

## CONSUMER ADVISORY PANEL

### MEETING # 21

---

- Date:** Tuesday, 14 September 2021, 1:00pm to 3:00pm
- Venue:** Microsoft Teams
- Purpose:**
- Approval of the Working Group's Terms of Reference and criteria for success
  - Review five capital project case studies
  - Review the governance framework for capital program planning and decision making
  - Discuss and identify key topics for future meetings
- Attendees:** Refer Attachment
- 

### MEETING NOTES

#### 1. Introduction

Rainer Korte (Group Executive, Asset Management) opened the meeting noting:

- At the previous meeting of the CAP on 2 July 2021, an overview of the Preliminary Revenue Proposal (PRP) was provided. The PRP was published in July 2021, and there's been ongoing engagement with the CAP Working Group since then.
- This meeting is to brief the full CAP on the engagement on the PRP, including hearing from the Working Group directly, get their perspectives to date and cover some of the material that has been shared.

Meeting notes from 2 July 2021 were accepted, but if members have concerns, please let ElectraNet know, and amendments will be considered. In response to feedback from the CAP, member names have been anonymised in the meeting notes. Members confirmed they are comfortable for the meeting notes to be published.

The Working Group meeting notes are not proposed to be published on the website consistent with a decision made during the establishment of the Working Group. This position encourages more open sharing of information by ElectraNet, including sensitive information. A summary form of the meeting outcomes will become part of the public record in due course.

The Working Group meeting notes will be made available to all the CAP members.

ElectraNet CEO Steve Masters is also participating in this meeting.

Lynley Jorgensen, AER, has taken over from Adam Petersen as the Reset Coordinator for ElectraNet's revenue reset and will be an observer in CAP and Working Group meetings. The AER's role is expected to increase going forward.

## **2. Revenue Reset Update**

Simon Appleby: The Working Group has developed a set of Success Criteria for the revenue reset pre-lodgement engagement.

On the question of the proposal being 'capable of acceptance' in the Success Criteria, the Working Group concluded that it is not its role to say what is capable of acceptance under the rules. Rather this is a matter for the AER. The Working Group would like to reach a point where it is comfortable for the AER to accept the proposal ultimately submitted by ElectraNet. It was also recognised that it was ElectraNet's objective to put forward a proposal 'capable of acceptance' and the Working Group contributes towards that outcome.

Simon outlined the proposed Success Criteria to the CAP for approval. CAP members had no issues, and the criteria were taken as accepted.

### Preliminary Revenue Proposal - Feedback and submissions

There was a public forum held on 12 August 2021 via Microsoft Teams. The presentation and meeting notes were published on the ElectraNet website, and members were provided with copies.

The key themes from the public forum were the customer impacts of major transmission investments in the current period and the replacement capital program.

The period to provide written submissions has closed. Business SA made the only submission. In addition, Andrew Nance, who is participating in the SA Power Networks Consumer Consultative Panel, is expected to make a submission. Those submissions will be shared with the CAP.

The CAP highlighted the busy engagement period for consumer advocacy groups, and taking time to write a formal submission is challenging. It should be recognised that participating in the CAP and WG takes significant time, and accept that key stakeholder views are recognised as part of that process.

ElectraNet agreed with this position and that a summary record of Working Group meetings, in some form, will become part of the public record.

### Key Activities – CAP Working Group

The Working Group has met four times with two further meetings scheduled.

A detailed overview of the Preliminary Revenue Proposal was provided to the Working Group in the first meeting, including an overview of ElectraNet's methodology for identifying future expenditure requirements. Other meetings were focused on examination of the capital forecast, future networks and technology. An opex review is scheduled for the upcoming Working Group meeting.

In all three Working Group meetings, members were provided with an overview of the content, then a more detailed sample of projects, with the intent to show the big picture, then go into finer details.

ElectraNet has been providing information in the areas of interest expressed by the Working Group with the expectation that once the Working Group has a sufficient level of understanding it will be in a better position to collaborate and provide ElectraNet with guidance.

There have been questions taken on notice, and answers provided to the Working Group. Some responses are still in progress.

A theme that has come up is the importance of ElectraNet and SA Power Networks working together. One outcome is to explore the potential for a joint meeting of the consumer panels.

ElectraNet emphasised that members shouldn't imply engagement is limited to the proposed schedule. ElectraNet is keen to get input from the Working Group on where it wants to take discussions and in what form.

### **CAP Working Group: Member Update**

Mark Henley recognised the ElectraNet network is located on the lands of many indigenous nations and respect elders past and present, and emerging, and recognise the continuing connection to land, water, and culture. An outline of Mark's presentation follows:

- The views in this presentation are emerging and a reflection of view at the moment.
- Where do we think we want to end up? This gave rise to the establishment of the Success Criteria. It is important to keep coming back to these criteria.
- A question for the CAP is how do members want to be kept in the loop on the progress of the Working Group?
- The Working Group is playing a useful role in bringing SA Power Networks and ElectraNet together collaboratively and sharing solutions around the tough questions such as renewable energy and DER integration.
- It would be expected that the CAP Working Group be able to write a report to accompany Revenue Proposal.
- The AER has established a Consumer Engagement Assessment Framework, with key measures relevant to this process:
  - Important to engagement that consumers partner with networks informing the proposal rather than simply asking for feedback – a really important guide on how the CAP, Working Group and ElectraNet work together.
  - Impartial support is provided to the CAP through the Working Group on energy sector issues. ElectraNet agreed to assist, and Chris Hanna and Mark Henley are liaising to determine the best way forward.

- One of the issues for the Working Group is at what point do we engage in the dollar amount in the proposal and how much is about the process.
- In terms of the numbers, ElectraNet is looking at a reasonable reduction in repex and not much in augmentation.
- There are some step changes in opex that need consideration. Insurance and self-insurance, and what is being done on this biggest aspect on opex that needs to be discussed. There's also Cyber and Cloud.
- ElectraNet has delivered a lot of information, very much at the inform level (on IAP2 spectrum) but now looking to move towards the engage level – that is where the CAP Working Group is up to.
- There's a bit more thinking to do on safety and do consumers support what ElectraNet is doing in that space.
- Counterfactuals should also be considered on key expenditure items. Have the alternatives been considered? Is that the best way to spend that money?
- From the Contingent Projects in the Preliminary Revenue Proposal, there's approximately half a billion in contingent projects. More engagement is required to the extent of the likelihood of the projects, what are the triggers, and the timing.

David Headberry briefed the CAP on some of the details of the Working Group meetings on the Preliminary Revenue Proposal:

- There have been four Working Group meetings so far:
  - Working Group Meeting 1: was on the terms of reference and an overview of the Preliminary Revenue Proposal, where we want to focus attention, and the process for forecasting capex.
  - Working Group Meeting 2: was on the Asset Management processes, and an overview of the repex projects, including cases studies on projects that made it into the Preliminary Revenue Proposal and some that were excluded.
  - Working Group Meeting 3: Presentations by AEMO, SAPN, and a future networks presentation by ElectraNet. Arising from that discussion was the possibility that the networks may be able to work together on some requirements to come up with a [lower cost] solution. The Working Group believes that this collaboration has potential going forward.
  - Working Group meeting 4: This meeting was on IT, where the budget is showing a significant increase, so that was important to look at.
- There's a significant number of Contingent Projects included in the Preliminary Revenue Proposal. If the project trigger is met, that project becomes an integral part of the Revenue Proposal. Therefore, we must have a look at them.
- Repex is a large amount of money despite it being less than the previous regulatory period. Because the Working Group is only presented with a sample of projects, we can

support some of them in principle. The extent of the cost was not considered by the Working Group - there was no agreement on the cost except to say that some of them are important.

- On Technology, the issue was presented that there will be a lot more data feed into the system. The argument was because there is so much data, we must have a system that looks at it, but the question is why? Just because there's additional data – do you have to use it? The Working Group still haven't come to a final landing on that aspect.
- Journey management was a project case study – the question asked was everyone has a journey management system; why does ElectraNet have to invent a new system.
- What has come from the meetings is ElectraNet has identified a problem, the process is then followed, what hasn't been looked at by the Working Group is the potential for alternative solutions.
- If ElectraNet has identified a problem, the question needs to be asked, is it a real problem and is there an alternative solution?
- To conclude, while some elements have been supported by the Working Group, engagement has been at IAP2 'Inform' level, still haven't reached a landing on the need and whether there's an alternative solution.
- In terms of determining the costs, the Working Group hasn't determined whether they're reasonable, but mindful this will be done by the AER as they have better tools for that determination.
- It was found that some solutions could be resolved by SA Power Networks, others by ElectraNet, but it was discussions are occurring between ElectraNet and AEMO and SA Power Networks.

Mark H: On behalf of the Working Group, asked the non-Working Group CAP members, to what extent they want to be kept informed and are there any particular issues burning in their minds?

CAP: Updates at the meetings are more than enough. Key areas of interest are contingent projects.

David asked the question around the issue of costing – to what extent should the Working Group look at the costs proposed?

CAP: In Business SA's submission it was highlighted there's a lot of justification for projects but very little post-analysis. Going forward with projects in the revenue proposal we're interested to see how projected costs/ benefits play out.

CAP: In terms of costings, the Working Group probably doesn't have sufficient resources to determine costings, so the AER is best placed to do that work.

AER: It's not for the Working Group to do the AER's work. The AER will satisfy itself along the way. The AER is very interested in consumer views, how the proposal has come together, levels of comfort in the decision-making process. If the CAP or Working Group would like to comment on cost the AER would welcome that feedback. If not, the AER would value whether the cost story and benefits story stacks up.

CAP: That's helpful and should assist in the process.

Rainer: If the Working Group is interested, we can have an item on the scoping and estimating of projects. If the Working Group would like to consider any specific projects in relation to this please let us know.

CAP: As part of the ISP work, AEMO and the regulator has developed the transmission cost database. Is it worth costs being looked at, focusing efforts where judgement can be exercised – especially if the outcome would lead to a better outcome for customers if customer perspectives are provided.

CAP: For my involvement in the ISP, engagement has not included costings because it's not so much about judgement. The hope is there's a good process. With limited time, you look to where the judgement can be exercised. For example, the safety equipment on the towers, how far away do you go from town centres, therefore balance risks and benefits. It is a good candidate for consumer involvement. That is better than is it reasonable to spend \$10k on each unit.

Andrew Nance is preparing a submission on the relationship between ElectraNet and SA Power Networks, and there's a good level of engagement and effort going into it. There should be some good case studies to come out of this process.

ElectraNet will provide the CAP and/or Working Group with an update to the Preliminary Revenue Proposal in October. Final positions will not be available then, but members will be advised of changes since the release of the preliminary proposal in July. The engagement with the CAP and the Working Group is influencing the updated forecasts.

There's a joint CAP meeting with the SA Power Networks Consumer Consultative Panel scheduled in October and a regular CAP meeting as well. The details of these meetings are still to be confirmed.

CAP: When does the CAP get a chance to see what is fairly close to the final regulatory proposal?

Rainer: ElectraNet will be presenting close to final forecasts to the ElectraNet Board in November for information and in December for approval. ElectraNet would like to share this information with the Working Group and the CAP prior to the Board presentations.

CAP: It's important to develop a plan for engagement after the revenue proposal is submitted. There may be a revised proposal after the submission in January 2022, and there will be changes to the electricity market. We should look at a program of continued engagement after the initial proposal being submitted. Consideration should be given as to whether the CAP should be involved and whether the working group should continue to be involved.

CAP: The CAP members concluded they are happy with the work the Working Group is doing.

### **Project EnergyConnect Update**

Rainer Korte provided an update on the timing of Project EnergyConnect. In early June, ElectraNet received final regulatory approvals, and ElectraNet and TransGrid's Boards made final investment decisions.



ElectraNet expects to receive the Environmental Approvals soon and is finalising construction contractors to build the South Australian component of the project. Contracts are expected to be concluded in the coming weeks.

The first part of the project from Robertstown to Buronga, including the South Australian component, is expected to be completed in the second half of 2023, and TransGrid is forecasting approximately another 12 months to complete the Buronga to Wagga Wagga section. There is limited opportunity for testing and release of transfer capacity following the first stage. In the second half of 2024, internetworking testing and a gradual release of capacity for the whole project will start.

ElectraNet is working with AEMO, TransGrid and the SA Government on the communication of timing. Renewable Proponents have shown interest in this timeline. This communication will go to the market in the coming weeks.

There will be some delay in the timing of PEC now that more detailed project planning has been undertaken with construction contractors. This means there will also be some delay in PEC expenditure. The preliminary revenue proposal assumes all PEC expenditure is concluded in the current regulatory period. The timing delay of completion of the South Australian component from the end of the current regulatory period to the beginning of the next means approximately \$60m of PEC capex will be deferred into the next regulatory period. This capex deferral will in part be compensated by movement in the timing of other capital projects.

The details will be discussed with the CAP WG as ElectraNet clarifies the forecasts.

Overall the changes in PEC timing are expected to reduce the revenue recovery required in the next regulatory period by approximately \$20m- \$30m.

CAP: I have three questions:

1. Can we have some idea on whether project costs will be bigger or smaller than the contingent project application?
2. If ElectraNet is deferring project costs, there will be a capital expenditure incentive element? How are we going to address the CESS impact by deferring the project?
3. TransGrid is looking at the benefits of HumeLink. The benefits from PEC included getting power flow from and into NSW. The concern is HumeLink may be claiming some of the benefits from PEC?

Rainer: In response to the first question, project costs are expected to come in under the contingent project application forecast. In response to the second question major projects like PEC are explicitly excluded from CESS considerations so the PEC deferral will have no impact on CESS outcomes from a customer perspective. We are not able to comment on the third question about what benefits are being claimed for HumeLink.

### 3. Next Steps

**Next Working Group meeting:** Week Commencing 15 October 2021

**Next CAP Meeting:** Week Commencing 15 November 2021

<b>ATTENDEES</b>	
<b>Name</b>	<b>Affiliation / Title</b>
David Headberry	Energy Consumers Coalition of SA (ECCSA)
Mark Henley	Uniting Care
Vikram Kenjle	The University of Adelaide
Lynley Jorgensen	AER
Andrew McKenna	Business SA
Peter Labropoulos	SACOME
Maureen Boyle	SACOSS
<b>ElectraNet Representatives</b>	
Steve Masters	CEO
Rainer Korte	Group Executive, Asset Management
Chris Hanna	Government and Stakeholder Relations
Simon Appleby	Manager Regulation & Investment Planning
Jeremy Tustin	Regulated Investment Planning Manager