

PROPOSED CONSUMER ADVISORY PANEL MEETINGS

Proposed Consumer Advisory Panel meeting dates against the key milestones of the ElectraNet revenue determination process for 2018 to 2023 regulatory control period.

Activity	Regulatory Determination	Consumer Advisory Panel
Consumer Advisory Panel Meeting #1		25 August 2015
Consumer Advisory Panel Meeting #2		6 October 2015
ElectraNet notifies AER of the need for a Framework & Approach (F&A)	31 October 2015	
AER consults on F&A	30 November 2015	
Consumer Advisory Panel Meeting #3		8 December 2015
AER publishes a position paper on Framework and Approach for ElectraNet's Revenue Proposal	February 2016	
Consumer Advisory Panel Meeting #4 - Early Engagement Approach		23 February 2016
Submissions close on AER position paper on Framework & Approach for ElectraNet's Revenue Proposal	28 April 2016	
Consumer Advisory Panel Meeting #5 - Consumer engagement outcomes, Early Engagement Model		24 May 2016
ElectraNet submits Expenditure Forecast Methodology to AER	30 June 2016	
AER publishes the Final Framework and Approach for ElectraNet's Revenue Proposal	31 July 2016	
ElectraNet publishes the Preliminary Revenue Proposal		August 2016
Consumer Advisory Panel Meeting #6* - Preliminary Revenue Proposal Overview		16 August 2016
Consumer Advisory Panel Sub-Group deep dive sessions		August-October 2016
Consumer Advisory Panel Sub-Group Briefing Session with the AER		October 2016
Consumer Advisory Panel Meeting #7* - Engagement Outcomes		22 November 2016
Consumer Advisory Panel Meeting #8* - Summary of Draft Revenue Proposal (RP)		17 January 2017
ElectraNet submits Revenue Proposal to AER	31 January 2017	
AER publishes issues paper on ElectraNet's Revenue Proposal	28 March 2017	
Consumer Advisory Panel Meeting #9* - Summary of AER paper		11 April 2017
AER holds public forum	April 2017	
Submissions close on RP and AER Issues Paper	May 2017	
Consumer Advisory Panel Meeting #10* - Summary of submissions		18 July 2017
AER publishes Draft Determination (DD)	By 30 September 2017	
AER holds Pre-determination conference	October 2017	
Consumer Advisory Panel Meeting #11* - Summary of Draft Determination		17 October 2017
Consumer Advisory Panel Meeting #12* - Summary of Revised Revenue Proposal (RRP)		12 December 2017
ElectraNet submits Revised Revenue Proposal to AER	December 2017	
Submissions close on ElectraNet's RRP	January 2018	

Cross submissions (on others' submissions) close	February 2018	
Consumer Advisory Panel Meeting #13* - Summary of submissions		20 March 2018
AER publishes Final Transmission Determination (FTD)	By 30 April 2018	
Consumer Advisory Panel Meeting #14* - Summary of FTD		19 June 2018
Consumer Advisory Panel meetings to continue on an ongoing basis with future meetings arranged as required		

*Dates are proposed and subject to change

Expenditure Forecast Methodology 30 Jun 2016	ElectraNet advises the AER of its approach to forecasting capital and operating expenditure.
Preliminary Revenue Proposal August 2016	ElectraNet releases its Preliminary Revenue Proposal which will, focus on capital and operating expenditure forecasts, provide an indicative revenue and price path outlook for the 2018-2013 regulatory period.
Revenue Proposal 31 Jan 2017	ElectraNet's Revenue Proposal outlines the program of work (operating and capital expenditure forecasts) and forecast revenue required to maintain and operate a safe, reliable and efficient network. The Revenue proposal must meet the long term needs of electricity consumers.
Issues Paper 28 Mar 2017	The AER identifies early key issues likely to be relevant to its assessment. This includes the 'first pass' assessment indicating their preliminary view on ElectraNet's Revenue Proposal. Public submissions on Revenue Proposal and Issues Paper.
Public Forum April 2017	The AER and the Consumer Challenge Panel present to stakeholders the early issues and discuss how stakeholders can provide input into the process. ElectraNet is provided the opportunity to give a summary of the Revenue Proposal.
Draft Determination 30 Sep 2017	The AER uses a range of evidence to review and assess the Revenue Proposal, including historic trends of past costs, benchmarking against comparable businesses and expert advice. The Draft Determination includes the draft total capital, total operating forecasts and revenue the AER considers are efficient, taking into account stakeholder consultation.
Pre Determination Conference Oct 2017	The AER and the Consumer Challenge Panel present to stakeholders to explain the Draft Decision. Public submissions on Draft Determination and Pre Determination Conference.
Revised Revenue Proposal Dec 2017	ElectraNet's Revised Revenue Proposal sets out revisions made to the Revenue Proposal to incorporate changes arising from the Draft Determination made by the AER and comments from stakeholders. Public submissions on Revised Revenue Proposal.
Final Determination 30 Apr 2017	The AER publishes the Final Determination which contains the maximum allowed revenue (MAR) that ElectraNet may recover from customers through transmission network charges. It also includes the final total capital and operating forecasts the AER consider are efficient, taking into account the long term interests of consumers.

Key input for process:

ElectraNet
 AER
 Public

Level 35, The Tower
360 Elizabeth Street
Melbourne Central
Melbourne Vic 3000

Contact Officer: Sebastian Roberts
Contact Phone: 03 9290 1895

GPO Box 520
Melbourne Vic 3001

2 May 2016

tel: (03) 9290 1444
fax: (03) 9290 1457

Dear Mr Korte,

www.aer.gov.au

Re: ElectraNet's early engagement approach

Thank you for your 26 April letter about ElectraNet's proposed Early Engagement Approach.

As I understand it you have established a broadly based Consumer Advisory Panel to assist you to develop and consult on your next revenue proposal. I also understand that you will undertake an extensive pre-lodgement consultation process. The approach is consistent with the AER's expectation of genuine engagement with consumers.

I welcome this initiative in the interests of improved regulatory outcomes and can commit to AER participation in a collaborative process in the second half of 2016 in the lead up to formal lodgement of ElectraNet's Revenue Proposal (in January 2017). The AER will provide representatives to engage in reviewing technical aspects of ElectraNet's expenditure proposals and participate in workshops to assist stakeholders understand the regulatory process and assessment of the expenditure proposals.

Adam Petersen will lead the AER's engagement with ElectraNet in pre-lodgement discussions. One of our Technical Advisory Group's engineers, Mark Wilson, will assist Adam through the process.

If you have any questions please call Sebastian Roberts on 03 9290 1895 or Adam on 08 8213 3458.

Yours sincerely



Paula Conboy
AER Chair
Melbourne

26 April 2016

Paula Conboy
Chairperson
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Via email: paula.conboy@aer.gov.au

Dear Paula

re: ElectraNet Early Engagement Approach

ElectraNet has recently explored with a number of stakeholders its desire to pursue an improved approach to the development and assessment of its forthcoming Revenue Proposal for the 2018-2023 regulatory period. This has included consultation with members of ElectraNet's Consumer Advisory Panel and senior officers of the AER.

The overall aim of the proposed approach is to deliver better outcomes through an improved engagement model and less adversarial approach to regulatory decision making. The potential benefits of this approach include:

- Improved shared understanding of network challenges and customer concerns
- More targeted expenditure plans that better reflect customer and consumer preferences
- Greater trust and confidence in regulatory outcomes
- Increased certainty in regulatory outcomes, with 'no surprises'
- Reduced resources engaged in the current regulatory process

To deliver on these objectives, ElectraNet's Early Engagement Approach would involve:

- The development of a Preliminary Revenue Proposal following initial engagement with the Consumer Advisory Panel and broader stakeholders that would focus on the capital and operating expenditure forecasts and provide an indicative revenue and price path outlook for the 2018-2023 regulatory period. This would be released in July / August 2016.
- Consultation on the Preliminary Revenue Proposal with representatives of the Consumer Advisory Panel, the AER and broader stakeholders through a public consultation process over August to October 2016.

- Finalisation of the expenditure proposals based on this consultation and lodgement of a formal Revenue Proposal by January 2017.
- A robust first pass assessment¹ by the AER in its Issues Paper to be issued in March 2017, including its preliminary view of the expenditure forecasts and the extent to which the proposal should be fast-tracked or further investigated.

Both the AER and Consumer Advisory Panel have expressed support for moving forward with the Early Engagement Approach as described above.

A number of specific questions and issues have also been raised by consumer representatives and stakeholders on how this approach would operate at a practical level. Key issues include:

- How to ensure the engagement process involves sufficiently representative organisations and stakeholders;
- How to ensure participants are in a position to engage on the right issues and at the right depth in the timeframes available; and
- How to preserve the rights and interests of consumers through the engagement process and ensure procedural fairness and transparency.

The purpose of this letter is to outline in further detail the intended operation of this approach, and respond to the questions and issues that have been raised. A more detailed listing of key issues raised and the manner in which these issues have been addressed is provided in Attachment 2.

It is important to note that the Early Engagement Approach does not replace any aspects of the AER's formal decision making requirements or processes under the National Electricity Rules. The full revenue determination process as outlined in Chapter 6A of the Rules would continue to apply.

The purpose of the Early Engagement Approach is to improve consumer and stakeholder engagement and decision making under these arrangements.

To this end, the Early Engagement Approach consists of a number of interrelated consultation activities on ElectraNet's regulatory proposals, which are designed to be targeted, inclusive and transparent. These comprise:

- Publication of a number of key public documents and supporting information by ElectraNet;
- Public consultation with consumers and wider stakeholders through forums, interviews workshops and submissions;
- Ongoing engagement with the Consumer Advisory Panel through regular and special purpose meetings; and
- Detailed engagement with the AER and its advisers through a series of technical review workshops.

These elements are described in turn below. An overall summary of the early engagement program is also provided in Attachment 1.

¹ When assessing expenditure, the AER has indicated it typically follows a filtering process involving high level techniques in the first instance, and more detailed techniques as required. As part of this process the AER's Issues Paper is expected to involve a preliminary view of the TNSP's expenditure forecasts. *AER, Expenditure Forecast Assessment Guideline for Electricity Transmission, November 2013, page 11.*

ElectraNet publications

During the course of the early engagement program, ElectraNet has or will be releasing the following key documents:

- **Network Vision Discussion Paper** (Dec 2015) – this paper presents an analysis of the key change drivers impacting on the transmission network, what the future may look like over the next 10-20 years, and the emerging directions and priorities for the planning and operation of the network, for the purpose of discussion and feedback from stakeholders.
- **Consumer Engagement Plan** (Jan 2016) – this plan was developed in conjunction with the Consumer Advisory Panel and sets out ElectraNet's engagement program, defining the purpose and key principles of engagement, the groups to be engaged, the key issues for engagement, the techniques and methods to be used, and overall timeframes.
- **Network Vision** (May 2016) – after considering all feedback received, ElectraNet plans to publish its final Network Vision, explain the key issues from submissions and how these have been taken into account in formulating the Vision, which will also inform its regulatory proposals.
- **Transmission Annual Planning Report** (May 2016) – this document provides information on the outlook for South Australia's electricity transmission network over a ten-year planning horizon, including demand projections, current capacity and emerging limitations and current and proposed network developments.
- **Expenditure Forecast Methodology** (Jun 2016) – this document describes the manner in which ElectraNet is developing its expenditure forecasts for its operational and capital programs for the 2018-2023 regulatory period.
- **Preliminary Revenue Proposal** (Jul/Aug 2016) – this document will outline the capital and operating expenditure forecasts and provide an indicative revenue and price path outlook for the 2018-2023 regulatory period, as the basis for further engagement with stakeholders.
- **Final Revenue Proposal** (Jan 2017) – following the engagement on its Preliminary Revenue Proposal ElectraNet will issue and lodge its finalised Revenue Proposal, addressing the full requirements of the National Electricity Rules.

Other supporting material including fact sheets, presentations and related publications will also be issued during this period as required.

Engagement with consumers and wider stakeholders

Consultation with consumer representatives and wider stakeholders during the early engagement process encompasses the following:

- **Transmission Network Stakeholder Forum** (Dec 2016) – ElectraNet held a stakeholder forum to commence public consultation on its Network Vision Discussion Paper, followed by a consultation period in which written feedback was sought.
- **Listen Phase** (Jan - Apr 2016) – ElectraNet has undertaken a program of research and engagement with consumers and stakeholders through a series of interviews and workshops to identify and test thinking on the key issues impacting on transmission services, working with an independent research partner. This will inform the directions and priorities reflected in the final Network Vision and the plans and programs contained in the Preliminary Revenue Proposal.

- Interpret and Respond Phase (Aug - Nov 2016) – following the release of its Preliminary Revenue Proposal, ElectraNet will hold a series of public forums and individual stakeholder meetings targeted to organisations and areas of interest identified through the interview phase, in order to explain its proposals, how it has taken consumer input on board, and seek feedback on its plans.

Additional workshops and briefings will also be held as and when required during this period, based on feedback from stakeholders.

Consumer Advisory Panel engagement

Engagement with Members of the Consumer Advisory Panel during the early engagement process involves:

- Ongoing quarterly meetings of the full Panel at which key matters are discussed, including ElectraNet's Consumer Engagement Plan, Network Vision, early engagement approach, engagement outcomes and Preliminary Revenue Proposal;
- An information briefing for Panel Members on key issues relevant to the Preliminary Revenue Proposal (May/June 2016);
- An overview briefing for Panel Members of the Preliminary Revenue Proposal (July 2016);
- A series of interactive 'deep dive' workshops with a sub group of Panel Members that wish to review the proposal in greater detail and report back to the full group (Aug - Oct 2016);
- Briefing(s) by AER representatives for Panel Members on the outcomes of the technical review workshops with the AER (Oct/Nov 2016).

Such other workshops and briefings as required will also be held during this period, based on feedback from Panel Members.

Engagement with regulatory and market authorities

Engagement with regulatory and market authorities during the early engagement process is intended to include:

- The release by the Australian Energy Regulator (AER) of its proposed Framework and Approach position paper for consultation, which outlines the manner in which a number of incentive scheme arrangements and regulatory guidelines will be applied to ElectraNet for the purposes of its 2018-2023 revenue determination (Mar 2016);
- The release of a Draft Decision by the Essential Services Commission of SA (ESCOSA) for the Review of the Electricity Transmission Code, which sets out the reliability standards that apply to the South Australian transmission network (Mar 2016);
- The finalisation by the AER of its Framework and Approach paper based on public feedback received, which could refer to the early engagement process being undertaken (Jul 2016);
- The review of ElectraNet's proposed network development projects by the Australian Energy Market Operator (AEMO) and initial Network Capability Incentive Parameter Action Plan proposals, culminating in a preliminary assessment report to be issued following and in conjunction with ElectraNet's Preliminary Revenue Proposal (Apr - Aug 2016);

- The release of a Final Decision by ESCOSA for the Review of the Electricity Transmission Code (Aug 2016);
- A series of technical review workshops (nominally monthly) with the AER's nominated representatives following the release of ElectraNet's Preliminary Revenue Proposal to review ElectraNet's plans and proposals, following an initial kick off meeting to confirm the scope and focus of the review process (Aug - Nov 2016);
- Final assessment of ElectraNet's network development projects, Network Capability Incentive Parameter Action Plan and proposed contingent projects, culminating in a final assessment report by AEMO (Sep - Dec 2016); and
- Based on its early engagement, commencement of the assessment process by the AER of ElectraNet's proposals, leading to an Issues Paper containing a preliminary view of the expenditure forecasts based on a robust first pass assessment (Dec 2016 - Mar 2017).

Any further workshops and briefings as required for the purposes of the assessments above will also be held during this period, based on feedback from these authorities.

ElectraNet welcomes any further comment or feedback on these proposed arrangements.

The success of the proposed early engagement approach depends on the goodwill and commitment of the AER as well as ElectraNet, consumer representatives and stakeholders.

Therefore, we are seeking AER support for the early engagement approach so that all parties can have confidence in working together using their best endeavours to implement the approach in the second half of 2016 and beyond.

Should you wish to discuss any aspects of the arrangements outlined above, please feel free to contact me on (08) 8404 7983 or Simon Appleby on (08) 8404 7324.

We look forward to the support and commitment of all parties involved to ensure the success of the early engagement program.

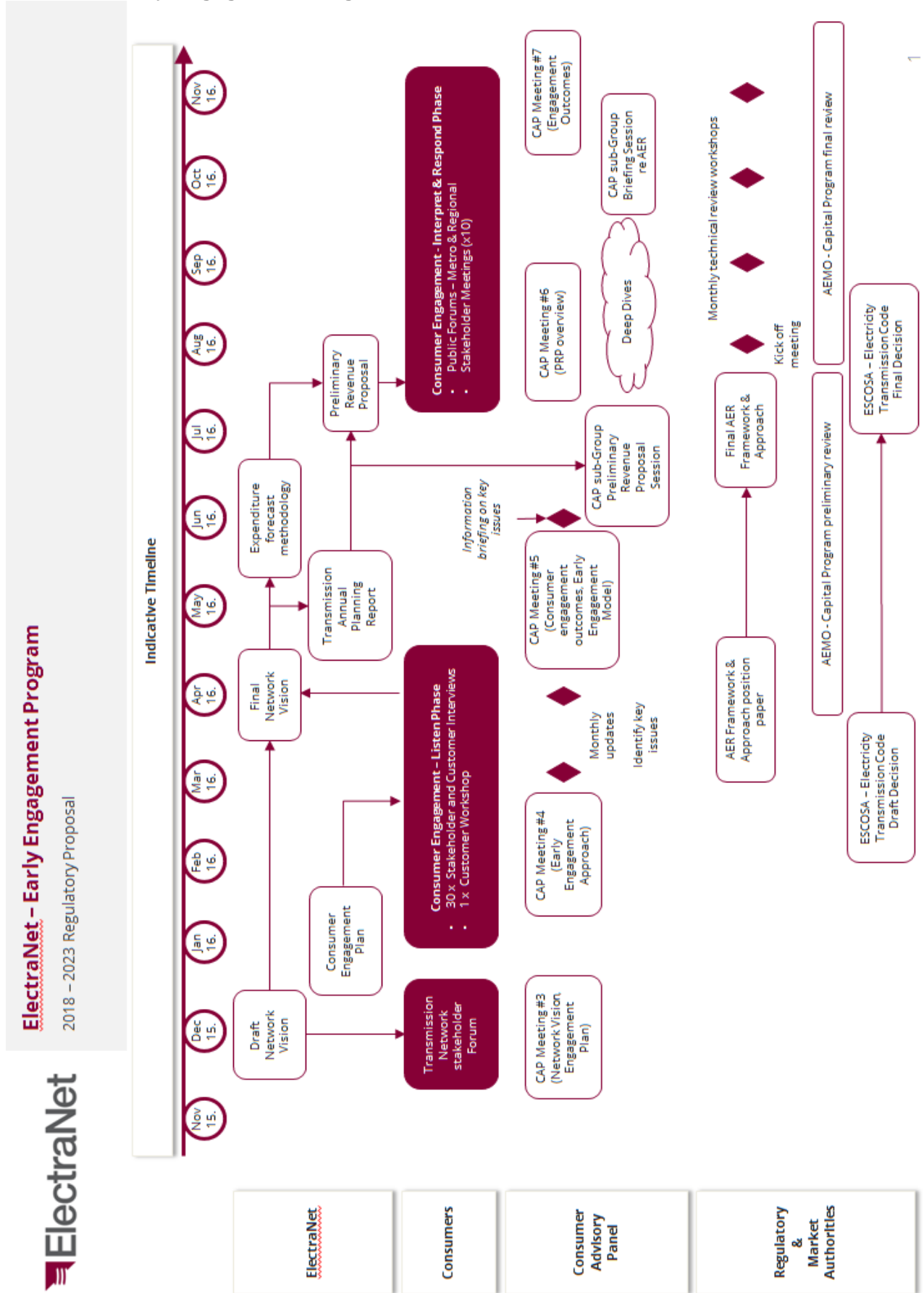
Yours sincerely



Rainer Korte
Executive Manager Asset Management

cc. ElectraNet Consumer Advisory Panel Members

ElectraNet Early Engagement Program



Consultation on Early Engagement Proposals

Issue	Response
How to ensure all relevant consumer groups are adequately represented. Broad consultation is required beyond the Consumer Advisory Panel.	<ul style="list-style-type: none"> Allow for public consultation in the engagement program to ensure an inclusive process, in addition to consultation with the organisations represented on the Consumer Advisory Panel
How to overcome potential asymmetries of information and the capacity, time and resource constraints impacting on the ability of consumer representatives to engage	<ul style="list-style-type: none"> Provide for 'deep dive' reviews into key issues by a sub group of Panel Members in a position to engage in depth, reported back to the full Panel Allow for in depth technical review of ElectraNet's proposals by the AER, reported back to the Panel Targeted funding to help resource advocacy by representative organisations may also be available through application to Energy Consumers Australia
How much reliance can be placed on the outcomes of the early engagement process, and how binding will any consensus be?	<ul style="list-style-type: none"> The early engagement process will be informative not determinative The AER can choose to place more weight on proposals well supported by consumers, but the formal determination process and assessment requirements of the Rules will still apply
How will procedural fairness and transparency be maintained if maximum agreement is sought before proposals are lodged?	<ul style="list-style-type: none"> The nature of the early engagement process will be fully disclosed in advance, and the results reported on in ElectraNet's formal Revenue Proposal The early engagement approach is a non-binding, collaborative process intended to result in a more fully tested and understood set of proposals The full right of reply and appeal by consumer representatives through the formal process will remain
Will there be sufficient time for meaningful and informed engagement (for example, Panel meetings alone may not be sufficient)	<ul style="list-style-type: none"> The focus of the Preliminary Revenue Proposal and early engagement process will be targeted to the expenditure forecasts Sub group of Panel Members to be formed to engage on key issues in depth and report back to the full Panel
There are many uncertainties in the current environment, and the risks and benefits of an early engagement approach should be fully considered	<ul style="list-style-type: none"> The early engagement process is designed to improve rather than replace the existing formal determination process The uncertain nature of the current environment requires a more fulsome engagement process to ensure all issues are adequately considered
The Rules outline various prescriptive assessment criteria, timeframes, processes and requirements for revenue determination processes that must be followed by the AER	<ul style="list-style-type: none"> The formal AER determination process and assessment requirements of the Rules will still apply The Early Engagement Approach is designed to improve outcomes under this process, not replace it

Directions and priorities

1. The transmission network will continue to play an important role into the future to support safe, reliable and affordable electricity supply

- Focus on efficiently prolonging asset life wherever possible and deferring major replacement
- Continue to maintain the existing network as safely and efficiently as possible through reliability centred maintenance
- Retire assets unlikely to be needed in the future where economic to do so
- Consider options to recover past and future investment in the most timely manner to protect future consumers
- Explore more efficient pricing arrangements to promote clarity, stability and fairness
- Manage any major mining triggered developments as contingent projects within the regulatory framework

2. The ongoing uptake of distributed energy by consumers is changing the role of the grid

- Actively monitor trends and developments to ensure the grid is ready to integrate distributed energy technology
- Plan for emerging technologies in order to maintain safe, reliable and secure supply under foreseeable operating conditions

3. The generation mix is changing, creating new challenges for the operation of the grid

- Pursue efficient options to address more complex network operation with less conventional generation
- Investigate further interconnector upgrade opportunities where in the consumer interest (with any major investments to be pursued as contingent projects)

4. New technologies are changing the way network services are delivered

- Continue to investigate application of grid scale storage where economic and seek to gain experience in the deployment and operation of this emerging technology
- Actively pursue demand side solutions and other innovations in the deployment of non-network solutions and new technology
- Develop analytical capability to manage 'big data' to improve decision making in asset management and network operation

OVERARCHING INSIGHTS	CUSTOMER EXPERIENCE	ROLE OF THE GRID	NEW TECHNOLOGY	RELIABILITY	TRANSMISSION PRICING	REVENUE RECOVERY
<p>1. Consumers want lower, more stable and transparent electricity costs.</p> <p>2. The majority of Consumers are not aware of ElectraNet and the role it plays in the South Australian electricity supply chain.</p>	<p>3. Customers and Stakeholders are seeking to increase their relationship with ElectraNet as opposed to working through SA Power Networks.</p> <p>4. Customers and Stakeholders are seeking to increase their relationship with ElectraNet as opposed to working through SA Power Networks.</p>	<p>5. The Transmission network will continue to play an important role in the future by facilitating the integration of renewable energy generation and ensuring consumers receive a reliable and stable connection.</p> <p>6. The Transmission network will need to adapt to meet the needs of South Australia as distributed generation levels and storage solutions increase</p>	<p>7. Consumers view storage solutions as part of the future of the grid when it becomes economically feasible, however are unclear on what ElectraNet's role should be.</p> <p>8. Consumers are supportive of ElectraNet exploring demand management initiatives and view incentives as the key to assisting customers change their usage patterns.</p>	<p>9. Consumers are satisfied with the current reliability levels of the network.</p> <p>10. Consumers view ElectraNet's approach to CAPEX and OPEX as prudent so long as a risk-based approach is adopted and reliability standards continue to be met.</p> <p>11. Consumers believe ElectraNet should employ a cost-benefit approach when considering asset retirement.</p>	<p>12. Most consumers are unaware or confused by transmission pricing structures.</p> <p>13. Direct Connect customers generally don't support ElectraNet using peak demand as a base for determining charges.</p>	<p>14. Consumers are unclear as to the best method of recovering depreciation charges for the Transmission network.</p>