

CONSUMER ADVISORY PANEL (CAP)

MEETING # 20

NOTES

Date:	Friday, 2 July 2021
Time	10.30am to 12.30pm
Venue:	ElectraNet Board Room + Microsoft Teams
Purpose:	<ul style="list-style-type: none">• Receive a major projects update• Agree to the formation of a CAP Working Group for early engagement on the Preliminary Revenue Proposal• Receive a briefing on the Preliminary Revenue Proposal

1. Welcome and introductions – Rainer Korte

- Rainer welcomed those attending in person and via Microsoft Teams, noting that the meeting had been postponed from early June due to the unavailability of members.
- Members were introduced to ElectraNet Chairman Gordon Jardine and Chief Executive Steve Masters and those attending as guests, namely Andrew Nance, representing the SA Power Networks Customer Consultative Panel, and AER representatives Adam Petersen and David Monk.

2. Notes from Meeting #18 and Meeting #19

- The meeting notes were accepted.
- The Panel noted that the meeting notes will continue to be published on ElectraNet's website and resolved that meeting notes should capture key discussion points without attribution to individual panel members.
- Rainer Korte expressed ElectraNet's appreciation for the feedback received from the Panel over the last six months, which has guided the development of its early engagement approach.

3. Major Projects Update

Rainer Korte provided an update on the progress of major projects:

- Eyre Peninsula Link – this project involves the replacement of the transmission line supplying the Eyre Peninsula, avoiding increasing costs to repair the existing line and the need for generation support at Port Lincoln. All regulatory approvals were completed in 2020. Recently, major construction works commenced, including the pouring of foundations with erection of towers to soon commence. The line is expected to be completed by end 2022.
- Synchronous Condensers – this project involves the installation of four synchronous condensers, two at Davenport and two at Robertstown, to provide essential system services driven by the changing power system generation mix and rapid uptake of renewable energy. The first unit at Davenport has been synchronised. Testing and commissioning of others is in progress. All are expected to be operational by the end of the month or shortly thereafter.
- Project EnergyConnect – this project involves the construction of a new interconnector between South Australia and New South Wales. The AER released its final contingent project revenue approval at the end of May 2021. ElectraNet and TransGrid Board final investment decisions on the project were concluded on 4 June. In SA, environmental approvals are still in progress, and are hoped to be complete by October 2021, however this timing is out of ElectraNet’s control. Construction is expected to start later this year with commissioning underway in 2023.

Discussion:

Q - Does PEC have major development or Crown development status?

A - The project has strong Government support with monthly meetings between ElectraNet, TransGrid, and other relevant Government agencies. It has Major Development status in SA and is subject to a joint Commonwealth/ State approval process including the requirements of the EPBC Act. Environmental approvals are on track with consultation closed on the EIS, and a decision is now in the hands of the SA Government.

Q - What sort of coordination work is being done between TransGrid and ElectraNet?

A - Coordination is happening on a number of levels. The two project teams are working closely together, and there is Executive level coordination between the two organisations to ensure we have a coordinated approach. System integration activities to integrate the new transmission line into the NEM are ramping up. A System Integration Steering Committee is operating with representation from AEMO, ElectraNet and TransGrid.

Q - Will ElectraNet and TransGrid use the same contractor?

A - No. The organisations have been through separate procurement processes to select the appropriate contractors to deliver the required works in each State.

Q - Will the Main Grid System Strength project deliver cross border benefits to Victoria? Will it allow greater rooftop PV exports from SA?

A - The synchronous condensers improve system strength which relates to voltage control on the network, which is a localised issue. The synchronous condensers are being installed to meet these requirements in SA. Once the synchronous condensers are commissioned, AEMO will not need to direct synchronous generation to provide these services. An important benefit for customers is that the compensation cost associated with directing generators will be avoided, allowing the power system to operate securely at lower cost.

4. Commitment to Genuine Customer Engagement

Gordon Jardine, ElectraNet Chairman, shared his perspectives on customer engagement:

- The regulatory process and level of engagement around network revenue determinations has grown substantially over the last 20 years since the inception of the framework.
- Five years ago, ElectraNet management came to the Board with what seemed a radical proposal to share and discuss a preliminary revenue proposal with consumer representatives over six months before submission of a formal proposal to the AER. However, it turned out to be very helpful and is now regarded as the 'new normal'.
- The ElectraNet Board has come into the current proposed engagement process very positively, understanding the process and keen to hear feedback from the CAP over the coming months, as it gets involved in shaping and framing ElectraNet's proposal to AER next calendar year.
- Thank you for your time and effort in advance, which we understand can be significant.

Steve Masters, ElectraNet Chief Executive, shared his perspectives on customer engagement:

- Five years ago we took to our Board the importance of building trust and open engagement with our customer representatives, the CAP and stakeholders. We remain fully committed to that engagement process. We appreciate your input via feedback and as a sounding board in co-designing our engagement approach.
- We want to build on what we achieved last time around. We understand that customer engagement expectations are increasing, going from being 'informed' to 'consulting' to 'collaboration' between businesses and customer representatives.
- We see the current engagement as a genuine opportunity to influence outcomes, and we are here to support that approach. We have shared with you a draft of our Preliminary Revenue Proposal. It remains a work in progress and contains indicative forecasts and expenditure programs. We want this group to help shape that so when we submit a formal Revenue Proposal next year, it captures your feedback and that of other stakeholders.
- We value your time, and assure you that your feedback is appreciated and the outcomes will be transparently reported and captured.
- We are here to listen as we seek to develop a compelling proposal and we want to continue to work with the Panel on a collaborative basis.

5. Early Engagement

Simon Appleby provided an overview of the proposed approach to early engagement:

- ElectraNet's proposed approach to early engagement was outlined in a letter to the AER Chair on 3 May 2021, which was copied to the Panel. The AER replied on 2 June 2021 confirming its support for the proposed approach and committing to participate, including providing technical representatives to engage in reviewing technical aspects of ElectraNet's expenditure proposals.
- The next step in ElectraNet's approach is to publish the Preliminary Revenue Proposal and consult with stakeholders, in parallel with a more detailed review process with representatives of the CAP and AER technical representatives through a series of deep dive workshops.
- To this end the Panel members are invited to participate in a Working Group to examine the Preliminary Revenue Proposal and to identify those areas to be explored in detail. The AER's technical representatives would also assist participants to understand the regulatory process.
- The Working Group would also have the option to seek further independent advice if required and would report back to the full Panel as the review process progressed.
- The Working Group will be joined in due course by representatives of the AER's Consumer Challenge Panel, once appointed to this process, expected to occur by September/October.
- The Working Group is expected to meet every 3-4 weeks until October. Following this, ElectraNet will be finalising its Revenue Proposal in November and December based on all the input received for submission to the AER in January 2022.

Discussion:

The Panel agreed to support the Working Group to engage with ElectraNet in reviewing its expenditure proposals in detail, endorsing the proposed membership and terms of reference. It also recommended that the Working Group should:

- consider what the term 'capable of acceptance' means and how far the CAP can reasonably go in this regard, and what objectives and success criteria should be applied. This should build on experience with other recent engagement processes, and be informed by any relevant input from the AER.
- focus on the key issues and the tough questions by taking a targeted approach, noting that the Working Group cannot cover everything.
- continue to identify the key topics for review, such as Capex and Opex forecasts, and to consider broader areas that may be relevant such as depreciation. Part of this process will be to define those areas of scope that can and cannot be influenced to any meaningful degree.

6. Preliminary Revenue Proposal

Rainer Korte and Jeremy Tustin provided an overview of the draft Preliminary Revenue Proposal, based on the pre-release version circulated to Panel Members on 30 June 2021.

Discussion:

Q - Does the augmentation capital expenditure of \$510m include the completion of Project EnergyConnect (PEC), synchronous condensers and the Eyre Peninsula project?

A - The Eyre Peninsula project is a Replacement project, while the synchronous condensers are reported in the Security and Compliance category. The Augmentation category mainly comprises PEC.

Q - What is planned for the forecast Security and Compliance expenditure? Does this include synchronous condensers?

A – No, the synchronous condensers will be completed in the current regulatory period. The Security and Compliance expenditure includes around \$50m for installing reactive plant on the network to manage voltage levels due to the ongoing system challenges arising from the changing generation mix. The possibility of further investment in system strength is recognised through a proposed contingent project. Contingent projects are not included in the capex forecast but are a way of managing risk to customers and ElectraNet where the need or cost of large projects are uncertain. While these projects remain possible, it is unlikely these will occur in the next regulatory period. Some of the contingent projects have been identified by AEMO in the ISP, and with the increasing pace of change, it is possible they could be brought forward to commence in the next regulatory period.

In relation to the price reductions expected to flow from PEC, the Panel queried whether it would be possible to measure and report on these benefits in future. This may help increase confidence for customers in major transmission investment.

While the Panel noted that the increase in transmission costs forecast in the PRP would be more than offset by expected reductions in total energy costs from investments such as PEC, it also noted this was a challenging message to convey to stakeholders.

7. Open Discussion Forum

In response to a question from the Panel the Chairman and Chief Executive shared their views on the issues of most concern to ElectraNet:

- Network age – ElectraNet has an older network and must apply a risk-based approach to balance affordability and reliability;
- Cyber security – it is important to reach the required maturity level to protect critical network infrastructure against cyber threats;
- Network density – having a long ‘stringy’ network places South Australia at a cost disadvantage compared with tightly meshed networks elsewhere;

- Environmental and safety requirements – continue to increase, including the management of Cultural Heritage requirements on the network;
- Energy transformation – the changing nature of the power system with the ongoing uptake of renewable generation is pushing the network beyond its limits, requiring investment in new tools, capabilities and resources to manage an increasingly complex system;
- New technology – presents opportunities to unlock value for customers in the delivery of transmission services.

Members also provided some brief reflections on the Preliminary Revenue Proposal, stressing the need for clear linkages to the Network Vision, coordination with SA Power Networks and alignment with AEMO's Integrated System Plan.

8. Next Meeting

- Next Panel meeting scheduled for 10 August 2021 in person.
- The first meeting of the Working Group was scheduled for 16 July 2021.

**Consumer Advisory Panel Meeting
2 July 2021**

ATTENDEES

NAME	ORGANISATION
Maureen Boyle	SACOSS
David Headberry	Major Energy Users Association
Mark Henley	Uniting Communities
Vikram Kenjle	University of Adelaide
Mark Sutton	Outback Communities Authority, Regional Development Australia Far North
Gordon Jardine	ElectraNet
Steve Masters	ElectraNet
Rainer Korte	ElectraNet
Simon Appleby	ElectraNet
Jeremy Tustin	ElectraNet
Megan Lloyd	ElectraNet
Chris Hanna	ElectraNet

APOLOGIES:

Rob Kerin	Primary Producers SA
Peter Labropoulos	SACOME
Andrew McKenna	Business SA
Shelly Ashe	Energy Consumers Australia

GUESTS:

Adam Petersen	AER
David Monk	AER
Andrew Nance	The Energy Project and SA Power Networks Customer Consultative Panel