

CONSUMER ADVISORY PANEL

MEETING # 2

- Date:** Tuesday, 6 October 2015, 1:00pm to 4:00pm
- Venue:** Majestic Roof Garden Hotel, 55 Frome Street Adelaide
- Purpose:**
- Develop an understanding of the regulatory framework
 - Discuss priority issues for consumers
 - Endorse the approach to ElectraNet's Consumer Engagement Plan
 - Develop an understanding of transmission service priorities and emerging directions
- Attendees:** Refer Attachment
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MEETING NOTES

1. Introduction

Members endorsed the finalised Charter for the Consumer Advisory Panel.

The Panel also accepted the meeting notes of the first meeting held on 25 August 2015 as a true and accurate record.

Members also noted the forward meeting schedule and regulatory timetable circulated with the agenda papers.

2. How does ElectraNet propose to engage with consumers?

Simon Appleby, Senior Manager Regulation and Land Management, presented ElectraNet's proposals for engaging with consumers, including the identification of stakeholder groups, proposed engagement methods, and overall engagement timetable. Members provided a number of points of feedback on the proposals, including:

- Conservation and environment stakeholders should be included in the stakeholder groupings;
- It is agreed there is no obvious need at this point to engage directly with household consumers, but rather to focus on consulting with representative organisations;
- Direct engagement is supported with large 'indirect customers' connected to the distribution network that are subject to transmission charges;
- Potential transmission customers should be included in consultations (e.g. prospective mining developments);

- The research undertaken in the 'Listen Phase' should be highly targeted to the needs of the business and leverage off other processes to the extent possible, with no obvious need at a transmission level for broader activities such as external surveys or willingness to pay studies;
- Consumer engagement should be seen as an ongoing business as usual process;
- While the immediate focus of the Panel is on matters relevant to ElectraNet's forthcoming revenue determination process, it is recognised that other relevant issues consistent with its ongoing role will also be raised.

ElectraNet committed to present a revised consumer engagement plan at the December meeting for endorsement by the Panel reflecting the feedback received.

3. How does the regulatory framework operate?

The Panel received a presentation from Simon Appleby, Senior Manager Regulation and Land Management, providing an overview of the regulatory framework, including:

- The revenue determination process;
- Regulatory incentive schemes;
- The Framework and Approach process;
- Transmission reliability standards.

In response to questions, further clarification was provided on:

- the difference between prescribed (i.e. regulated) and negotiated services;
- treatment of projects which are uncertain in timing or cost as contingent projects that are subject to separate revenue approval (e.g. network projects which are driven by mining developments). Refer also Slide 18 of the above presentation; and
- the management of bushfire risk, for which ElectraNet provides pre-season readiness reporting to the Office of the Technical Regulator each year.

The Panel noted in particular that ElectraNet is not intending to propose any departures from the standard guidelines of the Australian Energy Regulator (AER) during the Framework and Approach process and is due to communicate with the AER about this in October.

The Panel also noted that the Essential Services Commission of South Australia (ESCOSA) is currently undertaking a review of the transmission reliability standards under the Electricity Transmission Code and will shortly release an Issues Paper for consultation (subsequently published on 7 October 2015).

4. What issues are most important to consumers?

Using the Table *What should ElectraNet be talking to consumers about?* that was generated at the first meeting, the Panel further discussed and identified the highest priority issues that are expected to be of most interest to consumers as they relate to ElectraNet. Priorities from Panel members not present at this session will be added to the table.

These issues will be used to guide consultations to be undertaken with wider stakeholders during the quarter, and in finalising the engagement plan.

5. What are the directions and priorities for transmission services in SA?

Rainer Korte, Executive Manager Asset Management, presented an outline of transmission service priorities and emerging directions, covering:

- Network overview
- Customer profile and revenue breakdown
- Network reliability performance and benchmarking
- External developments and implications
- Directions emerging for the regulatory proposal for the 2018 to 2023 regulatory period

The Panel noted in particular that ElectraNet expects a reduced capital program, is working to avoid the need for operational expenditure increases despite current asset maintenance funding shortfalls, expects to apply the AER's guideline to determine the regulated rate of return or WACC (Weighted Average Cost of Capital) (subject to any directions from current merits appeal processes) and expects real price reductions to be passed on as a result of the next revenue determination.

The Panel also noted that real price reductions from the next revenue determination will be lower by comparison to other recent regulatory decisions, because majority of these savings resulting from historically low rates of return were already passed on to consumers in the current period (WACC level at present is 7.5%).

6. Next steps

Panel members identified a number of issues that could be included on the next meeting agenda including:

- The finalised consumer engagement plan
- The draft Network Vision being developed by ElectraNet
- The outcomes of further consultations with stakeholders (including the transmission network stakeholder forum proposed for late November/ early December)

ElectraNet also agreed to circulate a number of items out of session, including:

- The Issues Paper for the review of the transmission reliability standards under the Electricity Transmission Code being undertaken by ESCOSA (7 October 2015);
- The AER's transmission network service provider (TNSP) benchmarking report for 2015 (due end November 2015).

Panel members were also invited to provide feedback on any issues raised in the meeting.

Next meeting: Tuesday, 8 December 2015 at 1-4 pm, venue to be advised. Future meetings to be held as per forward meeting schedule.

Meeting Attendees

Member	Organisation
Tim Kelly	Conservation Council of South Australia
Hon Rob Kerin*	Executive Chairman, Primary Producers SA
Andrew McKenna	Senior Policy Advisor, Business SA
Graham Pratt	Consumers Association of South Australia
Jo De Silva	Senior Policy Officer, SACOSS
Vivienne Smith	COTA SA
Independent Facilitator	
Ann Shaw Rungie	Ann Shaw Rungie Consulting
Company Representatives	ElectraNet
Rainer Korte	Executive Manager Asset Management
Simon Appleby	Senior Manager Regulation and Land Management
Bill Jackson	Pricing Manager

* Part

Apologies:

Sandy Canale, Energy and Water Ombudsman SA

Daniel Gannon, Executive Director, Property Council of Australia

Mark Henley, Manager Advocacy and Communication, Uniting Communities

SA Local Government Association (Panel Member to be advised)