

CONSUMER ADVISORY PANEL

MEETING # 9

- Date:** Tuesday 18 July 2017
- Time:** 1:00pm to 3:00pm
- Venue:** Crowne Plaza, Hindmarsh Square (Grenfell Room, Ground Floor)
- Purpose:**
- Update the Panel on the Revenue Determination and key issues
 - Brief the Panel on major projects & developments
 - Receive a briefing on best practice environmental commitments and reporting
- Attendees:** Refer Attachment 1
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MEETING NOTES

1. Introduction

Rainer Korte, Executive Manager Asset Management, welcomed members and guests to the meeting and provided an outline of the agenda. Ann Shaw Rungie introduced Consumer Advisory Panel members and guests attending. David Headberry (ECCSA) and Peter Dobney (EUAA) joined the meeting by phone, as did Consumer Challenge Panel (CCP) member, Bev Hughson. Sylvia Rapo, ElectraNet Manager External Relations also attended the meeting and Phil Court-Kowalski joined the meeting for Item 4.

The Panel accepted the meeting notes of the previous meeting (CAP meeting #8) held on 10 April 2017 as a true and accurate record.

2. Revenue Proposal Update

Simon Appleby, Senior Manager Regulation and Land Management, provided an update on the status of the Revenue Determination process. Progress on the formal assessment of the Revenue Proposal by the Australian Energy Regulator (AER) was noted, including:

- The release of an Issues Paper by the AER on 25 May 2017 to assist stakeholders in reviewing ElectraNet's Revenue Proposal and provide guidance on areas on which feedback is sought;
- A public forum held by the AER on 7 June 2017 to provide interested stakeholders with a further opportunity to consider ElectraNet's Revenue Proposal, featuring presentations from the AER, ElectraNet and the CCP. Two CAP members attended and participated in questions;

- The continuation of the ongoing review process as the AER engages with ElectraNet in its detailed review of the Proposal;
- The release of public submissions to the AER on the Revenue Proposal (which were sought by 7 July 2017) with 5 submissions received from stakeholders to date, and further submissions expected to be lodged in coming days.

It was noted that ElectraNet intended to review the submissions and prepare a summary document to identify the key issues raised and provide any relevant information or observations in response. ElectraNet welcomed the Panel's engagement in developing and finalising this document, which would be then lodged with the AER as a public document for consideration in its review process.

There was general agreement amongst Panel Members for a draft version of this document to be circulated out of session to the Panel for review, and to provide an option for Members interested to meet to review and discuss the key issues raised if required.

A draft submission issues summary and response document was subsequently circulated to Panel Members on 8 August 2017 based on 8 submissions in total received by the AER.

A brief discussion of key issues raised in submissions noted that:

- In relation to the value of gamma (which represents the value of imputation credits used as an input to the tax allowance determined by the AER) a number of submissions noted that the gamma value of 0.25 proposed by ElectraNet in its Revenue Proposal is now at odds with subsequent Court decisions. ElectraNet noted that it is awaiting the AER's determination on this matter in its Draft Determination on the Revenue Proposal in light of these recent developments.
- In relation to forecast inflation, a submission from the CCP proposed that the AER should retain its current approach to estimating 10-year inflation expectations, pending the outcome of its current review. It was also noted that there is a wide range of stakeholder views on this issue at present. ElectraNet noted that it continues to work with the AER as it reviews its approach through the current inflation forecast review, and is looking to the outcomes of this review to help settle the prevailing approach to be applied in forecasting inflation in Revenue Determinations moving forward.

It was noted that the next steps in the Revenue Determination process are as follows:

Item	Due Date
AER to publish Draft Determination	End Oct 2017*
AER Public Forum	Nov 2017*
Deadline for Revised Proposal & Submissions on Draft Determination due	2 Jan 2018*
Submissions on Revised Proposal due	29 Jan 2018*
AER to publish Final Determination	30 Apr 2018*

** Dates subject to change by the AER*

3. Update on major projects and developments

Rainer Korte, Executive Manager, Asset Management, provided an update on major projects and developments. The status of these projects and key issues were noted as follows.

South Australian Energy Transformation Project

It was noted that ElectraNet continues to progress the South Australian Energy Transformation Project under the Regulated Investment Test for Transmission (RIT-T) process to investigate the feasibility of new interconnector options and non-network alternatives.

In discussing this project, the following points were noted:

- Does the emerging requirement for increased levels of inertia on the South Australian power system and potential impact of the South Australian Government's proposed Energy Security Target impact on this project – ElectraNet confirmed that these factors need to be taken into account in the assessment.
- Can the potential impact of the proposed Clean Energy Target being considered by the Council of Australian Governments (COAG) be built into the assessment – ElectraNet noted that its modelling assumes that Australia's binding greenhouse gas emission reduction commitments are met, regardless of which policy measures are ultimately adopted across the country to deliver this outcome. In this way, a greenhouse emission trajectory can be modelled on a least cost basis, independent of the set of policy measures used to achieve it. It was also noted that the Clean Energy Target may replace the Energy Security Target by 2020, if agreed.
- Does the potential impact of the government-owned gas power plant proposed under the State Government's Energy Plan need to be taken into account – ElectraNet confirmed that the impact of this proposed emergency generation also needs to be factored into the assessment.

The current target date for a Draft Report is November 2017 with a Final Report expected to follow in early 2018. A stakeholder communication is also planned by September 2017 to provide an overall progress update.

Eyre Peninsula Electricity Supply Options

It was noted that ElectraNet continues its investigation into future transmission supply options for Eyre Peninsula through the RIT-T process. A project Specification Consultation Report was issued on 28 April 2017, and submissions closed on 21 July 2017.

Public forums were also held in late June 2017, with a strong level of interest from stakeholders. Key themes include calls for higher capacity infrastructure, including some calls for consideration of 500 kV options. ElectraNet noted that such high capacity options involve significant additional cost and are not considered to be economically credible options in this case compared with options already available.

It was also queried whether the Essential Services Commission of South Australia (ESCOSA) was considering network support costs in its current inquiry into the reliability and quality of electricity supply on the Eyre Peninsula. ElectraNet noted that the ESCOSA inquiry was concerned primarily with options to improve reliability levels, whereas the transmission solutions being investigated by ElectraNet were triggered by a need for significant line work in order to maintain the current reliability standard on Eyre Peninsula, and also consider a much wider range of benefits available through the alternative options.

In discussion it was noted that:

- The AER oversees the application of the RIT-T and would be required to formally determine that any proposed investment satisfies the RIT-T under the Rules before this project could proceed.
- The assessment under the RIT-T requires ElectraNet to identify the option that maximises the net benefit to customers, considering the relative costs and benefits of the available options. This nature of the assessment also means that a project cannot proceed unless the benefits can be demonstrated to outweigh the costs.
- The categories of benefit being considered in the assessment include operating cost savings, reliability benefits, reduced constraints on the network, reduced network losses and future option value. Broader benefits to society are outside the scope of the RIT-T (such as employment impacts, regional development, flow on benefits to the economy, additional greenhouse emission abatement, etc.)
- Other funding sources could potentially come into play for a major network investment in the event that eligible benefits are insufficient to outweigh the costs involved but broader benefits are available. However, there are very few examples of this occurring across the National Electricity Market to date.

A Draft Report is currently expected to be published by the end of October 2017.

SA Government Energy Plan

It was noted that the State Government continues to progress the various elements of its Energy Plan. Discussion of the current status of key policy initiatives and measures in the Plan covered the following:

- Battery storage – it has been announced that the Government’s 100 MW battery storage tender has been won by Tesla and renewable energy developer Neoen, to be implemented by the coming summer period.
- Back-up diesel generators – will also be in place for the coming summer period (with expected capacity of up to 200 MW).
- Proposed 250 MW gas turbine – no further announcements have been made at this point.
- Energy Security Target - implementation of this measure has been deferred by 6 months to 1 January 2018 (pending progress on the proposed national Clean Energy Target).

It was subsequently announced on 1 August 2017 that emergency generation of up to 276MW capacity would now be installed before summer, initially operating on diesel fuel and then converting to gas-fired operation in two years' time, effectively replacing the 250MW gas-fired generator.

Other Developments

The status of other key developments was noted as follows:

- ESCRI Project – ElectraNet continues to progress its proof of concept battery storage project to demonstrate the role of battery storage in integrating renewable energy and delivering improved reliability outcomes for customers, and is progressing toward final approval for this project. It was noted that this project was expected to deliver both regulated and non-regulated services, with a design capacity of 30 MW and energy output of 8 MWh. It would operate as a stand-alone transmission-connected grid-scale battery designed to support stand-alone supply on the Yorke Peninsula, compared with the Government sponsored battery which would be co-located with a wind farm facility.
- System strength – AEMO and ElectraNet continue to investigate emerging requirements to ensure safe and reliable electricity supply under conditions of low system strength, noting that AEMO has recently increased the requirement from a minimum of two synchronous generating units to be online at all times in South Australia to three synchronous units (with four units needed at times wind farm output exceeds a specified level).
- Special protection scheme – work continues with AEMO to develop and implement this emergency scheme in the coming months to help ensure successful islanded operation of the SA power system when needed, and to provide greater protection from such events.

The status and implications of a number of major Rule changes was also noted:

- Transmission Connection and Planning Arrangements (final) – this new Rule introduces new information requirements and significant changes to the transmission network connection process;
- Managing power system fault levels (draft) – this Rule change proposes new obligations on transmission networks to maintain minimum system strength standards moving forward; and
- Managing rate of change of power system frequency (draft) - this Rule change proposes new obligations on transmission networks to maintain minimum inertia standards moving forward.

In discussion of these Rule changes, it was queried how the proposed framework for system strength and inertia would ensure economic solutions.

In response, ElectraNet noted that AEMO is currently relying on direction of generators which results in market intervention and distortion, whereas the Rule change is aimed at providing a more effective and efficient delivery framework for the longer term.

4. Best Practice Environmental Commitments and Reporting

Tim Kelly (Consumer Advisory Panel Member) delivered a presentation on best practice environmental commitments and reporting, entitled *Can ElectraNet challenge itself and explore best practices in environmental commitments and reporting?* Phil Court-Kowalski, Executive Manager, Safety People and Technology attended for this presentation.

Tim noted that the views expressed in the presentation reflected his personal views.

The presentation covered ElectraNet's Environmental Policy, environmental operating requirements, sustainability commitments and suggestions, scenario planning, influence on its major contractors (such as SA Power Networks), implications of the current economic regulatory framework, and the impacts and implications of recent major events.

In discussion, the following questions and responses were noted:

- Which companies currently do environmental reporting well? – Iluka Resources Limited was noted as one example of a mining firm that has excellent environmental reporting;
- What sized corporation should be expected to have good environmental reporting? – the principles of good environmental commitments apply to all corporations and good reporting can be expected of any reasonable sized business, and it also provides an opportunity to communicate progress and achievements; and
- What opportunities are there to incorporate environmental and sustainability objectives, noting that the economic regulatory framework of the National Electricity Market can be seen to create barriers for sustainability in its scope? – this can occur through encouraging open discussions and facilitating opportunities for environmental stakeholders to participate in forums relating to regulatory processes.

Phil Court-Kowalski, Executive Manager, Safety People and Technology, as the responsible Executive for environmental performance and reporting thanked Tim on behalf of ElectraNet for his presentation, and for the feedback provided. It was noted that a key issue for ElectraNet is how far to practically go in terms of environmental reporting, noting ElectraNet's relatively small environmental footprint. As an example of this, it was noted that the National Greenhouse and Energy Reporting Scheme (NGERS) requires ElectraNet to report annually on the greenhouse emissions associated with the transmission network, the vast majority of which result from electrical losses which are outside of ElectraNet's control. It was acknowledged that there is room for improvement in ElectraNet's environmental reporting, and the presentation had provided important input to this.

The meeting thanked Tim Kelly for his presentation.

5. Wrap up & Next steps

It was noted that this may be the final meeting of the Consumer Advisory Panel that Tim Kelly will attend in his capacity as a nominee of the Conservation Council of SA, due to work and availability. On behalf of ElectraNet and the Panel, Rainer Korte thanked Tim for his participation and contribution to the Panel since its inception.

Now that the Panel has been in operation for 2 years and its main focus will move beyond the Revenue Determination process in the coming months, ElectraNet noted that it will be timely to consider the membership and operation of the Panel moving forward, and that this will occur in consultation with Members in the near future.

The focus of the next Panel meeting will be on the AER's Draft Determination on ElectraNet's Revenue Proposal, currently expected to be released on 27 October 2017.

The next meeting date of the Panel will be confirmed out of session for a suitable date following this.

Future meetings will be held as per the forward meeting schedule.

ATTACHMENT 1 – Attendees

Member	Organisation
David Headberry*	Public Officer, Energy Consumers Coalition of SA (ECCSA)
Tim Kelly	Conservation Council of South Australia
Andrew McKenna	Senior Policy Advisor, Business SA
Peter Dobney*	Director, Energy Users Association of Australia
Graham Pratt	Consumers Association of South Australia
Taryn Sexton	Chief Executive Officer, Local Government Professionals Australia
Independent Facilitator	
Ann Shaw Rungie	Independent Facilitator, Ann Shaw Rungie Consulting
Consumer Challenge Panel	
Bev Hughson*	Member, Consumer Challenge Panel #9
Company Representatives	ElectraNet
Rainer Korte	Executive Manager, Asset Management
Joanne McDonald	Executive Manager, Corporate Governance
Simon Appleby	Senior Manager, Regulation and Land Management
Sylvia Rapo	Manager, External Relations
Phil Court-Kowalski#	Executive Manager, Safety People and Technology

* Attended by phone

Part attendance

Apologies:

Sandy Canale - Energy and Water Ombudsman, Energy and Water Ombudsman SA

Mark Henley - Manager Advocacy and Communication, Uniting Communities

Hon Robert Kerin - Executive Chairman, Primary Producers SA

Rebecca Knol - Chief Executive, South Australian Chamber of Mines

Jo De Silva - Senior Policy Officer, SACOSS

Vivienne Smith - COTA SA