

Consumer Advisory Panel - Meeting 21

14 September 2021

Meeting Agenda

Date: Tuesday, 14 September 2021, 2.00pm to 3.30pm (CST)

Location: Microsoft Teams

Item	Agenda Item	Responsible	Time
1	Welcome <ul style="list-style-type: none"> Approval of CAP Meeting 20 – Meeting notes 	Rainer Korte	10 mins
2	Revenue Reset Update For INVOLVEMENT <ul style="list-style-type: none"> Engagement – Success Criteria Progress of engagement and forward schedule Feedback and submissions 	Simon Appleby & Jeremy Tustin	20 mins
3	CAP Working Group Update For INFORMATION <ul style="list-style-type: none"> Status update of the Working Group Review of the Preliminary Revenue Proposal 	Mark Henley & David Headberry	30 mins
4	Project EnergyConnect For INFORMATION <ul style="list-style-type: none"> Status update 	Rainer Korte	15 mins
5	Wrap Up and Next Steps <ul style="list-style-type: none"> Joint CAP Meeting with SA Power Networks' Customer Consultative Panel (CCP) Next Meeting – 12 October 2021 	Rainer Korte	15 Mins

Welcome

Rainer Korte, Group Executive Asset Management

Revenue Reset Update

Simon Appleby, Manager Regulation & Investment Planning

Jeremy Tustin, Regulated Investment Manager

CAP Working Group Success Criteria

ElectraNet objective:

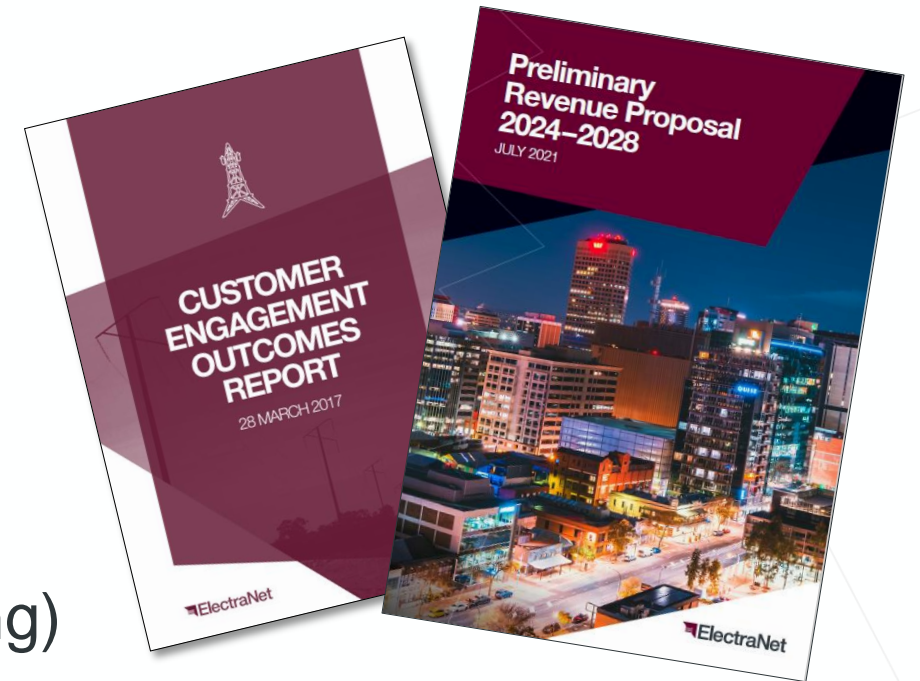
To develop a well-tested set of proposals that are targeted to the needs of customers, and capable of support by customers and acceptance by the AER

The engagement process will have been successful if the Working Group and CAP agree that:

- The review process was collaborative, targeted and effective
- Key issues identified by ElectraNet and customers have been adequately explored from a customer perspective (sufficient breadth and depth of engagement)
- Customer representatives have been able to influence outcomes as demonstrated by a transparent public record of engagement outcomes
- The Revenue Proposal is targeted to the needs of customers
- There are no surprises – the Jan 2022 Revenue Proposal is as expected, and the Working Group would be satisfied if the AER were to accept it

Feedback and Submissions

- Public Stakeholder Forum – 12 August 2021
 - ❑ Approx. 30 stakeholders attended (including AER and other Networks)
- Written Submissions – closed 10 September
 - ❑ Business SA
 - ❑ SAPN Customer Consultative Panel (pending)
- Ongoing Engagement with CAP Working Group



CAP Working Group Meetings

Session	Purpose	Timing
CAP Working Group Meeting 1	Introduction and Overview of the Preliminary Revenue Proposal <ul style="list-style-type: none"> Capital & operating expenditure forecasts Revenue 'building blocks' Expenditure forecasting approach Focus areas for future deep dives & Success Criteria 	16 July 2021
CAP Working Group Meeting 2	Replacement capital expenditure <ul style="list-style-type: none"> Recap capex forecasting method Project case studies for replacement projects (4-5) including Tower Anti-Climb project 	30 July 2021
CAP Working Group Meeting 3	Future Network capital expenditure <ul style="list-style-type: none"> Context & key trends AEMO presentation SA Power Networks presentation Network Vision, directions and priorities Future network project case studies 	30 August 2021
CAP Working Group Meeting 4	Technology <ul style="list-style-type: none"> Technology strategy overview Project case studies Health check on engagement to date	10 September 2021

Additional Information Being Provided

#	Question	Response
1.	What is the expected impact of the proposed replacement projects on performance under the STPIS?	27/08/2021
2.	Is it possible to defer part of the instrument transformer project into the following regulatory period? What is the NPV of this option?	9/9/2021
3.	Provide additional information on the transmission line re-insulation program identifying which lines are involved, their age and location on the network	27/8/2021
4.	Provide a more detailed worked example of the assessment undertaken for a replacement capital project	27/08/2021
5.	Provide a full list of the capital expenditure projects in the indicative forecast for further review and consideration by the Working Group	6/9/2021
6.	Explain which towers are included in the Tower Anti Climb Project and how they were selected	Pending
7.	Summarise the identified need and options considered for the Dynamic Reactive Capacity Project, including VPP/ distribution solutions, and their level of certainty, cost and timeframe	Pending
8.	Describe the identified need and options considered for the Wide Area Monitoring Scheme Project	Pending

Forward Engagement Schedule - Indicative

ElectraNet remains open to further input on this indicative schedule, with further workshops/ meetings to be scheduled as required

Session	Purpose	Timing
CAP Working Group Meeting 5 (4 hrs)	Operating expenditure <ul style="list-style-type: none"> Base year & base-step-trend Opex step changes 	30 September 2021
CAP Meeting 22	Possible joint meeting with SAPN Customer Consultative Panel (TBC) <ul style="list-style-type: none"> ElectraNet update on Revenue Proposal and recent developments Review feedback on PRP and proposed responses to issues raised 	12 October 2021
CAP Working Group Meeting 6 (4 hrs)	Revenue Proposal Update <ul style="list-style-type: none"> Regional issues (TBC) Any issues deferred/ referred from earlier meetings Conclusion of WG 	Week beginning 18 Oct 2021
CAP Meeting 23	Review of final Revenue Proposal	7 Dec 2021

CAP Working Group Update

Mark Henley, Uniting Care

David Headberry, Energy Consumers Coalition of SA (ECCSA)

Recognition of Country



We acknowledge the Traditional Owners of Country throughout Australia, in this situation the owners of the land hosting the Victorian electricity transmission network and the lands on which participants are located.

We recognise the continuing connection to land, waters and culture.

We pay our respects to their Elders past, present and emerging.

Overview

Process

- Success Criteria and CAP part in Revenue Proposal documents
- Keeping CAP in the loop, how?
- Joining up the Networks
- Key engagement issues

Content

- Indicative spend proposals
- Uncertainties (insurance, cyber security, contingent projects) and larger elements of spending (IT, repex, step changes)

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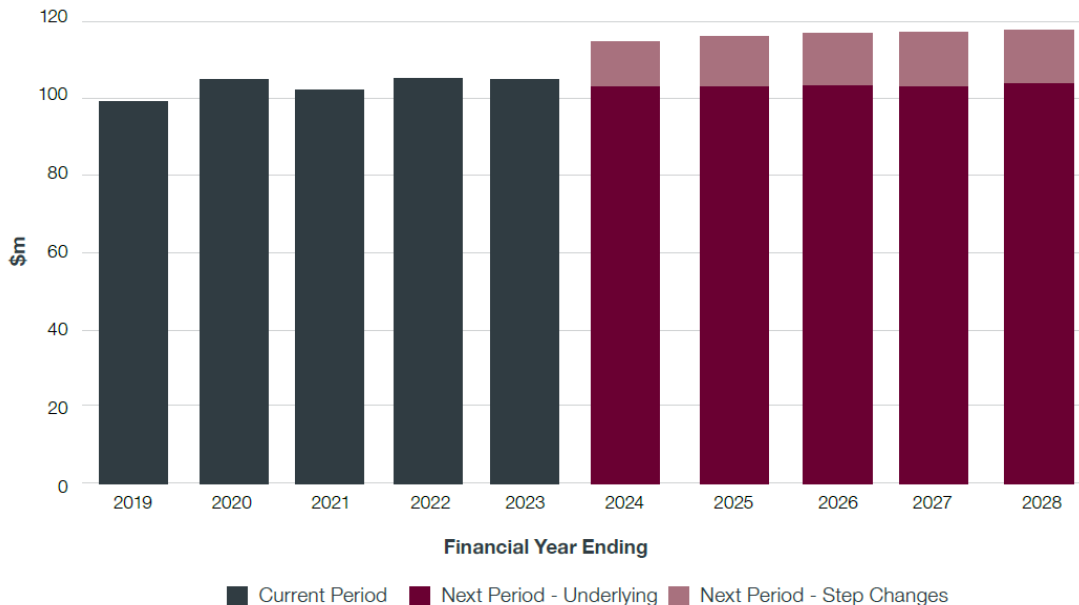
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AER, Consumer Engagement Assessment Framework

Element	Examples of how this could be assessed
Nature of engagement	<ul style="list-style-type: none"> • Consumers partner in forming the proposal rather than asked for feedback on service provider's proposal • Relevant skills and experience of the consumers, representatives, and advocates • Consumers provided with impartial support to engage with energy sector issues • Sincerity of engagement with consumers • Independence of consumers and their funding • Multiple channels used to engage with a range of consumers across a service provider's consumer base
Breadth and depth	<ul style="list-style-type: none"> • Clear identification of topics for engagement and how these will feed into the regulatory proposal • Consumers consulted on broad range of topics • Consumers able to influence topics for engagement • Consumers encouraged to test the assumptions and strategies underpinning the proposal • Consumers were able to access and resource independent research and engagement
Clearly evidenced impact	<ul style="list-style-type: none"> • Proposal clearly tied to expressed views of consumers • High level of business engagement, e.g. consumers given access to the service provider's CEO and/or board • Service providers responding to consumer views rather than just recording them • Impact of engagement can be clearly identified • Submissions on proposal show consumers feel the impact is consistent with their expectations
Proof point	<ul style="list-style-type: none"> • Reasonable opex and capex allowances proposed <ul style="list-style-type: none"> ○ In line with, or lower than, historical expenditure ○ In line with, or lower than, our top down analysis of appropriate expenditure ○ If not in line with top down, can be explained through bottom up category analysis

Starting Point from Preliminary Revenue Proposal, capex to the right

Forecast operating expenditure requirements



Category	2019-2023 (\$m Allowance)	2024-2028 (\$m Forecast)	Driver
Augmentation	510	0	No demand driven investment
Connection	7	0	
Easements/ Land	0	5	Minimal strategic land acquisition requirements
Replacement	484	398	Most of our capital expenditure program is focused on refurbishing and replacing ageing assets
Refurbishment	95	96	
Security/ Compliance	235	233	Significant investment requirements to maintain physical, cyber, and power system security and network safety
Information Technology	51	77	Investments to maintain capability and harness modern technology
Inventory/ Spares	12	11	Ongoing investment requirements to maintain spares and facilities
Facilities	6	11	
TOTAL	1,400	832	

PRP continued: Step Changes below Building blocks to the right

Step Changes

Area	Indicative Forecast (\$m)	Description
Insurance/ Self-Insurance	6-8	The 2020 bushfires and recent incidents in the electricity sector, including the Callide C generator explosion in May 2021, are driving substantial ongoing increases in our insurance premiums.
Cyber	2.5-3.5	New Critical Infrastructure legislation to implement the Australian Energy Sector Cyber Security Framework is expected to require additional expenditure during the coming regulatory period.
Cloud	1-2	We have identified a requirement to migrate part of our IT infrastructure to the Cloud in order to maintain and enhance operational capabilities moving forward. This avoids capital expenditure and unlocks significant benefits, while requiring new licence fees to be paid.
Rule changes	0.5-1.5	Recent rule changes will give us additional responsibilities in planning and managing an increasingly complex electricity network, requiring additional specialist resources.
TOTAL	10-14	

Revenue Building Blocks

Building Block	2019-2023 Allowance (\$m)	2024-2028 Forecast (\$m)	Comment
Return on Capital	802	803	Reflects lower WACC applied to higher RAB
Return of Capital (regulatory depreciation)	307	391	Reflects the size of the RAB
Operating Expenditure	500	598	Reflects opex determined by base step trend forecast
Revenue Adjustments	-4	10	Projected EBSS and CESS payments based on current spend profile
Net Tax Allowance	41	0	Reflects new AER methodology
Annual Revenue Requirement (unsmoothed)	1,646	1,802	

CAP involvement from here

- Reviewing regulatory proposal funding requests, post PRP, in dollars: capex and opex. Timing to come from ElectraNet
- CAP / WG paper to accompany Regulatory Proposal, request approved to bring in a 'writer.' Chris and Mark working on this.
- As a working group, we have reached the stage in the process that will be moving from being informed to more active engagement and will soon meet as Working Party members for the first time, to check our observations and priorities from now.

WG activities

- There have been 4 WG meetings so far
- WG1 focussed on the WG ToR, a review of the preliminary proposal, the areas for the WG to focus on and a deep dive into the process for forecasting for new capex
- WG2 focussed on asset management, capex planning and reviewed five repex programs including one which was not considered viable by ElectraNet to show how projects might be excluded
- WG 3 focussed on presentations on the the ISP and SAPN approach. The issue was how ElectraNet interfaced with each. ElectraNet advised that they worked closely with both to ensure there were no double ups and nothing missing. There were examples of four augex/security projects explained
- WG 4 focussed on IT and how ElectraNet developed its IT program – 66% of the IT budget is recurring costs and the IT budget is a significant increase from current levels including considerable replacement

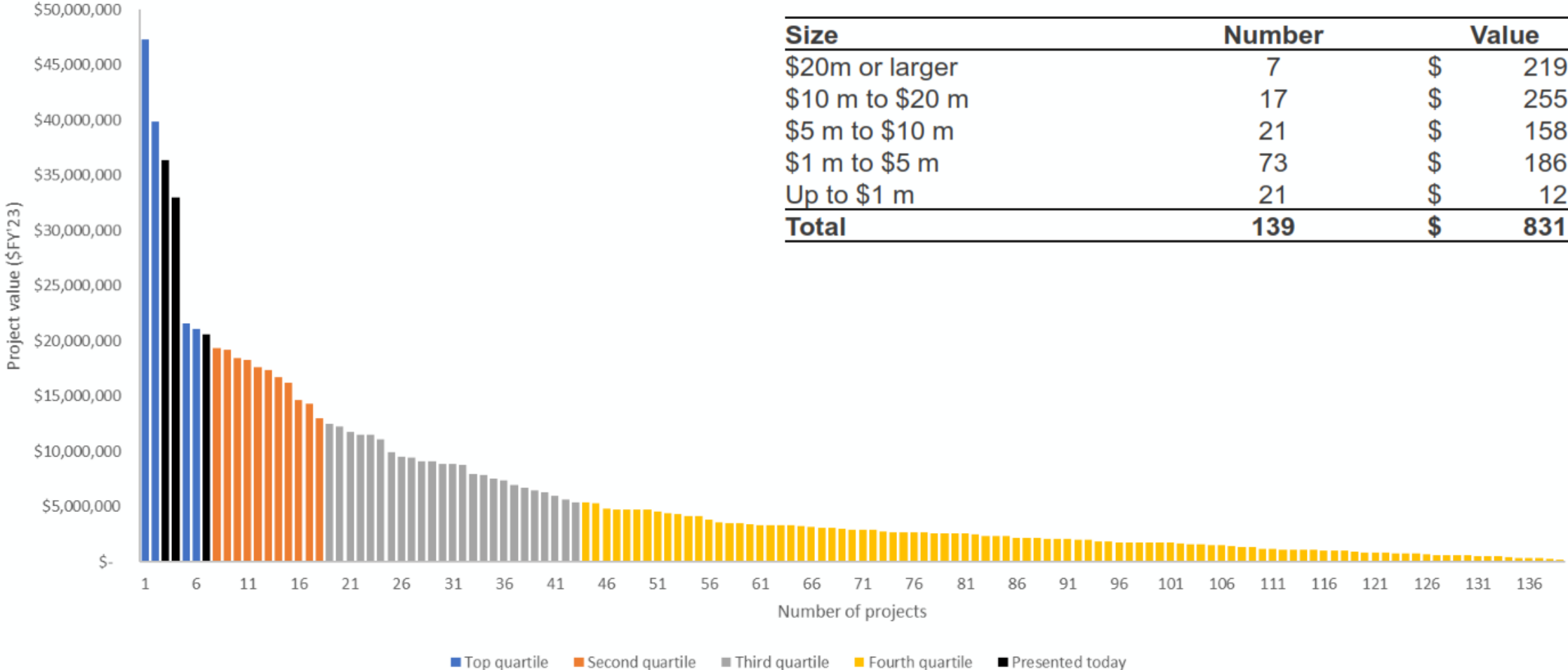
Specific aspects for the RP from the WG meetings

- ElectraNet has advised there will be limited augmentation capex but there are contingent projects contemplated: range \$460m - \$660m
- Repex continues to be a considerable cost element. We were only presented a sample of the projects and of these, while some of the projects are clearly supportable in principle (eg tower access prevention) the extent and cost have not been agreed.
- IT is a major cost element with proposals to significantly augment the IT capability eg to manage increasing amounts of data that come from new elements (eg syncons) and the many new generators. Journey management proposal was queried

Indicative Contingent Projects

Project	Description	Trigger	Indicative cost (\$m)
Upper South East Network Augmentation (ISP project)	This project would increase transfer capacity between Taillem Bend and Adelaide to allow for greater imports and exports of renewable energy.	The ISP has identified a possible timing in the 2030s triggered by renewable investment. Renewable developments around the South East Renewable Energy Zone of around 400 MW may trigger this project earlier than identified in the ISP.	30-50
Eyre Peninsula Upgrade	This project allows for the upgrade of the northern section of the Eyre Peninsula line from 132 kV to 275 kV to serve higher loads, which is accommodated in the design.	A load increase of 50 MW, most likely from mining operations, would require an upgrade in the capacity of the line. The ISP may also identify a need for the upgrade if there is substantial renewable or hydrogen development in the region.	50-90
Main Grid System Strength Support	This project allows for the delivery of additional system strength and/ or dynamic voltage control capability on the transmission network.	The ongoing growth in non-synchronous generation coupled with higher proposed system strength standards may trigger the need for this project.	80-120
Project EnergyConnect Upgrade	This project allows for an increase in the effective transfer capacity of Project EnergyConnect through control schemes and / or frequency response capability.	Sufficient renewable generation development would trigger the need for the upgrade based on expected market benefits from lower dispatch costs.	100-150
Robertstown to Metro Transfer Capacity Increase (ISP Project)	This project would increase transfer capacity between Robertstown and Adelaide to allow for delivery of increased renewable generation from the mid-north.	The ISP forecasts that augmentation in the mid-north is required once around 1,000 MW of new solar or wind generation is connected north of Adelaide.	200-250

Capital expenditure forecast



Technology Portfolio Projects

ElectraNet Technology Portfolio



Overall Technology Portfolio

We have some catch up to do in the next regulatory period

	\$m	Recurring	Non-Recurring	Total (capex)
Information Technology		50.1	26.9	77.0*
Replacement		22.4	22.1	44.5
Security / Compliance		1.4	4.0	5.4
Total (capex)		73.9	53.0	<u>126.9</u>

Conclusions of the WG process

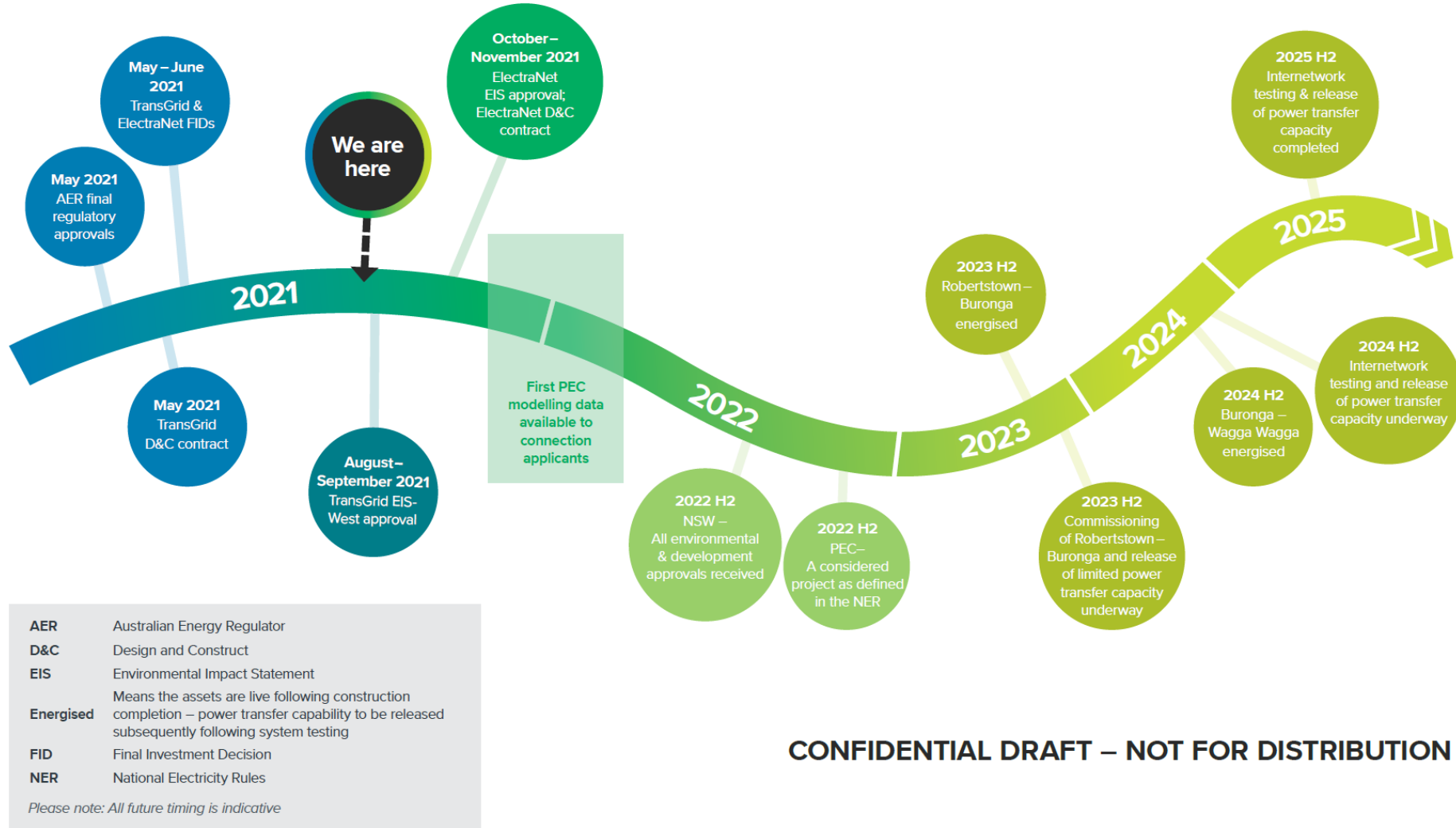
- Overall, the WG process has been mainly at the IAP2 “inform” element although some elements are supportable based on the information provided
- The WG has had explained to it how ElectraNet goes about its processes for establishing the elements needed. Generally, the process described appears sound and logical. The processes were exemplified with some projects selected by ElectraNet
- There has been little digging into whether the costs are reasonable but the actual costs will be assessed by the AER
- The WG expressed concern that some problems faced by ElectraNet could be better managed by SAPN, so there needs to be a joint of ElectraNet and SAPN consumer groups to ensure that costs are minimised
- There is some concern about the extent of the IT program and whether there is a need to manage all of the data that might be available. There will be an opex/capex trade-off relating to cloud based data management

Project EnergyConnect Update

Rainer Korte, Group Executive Asset Management

Delivering Project EnergyConnect

We're working hard to ensure the project can be delivered as soon as possible to lower energy prices and improve security and reliability.



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Wrap Up and Next Steps

Rainer Korte, Group Executive Asset Management

Wrap up and next steps

- Meeting actions and follow up

Next Meetings

- Working Group: Thursday, 30 September 2021
- CAP: Tuesday, 12 October 2021 (TBC)

Thank you