

2023-27

Powerlink Queensland
Revised Revenue Proposal
Overview

November 2021



Overview of Powerlink's 2023-27 Revised Revenue Proposal

This document provides an overview of Powerlink's Revised Revenue Proposal for the regulatory period from 1 July 2022 to 30 June 2027 (our 2023-27 regulatory period).

Our Revised Revenue Proposal was lodged with the Australian Energy Regulator (AER) on 19 November 2021 as part of our revenue determination process and in response to the AER's Draft Decision, published on 30 September 2021.

The revenue determination process is a once-in-a-five-year opportunity to build more trust with our customers, stakeholders and the AER. It is important as it sets about 80% of our annual revenue. This revenue funds the capital and operating expenditure we need to build, operate and maintain the prescribed (regulated) transmission network and is paid for by electricity customers across Queensland.

We consider our proposal will enable us to continue to provide safe, secure, reliable and cost-effective transmission services to our directly-connected customers and almost five million Queenslanders.

Capable of acceptance

Our overarching goal has been to deliver a Revenue Proposal that is capable of acceptance by our customers, the AER and Powerlink. It has been the guiding objective for our extensive engagement throughout the development and review of our Revenue Proposal since mid-2019 and built on the strong foundations we undertake in the normal course of business.

Our Revenue Proposal committed to driving further affordability through a 3% reduction in forecast capital expenditure and no real growth in operating expenditure.

We are pleased that, in its Draft Decision, the AER considered that our Revenue Proposal is capable of acceptance and accepted all major aspects of it.

We engaged further with our Customer Panel prior to finalisation of the positions in our Revised Revenue Proposal. Our Customer Panel has confirmed that capable of acceptance has been met from its point of view.

We consider that our proposal has been demonstrated as capable of acceptance by our customers, the AER and ourselves.

Response to the AER's Draft Decision

We have accepted all major aspects of the AER's Draft Decision in our Revised Revenue Proposal. Overall, our Revised Revenue Proposal results in a \$12.7m or less than half a per cent difference in revenue compared to the AER's Draft Decision.







To view our complete Revised Revenue Proposal, please visit our website at www.powerlink.com.au/2023-27-regulatory-period.

Key Forecasts

The key building-block elements of our Revised Revenue Proposal, compared to our Revenue Proposal and AER Draft Decision, are shown below.

The primary difference between our Revised Revenue Proposal forecasts and the AER's Draft Decision figures is due to updates for inflation, actual expenditure for 2020/21 and revised forecast expenditure for 2021/22.

Further details are available in the Executive Summary and each relevant chapter of our Revised Revenue Proposal.

	 Capital Expenditure	 Operating Expenditure	 Rate of Return	 Regulatory Asset Base	 Maximum Allowed Revenue	 Electricity prices
Revenue Proposal	\$863.9m	\$1,046.4m	4.44%	\$6,958.4m	\$3,333.9m	11% decrease
Draft Decision	\$863.9m	\$1,046.4m	4.65%	\$6,983.4m	\$3,415.0m	9% decrease
Revised Revenue Proposal	\$882.4m	\$1,071.4m	4.65%	\$7,140.2m	\$3,427.6m	5% decrease

Notes:

- Figures are in \$m real, 2021/22 and are for the full five-year regulatory period unless otherwise stated.
- Rate of return is nominal vanilla.
- Regulatory Asset Base reflects the opening RAB value for 1 July 2022.
- Capital expenditure figures are net of disposals.
- Operating expenditure includes debt raising costs.
- Electricity transmission prices reflect the nominal, indicative impact to the transmission component of electricity prices in the first year of the next regulatory period for average residential and small business customers.

Demand Management Innovation Allowance Mechanism

While not a key building-block element of our Revised Revenue Proposal, we do not accept the AER's Draft Decision on the Demand Management Innovation Allowance Mechanism (DMIAM). The DMIAM was an area of significant engagement and we empowered¹ our Customer Panel to decide whether we should seek to apply (or not apply) the DMIAM in our Revised Revenue Proposal.

We have adopted our Customer Panel's recommendation and propose the DMIAM is not applied to Powerlink in our 2023-27 regulatory period. Further information is included in Chapter 17 Demand Management Innovation Allowance Mechanism of our Revised Revenue Proposal.

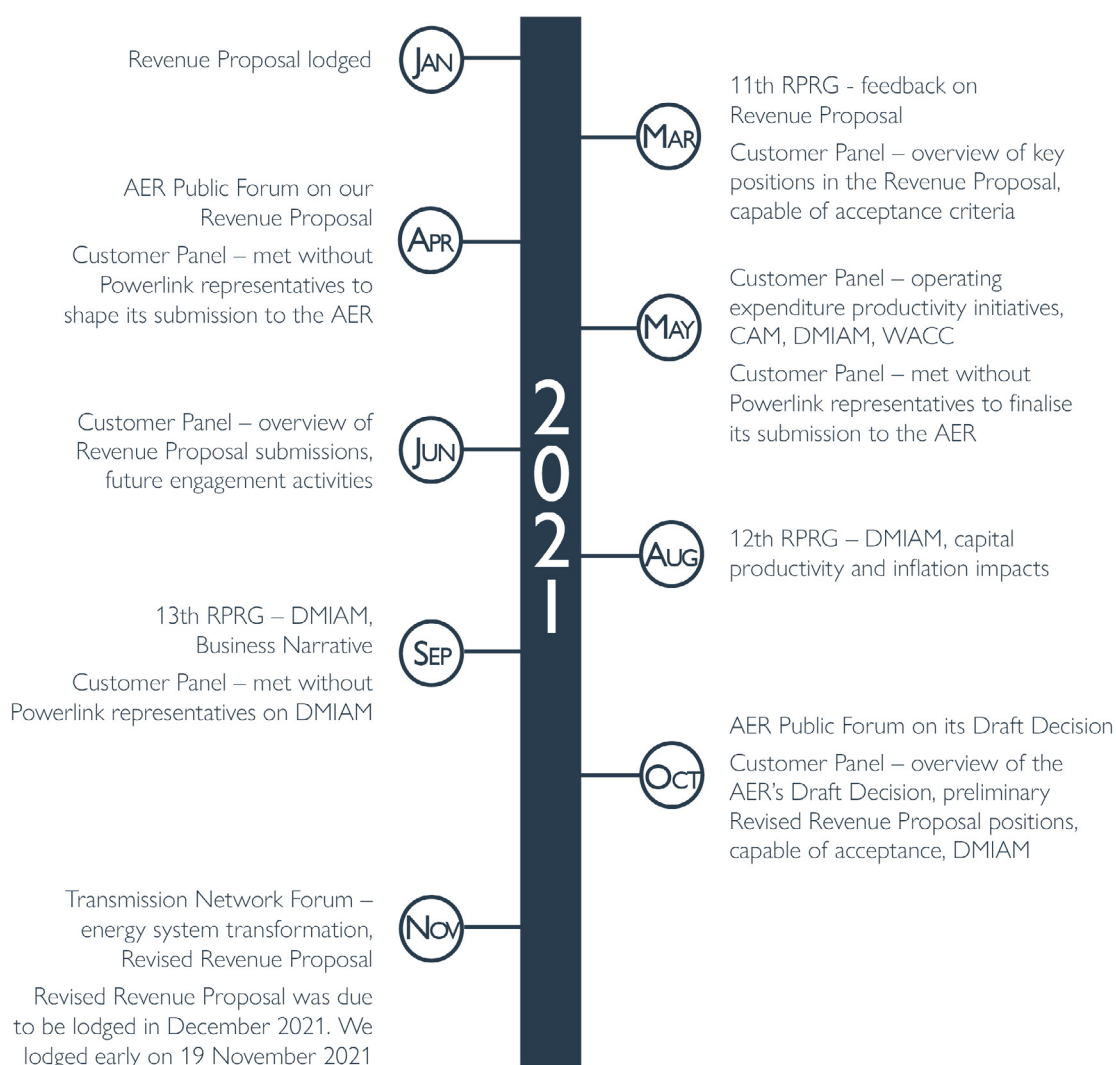
¹ As per the International Association of Public Participation (IAP2) framework. Engagement at the empower level of the framework means our Customer Panel has decision-making power on this item and we commit to implement our Customer Panel's decision.

Engagement

Our engagement has been driven by our overall objective to deliver a Revenue Proposal that is capable of acceptance by customers, the AER and Powerlink. Throughout our Revenue Proposal development process, we engaged early, often and deeply on key issues with our customers, stakeholders and the AER to meet this objective.

Given the significant engagement undertaken in the development of our Revenue Proposal, and the short timeframe available between publication of the AER's Draft Decision and lodgement of our Revised Revenue Proposal (45 business days), our post Revenue Proposal lodgement engagement focused primarily on our Customer Panel and Revenue Proposal Reference Group (RPRG), the AER's Consumer Challenge Panel 23 (AER CCP23) and the AER. We also offered broader engagement opportunities where feasible, for example with our directly connected customers on our Proposed Pricing Methodology.

The timeline below summarises our key engagement activities between lodgement of our Revenue Proposal in January 2021 and Revised Revenue Proposal in November 2021. We provide further details on engagement topics and how customer input influenced our positions in Chapter 3 Customer Engagement of our Revised Revenue Proposal.



Acronyms in this timeline:

AER	Australian Energy Regulator
CAM	Cost Allocation Methodology
DMIAM	Demand Management Innovation Allowance Mechanism
RPRG	Revenue Proposal Reference Group
WACC	Weighted Average Cost of Capital

Next Steps

The next steps in our revenue determination process are:

Date	Action
19 November 2021	Powerlink lodges its Revised Revenue Proposal with the AER.
14 January 2022	Submissions due on the AER's Draft Decision and our Revised Revenue Proposal.
April 2022	AER releases its Final Decision.
1 July 2022	Start of new regulatory period.

Further information

Our Revised Revenue Proposal is available on our [website](#).
Further detail is also available on the AER's [website](#).

Contact us

You can contact us in the following ways:

Email resetteam@powerlink.com.au

Website www.powerlink.com.au

