



**RESPONSE TO**  
**QUEENSLAND COMPETITION AUTHORITY**  
**REVIEW OF THE FORM OF REGULATION OF ELECTRICITY DISTRIBUTION**

**Discussion Paper**

October 2002

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Powerlink has reviewed the discussion paper prepared by the Queensland Competition Authority (QCA) as part of its review of the form of regulation of electricity distribution. While Powerlink is not directly affected by the form of regulation of Queensland distributors there are some areas of shared responsibility between Powerlink and the Queensland distributors which we consider warrant consideration by the QCA in its deliberations.

As stated in your discussion paper the ACCC currently uses a fixed revenue cap approach to regulate electricity transmission services in Queensland. The National Electricity Code requires the ACCC to adopt this approach in relation to the noncontestable elements of transmission networks. The details of the approach are documented in the ACCC's Statement of Regulatory Principles. Their approach includes no mid term reviews with an overs and unders balancing each year. The ACCC are in the process of developing a performance incentive scheme for transmission performance which will allow the transmission provider to earn bonus revenue or lose revenue against predetermined target performance levels. There may be sound reasons why the use of fixed revenue cap regulation is better for transmission services but we have not had the opportunity to consider this matter in any depth.

An issue which Powerlink considers warrants some consideration when deciding on the form of regulation for distributors is the interaction at the physical boundary between transmission and distribution from a planning and investment perspective. The National Electricity Code requires transmission and distribution companies to undertake joint planning for identifying limitations and developing their networks to overcome limitations (Clause 5.6.2). However, different forms of regulation between the transmission and distribution companies may lead to different commercial outcomes for similar investments which allow delivery of additional volume. If the same form of regulation is applied to distribution and transmission this will minimise the opportunity for different commercial outcomes for like investments.

Powerlink believes this is worthy of consideration by the QCA in its deliberations on the form of regulation of electricity distribution.