - Information Request #012 - STPIS, Australian Energy Regulator, 11 August 2021.