

## CONSUMER ADVISORY PANEL

### MEETING # 5

---

<b>Date:</b>	Tuesday, 24 May 2016
<b>Time</b>	1:00pm to 3:00pm
<b>Venue:</b>	Majestic Roof Garden Hotel, 55 Frome Street
<b>Purpose:</b>	<ul style="list-style-type: none"><li>• Inform the Panel of the outcomes of the 'Listen' phase</li><li>• Explore the key implications for the directions and priorities for the transmission network to be reflected in the final Network Vision</li><li>• Discuss the practical implementation of the Early Engagement Approach and agree next steps</li></ul>
<b>Attendees:</b>	Refer Attachment

---

### MEETING NOTES

#### 1. Introduction

Ann Shaw Rungie welcomed members and provided an outline of the agenda. Consumer Advisory Panel member David Headberry, ECCSA, joined the meeting by phone. Shaun Spinks, Research Partner at Deloitte was also available by phone to answer any questions about the Listen Phase presentation.

The Panel noted that the Energy Users Association of Australia was in the process of appointing a new CEO following the departure of Phil Baressi and that a suitable replacement representative on the Panel was being formalised. They also noted that the Property Council of SA was unable to provide a representative and was no longer represented on the Panel.

The Panel accepted the meeting notes of the previous meeting held on 23 February 2016 as a true and accurate record.

#### 2. What are the outcomes and implications of the Listen Phase?

Rainer Korte, Executive Manager Asset Management briefed the Panel on the outcomes of the Listen Phase of the engagement program following the conclusion of initial stakeholder interviews and workshops, building on the issues identified by the Panel in developing its storyboard *What Should ElectraNet be Talking to Consumers About?*

Rainer also shared with the Panel ElectraNet's initial views on the implications of these insights for the key directions and priorities for the transmission network, as identified in the Network Vision Discussion Paper.

Members Rob Kerin and Tim Kelly joined the meeting at 1.30pm.

The following issues were discussed:

- Acknowledging that while the sample size was too limited to draw definitive conclusions, the level of representation across the majority of stakeholder categories allowed key themes and issues to be identified, and these can be further tested in the early engagement on ElectraNet's Preliminary Revenue Proposal.
- The limited level of recognition of ElectraNet and its role in the supply chain.
- Consumers engaged in the Listen Phase would prefer not to go off grid or to invest in alternative solutions, but want reliable grid supply at a lower price.
- What 'edge of grid' means for transmission - as mentioned at the Energy Networks 2016 conference, noting that in time, supply to areas at the extremities of the network may become more economic as stand-alone power systems rather than grid-connected supply.
- Potential decommissioning of assets - noting there is a range of views and the key issues to be considered include the potential for future and / or emergency use of the assets, the upfront costs involved in asset removal, the implications for unrecovered depreciation and the overall cost and price impact for consumers, on a case by case basis. It was noted this topic was a possible candidate for a 'deep dive'.
- Depreciation – the question of recovering historic investment over shorter or longer timeframes is a difficult issue that involves balancing the overall price impacts on current and future generations of consumers. It was noted this topic was also a possible candidate for a 'deep dive'.
- Investment recovery – it was noted that unregulated businesses such as manufacturers suffer asset value write downs when business conditions change. However, ElectraNet as a regulated business providing essential services is not able to manage this risk like an unregulated business. It must meet mandated supply obligations and does not have the option of not supplying high risk customers or depreciation over shorter timeframes of say 10-15 years to manage stranding risk. At present ElectraNet recovers costs over economic lives of 40 years or more.
- It was noted that the distribution ring-fencing guideline review being conducted by the Australian Energy Regulator (AER) was expected to influence the corresponding transmission guideline.

The Panel broke into groups to consider the implications of the research findings further, and raised the following issues:

- ElectraNet may wish to consider publishing information on the areas of its network most suited to installation of mass storage and renewable generation connections such, as solar (to the extent such information is not already contained in the Transmission Annual Planning Report published by ElectraNet).
- Customers are generally happy with supply reliability levels on the transmission network, however confusion arises at times over distribution driven outages for which compensation may be available, and transmission level outages for which no equivalent payments exist.
- Customers essentially want lower prices and reliable supply.
- People need more information on the breakdown of electricity prices in their bills.
- The reliability of supply on the grid is a key issue in the face of growing renewable generation supplies which create a range of system operation challenges such as managing frequency.
- Depreciation is a challenging issue given that, while current consumers do not wish to pay more for their electricity, they may not want future generations to pay more either.
- ElectraNet may wish to consider the level of engagement with organisations representing young people in its engagement program. The Australian Youth Climate Coalition was suggested.

ElectraNet indicated it would take this feedback into account in developing the final Network Vision for the transmission network.

### **3. What is the status of ElectraNet's Preliminary Revenue Proposal?**

Simon Appleby, Senior Manager Regulation and Land Management, briefed the Panel on the expected scope and content of ElectraNet's Preliminary Revenue Proposal.

In response to questions, it was noted that the assumptions for the regulated rate of return would be consistent with AER's Weighted Average Cost of Capital (WACC) guideline as the AER applies it, subject to any prevailing directions to the contrary from current appeal processes.

### **4. How will the Early Engagement Approach operate in practice?**

Rainer Korte, Executive Manager Asset Management, briefed the Panel on the further development of ElectraNet's proposed approach to early engagement on its Revenue Proposal since the previous meeting, following correspondence with the AER and further feedback from Members.

The following next steps were proposed to the Panel:

- A Working Group made up of 3-4 members of the Panel be formed to allow for in depth review of the Proposal in parallel with engaging with the AER
- The Working Group would identify issues on which to engage further and conduct 'deep dives' through a small number of focused workshop style sessions
- The Preliminary Revenue Proposal will be available in late July / early August 2016
- The August meeting of the Panel would focus on the Preliminary Revenue Proposal
- The Working Group would provide feedback on its review process to the full Panel

In discussion, Members noted that:

- Direct engagement by the Working Group with the AER as it undertakes its technical review of the Preliminary Revenue Proposal and the Essential Services Commission of South Australia (ESCOSA) as it concludes its review of the transmission reliability standards in SA on any key issues arising may be worthwhile.
- A broader program of regional consultation by ElectraNet may be prudent including some regional areas following release of the Preliminary Revenue Proposal.
- Rather than a process of attempting to agree upon a 'negotiated settlement' style outcome, the aim of the early engagement process is for consumer representatives and stakeholders to develop a deeper understanding of the price/service mix for transmission services and provide the opportunity for early feedback to allow for a more fully informed and tested Revenue Proposal to be lodged by ElectraNet for formal assessment under the National Electricity Rules.

ElectraNet indicated it would circulate an invitation to Panel Members to form a Working Group, providing further information on the proposed purpose, scope, expected commitment and timeframes (subsequently actioned on 30 May 2016).

## 5. Next steps

Future meeting topics for the Consumer Advisory Panel are expected to involve:

- An overview of the Preliminary Revenue Proposal
- Further development of Key Performance Indicators for effective consumer engagement

**Next meeting:** Tuesday 16 August 2016, 2.00pm - 4.00pm to be held at the Crowne Plaza, 16 Hindmarsh Square, Adelaide, Adelaide. Future meetings to be held as per the forward meeting schedule.

**Meeting Attendance**

<b>Member</b>	<b>Organisation</b>
Sandy Canale	Energy and Water Ombudsman, Energy and Water Ombudsman SA
Mark Henley	Manager Advocacy and Communication, Uniting Communities
Tim Kelly	Conservation Council of South Australia
Hon Robert Kerin	Executive Chairman, Primary Producers SA
Jo De Silva	Senior Policy Officer, SACOSS
Vivienne Smith	COTA SA
Taryn Sexton	Chief Executive Officer, Local Government Professionals SA
David Headberry#	Public Officer, Energy Consumers Coalition of SA (ECCSA)
<b>Independent Facilitator</b>	
Ann Shaw Rungie	Independent Facilitator, Ann Shaw Rungie Consulting
<b>Company Representatives</b>	<b>ElectraNet</b>
Rainer Korte	Executive Manager, Asset Management
Simon Appleby	Senior Manager, Regulation and Land Management
Bill Jackson	Pricing Manager

# via telephone

**Apologies:**

Andrew McKenna	Senior Policy Advisor, Business SA
Graham Pratt	Consumers Association of South Australia
Jason Kuchel	Chief Executive, South Australian Chamber of Mines