

Meeting Minutes

Consumer Advisory Panel Meeting #26

Date:	Monday, 17 October 2022, 3pm to 5pm
Meeting Purpose:	To provide input to inform ElectraNet's Revised Revenue Proposal as prioritised by Panel Members
Attendance:	Refer Attachment

1. Welcome

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

Leanne and Chris noted the need for the CAP to respond to the Revised Revenue Proposal over a condensed timeframe has resulted in a series of meetings over a short period of time. In future, meetings will be occurring less frequently once the Revised Revenue Proposal is lodged to the AER in December (typically quarterly).

ElectraNet provided a 'key issues' table for CAP members to follow the key issues raised by the CAP, to obtain a formal record of CAP views.

The CAP was supportive of having an IAP2 spectrum column on the meeting agenda. A CAP Member encouraged the group to aim for 'collaboration' rather than 'involve', particularly for the agenda item on the Revised Revenue Proposal. Leanne noted that while "collaborate" is where we are heading on some issues, the 'involve' level, is more appropriate in the current context. ElectraNet will want to move towards 'collaborate' for future engagement on key topics.

The CAP requested rule changes, in particular Renewable Energy Zones (REZs) and inertia services be added to the list of topics for discussion in item 2.

Meeting minutes from CAP meeting 25, held on 29 September 2022, were endorsed by the CAP.

2. Revised Revenue Proposal

Jeremy Tustin, Regulated Investment Planning Manager, provided an overview of the key outstanding issues raised by the CAP which were transferred to a table on a handout outlining the issue, the risk and the dollar impact to customers.

The topics nominated by the CAP were:

Overall Price impact

- ElectraNet presented on its capacity to influence outcomes based on the relative impact of movements in the Rate of Return, capital expenditure and operating expenditure.
- Contingent Projects were summarised and the price impact of the two projects accepted in the AER's Draft Decision relative to other factors such as market conditions were explored.
- The CAP asked if it is possible:

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- To find savings by reducing capex costs through innovation, without impacting the quality of supply?
 - To reduce opex by setting a more rigorous productivity target?
 - To create a transition period, where the full rate of return impact is applied on a delayed basis, so it doesn't impact customers from 1 July 2023?
- ElectraNet advised the CAP that following early engagement, the original capex proposal was reduced by 12% in the Revenue Proposal. Since then new capex project requirements have emerged which will result in reprioritization within the forecast contained within the Revenue Proposal.
 - ElectraNet noted the need for ensuring enough spending on capex to avoid asset failures and escalating corrective maintenance efforts.
 - A CAP Member noted the importance of consistency of supply for regional small businesses. This was perceived to be far more critical than a small increase in capex, given the consequence of interruptions to supply for customers.
 - The AER confirmed that the increases due to inflation and interest rates are consistent with other networks.
 - A CAP Member asked that, given changes in opex and capex have little impact on price, and the rate of return significantly impacts on price, what can be done to reduce the impact of Rate of Return?
 - In response, it was noted that the Rate of Return is a mechanistic process undertaken by the AER. ElectraNet can't influence the Rate of Return.
 - A CAP Member noted a report released by the Institute for Energy Economics Analysis (IEEFA) claiming that customers have been overcharged by energy network businesses in Australia.
1. ACTION ITEM: ElectraNet to provide a response to claims made by IEEFA to the CAP.

Capital Expenditure Sharing Scheme (CESS)

- By way of context: ElectraNet has reprioritised previously deferred capital projects to 'fill the gap' left by the deferral of Project EnergyConnect.
 - In ElectraNet's view, this reprioritisation means that there is no windfall gain from the deferral, and a deferral adjustment is not required under the CESS.
 - The AER Draft Decision states that the previously proposed expenditures did not have scrutiny from the AER or customer representatives and that a deferral adjustment should apply.
 - Due to the timing of when this issue was raised by ElectraNet, there has been limited opportunity for engagement with the previous CAP or current CAP.
 - This topic warrants more consideration prior to the Revised Revenue Proposal lodgment.
 - The AER noted the approach ElectraNet has outlined is articulated in a public letter ElectraNet sent to the AER in May 2022 following lodgment of its Revenue Proposal.
2. ACTION ITEM: ElectraNet to circulate to CAP and CCP to the CESS letter from May, and related documentation from August 2022 which shows the movements in the capex forecast as Project EnergyConnect was delayed and previously deferred projects were accelerated.
- The CAP would make a judgement on the issue following receipt of this information and determine any further action required.

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Insurance step change

- A CAP Member noted that insurance and cyber security were subject to consumer scrutiny by the previous CAP. The outstanding issue in the AER Draft Decision was about the efficient cost rather than whether the expenditure was prudent, so the CAP is relaxed about the AER and ElectraNet negotiating a sensible outcome.
 - ElectraNet noted it has now resolved the difference between the Revenue Proposal and the AER Draft Decision on the insurance forecast.
 - This difference will be largely resolved once an adjustment is made to the insurance forecast for the current year costs once known.
 - There is a residual difference in the forecasts relating to growth rates on the network, which ElectraNet has not reached a decision on. ElectraNet will keep the CAP informed.
 - ElectraNet confirmed if insurance premiums are higher than forecasts in future, there is an opportunity for a cost pass-through providing the amount is above the threshold of 1% of the total annual revenue.
3. ACTION ITEM: ElectraNet to provide increased insurance costs and show how the increases exceed the 1% materiality threshold in the rules.

Cyber step change

- The AER's Draft Decision agrees that ElectraNet should increase its forecasts for Cyber Security to meet Security Profile 3 (SP3) following passage of the Commonwealth Legislation.
 - However, the AER does not accept all of the estimated costs for this work, and queried aspects of the estimate based on the number and timing of FTEs required.
 - ElectraNet have sought external advice (Via Deloitte) on the AER's Draft Decision and will provide further details to the CAP when received.
 - The CAP asked if the forecasts on cyber security are commensurate with other networks, whether ElectraNet is taking all reasonable action or only the bare minimum, and how the SP3 target sits with the broader risks.
 - The CAP also queried whether the AER is looking at cybersecurity from a 'whole of economy' perspective, given the impact of loss of supply to businesses, particularly the mining industry.
 - ElectraNet responded that all transmission networks are aiming for SP3 as the highest standard under the Australian Energy Sector Cyber Security Framework (AECSF) developed by AEMO.
 - The AER responded that it takes a consistent approach to the networks it regulates and assesses the merits of the proposals put to it. The accepted forecast is the starting point for the regulatory period. If things change, further investments may be made via cost-pass-throughs.
 - The CAP advised that from an end-user point of view, it is important ElectraNet establishes adequate security systems that enable it to keep at the forefront of cyber security threats.
 - The CAP requested ongoing advice on cyber security, given the dynamic environment and importance of assets vulnerable to power supply interruptions.
4. ACTION ITEM: Provide an update on the cyber security forecast based on updated advice from Deloitte.

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5. ACTION ITEM: Provide regular updates to the CAP on cyber risk and how this is being managed by the business

Contingent Projects

- The AER did not accept the contingent project to upgrade Project EnergyConnect on the basis the proposal was not probable enough to be needed in the coming regulatory period.
- ElectraNet accepts this because if the project is needed, it will materialize in AEMO's Integrated System Plan and automatically become a contingent project.

Renewable Energy Zones

- A CAP Member added Renewable Energy Zones to the list of topics for discussion, specifically, the network's capacity to accommodate them, the pace and scale, and the need for businesses to report on emissions. The CAP was keen to understand where SA is sitting from a national perspective.
 - It was noted that the creation of an Energy Transition Roadmap and Energy Transition Roundtable had been sought from the SA Government by a CAP Member organisation.
6. ACTION ITEM: Provide a link to ElectraNet's Transmission Annual Planning Report (TAPR) when released on 31 October 2022.
 7. ACTION ITEM: Engage with the Panel on the development of Renewable Energy Zones (REZ) and the benefits to South Australian customers from transmission investments in the course of ElectraNet's annual network planning cycle.

Inertia Services

- ElectraNet is in the process of tendering for inertia services for 2023-24 and 2024-25 to fill the shortfall identified by AEMO.
- A placeholder cost estimate is \$6.7m pa based on current year costs. The service would be funded through the network support pass through process.
- The actual costs incurred will be fully recovered from customers. The key question for the CAP is whether ElectraNet should recover these costs at the time they are incurred with a small true-up in arrears, or fully recover these costs in arrears.
- The CAP supported ElectraNet submitting an estimate of the expected costs upfront with smaller variations later in the interests of ensuring price stability and certainty for customers.

3. AER Public Forum

Leanne and Mark Henley will present on behalf of the CAP at the AER Public Forum on 19 October 2022. Leanne will speak to the engagement improvements implemented, and Mark Henley will talk about the key topics of interest to the CAP, reflecting on the discussion at the CAP Meeting.

8. ACTION ITEM: Mark Henley and Leanne to finalise slides to present on behalf of the CAP to the AER Stakeholder Forum on 19 October 2022.

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4. Next Steps

Chris Hanna, Government and Stakeholder Relations Adviser, gave an update on next steps:

- Members to review and advise on any further discussion required in relation to the outstanding issues.
 - Next Meeting: Monday, 27 October 2022 (online) at 11am to 1pm (TBC)
 - CAP members to receive an invite to ElectraNet's Annual Stakeholder gathering on Thursday 10 November 2022.
9. ACTION ITEM: CAP Members to review the information requested on the relevant issues above and advise on any further discussion required.

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Item	Action Item (Outcome to be achieved)	Responsible
1	ElectraNet to provide an industry response to claims made by IEEFA to CAP	CH
2	ElectraNet to provide the previous letter and history to the AER in relation to the CESS which shows the movements in the capex forecast as Project EnergyConnect was delayed and previously deferred projects were accelerated	JT/CH
3	ElectraNet to provide increased insurance costs and show how the increases exceed the 1% materiality threshold in the rules	JT/CH
4	Provide an update on the cyber security forecast based on updated advice from Deloitte	JT/CH
5	Provide regular updates to the CAP on cyber risk and how this is being managed by the business	CH
6	Provide a link to ElectraNet's Transmission Annual Planning Report (TAPR) when released on 31 October 2022	CH
7	Engage with the Panel on the development of Renewable Energy Zones (REZ) and the benefits to South Australian customers from transmission investments in the course of ElectraNet's annual network planning cycle	
8	Mark Henley and Leanne to finalise slides to present on behalf of the CAP to the AER Stakeholder Forum on 19 October 2022	Mark H / Leanne
9	CAP Members to review the information requested on the relevant issues above and advise on any further discussion required	CAP

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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
Rebecca Knol	SA Chamber of Mines and Energy
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
David Monk	Australian Energy Regulator
Esther Tsafack	Australian Energy Regulator
Elissa Freeman	Consumer Challenge Panel
Mike Swanston	Consumer Challenge Panel
ElectraNet Representatives	
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