

Feedback to date on the Network Vision discussion paper

Consumer Advisory Panel Meeting #4

Simon Appleby
Senior Manager, Regulation & Land Management

Network Vision update

- > Network Vision Discussion Paper launched at Public forum held 2 December 2015
- > Initial feedback received at Forum and further discussed at Consumer Advisory Panel meeting 8 December 2015
- > Submissions sought by 15 January 2016
- > A number of submissions (8) received in response

Stakeholder Feedback on Network Vision

- > General agreement with Network Vision and directions and priorities
- > Key topics raised by stakeholders...
 - Support for ongoing role for transmission
 - Increased desire for consumer engagement and choice of renewable technology
 - Concerns about overall price, capex and opex
 - Impact of electric vehicles may be underestimated
 - Impact of alternative technologies such as battery storage and solar PV
 - Support for increased interconnection to export renewables & import cheaper power
 - Transmission has to be cost competitive to remain viable and relevant
 - Transmission extensions for big spot loads may be required
 - Transmission may shrink in regional or remote areas with off grid/ storage alternatives more economic

Next steps

- > Engage further with stakeholders and finalise Network Vision paper – March 2016
- > Directions and priorities are being taken into account in developing ElectraNet's revenue proposal for the 2018-19 to 2022-23 regulatory period
- > Work on the feasibility of additional interconnection is being fast tracked
- > Keep monitoring emerging trends to inform ongoing planning – including through active engagement in industry initiatives such as the ENA/ CSIRO Network Transformation Roadmap project

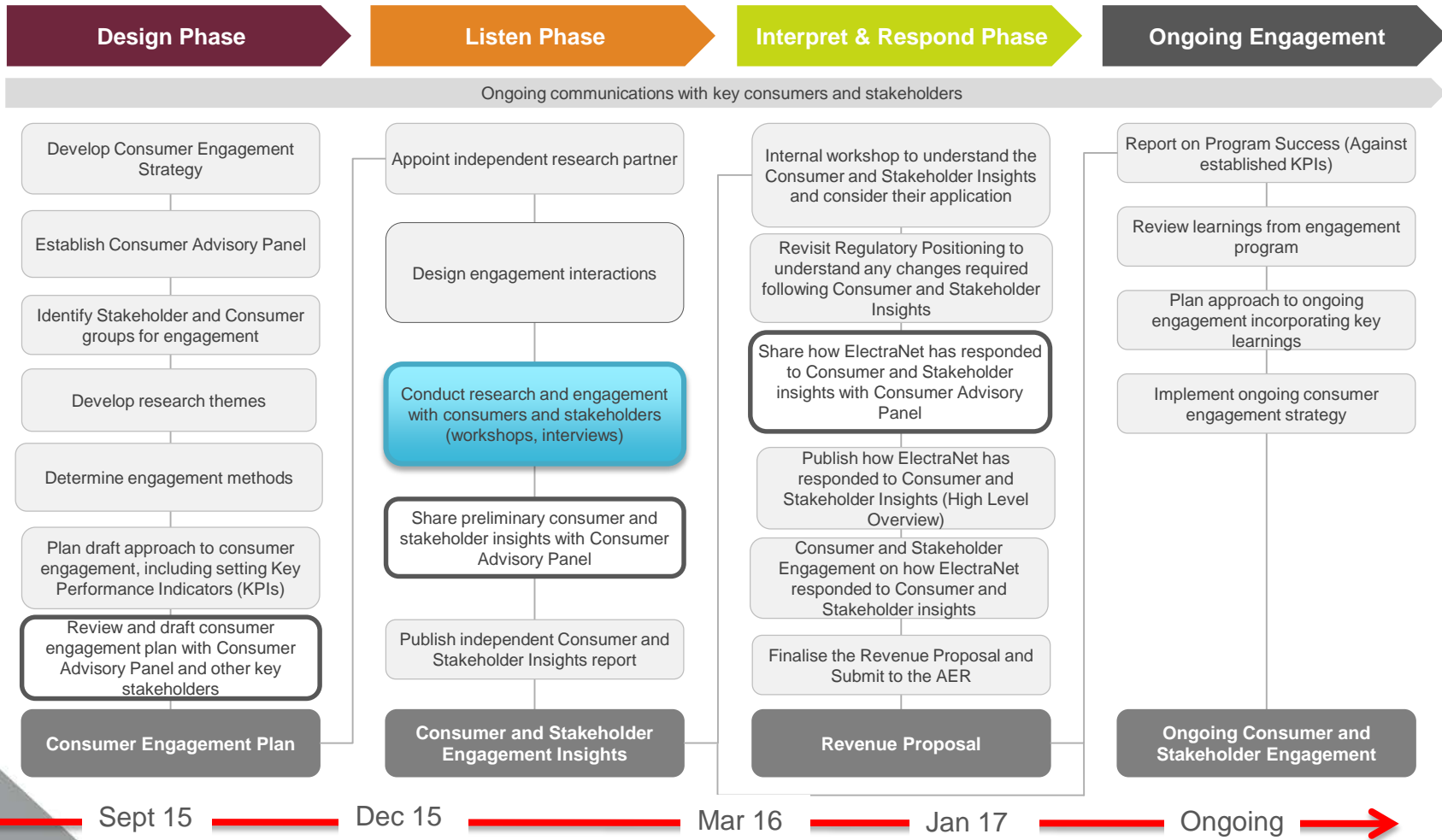
Progress update on the Consumer Engagement Program

Consumer Advisory Panel
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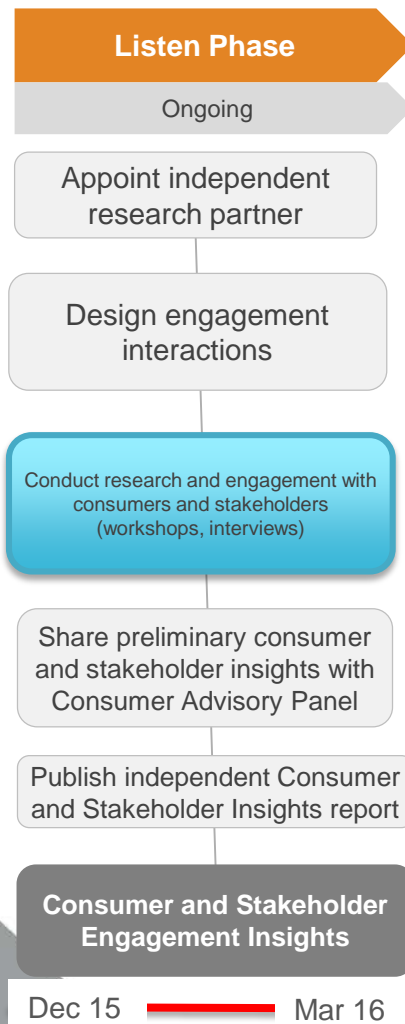
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ElectraNet Consumer Engagement Plan



Consumer Engagement Plan – Listen Phase



Deloitte appointed to work with ElectraNet

Currently holding 1-1 interviews with the different groups including:

- Direct connect customers
- Government
- Market Bodies
- Regulators
- Representative groups
- Sub-transmission customers
- Generators
- Retailers
- Consumer Engagement Panel Members

What we are talking about?

Key Themes	Context
Customer experience*	<ul style="list-style-type: none"> • Rating ElectraNet's service • Recent communications with ElectraNet • Service improvement recommendations
Role of the Grid	<ul style="list-style-type: none"> • The role of the network • Changes to the way electricity transmission services are provided in the future • Electricity costs
New technology	<ul style="list-style-type: none"> • The role of storage and other technology in the transmission network
Reliability	<ul style="list-style-type: none"> • Network reliability • Extending useful life of assets vs replacing assets • Options for retiring assets • Reliability centred maintenance program • Reducing capital investment
Transmission pricing*	<ul style="list-style-type: none"> • Current charge structure • Thoughts on demand based charging vs historical energy usage charging
Revenue recovery	<ul style="list-style-type: none"> • Alternative options for recovering network investments • Expectations on future prices

* Targeted at direct connect customers

Questions?

Thank you

Simon Appleby, Senior Manager Regulation & Land
Management

Is there an improved approach to the revenue determination process?

Consumer Advisory Panel Meeting #4

Rainer Korte, Executive Manager Asset Management

Simon Appleby, Senior Manager Regulation & Land Management

Presentation Purpose

- > Outline how a lighter handed and less adversarial approach to ElectraNet's revenue determination process could deliver better outcomes
- > Review the potential options available
- > Present a proposed way forward for consideration by the Panel

Context



- > The National Electricity Rules apply a comprehensive set of prescriptive arrangements for the setting of network revenues...
 - 18 current regulatory schemes, guidelines and models for TNSPs
 - Detailed timeframes and processes for the conduct of a review
- > Consumer engagement is a key feature of the regime, both to assist companies and guide the AER as the decision maker

Objectives of an Improved Approach

- > **Reduce resources** engaged in the regulatory process
- > **Improve shared understanding** of network challenges and customer concerns
- > **More Targeted** expenditure plans that better reflect customer/consumer preferences
- > **Greater trust and confidence** in regulatory outcomes
- > **Increased certainty** in regulatory outcomes, with 'no surprises'
- > **Faster resolution** by delivering an acceptable regulatory outcome sooner

Deliberation, Negotiation & Agreement (Option 2)

Model proposed by UnitingCare Australia:

- > Requires AER to oversee negotiations between consumer representatives and the network company
- > Involves process of deliberation in order to seek agreement
- > Similar to 'negotiated settlement' approaches applied in different markets overseas
- > Delivers well against overall objectives
- > Represents a fairly radical departure from practice to date, and would not be possible to apply under the current National Electricity Rules
- > More limited modified approach may be possible under Rules, but not feasible within the available timeframe (11 months) - 2 years needed

Status Quo (Option 1)

Improved application of the current arrangements, involving

1. 'First Pass' assessment by the AER of expenditure forecasts
 - AER is required to undertake within 40 days of lodging a revenue proposal
 - Allows AER to indicate preliminary view on expenditure forecasts
 - Outcomes published in an AER Issues Paper
 2. Enhanced consumer engagement compared with historic practice
 - Implementation of Consumer Engagement Plan
 - Effective operation of the Consumer Advisory Panel
- > Delivers improvements against a number of the overall objectives

Early Engagement Approach (Option 3)

Builds on improved UK regulatory arrangements, and involves:

- > Preliminary Revenue Proposal developed during engagement process with the CAP, focused primarily on expenditure forecasts and indicative revenue and price path outcomes (Jul / Aug 2016)
- > Undertake consultation on Preliminary Revenue Proposal with consumer representatives and AER
- > Proposals to be finalised on this basis and Revenue Proposal lodged (Jan 2017)
- > Early consultation allows extra time for AER to undertake robust 'first pass' assessment and determine whether forecast should be 'fast tracked' in its Issues Paper (Mar 2017)
- > Delivers well on all objectives and achievable under Rules, provided it has the support of consumers, the AER and the business

Overall Assessment of Options

Option	Pros	Cons
Option 1 – Status Quo	<ul style="list-style-type: none"> • No additional resource requirements • Consistent with current Rules • Capable of delivering improvements 	<ul style="list-style-type: none"> • AER may have insufficient time to apply its ‘first pass’ assessment
Option 2 – Deliberation, Negotiation & Agreement	<ul style="list-style-type: none"> • Has the potential to capture the benefits of negotiating with customers directly • Potential to improve certainty and early acceptance of key elements of the Revenue Proposal 	<ul style="list-style-type: none"> • It is not consistent with the Rules • Even a more limited negotiation process could not be implemented within the necessary timeframes
Option 3 – Early Engagement Approach	<ul style="list-style-type: none"> • Provides the AER with additional time to conduct ‘first pass assessment’ • Enables streamlined regulation, reducing resourcing and benefiting companies that deliver well-justified expenditure plans 	<ul style="list-style-type: none"> • Creates pressure to produce a submission on key elements early in the review process • Brings forward the timeframe for consumer engagement in relation to forecast expenditure

Comparison of viable options

Option 1 – Status quo



Option 3 – Early engagement approach



Main difference is bringing forward engagement with the AER and consumers on details of key aspects of the Revenue Proposal prior to formal submission

Proposed Approach

- > Subject to the views of the Consumer Advisory Panel and the AER, it is proposed that the Early Engagement Approach (Option 3) be adopted as the preferred option

Questions & Discussion

Thank you

Rainer Korte, Executive Manager Asset Management

Simon Appleby, Senior Manager Regulation & Land
Management