

Consumer Advisory Panel

29 April 2020

Welcome

Rainer Korte, Group Executive Asset Management
Chris Hanna, Senior Advisor Govt & Stakeholder Relations

Eyre Peninsula Contingent Project Application

Simon Appleby, Manager Regulation & Investment Planning

Context

Need

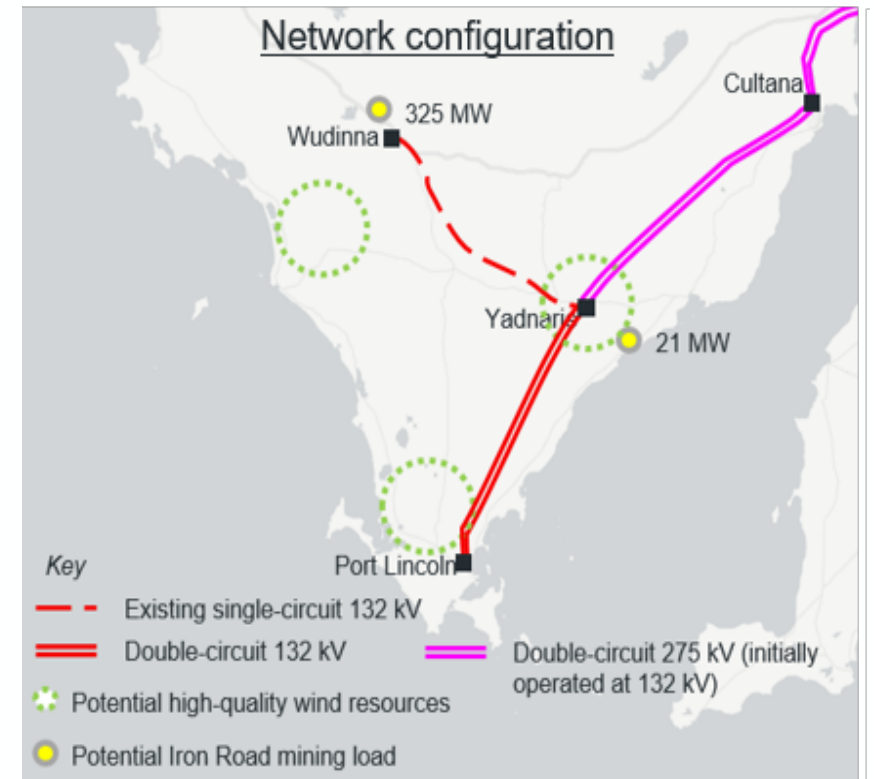
- Maintain reliability of electricity supply to Eyre Peninsula
- Retain flexibility to upgrade for new mining developments or other loads

Solution

- New double-circuit line from Cultana–Yadnarie–Pt Lincoln (132 kV)
- Cultana–Yadnarie section built to operate at 275kV, if needed later
- Substation works at Yadnarie, Cultana & Port Lincoln

Status

- RIT-T completed 18 Oct 2018 found project will deliver benefits of:
 - \$150m relative to ‘do nothing’ base case
 - \$59m more than reconductoring and ongoing network support at Port Lincoln
- AER approved RIT-T assessment 11 April 2019
- Contingent Project Application (CPA) being finalised to secure required revenue
- Delivery date revised to December 2022



Capital Expenditure Forecast

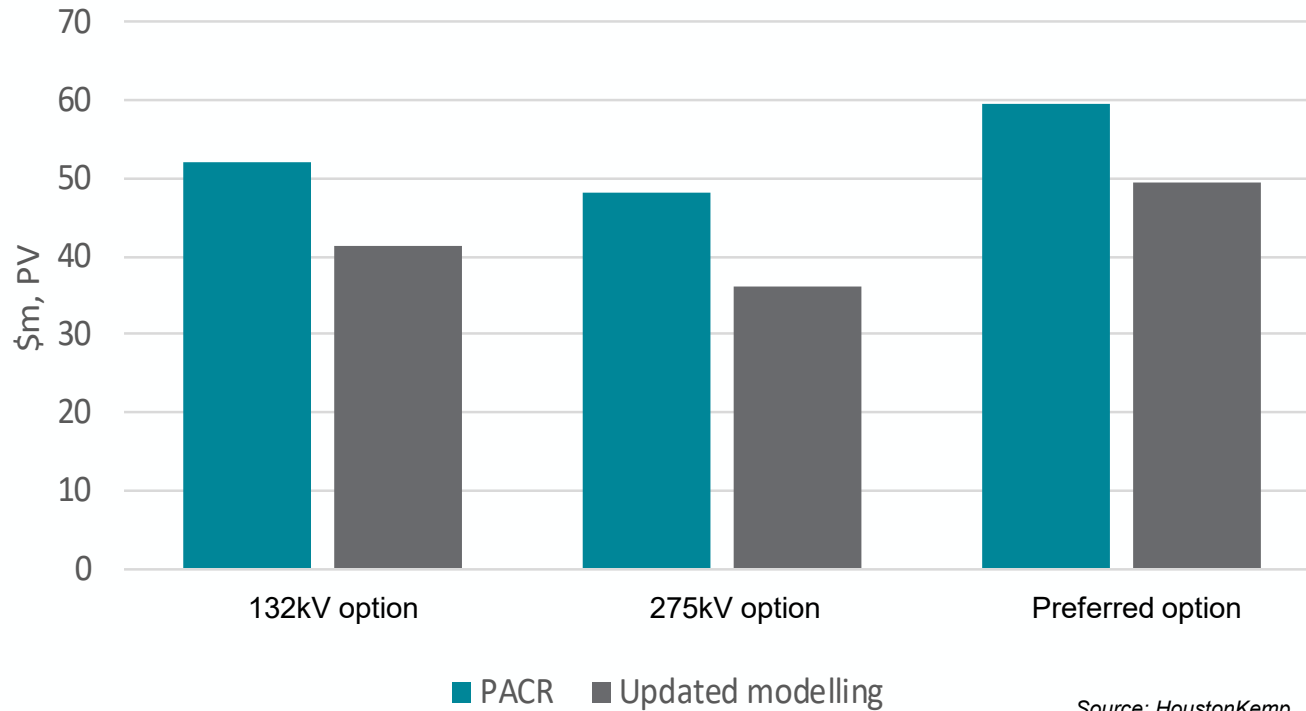
- Based on competitive procurement outcomes, the final CPA capital expenditure forecast is \$293m (\$2017-18) (market pricing makes up most of this amount)
- The CPA forecast is higher than the estimate contained in the PACR of \$240m (\$2017-18) by around 22% (or 15% excluding risk)
- Upward movements in project cost include:
 - Increased access track requirements
 - Additional substation works
 - Additional Cultural Heritage management and Native Title costs
 - COVID-19 impacts including foreign exchange movements
- A probabilistic assessment of risks on the project has also been undertaken with key risks including:
 - Further potential impacts from COVID-19
 - Additional Cultural Heritage requirements
 - Additional environmental offset payments
 - Further foreign exchange variations

Capital Expenditure Forecast

Component	Value (\$m 2017-18)
PACR capex estimate	240
Increased access track requirements based on new geotechnical information	15
Additional substation works based on detailed design work	4
Additional Cultural Heritage management and Native Title costs after engagement with Traditional Owners	5
COVID-19 schedule impacts	6
Cost impacts from foreign exchange movements	5
Probabilistic risk allowance following AER methodology	17
Other net cost movements (up and down)	1
CPA capex forecast	293

Updated Economic Assessment

Updated analysis by economic consultants HoustonKemp shows outcomes remain unchanged...



- Preferred option delivers benefits of \$49m and remains preferred over nearest ranked options
- Sensitivity testing shows the outcome remains unchanged whether or not the SA-NSW interconnector is built, if the project is delayed a further 6 months, if network support ceases 6 months later, if capital costs increase further (by up to 59%) or if wholesale market benefits reduce (by up to 75%)

Contingent Project Application Overview

Component	Value (\$m)
Capital expenditure forecast (\$2017-18)	216
Operating expenditure forecast (\$2017-18)	(1.2)
Revenue requirement 2018-2023 (\$nominal)	4.6

- The capital expenditure forecast excludes the cost (\$74m) of reconductoring the existing line which is already included in the approval capital allowance, and is avoided by this project
- Ongoing opex savings of \$9m pa will be delivered by avoiding ongoing network support
- The net result is a customer price impact of approximately \$1 pa in the year after completion

Next Steps

Indicative date	Key milestone
May 2020	Lodgement of Contingent Project Application
June-July 2020	Assessment and engagement on application
July-August 2020	AER decision on CPA (subject to AER assessment process)
April 2021	Contractor commencement on site
December 2022	Delivery of project



Integrated System Plan & Project EnergyConnect Update

Rainer Korte, Group Executive Asset Management

Project EnergyConnect Update

- ElectraNet continues to undertake essential regulatory related activities associated with Project EnergyConnect following the AER's RIT-T determination in late January 2020
- These activities include working on confirming the economic case for the project through updated analysis of the project's costs and benefits
- ElectraNet is committed to delivering the project at the lowest possible cost with the greatest benefit to energy customers
- To that end, ElectraNet and TransGrid have been working through competitive market processes to build confidence in the construction costs of the project
- ElectraNet is working towards submitting a contingent project application to the AER in due course, subject to confirming the economic case for the project
- We look forward to resuming early works activities in South Australia, which have been temporarily paused, subject to further support from the SA Government



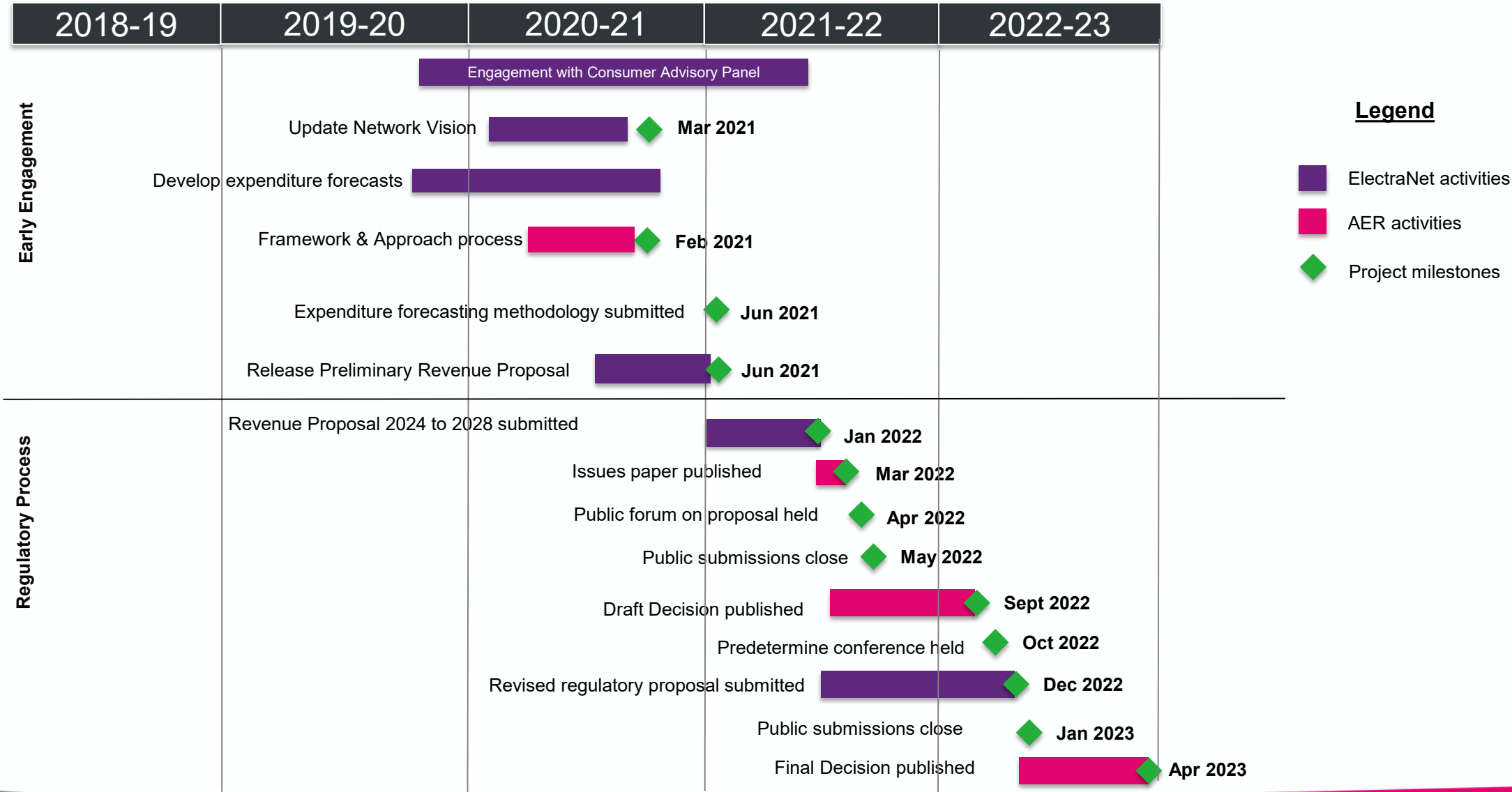
Project
EnergyConnect

Revenue Reset & Consumer Engagement

Rainer Korte, Group Executive Asset Management



Indicative Revenue Reset Timetable 2024 to 2028



Other Business

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Network Relief Package

Small businesses

- Network charges will be rebated for small business customers experiencing financial stress and who are mothballing as a result of COVID-19
 - network charges not applied from 1 April to 30 June 2020

Small retailers

- Network charges will be rebated for residential customers that go into default as a result of COVID-19
 - Applies to charges from 1 April to 30 June 2020

Large retailers

- Network charges will be deferred for residential customers who go on payment plans or hardship arrangements as a result of COVID-19
 - Charges for 1 April to 30 June 2020 deferred to 30 September 2020

Questions?

