

## CONSUMER ADVISORY PANEL

### MEETING # 4

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- Date:** Wednesday, 23 February 2016, 1:00pm to 3:00pm
- Venue:** Grenfell Room (Ground Floor), Crowne Plaza, 16 Hindmarsh Square Adelaide
- Purpose:**
- Seek commitment to an enhanced process of engagement to reach agreement on the key elements of ElectraNet's Revenue Proposal
  - Provide an update on the Consumer Engagement Program 'listen' phase
  - Report on the development of ElectraNet's Network Vision
- Attendees:** Refer Attachment
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### MEETING NOTES

#### 1. Introduction

The Panel welcomed new Members David Headberry (by phone) Public Officer of the Energy Consumers Coalition of SA (ECCSA) and Luke Berry, proxy for Phil Barressi, Chief Executive Officer of the Energy Users Association of Australia.

The Panel accepted the meeting notes of the previous meeting held on 8 December 2015 as a true and accurate record.

Ann Shaw Rungie, Independent Facilitator, discussed the storyboard *What Should ElectraNet be Talking to Consumers About?* including how the Panel generated these issues and prioritised them at previous meetings. These issues have now been taken into account in the development of ElectraNet's consumer engagement program and Network Vision.

#### 2. What feedback has been received to date on the Network Vision discussion paper?

Simon Appleby, Senior Manager Regulation & Land Management briefed the Panel on the feedback received on the Network Vision Discussion Paper (refer presentation). The Network Vision will be finalised after interviews have been completed with consumer representatives and stakeholders.

In response to questions, further clarification was provided on:

- The overall theme of responses, which to date have largely confirmed the broad direction of the priorities set out in the discussion paper, and support for the ongoing importance of the transmission network in meeting the needs of future consumers.

- The extent of engagement with SA Power Networks in preparing the document, noting that SA Power Networks attended the December Stakeholder Forum, and the two organisations engage in joint network planning activities on an ongoing basis.
- The implications of the retirement of the Augusta Power Stations for affected network assets, noting that this has led to the cancellation of planned works at the Leigh Creek substations until the future of these connections is clear. The assets associated with the connections which will no longer be required are expected to be dealt with through the connection arrangements and accelerated depreciation.

### **3. Where is the Consumer Engagement Program up to?**

Simon Appleby, Senior Manager Regulation & Land Management briefed the Panel on the progress of the consumer engagement program, noting that the 'listen' phase was currently under way involving interviews with a range of key stakeholders focused on the key issues previously identified by the Panel (refer presentation).

### **4. Is there an improved approach to the revenue determination process?**

Rainer Korte, Executive Manager Asset Management briefed the Panel on ElectraNet's desire to explore an improved approach to the development and assessment of its forthcoming Revenue Proposal, the overall aim being to deliver improved outcomes through a lighter handed and less adversarial approach.

Panel Member Mark Henley, spoke to a "Deliberate, Negotiate, Agree (DNA)" approach to a revenue determination process, as outlined in a paper prepared by UnitingCare Australia and circulated prior to the meeting. Mark observed that the current process was becoming a 'propose-defend-litigate' approach, leading to high cost and low trust outcomes, and the DNA model was designed in part to address these shortcomings.

Simon Appleby, Senior Manager Regulation & Land Management presented a number of options for an improved approach, including the Status Quo (Option 1), the DNA model (Option 2), and an Early Engagement Approach (Option 3) based on a report prepared by Harding Katz circulated prior to the meeting. This concluded with a recommendation from ElectraNet to pursue the Early Engagement Approach (Option 3) as the preferred option, subject to the views of the Panel and the Australian Energy Regulator (AER).

It was noted that this preferred approach would involve:

- A Preliminary Revenue Proposal being developed during the engagement process with the Panel by July / August 2016.
- Subsequent consultation with consumer representatives and the AER ahead of lodgement of the full Revenue Proposal in January 2017.
- Extra time for the AER to undertake a robust 'first pass' assessment and determine whether the expenditure forecasts should be 'fast tracked' in its Issues Paper, due to be issued in March 2017.

In discussing this proposal, it was noted that:

- The current revenue determination process is being seen as increasingly adversarial, information intensive and costly.

- Consumer Challenge Panel Sub Panel 3 (CCP3) has recently published an assessment of the way that consumer engagement is currently operating in its response to revenue proposals from the Victorian electricity distribution network service providers for the 2016-2020 regulatory period (issued in August 2015) noting also that consumer engagement practices continue to evolve.
- Changes to the National Electricity Rules to alter the formal process would take considerable time (1-2 years) and not necessarily have universal support across the industry.
- ElectraNet's assessment is that the current Rules and the available timeframes do not allow for the practical implementation of Option 2 (DNA approach), whereas there is no impediment under the Rules to progressing recommended Option 3.
- ElectraNet's position in the revenue determination cycle, the nature of the Revenue Proposal emerging and its approach to consumer engagement all combine to create the opportunity for an Early Engagement Approach to successfully operate at the transmission level in South Australia, noting that a number of key elements of the Revenue Proposal (including the Weighted Average Cost of Capital, and incentive scheme arrangements) have or will be settled through other processes.
- Not all jurisdictions have the same approach as ElectraNet, therefore the proposed process may not necessarily be suited to all network businesses.
- Members expressed some concern over the possible time commitment required to get across the details, noting that economic regulation is complex and the business needs to explain the key issues clearly, supported also by the role of the AER.
- Funding and other support from Energy Consumers Australia to assist participation of consumer representatives in the engagement process may be a possibility.
- It is important to ensure the engagement approach is proportional to the transmission context, considering also the competing demands on stakeholders.
- A number of practical implementation issues remain to be worked through such as the timeframes for consultation, the depth and nature of engagement on specific issues, the scope of issues to be canvassed and the groups and individuals to be involved in the process (including for example the use of sub groups on specific issues, and wider stakeholder forums and workshops).
- Ensuring that participants are sufficiently representative and knowledgeable on the issues was noted as a key issue to ensure that engagement is effective.
- The full support of the AER will be essential to the success of the Early Engagement Approach.
- The overall aim would be to seek maximum agreement possible on the key elements of the Revenue Proposal, and where agreement has not been possible, to clearly explain the reasons for diverging views.
- The proposed path by ElectraNet was a "no regrets" approach and that, if it proved unsatisfactory for the parties, the full protections of the existing process remained in place as a safety net.

The Panel expressed its support for moving forward with the Early Engagement Approach (Option 3) as a preferred option, subject to the support of the Australian Energy Regulator, with the further details of this approach to be developed and reported back to the Panel.

## 5. Next steps

Future meeting topics are likely to involve:

- The outcomes of the 'listen' phase with stakeholders
- The practical details of the Early Engagement Approach and implications for the Consumer Advisory Panel
- Update on the final Network Vision
- Update on the Preliminary Revenue Proposal

**Next meeting:** 24 May 2016 at 1.00pm - 3.00 pm, to be held at the Majestic Roof Garden Hotel, 55 Frome Street, Adelaide. Future meetings to be held as per the forward meeting schedule.

**Meeting Attendees**

<b>Member</b>	<b>Organisation</b>
Tim Kelly	Conservation Council of South Australia
Sandy Canale	Energy and Water Ombudsman SA
Andrew McKenna	Senior Policy Advisor, Business SA
Graham Pratt	Consumers Association of South Australia
Taryn Sexton	Chief Executive Officer, Local Government Professionals Australia SA
Mark Henley	Manager Advocacy and Communication, Uniting Communities
Luke Berry	Proxy for Phillip Barresi, Chief Executive Officer, Energy Users Association of Australia (EUAA)
Hon Rob Kerin*	Executive Chairman, Primary Producers SA
Vivienne Smith	COTA SA
David Headberry#	Public Officer, Energy Consumers Coalition of SA (ECCSA)
<b>Independent Facilitator</b>	
Ann Shaw Rungie	Ann Shaw Rungie Consulting
<b>ElectraNet Representatives</b>	
Rainer Korte	Executive Manager Asset Management
Simon Appleby	Senior Manager Regulation and Land Management
Bill Jackson	Pricing Manager

\* Part

# Via telephone

**Apologies:**

Jo De Silva, Senior Policy Officer, SACOSS

Jason Kuchel, Chief Executive, South Australian Chamber of Mines

**No response:**

Daniel Gannon, Executive Director, Property Council of South Australia