

3 May 2021

Clare Savage  
Chair  
Australian Energy Regulator

via email: [clare.savage@aer.gov.au](mailto:clare.savage@aer.gov.au)

Dear Ms Savage

**re: ElectraNet Early Engagement Approach**

I write to seek your support for ElectraNet's proposed early engagement approach to the development of its 2022 Revenue Proposal, which builds on the successful early engagement approach established by ElectraNet in the development of its 2017 Revenue Proposal with the support of the AER, our stakeholders, and Consumer Advisory Panel.<sup>1</sup>

The AER supported this collaborative approach through providing a member of its Technical Advisory Group (Mark Wilson) to engage in technical aspects of ElectraNet's expenditure proposals and participate in 'deep dive' workshops designed to both help stakeholders understand the regulatory framework and assessment process and to allow for detailed review of our forecasts.

The overall aim of our approach is to develop a well-tested set of proposals that are targeted to the needs of customers and capable of acceptance through the formal regulatory approval process.

This approach offers benefits for customers, ElectraNet and the AER alike. The benefits delivered through this approach for customers include:

- Improved understanding of network service challenges
- More targeted expenditure plans that better reflect customer preferences
- Greater trust and confidence in regulatory outcomes, with 'no surprises'

The benefits delivered through this approach for ElectraNet include:

- Greater understanding of customer concerns
- Improved value of transmission services and enhanced trust in ElectraNet
- Greater trust and confidence in regulatory outcomes, with 'no surprises'

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<sup>1</sup> This culminated in a revenue determination in which the AER approved in full the capital and operating expenditure programs proposed by ElectraNet, and national recognition through the inaugural consumer engagement award from Energy Consumers Australia (ECA). The outcomes of the early engagement program are summarised in our [Customer Engagement Outcomes Report](#), March 2017.

The benefits delivered through this approach from an AER perspective include:

- Better informed and targeted regulatory proposals
- Improved use of resources by stakeholders, businesses and the AER
- Greater trust and confidence in regulatory outcomes, with 'no surprises'

Importantly, the early engagement approach does not replace any aspects of the AER's formal determination process, but is designed to better inform this process through ensuring more thoroughly tested plans and proposals are developed, and in ensuring stakeholders have an opportunity to help shape these proposals to ensure the needs of customers are met.

The key elements of our proposed approach include:

- A partnering approach with our Consumer Advisory Panel throughout as both a sounding board on key issues and source of advice in the co-design of our ongoing engagement approach;
- A focus on engagement with customer representative organisations and wider stakeholders as a fit for purpose approach for a transmission business;
- Consultation on an updated Network Vision during January to March 2021 which identifies the key themes, directions and priorities which will guide the management and operation of the transmission network and inform our expenditure plans and programs;
- The development of a Preliminary Revenue Proposal detailing the proposed expenditure programs and revenue and price path outlook for the 2023-2028 regulatory period, for public consultation with stakeholders during July to October 2021; and
- Finalisation of the expenditure plans and proposals based on this consultation and submission of a formal Revenue Proposal by January 2022.

The early engagement approach consists of a range of consultation activities on ElectraNet's regulatory proposals, designed to be targeted, inclusive and transparent, including:

- Publication of a number of key public documents and supporting material by ElectraNet;
- Public consultation with customers and wider stakeholders through forums, interviews, workshops and submissions;
- Ongoing engagement with the Consumer Advisory Panel through regular and special purpose meetings; and
- Detailed engagement with the AER, Consumer Challenge Panel members and customer representatives through a series of technical 'deep dive' workshops.

This engagement will be guided by the principles underpinning the International Association for Public Participation (IAP2) Spectrum to help target the appropriate level of participation at each stage of the engagement program.

The proposed engagement program is described in further detail in the Attachment to this letter, including a timeline of key events.

This includes a summary of the proposed early engagement approach aligned with the AER's *Framework for considering public engagement*<sup>2</sup>.

In May 2020, as part of its ongoing commitment to genuine and meaningful engagement with customers, ElectraNet commissioned economic consultants Harding Katz to undertake an independent review of best practice engagement approaches across energy networks.

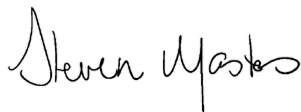
This review confirmed that ElectraNet's overall approach remains appropriate for an electricity transmission business and identified several improvements we are implementing to further strengthen our approach, as discussed with our Consumer Advisory Panel. This consultation has also confirmed that the application of the 'New Reg' model or establishment of a dedicated Customer Forum is not considered necessary or warranted at this time in a fit for purpose approach for ElectraNet.

The success of the early engagement approach depends on the goodwill and commitment of all parties involved. We again seek the commitment of the AER to work with us through this process by making available suitable technical representatives and relevant Consumer Challenge Panel members when possible to engage on our detailed plans and proposals.

We look forward to your support for this process to again ensure the success of the early engagement program.

We would also welcome the opportunity to engage with the AER Board in the near future as we develop our Preliminary Revenue Proposal.

Yours sincerely



Steve Masters  
**Chief Executive**

cc. ElectraNet Consumer Advisory Panel

Att.

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<sup>2</sup> As most recently published in the AER's *Issues Paper: Powerlink Queensland: Electricity Transmission Revenue Proposal 1 July 2022 to 30 June 2027*, March 2021.

## Outline of ElectraNet Early Engagement Program

### 1. ElectraNet Publications

During the course of the early engagement program, ElectraNet has or will be releasing the following key documents:

- *Network Vision Discussion Paper* (Feb 2021) – this paper presents an updated analysis of the key change drivers impacting on transmission services, and the implications for the directions and priorities for managing and operating the network, for consultation and feedback. This provides stakeholders a key opportunity to engage on the directions and priorities that will drive our expenditure plans and proposals.
- *Network Vision* (May 2021) – after considering all feedback received from stakeholders in written submissions and discussion, ElectraNet plans to publish its updated Network Vision, and explain the key issues from submissions and how these have been taken into account in shaping the Vision.
- *Preliminary Revenue Proposal* (Jul 2021) – this document will detail preliminary capital and operating expenditure forecasts and provide an overall revenue and price path outlook for the 2023-2028 regulatory period, as the basis for further engagement with stakeholders.
- *Customer Engagement Outcomes Report* (Jan 2022) – this document will provide an overview of the outcomes of the engagement process, including a detailed summary of the issues raised and the manner in which ElectraNet has responded to those issues.

Other supporting material including information sheets, presentations, workshop materials, minutes and meeting outcomes, and related publications will also be issued during this period as required.

This material is in addition to the range of documents ElectraNet will be producing as required under the National Electricity Rules:

- *Expenditure Forecast Methodology* (Jun 2021) – this document describes how ElectraNet is developing its expenditure forecasts for its capital and operating expenditure programs for the 2023-2028 regulatory period.
- *Transmission Annual Planning Report* (Oct 2021) – this document provides information on the outlook for South Australia's electricity transmission network over a ten-year planning horizon, including demand projections, current capacity and emerging limitations and current and proposed network developments.
- *Formal Revenue Proposal* (Jan 2022) – following the engagement on its Preliminary Revenue Proposal ElectraNet will publish and submit its finalised Revenue Proposal to the AER under the National Electricity Rules.

## 2. Engagement with customer representatives and wider stakeholders

Consultation with customer representatives and wider stakeholders during the early engagement process will include the following:

- Stakeholder Webinar (Feb 2021) – ElectraNet held a stakeholder forum to commence public consultation on its Network Vision Discussion Paper and provide an opportunity for initial engagement, attended by approximately 50 participants.
- Listen Phase (Feb - Apr 2021) – the consultation period on the Network Vision aimed to identify and test thinking on the key issues impacting on transmission services, to shape the directions and priorities reflected in the updated Network Vision, which in turn drive the plans and programs contained in the Preliminary Revenue Proposal.
- Interpret and Respond Phase (Jul - Nov 2021) – following the release of its Preliminary Revenue Proposal, ElectraNet will hold a series of forums and stakeholder meetings targeted at organisations and areas of interest identified through the initial phase, in order to explain its proposals, how it has taken customer input on board, and seek detailed feedback on its plans.

Additional workshops and briefings will also be held as and when required during this period, based on feedback from stakeholders.

## 3. Consumer Advisory Panel engagement

Ongoing engagement with Members of the Consumer Advisory Panel throughout the early engagement process will involve:

- Ongoing bi-monthly meetings of the full Panel at which key matters are discussed, including ElectraNet's early engagement plans and approach, Network Vision, engagement outcomes and Preliminary Revenue Proposal.
- An information briefing for Panel Members on key outcomes of consultation on the updated Network Vision and implications for key directions and priorities (Apr 2021).
- An overview briefing for Panel Members of the Preliminary Revenue Proposal (Jun 2021).
- A series of interactive 'deep dive' technical workshops with a subgroup of Panel Members that wish to review the proposal in greater detail and report back to the full group. Areas to be explored might include ElectraNet's asset management decision making framework, risk-cost assessment process for asset replacement decisions, the review of economic cases for key capital projects, and the information technology strategy and program (Jul - Oct 2021).
- Briefing(s) by AER representatives for Panel Members on aspects of the regulatory framework and other key issues, including the outcomes of the 'deep dive' workshops (Jul - Nov 2021).

Additional workshops and briefings will also be held during this period as needed, based on feedback from Panel Members.

## 4. AER Framework for considering public engagement

A summary of the proposed early engagement approach aligned with the AER's *Framework for considering public engagement* is shown in the following table.

**AER Framework for considering public engagement**

Criteria	Examples of how this could be assessed	ElectraNet's proposed approach
Nature of engagement	<ul style="list-style-type: none"> <li>• Customers partner in forming the proposal rather than asked for feedback on the proposal.</li> <li>• Relevant skills and experience of the customers, representatives and advocates.</li> <li>• Customers provided with impartial support to engage with energy sector issues.</li> <li>• Sincerity of engagement with customers.</li> <li>• Independence of customers and their funding.</li> <li>• Multiple channels used to engage with a range of customers across ElectraNet's customer base.</li> </ul>	<ul style="list-style-type: none"> <li>• A Preliminary Revenue Proposal containing indicative expenditure forecasts will form the focus of the engagement, while the engagement approach itself will be co-designed with the CAP.</li> <li>• CAP Members draw on a diverse range of skills and experience, and will continue meeting on a regular basis throughout.</li> <li>• AER technical representatives and CCP members would be involved to directly support impartial engagement.</li> <li>• Engagement is intended to be genuine, evidenced by 'no surprises' outcomes.</li> <li>• Customer representatives are self-funded, with expenses met where required.</li> <li>• Engagement opportunities will include forums, webinars, interviews, submissions and a series of 'deep dive' workshops.</li> </ul>
Breadth and depth	<ul style="list-style-type: none"> <li>• Clear identification of topics for engagement and how these will feed into the Revenue Proposal.</li> <li>• Customers consulted on broad range of topics.</li> <li>• Customers able to influence topics for engagement.</li> <li>• Customers encouraged to test the assumptions and strategies underpinning the proposal.</li> <li>• Customers were able to access and resource independent research and engagement.</li> </ul>	<ul style="list-style-type: none"> <li>• The co-design approach provides guidance and direction on the areas of most interest to customers.</li> <li>• The formation of a Working Group gives customer representatives the opportunity to review and 'deep dive' into topics of most interest, with the level of engagement informed by the IAP2 spectrum.</li> <li>• Customer representatives would have access to AER technical advice to support testing of key assumptions and strategies underpinning the proposal.</li> <li>• Access to independent resourcing will also be considered as needed to support effective engagement.</li> </ul>
Clearly evidenced impact	<ul style="list-style-type: none"> <li>• Proposal clearly tied to expressed views of customers.</li> <li>• High level business engagement (e.g. customers given access to ElectraNet's Chief Executive and/or Board).</li> <li>• ElectraNet has responded to customer views rather than just recording them.</li> <li>• Impact of engagement can be clearly identified.</li> <li>• Submissions on proposal show customers feel the impact is consistent with their expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• A summary of feedback received and how we have responded in our final proposal will be published as a transparent record of engagement outcomes.</li> <li>• An Executive lead process will be followed with engagement from key Executives, including the Chief Executive.</li> <li>• The Working Group will be invited to brief the broader CAP on the outcomes of the engagement process.</li> <li>• Submissions will also be used to evaluate the success of the engagement approach.</li> </ul>
Proof point	<p>Reasonable opex and capex allowances proposed, for example:</p> <ul style="list-style-type: none"> <li>• In line with, or lower than, historical expenditure.</li> <li>• In line with, or lower than, the AER's top-down analysis of appropriate expenditure.</li> <li>• If not in line with top-down, can be explained through bottom-up category analysis.</li> </ul>	<ul style="list-style-type: none"> <li>• Information will be provided in the Preliminary Revenue Proposal and final proposal to support robust and reasonable expenditure forecasts, including historical trends, AER forecasting approaches and relevant metrics.</li> <li>• Stakeholder confidence in the final expenditure forecasts on a 'no surprises' basis will be a key success measure of the engagement approach.</li> </ul>

## 5. Engagement with regulatory and market bodies

Engagement with regulatory and market bodies during the early engagement process is intended to include:

- The release of a Draft Decision by the Essential Services Commission of SA (ESCOSA) on the Review of the Electricity Transmission Code, which sets out the reliability standards that apply to the South Australian transmission network (issued Mar 2021);
- The release by the AER of a preliminary positions paper for the Framework and Approach process, which outlines the manner in which a number of incentive scheme arrangements and regulatory guidelines will be applied to ElectraNet for the purposes of its 2023-28 revenue determination (May 2021);
- The finalisation by the AER of its Framework and Approach paper based on feedback received (Jul 2021);
- The release of a Final Decision by ESCOSA for the Review of the Electricity Transmission Code (Jun 2021);
- The review of ElectraNet's proposed network development projects by the Australian Energy Market Operator (AEMO) and initial Network Capability Incentive Parameter Action Plan proposals, culminating in a preliminary assessment report (Jul - Sep 2021);
- A series of 'deep dive' technical workshops (nominally monthly), possibly combined with those above, with the AER's nominated representatives following the release of ElectraNet's Preliminary Revenue Proposal together with nominated customer representatives and Consumer Challenge Panel members to review ElectraNet's plans and proposals, following an initial kick off meeting to confirm the scope and focus of the review process (Jul - Oct 2021); and
- Final assessment of ElectraNet's network development projects, Network Capability Incentive Parameter Action Plan and proposed contingent projects, culminating in a final assessment report by AEMO (Oct - Dec 2021).

Any further workshops and briefings for the purposes of the assessments above will also be held during this period as needed, based on feedback from these bodies.

### ElectraNet Early Engagement Timeline

