2023-27 Revenue Determination Process

Powerlink Engagement Plan

A Co-Designed Approach

The purpose of this plan is to guide Powerlink's engagement approach for its 2023-27 Revenue Determination process.

This engagement plan was developed through a co-design process with Powerlink's customers and stakeholders. Customers, advocates and stakeholders collaborated with members of Powerlink's Board, Executive and Senior Leadership Team to gain insights into Powerlink's potential:

- Overarching engagement approach
- Engagement scope
- Engagement techniques
- Engagement sequencing
- Communications to support engagement
- Engagement evaluation.

Our business as usual (BAU) approach to engagement over a number of years has been dynamic and will adapt over time to ensure engagement continues to be targeted and effective.

Powerlink views engagement on its Revenue Determination process as an extension of its BAU engagement activities.

Powerlink's engagement is guided by our commitment to the following:

- Stakeholder Engagement Framework
- Powerlink's Customer Service Charter and
- The Energy Charter.

Engagement Goal & Principles

2023-27 Revenue Determination Process Engagement Goal

To undertake engagement to deliver a Revenue Proposal that is capable of acceptance by our customers, the Australian Energy Regulator (AER) and Powerlink.

2023-27 Revenue Determination Process Engagement Principles:

- Active Engagement - Actively involve customers and stakeholders in developing and refining our engagement approach.
- Appropriate Influence - Engage at the appropriate level of the International Association for Public Participation (IAP2) Spectrum so that customer and stakeholder feedback appropriately influences decisions.
- Plan Ahead - Communicate timings for key engagement activities well in advance to maximise participation by customers and stakeholders.
- Efficient Scope - Ensure scope leads to efficient engagement by discussing the elements of Powerlink's Revenue Proposal that have the greatest ability to be influenced and significant impact on Maximum Allowed Revenue (MAR) or improvement of outcomes.
- Appropriate Resourcing - Provide education, and potentially funding support, to allow customer representatives to undertake independent research and reviews if required.
- Accessible Information - Present information, both favourable and unfavourable, in a clear and accessible manner so that customers and stakeholders can meaningfully participate in engagement activities and provide informed feedback.
- Demonstrate Impact - Demonstrate how engagement has changed Powerlink's positions throughout the process by regularly communicating with customers and stakeholders about how their feedback was used.

Powerlink's Engagement Approach

Powerlink's engagement approach will be built on the following foundations:

1. Fit-for-purpose with positive customer outcomes
2. Create a clear business narrative
3. Seek early involvement from the Australian Energy Regulator (AER)
4. Apply a transparent and rigorous approach

Fit-for-purpose approach

As a Queensland-based transmission business, Powerlink will adopt an engagement approach that aligns with our business, customer and stakeholder needs. Leveraging off BAU engagement activities will be a key focus – in particular working closely with our Customer Panel.

<u>Customer Panel</u>

Powerlink's Customer Panel will play a primary role in influencing Powerlink's Revenue Proposal. The composition of the current panel is:

Customer and stakeholder representatives

- Aurizon
- BHP
- Council on the Ageing (COTA)
- CSIRO
- Edify Energy
- Energy Consumers Australia
- Energy Queensland
- Energy Users Association of Australia (EUAA)
- Queensland Farmers' Federation
- Queensland Resources Council
- Shell/QGC
- St Vincent de Paul

Powerlink representatives

- General Manager Network Regulation
- General Manager Strategy
- General Manager Business Development
- Customer Strategist

Facilitation

- General Manager Communications

Since its establishment in May 2015, Powerlink has worked closely with panel members to improve knowledge of the transmission industry, the regulatory framework and Powerlink operations.

While the knowledge of existing panel members is extensive, Powerlink will work with the Customer Panel to undertake a gap analysis to determine any complementary skill sets required.

Powerlink will also engage with the panel about the value of creating sub-committees for key aspects of the Revenue Proposal (for example – replacement expenditure etc.). This would allow panel members to concentrate their time and energy on aspects that align with their interest and expertise.

Powerlink will support the Customer Panel with its involvement and an ability to undertake or commission its own research into aspects of Powerlink's Revenue Proposal with potential funding being made available.

Other Customers and Stakeholders

Powerlink will continue to engage with other customers and stakeholders as part of existing processes and will build upon this where individual customers and stakeholders would prefer greater direct interaction where practical.

Use of formal negotiating panel

Another network business is currently involved in a trial to gauge the benefits of forming a separate negotiating panel to existing engagement panels. Co-Design Workshop participants indicated their preference was to not establish a negotiating panel separate to the existing Customer Panel.

Regional focus

With Powerlink's network stretching 1,700 kilometres from north of Cairns to the New South Wales border, it is important that engagement opportunities are provided across relevant parts of Queensland to provide regional customers and stakeholders with an opportunity to participate and provide input on areas relevant to them and their communities.

Create a clear business narrative

Powerlink will work with our customers and stakeholders to create a clear business narrative so elements of the Revenue Proposal can be considered against the context of our longer-term vision, challenges and opportunities.

The narrative will communicate how the future operating environment may shape Powerlink operations and its impact on potential future revenue requirements. It will outline how the 2023-27 regulatory period sits in the context of past performance as well as potential requirements in the next 10 to 20 years. It will also discuss how Powerlink benchmarks against other transmission networks.

Seek early involvement from the AER

For Powerlink to achieve its engagement objective, it relies on early involvement from the AER to provide input and feedback on key aspects of the Revenue Proposal prior to lodgement.

Customer and stakeholder representatives rely on the AER's technical analysis to gain confidence on the more technical elements of the Revenue Proposal.

Powerlink will seek to involve the AER from an early stage on key aspects of the Revenue Proposal, such as capital and operational expenditure forecasts.

Apply a transparent and rigorous approach

Powerlink will establish engagement protocols regarding confidentiality, panel and forum operations and conflict of interest to ensure a transparent and rigorous approach is followed.

The terms of reference for the Customer Panel will be updated to ensure purpose, composition, responsibilities and reporting requirements are clearly understood and met. Terms of reference will also be developed for any new engagement panels.

An appropriate governance structure will help ensure engagement is effective and focused on key issues.

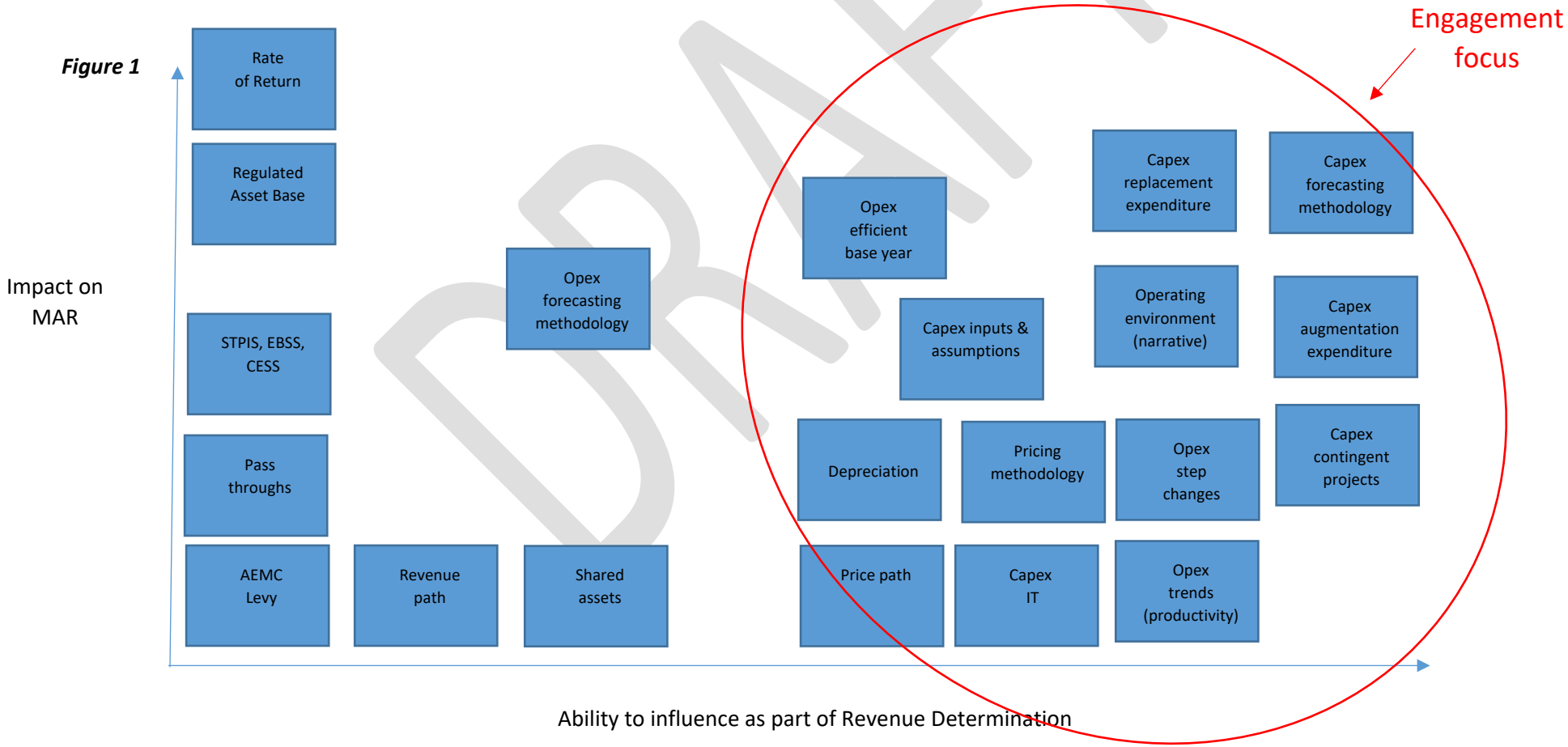
Powerlink's Engagement Scope

Powerlink understands that customer and stakeholder representatives are time poor and resource constrained. Providing a clear scope for engagement so they can best allocate their time is vital to delivering a Revenue Proposal that is capable of acceptance.

The below scope will drive efficient engagement by discussing the most relevant elements of Powerlink's Revenue Proposal.

These aspects were identified at the Co-Design Workshop where participants plotted elements which they considered had the largest impact on MAR against the ability for that aspect to be influenced by engagement. A consolidation of the input from the workshop is shown below in **Figure 1**.

Figure 1



Engagement scope against IAP2 Spectrum

Using the inputs from the Co-Design Workshop, the following aspects of the Revenue Determination process have been plotted against the relevant level of the IAP2 Spectrum in **Table 1**.

Table 1

Level of IAP2 Spectrum	Aspect of Revenue Determination Process
Empower *To place final decision-making in the hands of customers and stakeholders.*	
Collaborate *To work together with our customers and stakeholders to formulate alternatives and incorporate their advice into final decisions to the maximum possible extent.*	Engagement approach and evaluation (Co-Design)
Involve *To work directly with customers and stakeholders to ensure their concerns and aspirations are directly reflected in the alternatives developed.*	Capex • Forecasting methodology • Augmentation expenditure • Replacement expenditure • Contingent projects Opex • Efficient base year • Step changes Operating environment (narrative)
Consult *To obtain feedback on alternatives and draft proposals.*	Capex • Key inputs and assumptions • Information Technology (IT) Opex • Forecasting methodology • Trends (productivity) Price path Pricing methodology Depreciation Service Target Performance Incentive Scheme (STPIS)
Inform *To provide balanced information to keep customers and stakeholders informed.*	Rate of return Efficiency Benefit Sharing Scheme (EBSS) and Capital Expenditure Sharing Scheme (CESS) Regulated Asset Base Revenue Path Shared Assets Pass throughs Australian Energy Market Commission (AEMC) levy

Powerlink's Engagement Techniques

Powerlink will review its engagement techniques to ensure alignment with customer and stakeholder preferences and expectations.

Feedback received from customers and stakeholders with regards to engagement techniques was to leverage off existing BAU engagement activities as much as possible. Insights included:

- Customer Panel should play a primary engagement role
- Publish early forecasts approximately six months in advance of the Revenue Proposal to provide greater visibility and opportunity for comment
- Need to undertake one-on-one briefings with directly-connected customers and target stakeholder groups
- Raise customer and stakeholder understanding of transmission industry including regulatory environment
- Deep dives should focus on large, complex or contentious topics that have the greatest potential to impact MAR (see Engagement Focus diagram on page 7)
- Test interest in hosting engagement forums in regional locations
- Use webinars and Powerlink website to make information easily accessible despite geographic location
- Establish microsite or dedicated section on Powerlink website to educate and facilitate interactive feedback and discussion
- Investigate site tours to allow customers and stakeholders to learn about Powerlink's operations.

The following outlines the range of techniques Powerlink will use for engagement on its Revenue Determination:

<u>Customer Panel</u>

The Customer Panel will play a key role in engagement on a range of relevant aspects of the Revenue Determination process. The Panel typically meets three to four times a year, with the opportunity for additional meetings of sub-committees to discuss key aspects of the Revenue Proposal (e.g. replacement expenditure).

At this stage, Powerlink proposes to have dedicated sessions with the Customer Panel on the following topics prior to lodgement of its Revenue Proposal in January 2021. This is in addition to other business-as-usual discussions Powerlink will have with the panel.

Indicative Timeframes	Potential discussion topics
August 2019	Engagement Plan
November 2019	Business Narrative
February 2020	Benchmarking, Integrated System Plan (ISP) projects and IT capital expenditure
May 2020	Powerlink's Expenditure Forecasting Methodology – Capex and Opex
August 2020	Initial forecasting outcomes prior to Revenue Proposal lodgement.

November 2020	Dedicated session on Revenue Proposal

Transmission Network Forum

Powerlink hosts the Transmission Network Forum each year. It brings together more than 120 customer, industry and government representatives to discuss key transmission challenges and opportunities. An update on Powerlink's Revenue Determination process will be discussed at the Transmission Network Forum with dedicated sessions held as required.

One-on-one briefings

One-on-one briefings will be held with Powerlink's directly-connected customers and key industry and stakeholder organisations where appropriate. These briefings will allow information on the Revenue Determination to be tailored to suit individual customer or stakeholder needs.

Workshops/deep dives

Powerlink is proposing several workshop sessions (sometimes known as deep dives) that focus on more complex subjects to allow detailed exploration of issues. These sessions could potentially run up to a full-day. Powerlink will seek to involve a wide group of customer and stakeholder representatives, including members of the Customer Panel. Session topics may be combined together in the interests of time.

At this stage, Powerlink is considering holding workshops on the following aspects of its Revenue Determination process. These topics may change following engagement with the Customer Panel on their relevancy (i.e. relative impact on MAR and ability to influence), plus time available to dedicate toward these sessions and interest from wider customers:

Timeframe	**Potential topics**
Late 2019 to mid-2020 (prior to Framework and Approach finalisation and lodgement of expenditure forecasting methodologies in June 2020)	• Capital expenditure forecasting methodology, key inputs and assumptions. • Operational expenditure forecasting methodology, key inputs and assumptions. • Integrated System Plan (ISP) and contingent projects. • Service Target Performance Incentive Scheme (STPIS).

Mid-2020 to End 2020 (prior to Revenue Proposal lodgement)	• Initial capital expenditure forecasts, including:
	  o Replacement expenditure.
	  o Augmentation expenditure.
	  o IT expenditure.
	  o Contingent projects.
	• Initial operating expenditure forecasts.

End 2020 to mid-2021 (prior to Final Determination)	• Draft Decision – what it means and customer input to the Revised Revenue Proposal approach.

Regional engagement forums

Powerlink will gauge interest in hosting a series of regional engagement forums to allow customers and stakeholders the opportunity to provide input in a face-to-face environment in their community. These forums would likely coincide with the release of the initial forecasts to allow feedback on multiple aspects of the Revenue Determination process. Potential locations for the forums are Townsville, Mackay and Gladstone.

Webinars

Webinars will allow customers and stakeholders to provide input regardless of their physical location. Suitable topics from the *Consult and Inform* levels in Table 1 may be discussed in webinar format.

Digital engagement

Powerlink will establish a microsite or dedicated section on its website that will act as a central point for customers and stakeholder to access information on the Revenue Determination process and provide interactive feedback and input through a digital platform.

Formal research

Powerlink will gain customer and stakeholder insights from its formal research mechanisms including the Queensland Household Energy Survey and Powerlink Stakeholder Perception Survey.

Site tours

Powerlink will include potential site tours of network assets as part of discussions on capital and operational expenditure forecasts to provide the opportunity for customer and stakeholder to see firsthand asset condition and proposed management practices.

Information development

Powerlink will develop information sheets, animations and infographics as required to simply explain key aspects of its Revenue Proposal.

Powerlink's Engagement Evaluation

The overarching measure to evaluate the success of Powerlink's engagement on its Revenue Determination process is if we achieve our goal of undertaking engagement to deliver a Revenue Proposal that is capable of acceptance by our customers, the AER and Powerlink.

Evaluation KPIs will be developed collaboratively with members of the Customer Panel. We will also seek input from other key stakeholders.

Evaluation of Powerlink's engagement will:

- Be ongoing throughout the Revenue Determination process
- Use a combination of formal and informal methods
- Use both quantitative and qualitative measures
- Demonstrate the value of engagement and how it is impacting on decision-making
- Determine the effectiveness of information provided to participants
- Identify satisfaction levels of participants with engagement activities
- Be made available to participating customers and stakeholders.

Powerlink will use the following tools to evaluate the effectiveness of its engagement:

<u>Informal debriefs</u>

Powerlink will regularly check in with key customer and stakeholder representatives and ask, 'How are we going?' and 'What can we do better?' to gain direct feedback on the engagement approach.

<u>Pulse check surveys</u>

Regular pulse check surveys will be used to rate the effectiveness and quality of information provided to customers and stakeholders.

<u>Post-activity satisfaction surveys</u>

After every major engagement activity, Powerlink will distribute a feedback form to gauge satisfaction levels and identify improvement opportunities.

<u>Formal research</u>

Insights into the engagement approach will be gained from Powerlink's Stakeholder Perception Survey.

<u>Website analytics</u>

Review traffic and engagement levels on Revenue Determination related pages on Powerlink's website.

Powerlink's Engagement Schedule

The following outlines at a high level the proposed timings of key engagement activities up to lodgement of Revenue Proposal in January 2021 against key regulatory milestones. This schedule will be reviewed and updated as required.

	2019					2020												2021
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan
Regulatory milestones							AER publishes Framework & Approach Paper	Submission close on Framework & Approach Paper			Powerlink to submit expenditure forecasting methodology	Final Framework & Approach Paper published						Powerlink to submit Revenue Proposal
Engagement activities	Customer Panel Meeting Engagement Plan	Transmission Network Forum		Customer Panel Meeting Business narrative			Customer Panel Meeting Benchmarking, ISP projects and IT capex			Customer Panel Meeting Expenditure forecasting methodology			Customer Panel Meeting Initial expenditure forecasts	Transmission Network Forum		Customer Panel Meeting Detailed session on Revenue Proposal		
	Finalisation of engagement plan												Release of Initial Forecasts	Regional Forums				
					Workshops/Deep Dives on: • capital expenditure methodology, key inputs and assumptions • operating expenditure forecasting methodology, key inputs and assumptions • Integrated System Plan and contingent projects • Service Target Performance Incentive Scheme (STPIS)							Workshops/Deep Dives on initial capital expenditure forecasts including: • Replacement expenditure • Augmentation expenditure • IT expenditure • Contingent projects							
			One-on-one briefings															