



OFFICE OF THE CHIEF EXECUTIVE

Objective ID: A1282989

1 March 2012

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Attention: James Eastcott

Dear Sir

**ERC0137 - Consultation Paper - Cost Pass through Arrangements for Network Service Providers Rule 2012**

Powerlink is currently in the process of a transmission regulatory determination review by the Australian Energy Regulator (AER) under the National Electricity Rules (the Rules) for the regulatory period commencing 1 July 2012 to 30 June 2017. The AER is required to make its Final Decision by end April 2012.

Powerlink's Revenue Proposal identified that its proposed insurance premiums and self-insurance allowances do not include any provision for a number of potential, unforeseen, high-cost events including, among other things, above insurance cap losses and uninsured events. Powerlink's Revenue Proposal also flagged Grid Australia's intention to lodge a Rule change proposal to address these matters, which is the subject of this submission.

In addition, Grid Australia's Rule change proposal indicated that the AEMC's determination in relation to the cost pass through Rule change should contain transitional provisions applicable to Powerlink's 2013-17 regulatory period. In particular, this proposal was put forward to ensure that a consistent process would be applied to the recovery of such risk items, which would otherwise need to be sought through Powerlink's regulatory reset process.

Prior to release of the Commission's Consultation Paper, the AER released its Draft Decision<sup>1</sup> on Powerlink's 2013-17 transmission determination. In its Draft Decision, the AER noted that in relation to the additional risk exposures identified by Powerlink, the AER would assess any future application for cost pass through in the context of the Rules pass through criteria applicable at the time. Powerlink considers this to be a reasonable approach to the loss recovery framework for unforeseen, low probability, high cost events.

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<sup>1</sup> AER (2011), Draft Decision, Powerlink Transmission Determination 2012-13 to 2016-17, November.

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In terms of the Commission's Rule change process, Powerlink understands that any Rule made by the Commission within a regulatory period will automatically apply to the relevant market participants, in this case TNSPs, from the time the Rule takes effect. However, to ensure that Powerlink's understanding is correct and, given that neither Powerlink's Revenue Proposal, Revised Revenue Proposal nor the AER's Draft Decision included any proposed costs or allowances associated with the risks identified in the Grid Australia Rule change proposal, Powerlink seeks either:

- confirmation from the Commission that its Final Rule on this matter will apply to Powerlink's next regulatory period from commencement of the Rule; or
- the inclusion of appropriate Savings and Transitional provisions to this effect in the Commission's Draft and Final Rules. Powerlink has attached draft Rules to achieve such an outcome for the Commission's consideration.

If you have any queries in relation to this matter, please me directly or contact Jennifer Harris on (07) 3860-2667.

Yours sincerely

A handwritten signature in blue ink that reads "Merryn York".

Merryn York  
**CHIEF EXECUTIVE**

**Powerlink**

**Draft Savings and Transitional Rules**

**Part ZM Transitional Provisions**

[To be inserted with the other transitional provisions proposed by Grid Australia to Chapter 11]

**11.43.3 Application of Amending Rule to Powerlink**

**Definitions**

(a) For the purposes of this rule:

**Powerlink** means Queensland Electricity Transmission Corporation Limited (ACN 078 849 233), trading as Powerlink Queensland.

**transitional regulatory control period** means the regulatory control period applying to the Powerlink transmission network commencing on 1 July 2012 and ending on 30 June 2017.

**Scope and application**

(b) This clause 11.43.3:

- (1) applies only in respect of the Powerlink transmission network until 30 June 2017; and
- (2) prevails, to the extent of any inconsistency, over any other clause in the *Rules*.

(c) For the avoidance of doubt, from the commencement date and for the duration of the transitional regulatory control period:

- (1) the Amending Rule, with the exception of clauses 6A.14.1(9) and S6A.1.3(11), applies to Powerlink during the transitional regulatory control period; and
- (2) the process to apply to the calculation, presentation and approval of pass through amounts resulting from a positive change event or negative change event during the transitional regulatory control period is as set out in the Amending Rule.