

Meeting Minutes

Consumer Advisory Panel Meeting #25

Date:	Thursday, 29 September 2022, 3pm to 5pm
Purpose:	<ul style="list-style-type: none">• Learn more about ElectraNet & the energy sector• Contribute confidently to the Revised Revenue Proposal• Build a sense of team
Attendance:	Refer Attachment

1. WELCOME

Leanne Muffet, Independent Facilitator, opened the meeting, acknowledged Traditional Owners, and outlined the agenda.

Leanne noted that all the Consumer Advisory Panel (CAP) members at the meeting had accepted the confidentiality requirements not to disclose or share any sensitive information presented by the Australian Energy Regulator (AER) regarding its Draft Decision of ElectraNet's Revenue Proposal prior to its release on 30 September 2022.

Leanne thanked those Members that were able to attend the induction session on 21 September 2022. She noted that Jodie van Deventer and Simon Maddocks had met with ElectraNet separately before today's CAP meeting for a separate induction session.

The Meeting Notes of the induction session held on 21 September 2022 were accepted.

The Meeting Minutes from CAP meeting 24, held on 26 May 2022, were accepted.

Simon Appleby, Manager Regulation and Investment Planning, recapped the journey of the CAP since submission of the Revenue Proposal to the AER in January 2022, including the appointment of the Independent Facilitator, re-establishment of the CAP under new Terms of Reference and reappointment of a broader range of Members with the support of ElectraNet Executive. The immediate focus of the relaunched CAP is the Revised Revenue Proposal.

Leanne highlighted the IAP2 column in the Meeting agenda to hold ElectraNet accountable for the level of engagement with the CAP on each issue.

2. OPENING REMARKS

Simon Emms, Chief Executive of ElectraNet, made some opening remarks:

- On behalf of the Board and Chairman, Gordon Jardine, we have an ongoing interest in the CAP and working together and welcome all Members to the Panel.
- Having been at ElectraNet for 17 years, most recently as Group Executive Network Services, I understand the importance of genuine engagement with customers.

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- ElectraNet has a high-calibre Panel with a diverse range of customer interests around the table. It was important to me that we have a Panel capable of engaging in our decision-making and stamping its preferences on our plans.
 - One of our aspirational goals at ElectraNet is to put *Customers First*.
Our customers are at the heart of our decision-making, and we are trusted to deliver affordable and reliable energy solutions.
 - The key word is ‘trust’ – we can’t meet all expectations all of the time but important that we are genuine.
 - We are genuine about improving the value of our services, as that is in everybody’s interest.
 - Everyone’s time is valuable, so I appreciate your commitment in working with us. My expectation of ElectraNet’s engagement with you is to provide a genuine opportunity to influence outcomes and be a part of the decision-making processes for our business
 - I read the Seed Advisory Report on engagement for the Revenue Proposal, noting there was feedback that ElectraNet could have done better. We have since made a range of changes, including bringing on an Independent Facilitator and commencing early engagement.
 - I encourage Members to reach out to me at any time if you have any concerns.
1. ACTION ITEM: Circulate *Consumer Engagement Report, Seed Advisory, 28 February 2022*, to CAP members.

3. AER Draft Decision

Lynley Jorgensen provided a high-level overview of the AER’s Draft Decision on ElectraNet’s Revenue Proposal due to be released on Friday, 30 September 2022.

The information should be kept confidential until the Draft Decision is made public.

The AER will hold a public forum for interested stakeholders on 19 October 2022. Stakeholders will be given the opportunity to hear about the Draft Decision in more detail and to ask questions.

The key elements of the Draft Decision are:

- It will reflect key messages from the CAP and CAP Working Group that ElectraNet should continue looking to keep costs as low as possible, looking at opportunities for productivity improvements and exploring alternative options and timeframes, and focusing on consumer benefits.
- The forecast capital expenditure (capex) proposed was lower than the current period, and is primarily driven by refurbishment and replacement of ageing assets and investment in cyber security.
- The Revenue Proposal is seeking additional opex, increasing by 17.8%, driven by network growth due to the Eyre Peninsula Link and Project EnergyConnect line projects, insurance costs, Cyber Security requirements and changes to accounting treatment.
- The AER has accepted much of ElectraNet’s proposal, including the entire capex forecast. Two separate contingent projects were also accepted. These sit outside the capex forecast and are subject to later review by the AER if they are triggered by certain events.

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- The main areas of difference are in opex, where the insurance, cyber security and costs related to rule changes were not accepted as proposed.
- Under the Draft Decision ElectraNet can recover revenue of \$2,117.9 million over the five years
- Interest rates, bond rates and expected inflation have changed since significantly January 2022. As a result, the total revenue allowance is 15% higher than ElectraNet proposed. The market rates will be reviewed again in December and April at the time of the Final Decision.
- The AER estimates that transmission changes will increase on average by 9.1% in real terms by the end of the coming regulatory period.

Elissa Freeman, Consumer Challenge Panel (CCP) Member, noted she would expect to see transparency by ElectraNet with consumers on how it will respond to the Draft Decision. Consumers should communicate what they prioritise.

Mike Swanston, CCP, is interested in how ElectraNet will respond to some of the comments from the CCP in the lead-up to submitting the revised proposal and how it will inform the next stage. It is also important to test consumer sentiment since the Revenue Proposal was lodged. Mike said that from the consumer's point of view, there is a need for clarity in joining the dots, from the risk assessment through to the impact on the business, through to the impact on customers and how the risk is shared.

The CAP asked a question about cyber security, querying whether this was one of the key risks for ElectraNet, and yet noting the AER had not accepted ElectraNet's proposed expenditure.

In response, it was noted that the forecast was found to be prudent (i.e. the need was fully accepted) but that the AER had not accepted all of the costs proposed as efficient.

The CAP also asked about adjustment mechanisms that apply during a regulatory period.

In response, the AER outlined the adjustment processes that apply during a five-year regulatory period to account for external changes, noting that revenue determinations are a starting point and not the final amount. These mechanisms include cost-pass-through for events such as changes in legislation or natural disaster response, and contingent projects which can include 'Actionable' projects identified by the Australian Energy Market Operator (AEMO) in its Integrated system Plan (ISP). These mechanisms mean that these types of uncertain costs do not need to be built into revenue allowances 'just in case' but can be approved if and when needed, driving lower cost outcomes for customers.

4. Revised Revenue Proposal

Jeremy Tustin, Regulated Investment Planning Manager, provided an overview of the outstanding issues from the AER's Draft Decision on ElectraNet's Revenue Proposal which are expected to form the focus of the Revised Revenue Proposal.

In reviewing the original range of key issues identified by the CAP Working Group in relation to the Revenue Proposal it was noted that, as the Draft Decision has accepted most elements of the Revenue Proposal, only a small number of issues remain outstanding.

In relation to each of these issues, the key questions for the CAP are:

- *What are the customer considerations?*
- *What role should the CAP have in the issue?*

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- *What other information does the CAP need?*

The outstanding issues were discussed as follows:

Rule changes – REZ Design Reports &

1) Rule changes – Increasing System Complexity

- The AER has not accepted these proposals, which relate to new obligations
- The need for capability uplift has increased since the Revenue Proposal was submitted based on the rapidly changing power system
- Finding specialist resources is challenging, as there is significant national demand for these roles

2) Insurance Cost Pressures

- The AER has accepted these costs are required but has not included the full amount in the forecasts
- ElectraNet needs to engage further with the AER to understand the Draft Decision
- It may be worth revisiting risk sharing if this is of interest to the CAP

3) Cloud Computing

- The AER has accepted these costs are required but has not included the full amount in the forecasts
- ElectraNet needs to review this decision further and consider its position

4) Cyber Security

- The AER fully agrees these costs are required to meet legislative requirements but has not included the full amount in the forecasts
- ElectraNet needs to review this decision further and consider its position
- The legislation is now in force, with specific industry Rules expected soon

5) Inertia Costs

- AEMO has identified a shortfall in inertia services when SA is disconnected (or islanded) from the National Electricity Market
- This matter was not considered in the Draft Decision
- Procuring these services will result in additional costs (opex)
- The cost recovery timing and mechanisms may be of interest to the CAP

6) Capital Expenditure Sharing Scheme (CESS)

- CESS is an incentive mechanism that rewards underspending and penalises overspending of the capital allowance to drive efficient outcomes
- It includes an adjustment when required to remove windfall gains from deferral of large projects
- ElectraNet believes the incentive has been applied incorrectly in the Draft Decision and is seeking to correct this in the Revised Revenue Proposal

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In discussion that followed the CAP noted:

- There is an opportunity for the new CAP to influence the Revised Revenue Proposal.
 - With the revenue impacts of increasing inflation and interest rates since the Revenue Proposal was submitted, it may be worthwhile for the CAP to test whether the level of expenditure from the Revenue Proposal still strikes the right balance or could be reduced or delayed, reducing the impact on customers.
 - It would be good to understand what the revenue allowance looks like if there is an increase in interest rates by, for example, 1%.
 - The CAP expects to have some identifiable input to the Revised Revenue Proposal.
 - It would be of value for the CAP to play a role at the AER's Public Forum on 19 October.
 - The issues of interest to the CAP include pricing impacts, contingent projects and the CESS, while issues of a more 'technical' nature could be left to ElectraNet to address with the AER.
 - It will be important to focus on the key issues on which the CAP can have an influence in the 2 months available.
2. ACTION ITEM: ElectraNet to send PowerPoint Presentation and AER's Draft Decision website link to CAP members.
 3. ACTION ITEM: In the week of 10 October, ElectraNet to circulate a summary table of the outstanding issues from the Draft Decision, including description of the issue, the Draft Decision outcome and the outstanding matters, for feedback from Members on the role the CAP should play in each and any further information required.

The CAP also thought it would be helpful to have a risk analysis that comes with each issue so CAP members can see the impacts of the decisions.

In response to discussion, Lynley noted:

- While it is correct that the AER has accepted the full capex forecast and it is not open to ElectraNet to change the forecast, the AER could be open to considering a reduction in the forecast if, for example, circumstances have materially changed since the original proposal was lodged.
 - The AER's public forum on 19 October is a standard part of the pre-determination process. It will include the AER talking through the Draft Decision, and there will be an opportunity for direct engagement with the AER. CCP and ElectraNet will be invited. The CAP is welcome to present and offer its perspectives.
4. ACTION ITEM: CAP will inform the AER whether it would like to present at the AER Forum on the 19 October.

Vikram Kenjle left the meeting at approximately 4:30pm.

CAP Members also agreed that due to the tight timeframe for the Revised Revenue Proposal, it would be appropriate under the circumstances to convene an additional CAP meeting in October to enable time to engage on the key issues.

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5. Next Steps

Next Meeting: Monday, 17 October 2022, at 3pm to 5pm.

5. ACTION ITEM: CAP Members to inform Chris Hanna of any issues with the dates proposed for CAP meetings next year: 23 February 2023, 11am to 1pm and 25 May 2023, including a site visit.
6. ACTION ITEM: ElectraNet to send information to CAP members on the payment of sitting fees.
7. ACTION ITEM: ElectraNet to send individual CAP contact details unless members object to this.
8. ACTION ITEM: As proposed by the CAP, set up an additional meeting before ElectraNet submits the Revised Revenue Proposal.

ElectraNet also encourages and will support the CAP to meet independently of ElectraNet if this is of value to Members.

Item	Action Item	Responsible
1	ElectraNet to Circulate <i>Consumer Engagement Report, Seed Advisory, 28 February 2022</i> , to CAP members.	CH
2	ElectraNet to Send PowerPoint Presentation and AER's Draft Decision website link to CAP members.	CH
3	In the week of 10 October, ElectraNet to circulate a summary table of the outstanding issues from the Draft Decision, including description of the issue, the Draft Decision outcome and the outstanding matters, for feedback from Members on the role the CAP should play in each and any further information required.	JT/SA
4	CAP will inform the AER whether it would like to present at the AER Forum on the 19 October.	LM/MH
5	CAP Members to inform Chris Hanna if there are any issues with the dates proposed for CAP meetings next year: 23 February 2023, 11am to 1pm and 25 May 2023, including a site visit.	CAP Members
6	ElectraNet to send information to CAP members on the payment of sitting fees.	CH
7	ElectraNet to send individual CAP contact details unless members object to this.	CH/CAP Members
8	ElectraNet to set up an additional meeting before ElectraNet submits the Revised Revenue Proposal.	CH

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ATTACHMENT

ATTENDEES	
Name	Affiliation / Title
Members	
Greg McCarron	Central Irrigation Trust
Jodie van Deventer	Australian Industry Group
Jordan Smith	Business SA
Mark Henley	Consumer Representative
Mark Parnell	Consumer Representative
Simon Maddocks	Primary Producers SA
Vikram Kenjle	University of Adelaide
Leanne Muffet	Independent Facilitator
Observers	
Lynley Jorgensen	Australian Energy Regulator
Mark Stewart	Australian Energy Regulator
Elissa Freeman	Consumer Challenge Panel
Mike Swanston	Consumer Challenge Panel
ElectraNet Representatives	
Simon Emms	Chief Executive
Rainer Korte	Group Executive Asset Management
Simon Appleby	Manager Regulation and Investment Planning
Jeremy Tustin	Regulated Investment Planning Manager
Chris Hanna	Government and Stakeholder Relations Adviser
Apologies	
Rebecca Knol	SA Chamber of Mines and Energy