



Ref. A5272459

1 August 2023

Ms Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney
NSW, 2000

Dear Ms Collyer,

Financeability of Transmission Investment – Reference ERC0348

Powerlink welcomes the opportunity to provide input to the Australian Energy Market Commission's (AEMC's) Rule change consultation on Accommodating Financeability in the Regulatory Framework. We understand the Commission has consolidated Energy Network Australia's separate Rule change proposal on this matter with that put forward by the Commonwealth Minister for Climate Change and Energy.

Context

It is clear that we are operating in an environment of significant transformation to achieve net zero carbon emissions by 2050. It is also clear that to achieve this target will require investment and construction of electricity transmission infrastructure at a scale and pace never seen before in our industry.

As electricity transmission network businesses are at the centre of this transition, it is important that the regulatory framework, consistent with the benchmark financial arrangements upon which it is based, be adapted to ensure it enables necessary projects identified as actionable under the Australian Energy Market Operator's (AEMO's) Integrated System Plan (ISP) to occur in a timely and efficient manner.

Key Messages

ENA's Rule change proposal is intended to provide investors with sufficient confidence upfront and before committing funds to actionable ISP projects that, if financeability risks emerge, how these will be identified and addressed. Under the proposal, a financeability problem exists if the regulatory cashflows in any year are insufficient to support the benchmark credit-rating for a benchmark efficient firm, ie. at 60% debt/equity for an assumed credit rating of BBB+. ENA proposes the adoption of a formulaic approach to assessing whether there is a financeability problem and to what extent depreciation may

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need to be adjusted to ensure that actionable ISP projects can be financed in their own right

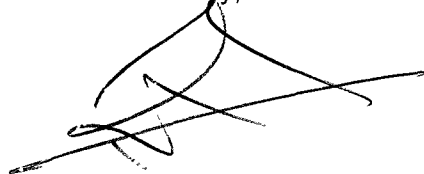
Powerlink supports ENA's Rule change proposal. Our view is that financeability is entirely an empirical matter that either exists through examination of the numbers under the regulatory models or not. If such projects are not financeable, TNSPs could face financial distress and the timing of benefits to customers and the economy of net zero are at risk of delay.

We recognise that if a financeability problem exists and concessional finance, Government grants or other such mechanisms are available to us, our customers may be better served through accessing these special financing arrangements. These are also avenues we support and pursue. However, if these options are not available to us or are insufficient to meet our investment and operating requirements, some sensible form of backstop must be in place. Rule makers have the opportunity to craft these arrangements now, at a time of relative (albeit intensifying) financial peace for networks, or deal with these issues in the midst of a balance sheet crisis. The choice to take appropriate action now seems an obvious one.

We consider that any Rule change the Commission ultimately seeks to implement must be NPV neutral to ensure consumers are protected and should address any credit rating problem that could be experienced by TNSPs under the regulatory benchmarks.

If you have any questions in relation to this submission, please contact Jennifer Harris.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Simshauser', written over a horizontal line.

Paul Simshauser
CHIEF EXECUTIVE

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