

## CONSUMER ADVISORY PANEL

### MEETING # 23

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<b>Date:</b>	Friday, 18 February 2022, 9:00am to 11:00am
<b>Venue:</b>	Microsoft Teams
<b>Purpose:</b>	<ul style="list-style-type: none"><li>• Revenue Proposal Update</li><li>• Consideration of CAP Engagement Report</li><li>• Update on Fast Frequency Response Services</li><li>• Discuss CAP Membership review and indicative 2022 meeting schedule</li><li>• Review proposed engagement on ElectraNet's Annual Planning Calendar</li></ul>
<b>Attendees:</b>	Refer Attachment

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### MEETING NOTES

#### 1. Introduction

Chris Hanna, Government and Stakeholder Relations Adviser, opened the meeting noting:

- Jordan Smith has joined the CAP representing Business SA (replacing Andrew McKenna)
- Maureen Boyle is an apology.

The minutes of CAP Meeting 22 were noted and approved.

Consistent with the improvement opportunities identified with the CAP, ElectraNet introduced Leanne Muffet from Strategic Matters as the proposed independent facilitator moving forward, following the review to be undertaken of the CAP.

#### 2. Revenue Proposal Update

Jeremy Tustin, Regulated Investment Planning Manager, briefed the CAP on the finalisation of the expenditure and revenue forecasts and lodgement of the Revenue Proposal to the Australian Energy Regulator (AER) on 31 January 2022.

The key changes in the Revenue Proposal since December 2021 were:

- The expenditure forecasts were presented in real terms (\$2022-23) based on mid-year (i.e December) escalation. However, the AER requires the figures to be presented in end of year terms (i.e. June). Therefore, the figures have changed by approximately 1 per cent, with no underlying change to the forecasts.
- While the expenditure forecasts are presented in the Revenue Proposal Overview on a like-for-like basis for comparison, the full impacts of the changes to the International Financial Reporting Standards (IFRS), leading to a change in the treatment of the cloud services in IT from capex to opex are shown in the detailed expenditure Attachments to the Revenue Proposal.

Overall, there is minimal change from the final draft provided to the CAP before Christmas to the final version submitted to the AER.

Jeremy highlighted the proposed role for the CAP in the Demand Management Innovation Allowance Mechanism. Members agreed that involvement in this mechanism would be useful.

### **3. CAP Engagement Report – Draft Consideration**

Mark Henley and Peter Eben presented the draft CAP Engagement Report, as circulated to Members prior to the meeting. Peter Eben went through the purpose of the report, seeking feedback and endorsement of the conclusions.

The key points summarised by Peter and Mark and outcomes of the discussion are as follows:

- This report is an independent report written by Peter Eben and Mark Henley, informed by input from current CAP Members, Working Group Members and ElectraNet on their perspectives. It was noted that this also included Andrew McKenna, formerly representing Business SA on the CAP during engagement on the Revenue Proposal.
- The framework for the report was developed based on the CAP Success Criteria for engagement and aligned with the AER engagement framework and incorporating IAP2 principles.
- The report's conclusions were categorised in two ways: views on the engagement process and the engagement outcomes (content):
  - The engagement process was summarised as having genuine intent, with a slow start and improvements along the way. Further improvement areas have also been identified looking forward.
  - The engagement outcomes (content) found no surprises and no major issues, and the proposal is “capable of support” pending AER review.
- The CAP endorsed these headline conclusions.

Peter went through each part of Section 6 of the report outlining key perspectives on the engagement:

- Section 6.1 on the Stakeholder Perspectives was accepted by the CAP.
- Section 6.2 on the Observations against framework was accepted by the CAP.
- Section 6.3 on the Overall conclusions was accepted by the CAP, noting some clarifications with ElectraNet to Table 6.2.
- Section 6.4 on the Improvement opportunities was accepted by the CAP.

The CAP endorsed the independent Customer Engagement Report and approved its finalisation and submission to the AER.

It was noted that the report is intended to be read in conjunction with ElectraNet's Customer Engagement Outcomes Report, which provides a detailed record of the engagement process and outcomes.

The AER confirmed the independent Customer Engagement Report and ElectraNet's Customer Engagement Outcomes Report would shape the discussion in the AER's Issues Paper for the Revenue Proposal.

#### **4. Fast Frequency Response Services**

Simon Appleby, Acting Group Executive Asset Management provided an update on ElectraNet's response to AEMO's inertia shortfall declaration in South Australia. In summary:

- This need for these services only arises when South Australia is islanded (i.e. electrically separated) from the rest of the National Electricity Market, historically occurring every one to two years;
- Project EnergyConnect is expected to remove this inertia shortfall once in operation;
- ElectraNet has conducted a procurement process with potential service providers of inertia services in South Australia and is working through the potential costs of providing the service;
- ElectraNet has analysed the tenders with AEMO and clarified the nature of its obligations with the AER;
- While the expected costs of the service do not appear to ElectraNet to be economic or in the interests of customers given the alternative of continuing to rely on AEMO directing participants to operate when required (as is presently the case) ElectraNet has no choice under the Rules but to procure the service, at the lowest cost possible;
- As a result, ElectraNet has lodged a cost pass-through application for the expected costs with the AER for the upcoming financial year 2022-23. Under the rules, a true up mechanism operates whereby only the actual service costs that are incurred will be recovered by ElectraNet from customers; and
- SACOME flagged it expects to make a submission on this proposal (and other similar proposals) due to the ongoing concern over market costs impacting on large energy users.

It was noted that the subsequent inertia shortfall declared by AEMO for 2023-24 will pose a further challenge to address.

#### **5. ElectraNet Annual Planning Calendar**

Simon Appleby presented the intention to engage with the CAP in the annual development of ElectraNet's Network Development Plan and Asset Management Plan and the purpose and content of each report.

ElectraNet plans to provide further information to the CAP at the next meeting in April 2022. ElectraNet seeks to involve members in co-designing the engagement process, with the aim of bringing members 'inside the tent' in the development of these annual plans, allowing them to help shape our annual planning decisions.

## **6. CAP Review**

ElectraNet has engaged Leanne Muffet to facilitate a review of the CAP, with the view to appoint her as the independent facilitator moving forward, subject to the outcomes of the CAP review.

Chris Hanna outlined the plan to set up the CAP to better prepare for ongoing engagement, prior to development of the next Revenue Proposal.

Members were offered the opportunity to participate in the review process, and Vikram Kenjle and Mark Henley (after the meeting) agreed to participate in the review process.

After reviewing the CAP structure and charter, ElectraNet will recruit new Panel members.

## **7. Other Matters**

The CAP noted the indicative meeting topics for 2022 and requested a schedule of specific meeting dates for 2022.

Chris Hanna agreed to send out the meeting slides to CAP members and other participants.

Rainer noted construction had commenced on Project EnergyConnect at Robertstown and expressed ElectraNet's appreciation to the CAP for its contribution to the project.

## **8. Next Meeting**

April 2022 (TBC)

**ATTACHMENT**

<b>ATTENDEES</b>	
<b>Name</b>	<b>Affiliation / Title</b>
Mark Henley	Uniting Care
Mark Sutton	Outback Communities Authority
Jordan Smith	Business SA
Vikram Kenjle	The University of Adelaide
Peter Labropoulos	SACOME
<b>Observers</b>	
Lynley Jorgensen	AER
Jane Kelly	AER
Rob Nicholls	Consumer Challenge Panel
Elissa Freeman	Consumer Challenge Panel
Mike Swanston	Consumer Challenge Panel
Peter Eben	Seed Advisory
<b>ElectraNet Representatives</b>	
Rainer Korte	Interim Chief Executive
Chris Hanna	Government and Stakeholder Relations
Simon Appleby	Acting Group Executive, Asset Management
Jeremy Tustin	Regulated Investment Planning Manager
<b>Apologies</b>	
Maureen Boyle	SACOSS