

Consumer Advisory Panel Induction Meeting

Wednesday, 21 September 2022

Welcome

- Acknowledgement of Country
- Purpose of meeting
- Introductions
- The Consumer Advisory Panel:
 - overview and how we will work together
- Q+A

Acknowledgement of Country

We would like to acknowledge the Traditional Owners of the land on which we meet and pay our respects to their Elders past and present and extend that respect to other Aboriginal and Torres Strait Islander people who are present today



Introductions:
A bit about the members

2 - 3 mins

- Who you are (name, title, what makes you tick)
- What you hope to bring to the CAP

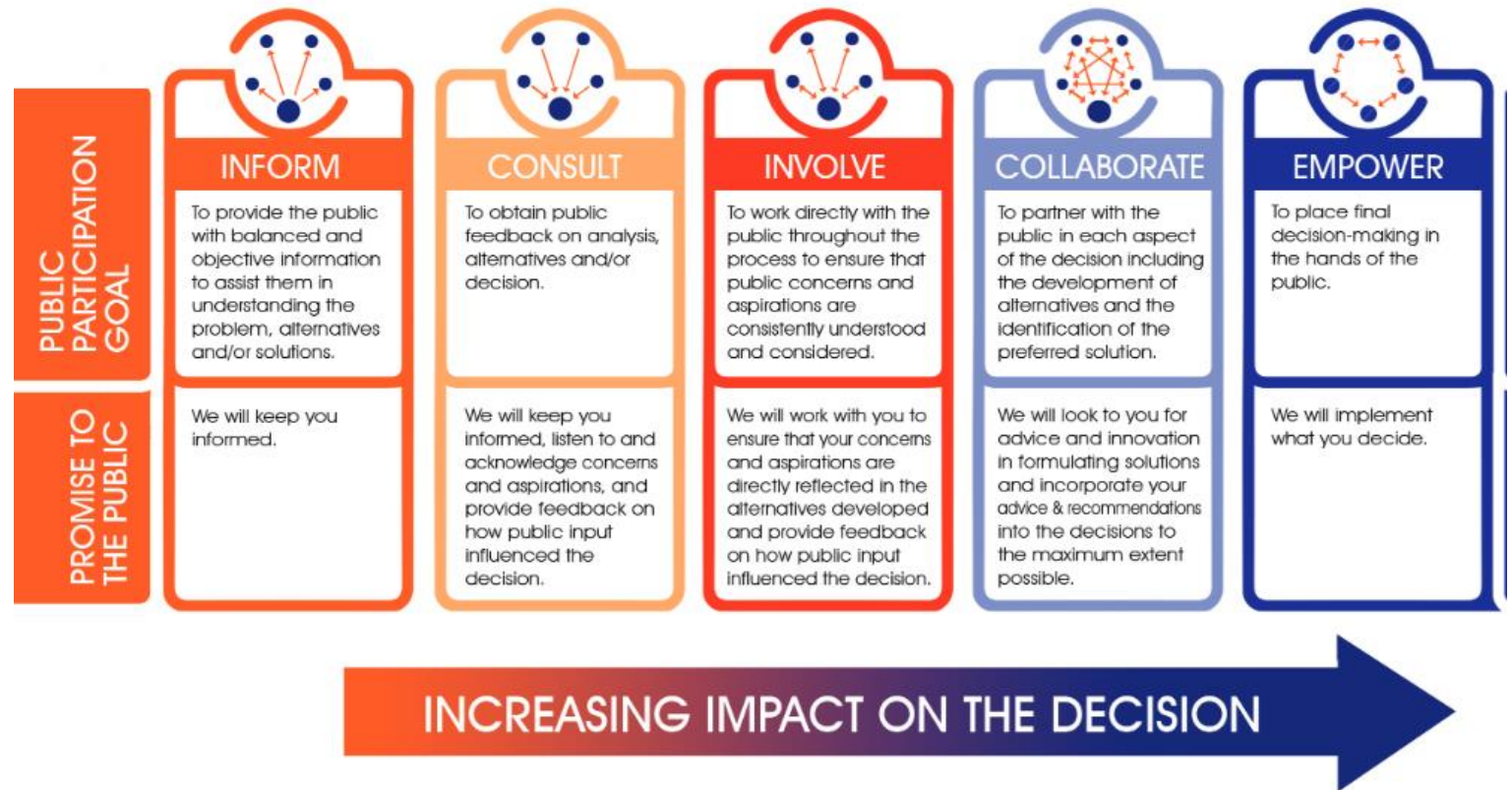
The Consumer Advisory Panel

- The overarching **PURPOSE** of this engagement is to *provide meaningful opportunities for input to improve the value of electricity transmission services in South Australia.*
- The CAP is part of ElectraNet's commitment to consumer engagement
- The CAP is the vehicle for ElectraNet to engage and collaborate with consumer representatives
- The CAP brings together representatives of different organisations and / or individuals
- Members are expected to contribute to advice and ideas through a range of mechanisms including attendance at meetings, meeting preparation, review of documents, contributions to written advice/ reports
- The CAP will be independently facilitated

IAP2 SPECTRUM

International Association of Public Participation = IAP2

IAP2 Spectrum



© International Association for Public Participation

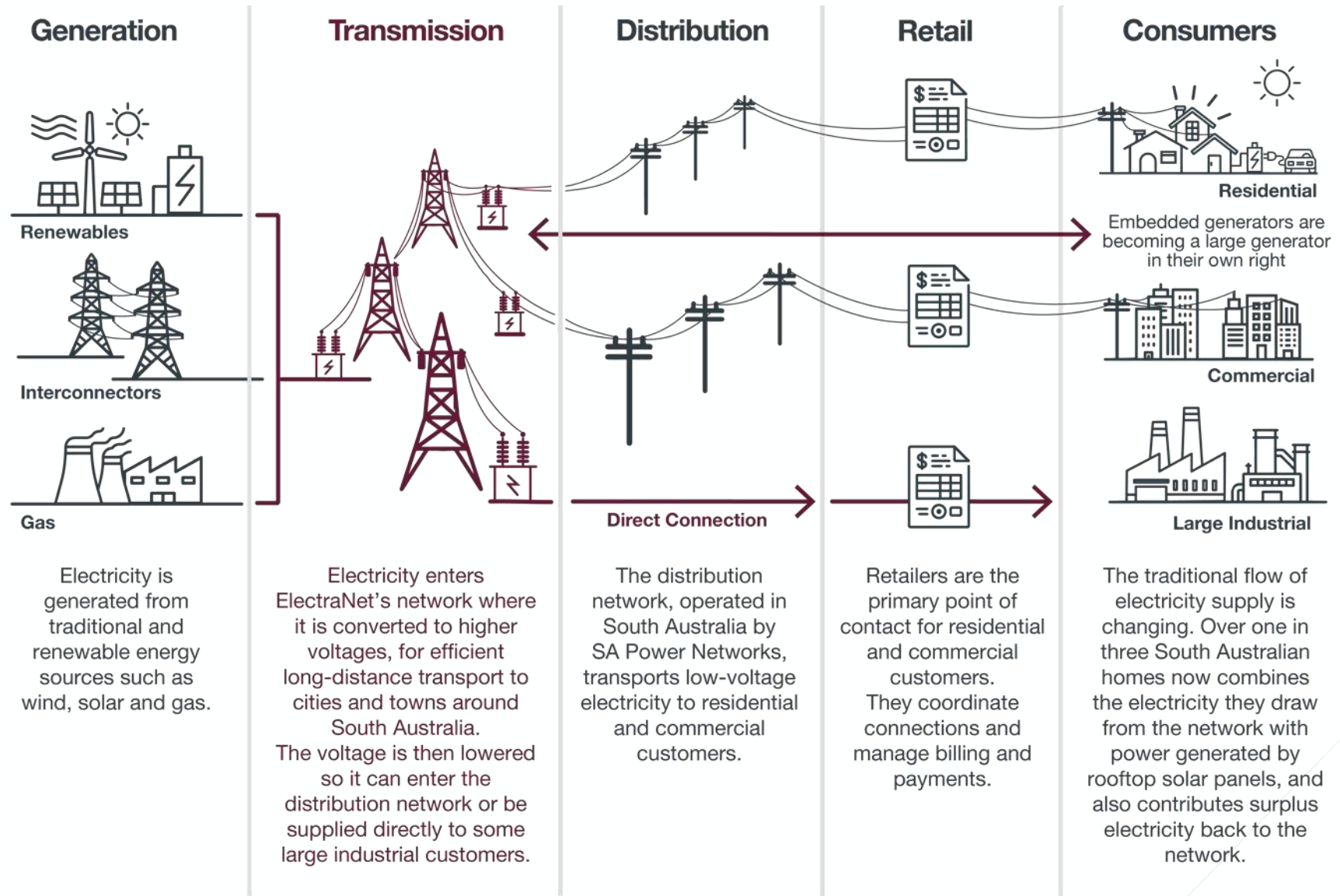
iap2.org

Induction Booklet Q&A

Simon Appleby

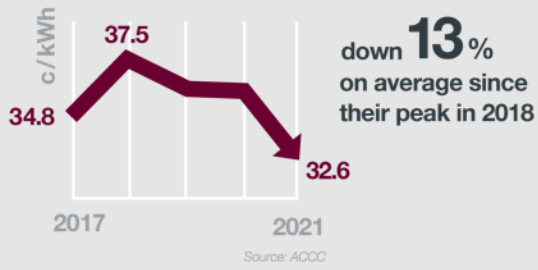
Manager Regulation and Investment Planning

Electricity Supply Chain



South Australia's transforming power system

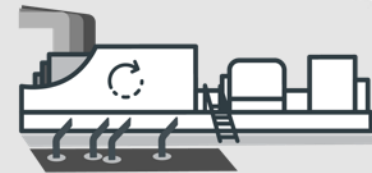
Retail power prices
have decreased over the past 5 years



First AEMO Integrated System Plan
June 2018



ElectraNet Dalrymple battery is first grid forming battery in Australia



ElectraNet synchronous condensers begin operation

2021

2020

2019

2018

2017

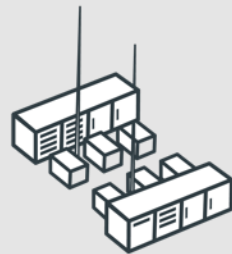
2016



Coal fired generation ceased
May 2016



Statewide blackout
September 2016



World's largest battery
Hornsedale Power Reserve connected



Connection of first grid scale solar plant at Bungala

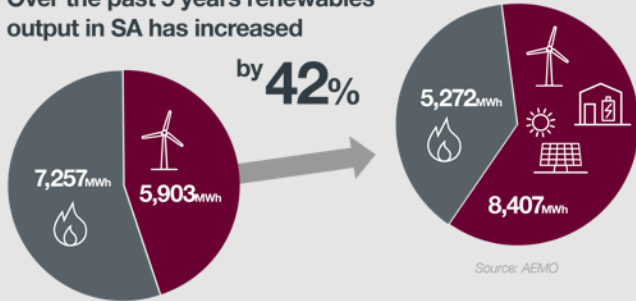


Negative system demand reached
November 2021

Regulatory approval for new interconnector to NSW
Project EnergyConnect
June 2021

Renewables are replacing gas

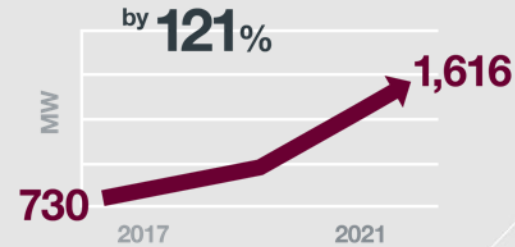
Over the past 5 years renewables output in SA has increased



In just over 15 years the State's renewable energy output has increased 10 times from **6%** to **61%**

A grid in transition

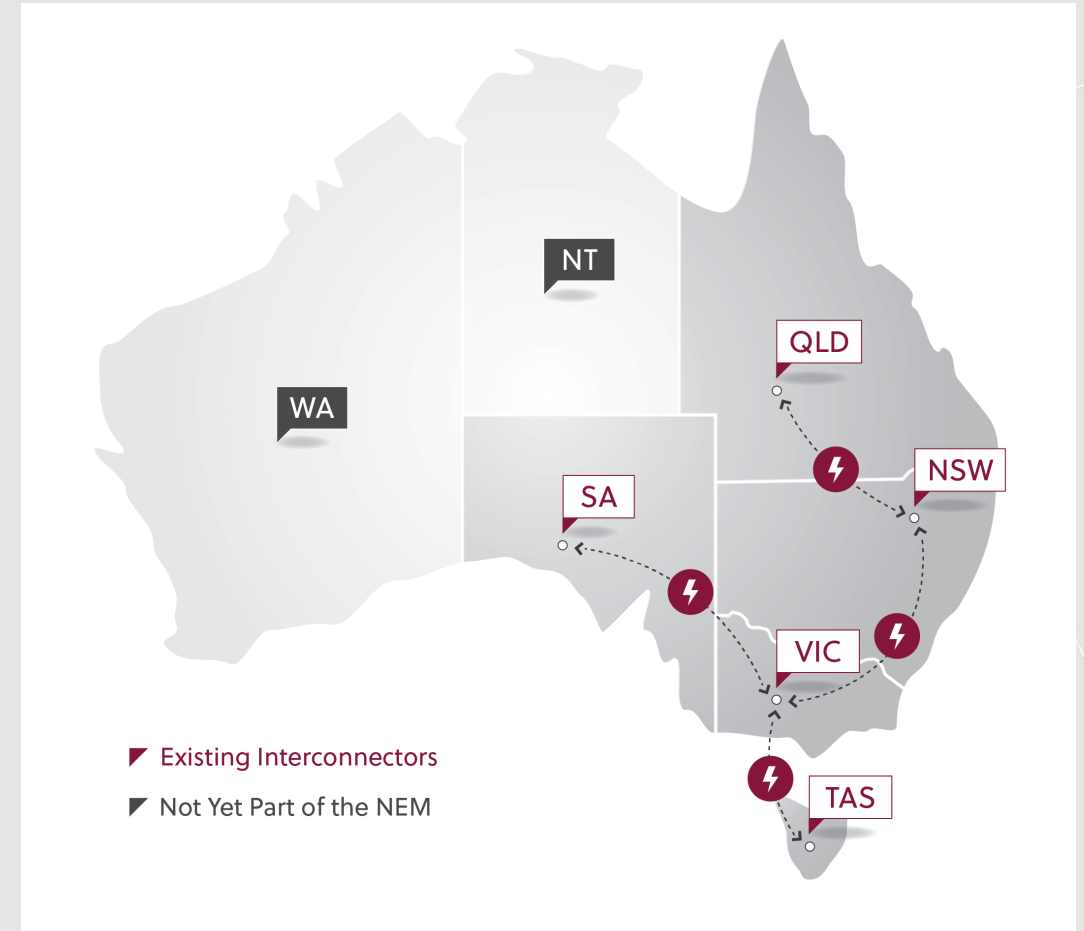
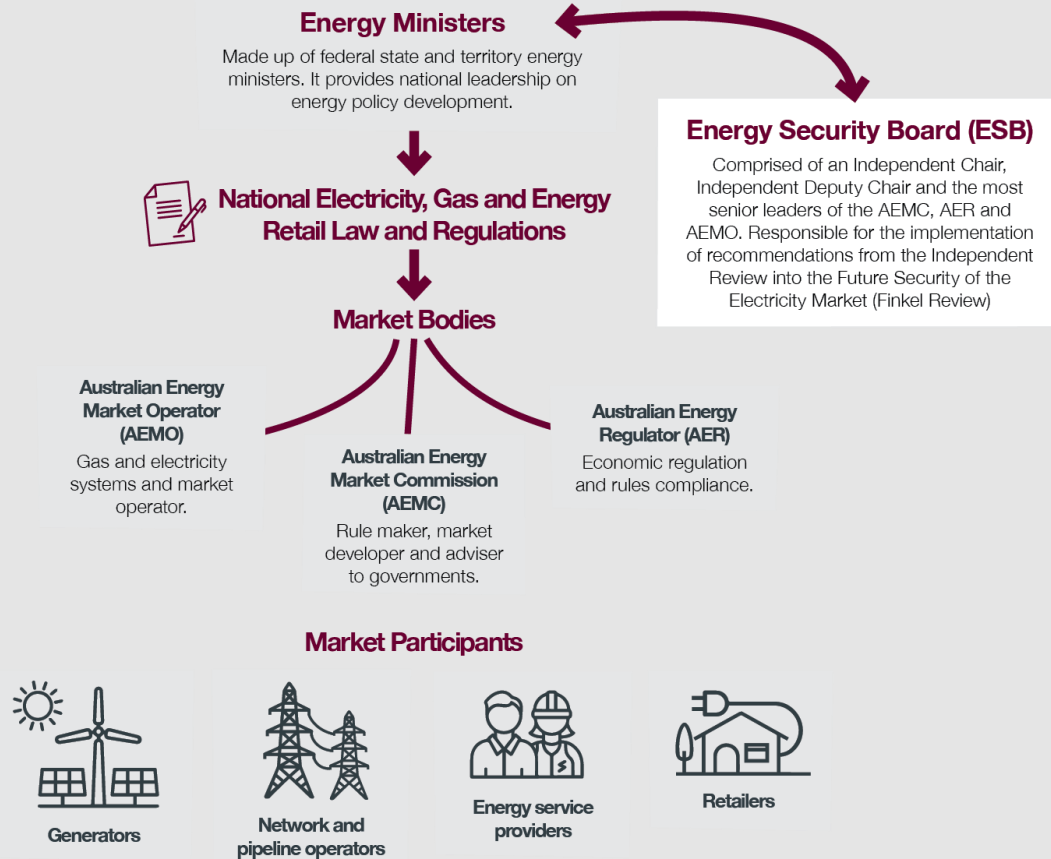
Rooftop PV installation has increased over the past 5 years



Minimum grid demand has decreased over the past 5 years





National Electricity Market



How ElectraNet is contributing to the energy transition

Legend

-  Existing 132 kV
-  Existing 275 kV
-  Substation
-  Potential Renewable Energy Zone
-  Synchronous Condenser
-  Battery Power Reserve



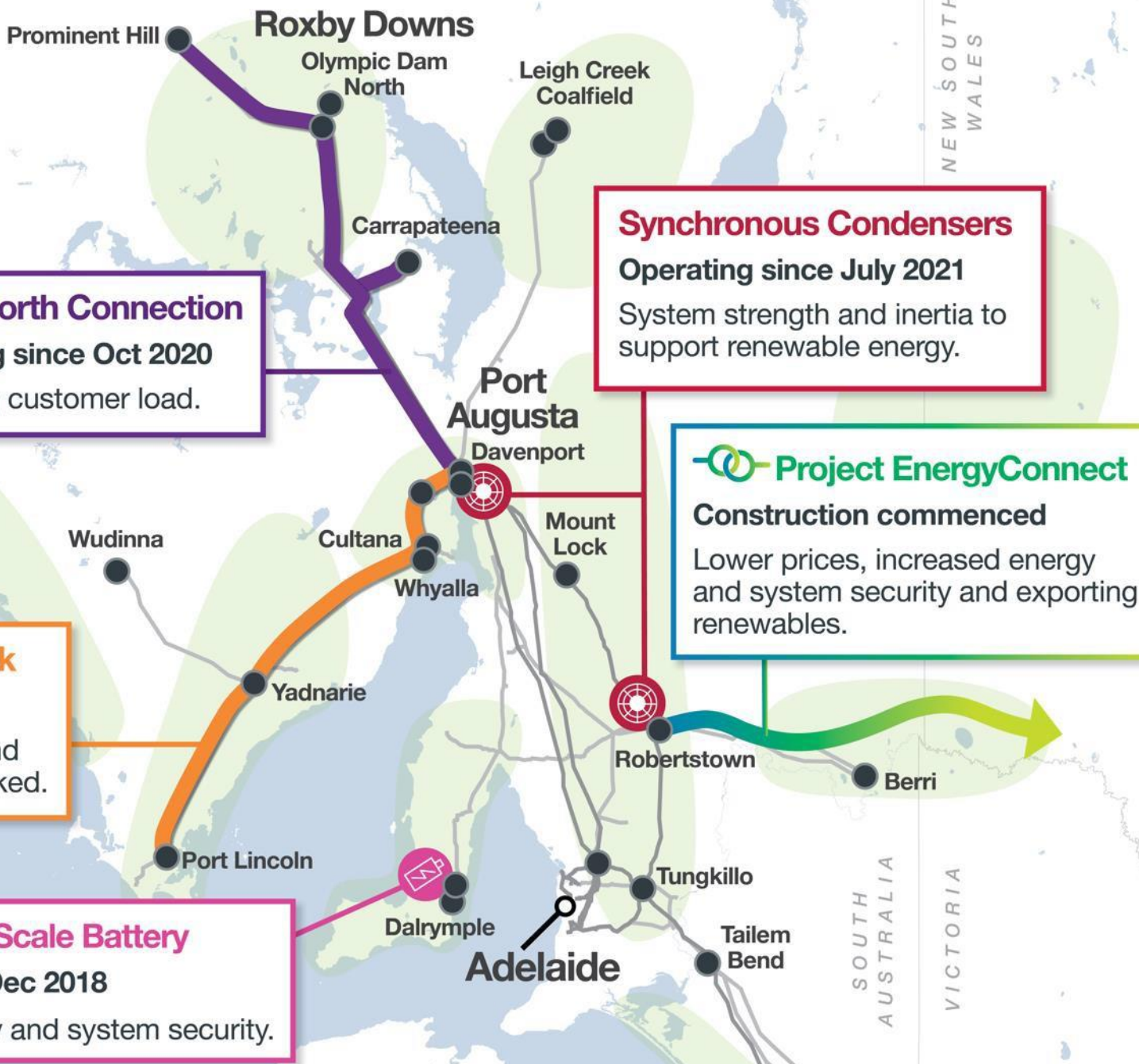
Upper North Connection
 Operating since Oct 2020
 Supplying customer load.

Synchronous Condensers
 Operating since July 2021
 System strength and inertia to support renewable energy.

Project EnergyConnect
 Construction commenced
 Lower prices, increased energy and system security and exporting renewables.

Eyre Peninsula Link
 Under construction
 Improved reliability and growth options unlocked.

Dalrymple Grid-Scale Battery
 Operating since Dec 2018
 Improved reliability and system security.



NEW SOUTH WALES

SOUTH AUSTRALIA
 VICTORIA

Customer Representative Session

Mark Henley

Consumer Advisory Panel Member

Immediate Focus Areas for Engagement

Jeremy Tustin

Regulated Investment Planning Manager

Developing Revised Revenue Proposal - role of the CAP

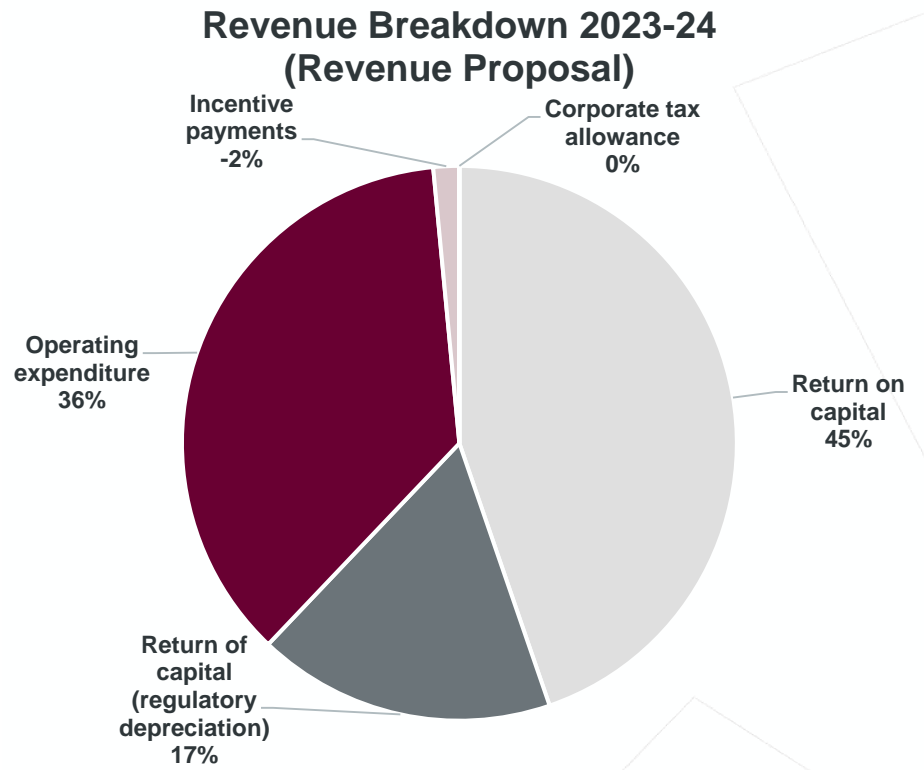
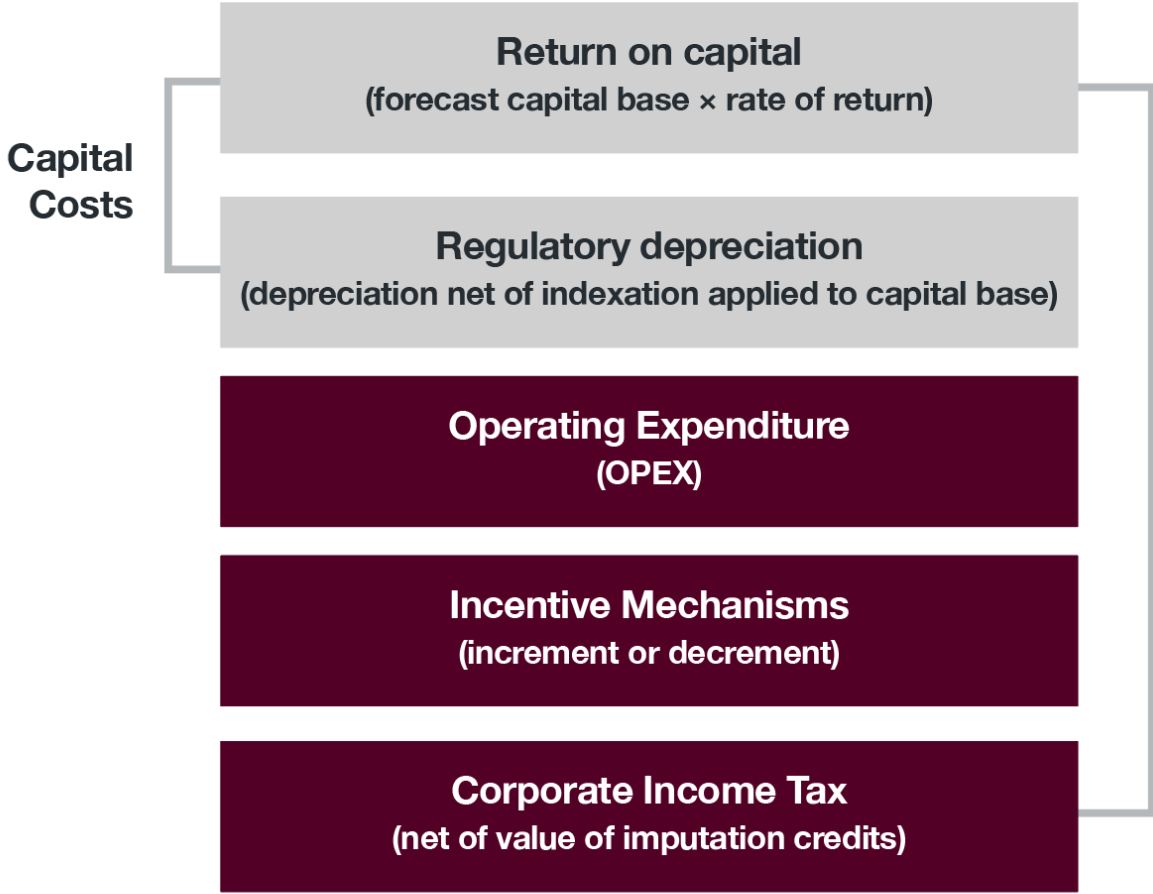
- Purpose of a Revised Revenue Proposal
 - Matters approved by the AER at the Draft Decision stage are considered settled
 - ElectraNet can respond to outstanding issues in a Revised Revenue Proposal
- The key question for the CAP is
 - *“How can customer interests be best served through ElectraNet’s response to the remaining issues”*

Going forward for the CAP:

- AER Draft Decision - **30 Sep 2022**
- Engagement with CAP - **Sep-Nov 2022**
- Revised Proposal due - **2 Dec 2022**
- (Ongoing Annual Planning Cycle)
- AER Final Decision - **30 Apr 2023**



Revenue Proposal - revenue setting framework



Major capital projects

1 Project EnergyConnect – \$59m

This is the final phase of Project EnergyConnect, which will connect South Australia's transmission network to New South Wales, paving the way for reduced wholesale electricity prices due to increased competition and also enabling increases in the use of renewable generation in South Australia.

2 Hummocks to Ardrossan West Line Rebuild – \$32m

Our routine condition assessment indicates that the transmission line between Hummocks and Ardrossan West is in need of substantial work. The most efficient option is to replace the line.

5 Transmission Tower Anti-Climb Installation – \$22m

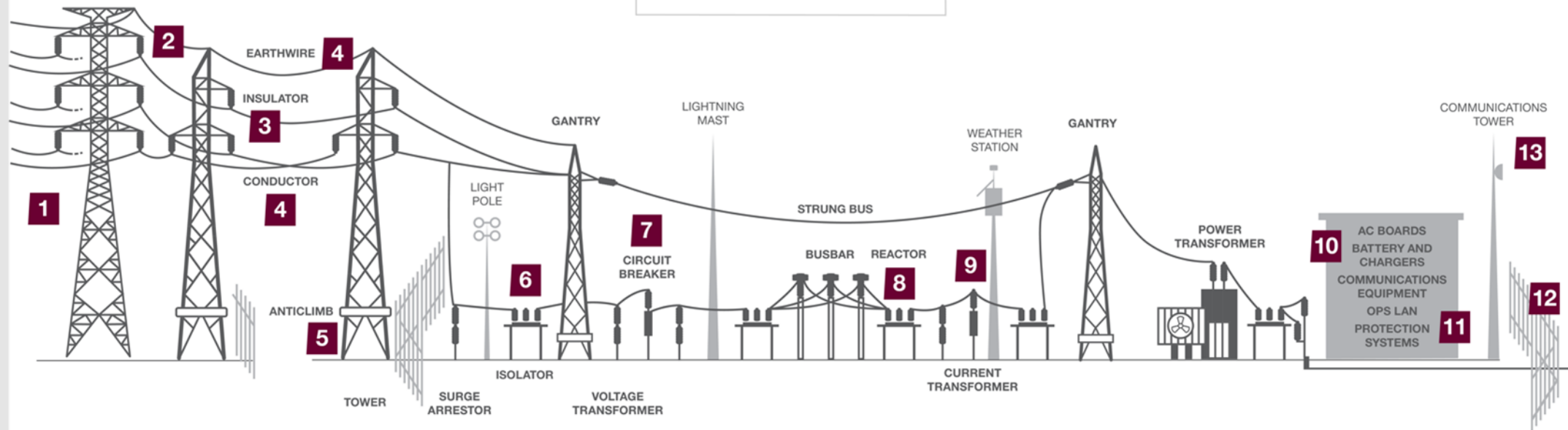
Many of our older transmission towers are not fitted with anti climb equipment that is now standard. For public safety reasons we propose to install this equipment on towers in locations most at risk of unauthorised climbing. We are taking a phased approach over multiple regulatory periods.

10 Substation Technology System Cybersecurity Uplift – \$16m

With the rising risk of cyber attack this project is to upgrade computer systems in our substations as part of a broader program of upgrading substation security.

11 Wide Area Monitoring Scheme – \$14m

We will install phasor measurement units at various sites around the network as AEMO requires. These devices will increase the speed with which we and AEMO receive network information and, in turn, allow us to manage the network more efficiently.



3 Transmission Line Insulation System Replacement – \$33m

4 Line Conductor and Earthwire Refurbishment – \$27m

6 Isolator Unit Asset Replacement – \$43m

7 Circuit Breakers Unit Asset Replacement – \$15m

9 Instrument Transformer Unit Asset Replacement – \$18m

We have several replacement programs to replace key asset components, based on asset condition and risk. These are staged asset replacement programs conducted over multiple regulatory periods.

8 Transmission Network Voltage Control – \$54m

Increased use of electronic devices and falling minimum demand levels due to increased use of solar is causing dynamic and static reactive power devices on the network to reach the limit of their ability to keep voltage levels within applicable limits. We propose to install several reactors to rectify this problem.

12 Substation Perimeter Intrusion and Motion Detection Security – \$12m

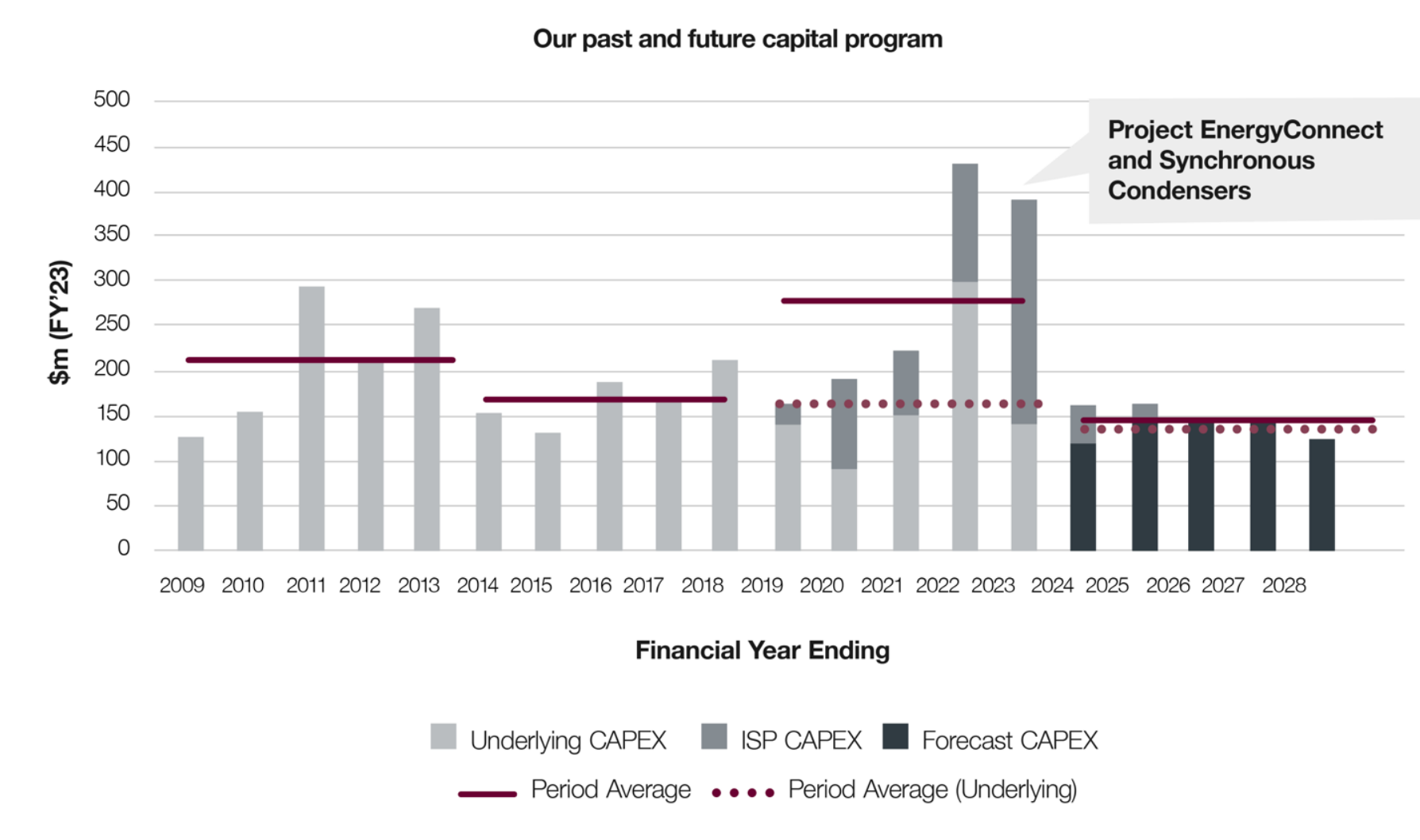
This project forms part of a broader program of improving the physical and cyber security of our substations.

13 Telecommunications Asset Replacement – \$11m

ElectraNet operates a substantial telecommunications network which is used to operate the transmission network efficiently and to ensure substations and other assets can be accessed for maintenance safely. This project is the next stage in the ongoing replacement of end of life assets in this broader network.

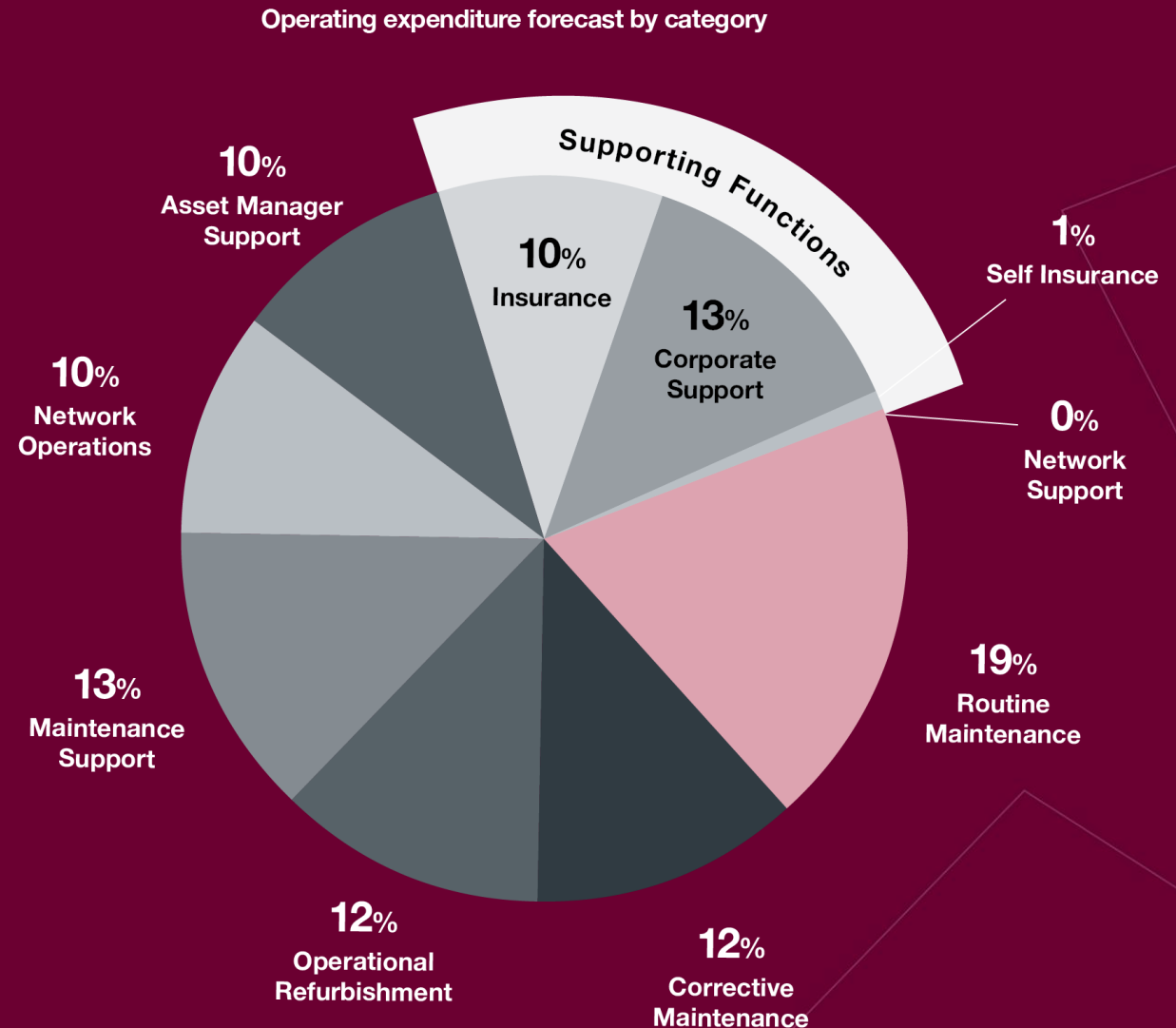
Capital Expenditure Outlook

- The capital expenditure forecast is 47% lower than the current period
 - 18% lower excluding major projects driven by the Integrated System Plan
- The capital program is focused largely on:
 - replacement
 - refurbishment
 - security/ compliance



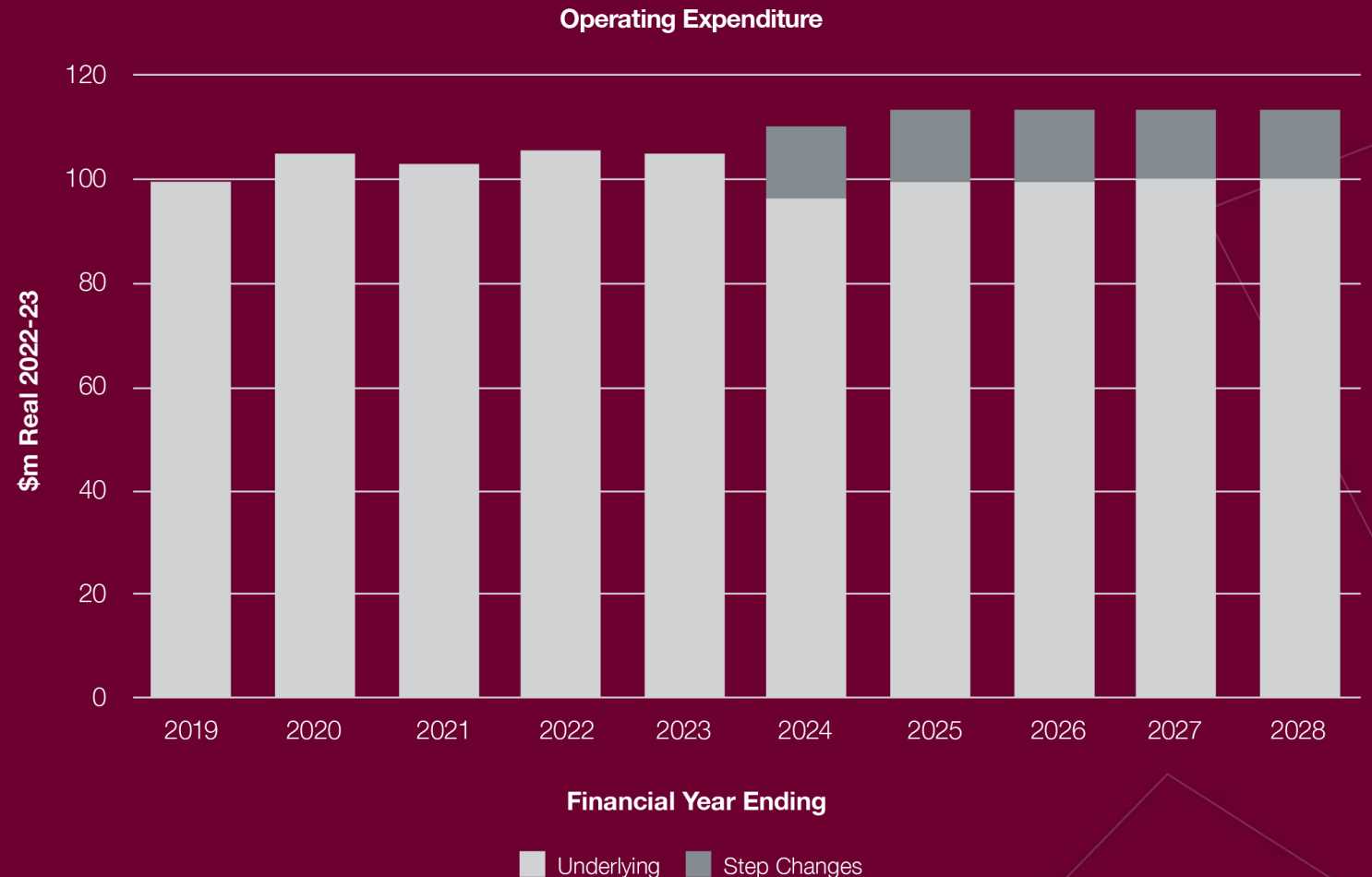
Operating Expenditure breakdown

- Over three quarters of our operating costs are directly associated with the operation and maintenance of the network
- The balance comprises various supporting functions



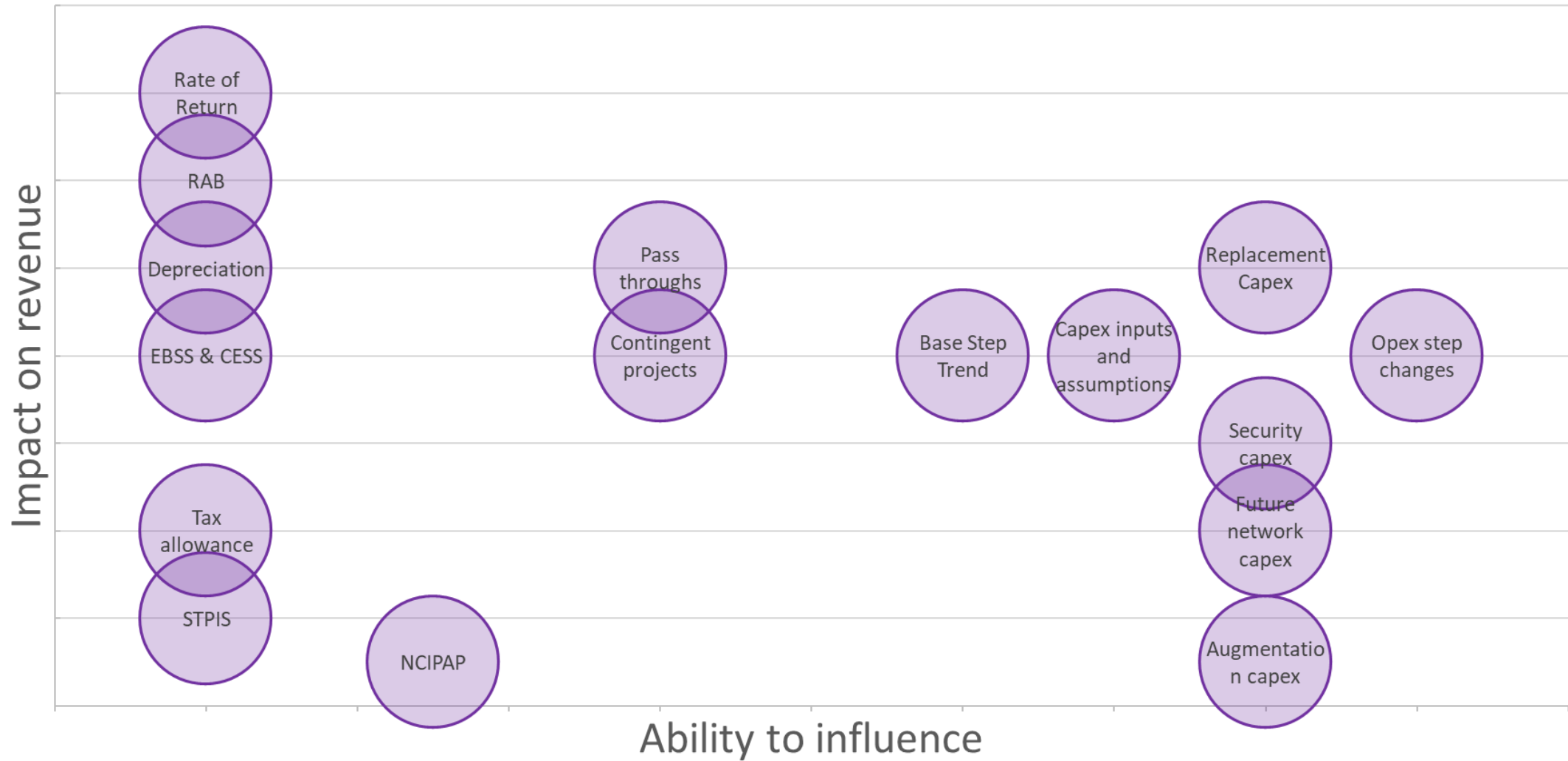
Operating Expenditure Outlook

- Operating expenditure is:
 - *Down* on current levels in underlying terms
 - *Up* when we consider step changes
- Step changes are new externally imposed costs beyond BAU requirements



Operating expenditure step changes include substantial insurance cost increases, new cyber security obligations, cloud IT migration costs and accounting treatment and increased network planning requirements

Original focus areas identified by the CAP WG



What has changed?

Revenue Proposal (Jan 2022)

- Inflation
 - Forecast averaging about 2.5% in FY23 & FY24
 - Longer term outlook – *expect underlying inflation to pick up further, but to do so only gradually (RBA)*
- Interest rates
 - RBA chair indicating no rate rise during 2024
 - RBA cash rate sitting at 0.10%
- Cyber security legislation in Parliament
- Global insurance markets tight, driving up costs
- Energy market in transition
 - AEMO foreshadows need to manage 100% instantaneous renewables
- ElectraNet contracting inertia services for FY23

Revised Revenue Proposal (end 2022)

- Inflation
 - Now at 6-7% in FY23 (actual) and FY24 (forecast)
 - Longer term outlook – *inflation will pick up further in the period ahead (RBA)*
- Interest rates
 - 5 rate rises to date
 - RBA cash rate now 2.25%
- Cyber security legislation passed, Rules to follow
- Global insurance markets tighten further
- Energy market transition accelerates
 - Changes in State and Federal Government, *Rewiring The Nation*, 43% target by 2030
- ElectraNet to recruit inertia for FY24 & FY25

Wrap Up and Next Steps

Chris Hanna

Government and Stakeholder Relations Adviser

CAP Meeting 29 September 2022 – Proposed Agenda

- Purpose of the Meeting
- Chief Executive Welcome
- CAP Overview and Operating Framework
- Revenue Proposal Draft Decision
- What do you need to hear more about at the next meeting?

Wrap Up and Next Steps

- On-Going Induction Program
 - What do you want to learn or explore further with us?
 - Who do you want to hear from? (Customers, Regulatory bodies, ElectraNet)
- 2022-23 Meeting Schedule:
 - **CAP Meeting:** Thursday, 29 September 2022, 3pm to 5pm, followed by drinks
 - What is your input to the agenda?
 - **CAP Meeting:** Monday, 17 October 2022, 3pm to 5pm
 - **CAP Meeting:** February 2023
 - **CAP Meeting:** May 2023 + Site Visit
- What dates/days work best for you or do not work for you? (i.e. school holidays)