

CONSUMER ADVISORY PANEL (CAP)

MEETING # 19

NOTES

Date:	Tuesday, 6 April 2021
Time	2:00pm – 4:00pm
Venue:	ElectraNet Board Room + Microsoft Teams
Purpose:	<ul style="list-style-type: none">• Project EnergyConnect Status update• Network Vision Consultation Summary• Revenue Reset: Preliminary Outlook; Engagement Plan and Working Group; and Open Discussion.

1. Welcome and introductions – Rainer Korte

- Welcome from Rainer, and encouraging future meetings to be face to face where possible
- The CAP accepted the Minutes of the previous meeting held on 23 February 2021 with amendments to be made following Member feedback regarding consultation on the Network Vision.
- Rainer reinforced how the CAP can make a real difference and add value to the process of development of the Network Vision and ElectraNet's proposals for the next regulatory period.
- Encouraged good conversations on how we can effectively engage with the CAP over the coming months.
- Noted that sensitive information will at times be shared with the CAP in the interests of open dialogue and engagement, and Members are asked to treat this information confidentially as appropriate.

2. Project EnergyConnect (PEC) Update – Rainer Korte

- ElectraNet provided an update on Project EnergyConnect – *refer presentation*

Discussion:

Q. How does the Tasmanian Government 200% renewables policy impact on PEC?

A. It is expected to have only a minor impact. While 200% is a large headline, the Tasmanian system is small relative to the rest of the NEM, so it is not expected to result in material change in the supply and demand balance of the Eastern States and the associated benefits of PEC.

Q. TransGrid has indicated that they have firm quotes. Are you in a position yet where your pricing is firm?

A. No, we are engaged in an early contractor involvement process to work through with potential contractors the detailed understanding of costs and risk, which we don't expect to conclude until July. We won't have firm contract pricing until after this when a final decision is made on a chosen contractor. Shortlisted contractors have a strong understanding of the project and understand the potential costs, giving us a good level of confidence in our costs.

Q. Will ElectraNet stand by its CPA even if costs increase?

A. Yes, this is how the regulatory framework works once a decision has been made on a contingent project. This highlights the need for a level of certainty around capital costs, which is understood to be a bigger challenge for TransGrid at this point given the uncertain nature of some of its environmental costs for the NSW section of the project.

3. Network Vision Consultation Summary – Brad Harrison

- ElectraNet provided an update on the Network Vision Consultation including submissions received - *refer presentation*
- Rainer highlighted a message from stakeholders on the need for alignment between SA Power Networks (SAPN) and ElectraNet on our respective views of the future. Brad and Rainer attended a recent meeting of SAPN's Customer Consultative Panel (CCP) at their invitation to share information on ElectraNet's Network Vision and consultation. A subsequent meeting with Executives and key personnel of both organisations was held to discuss their respective visions further and actions have been put in place between SAPN and ElectraNet to explore and further develop shared priorities.

Discussion:

Q. What are the implications of various future scenarios for gas; hydrocarbons, hydrogen for ElectraNet?

A. Hydrogen has the potential to be a catalyst for growth in the electricity industry, particularly if it gives rise to large loads for hydrogen production. However, regulated customers would not be expected to fund network expansion connected with this, and we have provided this feedback to AEMO in its recent consultation on inputs to the ISP.

The longer term future for gas in South Australia and wider market remains unclear. Particularly in considering a zero carbon economy it is hard to see a future role for gas beyond 2050.

Q. Presumably ElectraNet is having discussions with the Australian Gas Infrastructure Group. If less energy is provided through gas and more through electricity what does this mean for

ElectraNet, and what happens if we become a major hydrogen exporter with big volumes of electricity flowing through these parts of the network?

A. This potentially increases demand significantly. However, renewable generation and gas production and export infrastructure (electrolysers and the like) would likely co-locate to some degree, which would reduce the net impact on the network, but the regulated network may still need to grow materially in future to support that.

We are not foreshadowing any plans for major transmission network investment in the next five-year regulatory period.

Q. Do you think that ElectraNet will take action on the SACOME feedback, which raises concerns over the price impact of frequency market events?

A. We understand these concerns. Where we are able to influence outcomes, ElectraNet will continue to work with market bodies and policy makers to advocate improvements to the regulatory and market framework in the interests of customers.

Q. There is a concern over the current system strength rule change, noting ElectraNet is tackling it in different ways than Queensland for example, and this is something that ElectraNet can have an impact on, so wondering if this is something you are looking at? This involved Powerlink doing something in fine tuning their network to eliminate the need for investment such as with the synchronous condensers we have in South Australia. Victoria is doing the same as South Australia.

A. No amount of fine tuning would have avoided the investment in the four synchronous condensers ElectraNet is installing because of the advanced stage of need in SA. TNSPs have an obligation to respond to AEMO's direction and declaration of system strength and inertia gaps. We went through an extensive public process and economic assessment looking at all available options to satisfy the gaps AEMO declared for SA, which concluded that investing in the synchronous condensers was the right course of action.

Q. It is important to monitor technological developments and engage with service providers to find least cost solutions (e.g. the potential use of grid forming inverters).

A. We have identified a direction to actively engage with emerging service providers to give us an understanding of what non-network solutions are available in the future in our updated Network Vision.

We will share a draft copy of the updated Network Vision with CAP members for further feedback.

4. Revenue Reset Preliminary Outlook – Jeremy Tustin

- ElectraNet provided an update on the Revenue Reset Preliminary Outlook - *refer presentation*

Discussion:

Q. Does the indicative opex outlook include your share of PEC?

A. Yes, PEC is assumed in the forecasts for the next regulatory period. In the CPA for PEC there is no additional opex for maintenance in the current period because the assets will be completed at the end of the current regulatory period, with maintenance costs falling to future periods.

5. Revenue Reset – Engagement Plan/ Working Group – Simon Appleby

- ElectraNet provided an update on the Revenue Reset Early Engagement Approach - *refer presentation and draft letter*

A range of feedback was provided by the Panel on the proposed engagement approach:

- The letter and strategy could be clearer in terms of what outcome ElectraNet should be looking for.
 - what is the purpose of engagement?
 - what is it that ElectraNet wants to get from the engagement?
- Encouraged spelling out what the benefits are – for ElectraNet, customers, regulator etc
- What is the level of buy-in from the Board, Chief Executive and Senior Management?
- Higher level of engagement is important, it is useful to look at AER table of consumer engagement, because it reflects what AER and the consumer is looking for.
- Be clear on the breadth and depth of engagement, as per the AER's *Framework for considering public engagement*.
- Look at what the AER is after and what other stakeholders have responded to.
- What we did last time worked well – supportive of concept of deep dives, keeping AER technical people in the process. Lot of value in repeating similar process to last time.
- Noted that AusNet Services transmission has not followed the New Reg process it trialed with its distribution business. This is an important learning.
- One of the problems with the Customer Panels was that there was no regulatory framework experience. Need commercial, financial, technical understanding to be on the panels. Agree a Customer Panel is not needed for ElectraNet.

ElectraNet thanked the Panel for its feedback, noting the following:

- We will be more explicit about the purpose (of engagement) and refine this in the documented approach.
- A key test will be 'no surprises' when we submit our formal proposal.
- Will be an Executive led process. Engagement approach has been presented to Executive and Board and endorsed.

- Best practice continues to evolve and we continue to refine our approach.

Discussion:

Q. When will the deep dives take place?

A. These are scheduled to occur in July to September on the timeline.

- Members would be interested in deep dives on security and system resilience as key topics.
- members would also be interested to participate in opex discussions and where value is added for the customer.

Q. At what point do assets become uneconomic to maintain? Would like to deep dive into this, for example the Leigh Creek line.

A. We can spend some time on how we look at these situations. Leigh Creek has had a lot of attention. While it would not be economic to invest large amounts to keep the transmission services going, at this point it remains more cost effective to maintain than to put in a standalone power system.

6. Revenue Reset – Open Discussion

ElectraNet

- We are keen to identify the things we can engage with you on that influence our expenditure forecasts (e.g. capital projects), where your input can influence and shape our proposals.

Panel

- Considering what customers can genuinely influence is important. Interested to ensure that engagement is not just lip service, based on a plan your Board has endorsed that simply comes to the CAP to review and 'tick off' - members want genuine interaction and influence.
- Also interested in what drives the ongoing use of the assets. What is the network age story and what are the drivers which will impact on refurbishment / replacement of assets?

ElectraNet

- We are keen on genuine engagement and want to follow through on this.
- On replacement, we can provide information to the working group. For transmission assets, typically we don't like to go to asset failure. The challenge for the asset manager is understanding asset failure modes, the timeframes for failure and where the asset is in its lifecycle. Routine monitoring, inspections help to identify early warning signs.

Panel

- The framework and purpose of engagement is important - what is in or out of the Revenue Proposal going up in January 2022?
- Longer term engagement should be around culture change – what is the culture change we are looking for, what are we expecting from customers?
- In terms of broader topics – uncertainty, how it is shared and planned for?
- Is there emerging technology that could impact on ElectraNet?
- Carbon neutrality? What does ElectraNet look like being Carbon neutral?
- Topics around forecasting and demand profiles.
- We need to focus on where the big areas of spend are and we can drill down into those, and where there are smaller amounts of money, we can look at governance processes.
- Breakdowns on Capex proposals and depreciation are areas of interest.
- Step changes in Opex is another area to be looked at.

ElectraNet

- We are not at the point to provide a detailed breakdown of our forecasts yet. We wanted today to provide you with a high-level outlook, and appreciate the feedback received.
- We will send you a revised draft of the letter to AER outlining the proposed engagement approach for any final feedback and aim to finalise this in the coming weeks.
- At the next meeting we will brief you on and discuss the Preliminary Revenue Proposal and the formation of the Working Group.

7. Meeting Close

- Next meeting scheduled for 8 June 2021 at 2pm in person.

**Consumer Advisory Panel Meeting Participants
6 April 2021**

ATTENDEES		
Name	Affiliation / Title	
Members		
Peter Labropoulos	SACOME	
Andrew McKenna	Business SA	
David Headberry	Energy Consumers Coalition of SA (ECCSA)	
Mark Henley	Uniting Care	
Vikram Kenjle	The University of Adelaide	
Mark Sutton	Outback Communities Authority	
Observers		
Adam Petersen	AER	
David Monk	AER	
ElectraNet Representatives		
Rainer Korte	Group Executive, Asset Management	
Chris Hanna	Government and Stakeholder Relations	
Simon Appleby	Manager Regulation & Investment Planning	
Brad Harrison	Power System Planning Manager	
Jeremy Tustin	Regulated Investment Planning Manager	
Apologies		
Shelley Ashe	ECA	
Maureen Boyle	SACOSS	
Rob Kerin	Primary Producers SA	