

Revenue Proposal Reference Group (RPRG)

Meeting overview – 10 August 2021



Full minutes of RPRG meetings can be accessed at www.powerlink.com.au/2023-2027-regulatory-period

Key topic	Key discussion highlights and actions
Progress update	<ul style="list-style-type: none">• Powerlink noted that it had received 11 information requests from the Australian Energy Regulator (AER), comprising 53 questions and 149 sub-questions. The majority of questions relate to capital expenditure, while other topics have include the Efficiency Benefit Sharing Scheme (EBSS), insurance costs, cost pass throughs and clarification questions about our models.• The RPRG enquired about the significant number of information requests from the AER and how this compared to Powerlink's previous Revenue Proposals, in light of the depth of engagement carried out for this revenue determination process. Powerlink indicated the level of scrutiny from the AER has been similar to previous Revenue Proposals. <p>Key actions</p> <ul style="list-style-type: none">• <i>AER to consider including in the Draft Decision a breakdown of information requests between those matters that may be subject to engagement/negotiation with customers/stakeholders vs matters that would not be subject to engagement.</i>
Engagement – response to submissions and next steps	<ul style="list-style-type: none">• The majority of elements in the Revenue Proposal have gained supported from customers, or conditional support pending AER review.• Powerlink highlighted its ongoing commitment to appropriately and effectively engaging with customers and stakeholders leading up to lodgement of the Revised Revenue Proposal in December 2021.• RPRG members encouraged Powerlink to explore potentially rescheduling the Transmission Network Forum to occur following release of the AER's Draft Decision. The group also discussed the importance of being flexible to adapt Powerlink's engagement approach based on the nature and context of the Draft Decision. <p>Key actions</p> <ul style="list-style-type: none">• <i>Powerlink to consider rescheduling the Transmission Network Forum to occur post the AER Draft Decision being received.</i>
Capital productivity	<ul style="list-style-type: none">• Powerlink identified limitations with the current specification for measuring capital productivity, which is becoming increasingly disconnected from how the evolving power system in transformation is now being developed and operated. There was discussion about Powerlink's belief that the current specification is likely to be understating Transmission Network Service Provider productivity.• The group supported Powerlink's analysis, acknowledging the importance of taking a whole-of-system perspective and requesting further consideration from the AER. <p>Key actions</p> <ul style="list-style-type: none">• <i>Powerlink to collect and collate questions from the Customer Panel and RPRG to be provided to the AER for response.</i>
Demand Management Innovation Allowance Mechanism (DMIAM)	<ul style="list-style-type: none">• Powerlink noted it forecasts the DMIAM would provide Powerlink with up to an additional \$3.3 million of operating expenditure for research and development of demand management projects. After reviewing the types of projects that are potential candidates for the DMIAM, Powerlink considers these will be more appropriately progressed as part of normal 'business as usual' activities and has consequently asked the AER to not apply the DMIAM.• There was detailed discussion about Powerlink's perspectives on DMIAM. Powerlink indicated it does not believe the scope of the scheme is too narrow or poorly defined, but rather the type of projects it has identified with potential value in pursuing are probably not suitable for funding under the DMIAM.• The RPRG and CCP23 acknowledged Powerlink's preference to fund these types of innovation projects internally, noting Powerlink's focus to advocate for an internal culture of 'constructive discomfort' and avoid passing on additional costs to customers. Discussion also noted the interactions between expenditures and incentive schemes.
General business – Inflation	<ul style="list-style-type: none">• Powerlink highlighted that recent 'actual' inflation data to 30 June 2021 had been released by the Australian Bureau of Statistics (ABS), which was 1.6% higher than the RBA's original forecast. This has implications for the escalation of forecasts in Powerlink's Revenue Proposal to real, \$21/22. Powerlink is considering the implications for this increase on the next regulatory period and how to respond in the Revised Revenue Proposal.



More information

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