<table>
<tr><td>Date:
Thursday 5 December 2019</td><td>Start time:
1pm</td><td>Finish time:
4.20pm</td><td colspan="2">Venue:
Whittaker Room
Powerlink
33 Harold Street
Virginia QLD 4014</td><td>Meeting no:
15</td></tr>
<tr><td colspan="2">Facilitator: Gerard Reilly (Powerlink)</td><td colspan="4">Minutes: Kiara Bowles and Tanya Fowler (Powerlink)</td></tr>
<tr><td>Attendees:
Andrew Barger (Queensland Resources Council)
Kerry Connors (Energy Consumers Australia)
John Gardner (CSIRO)
Henry Gorniak (CS Energy)
Mark Grenning (Energy Users Association of Australia)
Chris Hazzard (St Vincent de Paul Society)
David Hiette (BHP Billiton)
Sam Pocock (Energy Queensland)
Robyn Robinson (Council on the Ageing)

Meeting observers –
AER Consumer Challenge Panel:
Mark Henley
Bev Hughson
David Prins (attendance via telephone)

Powerlink panel members:
Jenny Harris
Chris Evans
Norike Ganhao

Powerlink observers:
Murray Abel</td><td colspan="3">Apologies:
Erin Bledsoe (Shell)
Tiffany Bruce (Aurizon)
Ian Christmas (Edify Energy)
Georgina Davis (Queensland Farmers’ Federation)
Ayden Rye (Shell)
Steve Straughan (Aurizon)
Narelle Fortescue (Powerlink)</td><td colspan="2">Powerlink presenters:
Stewart Bell
Gerard Reilly
Mark Pozdena
Brian Atkin
Roger Smith
Matthew Myers
Andrew Bannister
Dana Boxall
Greg Hesse</td></tr>
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Comments (C), questions (Q) and Powerlink response (R)

Item	Discussion	Action	Due date	Who
1	**Welcome to Powerlink, introductions and overview of agenda** - Gerard Reilly, General Manager Communications			
2	**Update on RIT-T progress** - Roger Smith, Manager Network and Alternate Solutions Summary: • More than $200 million worth of projects completed through the RIT-T process since its commencement • Upcoming consultation milestones include the Project Specification Consultation Report (PSCR) for Mt England and the Project Assessment Conclusions Report (PACR) for Townsville South to Clare South • AER compliance review. Q: It's pleasing to see non-network solutions being put forward for consideration as part of the RIT-T process. Do you expect non-network providers to increase their capacity and ability to provide viable options into the future? R: Non-network solutions are very project specific and relate to particular network configuration requirements and constraints in an area. It's a balance between certainty of need and technical viability. We are getting better at understanding which projects have the most potential to attract viable non-network solutions. Q: How far away from viable were the proposed non-network solutions that didn't make it over the line?			

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	R: They were a fair way off. In hindsight, some earlier and more detailed information and clarification would have helped us identify that earlier in the process. C: It's about getting the balance right. We need to give an early indication of genuine non-network opportunities and provide up-front information, but we certainly don't want to waste customers' time and resources. C: It's worthwhile keeping in mind that Powerlink has used and deployed non-network solutions previously, so we do have experience with this kind of activity. For example, by 2007 Powerlink had procured in the order of $100 million in non-network solutions. Q: Is Powerlink first cab off the rank in relation to the Australian Energy Regulator (AER) Compliance Review? R: I doubt it. I'm sure the AER is working alongside other Transmission Network Service Providers (TNSPs) to examine their processes too. Q: Will you share your audit learnings with other network businesses or have they shared any of their insights with Powerlink? R: Not formally as yet but there is potential to collaborate in this space. Q: If you had done any of these aspects of RIT-T delivery different from the start, would it have changed RIT-T outcomes? R: No, none of the points raised by the AER are material changes in the way we have rolled out our RIT-Ts. They don't affect the ability to reach cost-effective outcomes. It's about getting insights on our interpretation of the relevant rules and guidelines, to help assess compliance.			

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<tr><th>Item</th><th>Discussion</th><th>Action</th><th>Due date</th><th>Who</th></tr>
<tr><td></td><td>Q: You might’ve seen the actionable Integrated System Plan (ISP)? Would there be any value in having the Australian Energy Market Operator (AEMO) or the AER present to our panel and talk through the impact of the new guidelines? [Powerlink comment]

R: This is a big issue for us, even though the guidelines won’t be completed until the 2020 ISP is released. We’d be keen to engage Powerlink to further discuss as this unfolds.</td><td></td><td></td><td></td></tr>
<tr><td>3</td><td>Update on RIT-T process for expanding the NSW-QLD transmission transfer capacity
- Stewart Bell, Executive General Manager Strategy and Business Development

Summary:
• On-track to publish a PACR mid-December 2019 – consistent with the AER’s RIT-T guidance note
• TransGrid and Powerlink are currently working through a number of submissions received on the QNI Project Assessment Draft Report (PADR)
• The RIT-T process requires us to consider each submission in detail to inform our final analysis as part of the PACR.

Q: Is this a joint activity for Powerlink?

R: Yes, Powerlink is working with TransGrid to roll through the RIT-T process.

Q: Is this the project that the NSW Government is providing funding support to?</td><td></td><td></td><td></td></tr>
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	R: The Federal and New South Wales Governments will jointly underwrite up to $102 million of the QNI upgrade. This effectively means they have agreed to underwrite the risk of the project, so that at the end of the RIT-T process, they can change tack if needed. C: That's a big incentive to get the 'right' answer up-front. Q: How much of that money will appear in TransGrid's Regulated Asset Base (RAB)? R: All of it. Q: Is there any correlation with this project and the Queensland Government's contribution to Genex's project? R: No, the Genex project is a different process and relates to a merchant project. C: It would only have similarities if the Genex project ever starts to provide prescribed services – then it could be part of Powerlink's RAB where this can be justified. Q: Out of curiosity, if we were to have the Genex project in our prescribed asset base, what is the associated increase in capacity? R: Approximately 200MW of generation.			
4	**Non-network IT expenditure –** **Benefits realisation and management framework assessment criteria** - Mark Pozdena, General Manager Business IT - Brian Atkin, Manager IT Planning, Investment and Value			

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	Summary of presentation: • Trends in IT expenditure – Powerlink is seeking to achieve an increase in data-enabled capabilities and data driven decision making as well as cost optimisation of IT products and services. • Our new IT Benefits Realisation and Management Framework will better communicate the need for investment, identifying benefits and organisational responsibilities. • Interactive discussion on the framework – what would be mandatory assessment criteria and associated metrics to support decision making throughout the portfolio and project lifecycle? *Please refer to Appendix A for details of active group discussion on this topic.* Q: Once implemented, is this framework suggesting that we should potentially stop halfway through a project and change direction if need be? R: Yes, potentially. This framework is about advocating for a prudent approach for us to continually assess how things are changing to ensure we are making the right decisions. For example, if technology has changed, and the value of an investment has as well, we may need to reconsider or reshape our investment to balance these factors. C: It's about maturing our approach and making it more robust moving forward. But it's a balancing act. With any assessment criteria, trade-offs are made. Q: Once it's developed, would Powerlink introduce a review or continuous improvement focus for the framework too? R: Absolutely. As the IT landscape changes, we need to make sure we keep making the right choices throughout our investment cycle. This is a type of			

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	review we haven't implemented before, but it does need to be applied across the whole portfolio of our IT investments. Q: Is this framework to be applied to both small and large scale investment? A: Yes, it's about improving the robustness of our approach and drawing on a range of considerations to make better choices. Q: What has prompted the need for this framework? R: We understand that the IT landscape is changing so quickly. There's a multitude of different ways to handle this. Ultimately we want to have the right tools in place. C: Powerlink has also had some internal changes in our team focus areas and timing is lining up neatly. We are at the point in the cycle where it's now a good opportunity to evaluate our expenditure with more robust methods moving forward. Q: With these kinds of frameworks, I feel there's sometimes a risk of staying too insular. Are you looking to apply the framework from a project perspective or with a whole of business lens? I'd encourage you to avoid silos and rather aim for connectedness across the organisation. R: We do have a governance assurance executive committee to help ensure those holistic conversations take place. This structure provides an extra lens and final assessment point, as well as a chance to share learnings across the business.			

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5	**Revenue Proposal Reference Group (RPRG) – Initial meeting summary** - Matthew Myers, Manager Revenue Reset *(presented on behalf of Ayden Rye from Shell, who was unable to attend the meeting due to illness)* Summary of presentation: • The RPRG is an advisory body ensuring Powerlink's Revenue Determination process is aligned with customer and stakeholder expectations. • The group's inaugural meeting in October 2019 focused on Powerlink's customer engagement to date, the Revenue Determination process, Powerlink's approach to capital expenditure (capex) forecasting methodology, and the Framework and Approach (F&A) initiation letter. • The group's second meeting held immediately prior to the Customer Panel meeting on 5 December 2019 concentrated on benchmarking and long-term price impacts. C: At the end of the day, the focus is on customers. That emphasis is emerging time and time again. How do you really represent customer value? C: The RPRG provides a very useful capacity to explore a range of aspects of Powerlink's Revenue Proposal. We would encourage members to peruse the RPRG meeting agendas once they are distributed to determine if they want to attend as observers, or ask RPRG representatives about any queries they would like addressed at meetings.			
6	**Business narrative and Energy Charter update** - Gerard Reilly, General Manager Communications Summary of presentation:			

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	• The business narrative is a vehicle to understand the broader, long-term view about our operations, challenges and opportunities and how we plan to deliver better value. • We are currently finalising the draft – will be distributed to the Customer Panel in the near future for input. • The Energy Charter's Independent Accountability Panel released its report on 4 December 2019, identifying 32 recommendations across six key themes. Powerlink is reviewing the report and considering ways to improve our next Disclosure Statement. C: The business narrative has been quite a complex document to prepare. It's intended to be dynamic. We want to give you plenty of time to review it. C: The Energy Charter is certainly in a very embryonic stage, but it's definitely a positive move. In a way it's a healing process for the industry. Q: As a member of the End User Consultative Group (EUCG), Council on the Ageing (COTA) has been closely involved in this process. It has been pleasing to see so many business committing to the Energy Charter. COTA representatives had a workshop when submissions were open. It was great for signatories to be so up-front about the 'good' and the 'bad' in their reports. But overall we felt there was too much repetition, the reports were too long and contained too much 'spin' – on the whole, the amount of material in reports wasn't consumer friendly. We wanted to see more information about 'above and beyond' activities, not just 'business as usual'. Displaying more consistent information in a way to enable comparability across signatories would also be beneficial. C: I'd be interested in learning if the EUGC has any intention to provide insights about who's performing well.			

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	C: These inaugural disclosures were great first steps. This is the first initiative of its kind for electricity and gas in the world – and the world is watching how this unfolds. We will hold our members to account for what they've promised. C: The Energy Charter is driving cultural change in the sector. It really is a way to ensure customers' needs are truly met. I'm seeing a lot of discussion about it in the industry – it's really in the vernacular.			
7	**Initial high-level forecasts for Revenue Proposal – opex, capex and Maximum Allowed Revenue** - Matthew Myers & Revenue Reset Stream Leads: - Andrew Bannister (Operating Expenditure) - Greg Hesse (Capital Expenditure) - Dana Boxall (Finance & Modelling) Summary of presentation: • Initial forecast presented is a top-down view, based on a wide range of parameters and assumptions. It is a starting point for both Powerlink and customers, and the first time Powerlink has engaged this early on such preliminary figures. • Based on the initial forecast MAR ranges, the indicative impact to electricity prices in the first year of the next regulatory period is a reduction of ~$10 for residential customers and ~$15 for business customers in the first year. Q: Is it fair to say that at a very high level, if it wasn't for the Weighted Average Cost of Capital (WACC), your prices would be going up? R: Yes, that's some of the work we need to do.			

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	C: We need to remember that no bottom-up analysis has been done as yet. These figures are still very preliminary. **Presentation on capex:** Q: It looks like your capital expenditure will land fairly close to your allowance this current period? R: Yes. Q: Can you exceed the allowance? R: Yes, but you need to provide adequate justification. You need to justify this increase with Powerlink management, customers and the AER. There are also penalties in place if you go over your allowances. Q: Are there ISP assumptions in this forecast? R: No. Q: So if the 2020 ISP says we need to do the 'whiz bang' QNI project, this is not included? R: That's correct. C: For the last Revenue Proposal, we released our bottom-up forecasts about six months out. We haven't gone there yet. Q: What is your IT forecast based on?			

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	R: Very early figures from our IT team at the moment are indicating that IT totex (capital and operating) will be relatively similar in the next regulatory period as this period. We are planning to talk in depth about IT at a dedicated RPRG session early in 2020. Q: How much bottom-up analysis are you expecting to do by mid-2020 i.e. to support your Draft Plan release? R: Overall we are likely to bottom-up about 60% of the capital expenditure forecast for the Revenue Proposal. By mid next year we will have done some of this, but not all – we would need to consider how much we can realistically do before June before giving a definitive answer. **Presentation on opex:** Q: Are all of these figures in real dollar terms? R: Yes, they are all in 2021/22 dollars. Q: What assumptions have you made for productivity? R: Our background pre-reading document provides details on our productivity assumptions. At a basic level, we have applied a band of 0% to 0.5%, based on recent AER determinations. C: We are talking monthly to the AER to keep the conversation going regarding productivity trends, noting there is a transmission industry productivity trend of ~0.15%.			

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	Presentation on financials: Q: Is the MAR identified in your initial forecast based on upper, middle or lower bound? R: Middle bound. C: You have made a CPI forecast assumption of 2% and have noted this is different to the AER's methodology (which ends up being around 2.45%). AER's methodology. I'm surprised you're using anything other than the AER methodology – why is that? R: We're trying to be as realistic as possible with the environment we're operating in and have noted actual CPI has been consistently lower than forecast CPI as derived by the AER using their methodology. We want to talk more to the AER and customers about this. Q: What would MAR be if the WACC for the current regulatory period was applied to the next period? R: I expect the forecast MAR for the next period would be very similar to the MAR for the current period if the current period WACC was applied to the forecast period.	Provide a view of MAR based on 2.45% CPI.	Next RPRG meeting (31 January 2020)	Matthew Myers
	Q: What about your incentive schemes? R: We are forecasting a penalty under the Expenditure Benefit Sharing Scheme (EBSS) which measures operating expenditure, and a slight bonus under the Capital Expenditure Sharing Scheme (CESS). The Service Target Performance Incentive Scheme (STPIS) is not included in the forecast.			

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	C: I'm mindful that Powerlink is very much on a journey – I feel like we've come a long way and our team has done some great work to get to this point. C: This initial forecast is testament to the work that Powerlink has done. It's very clear and concise. I think it answers our basic questions. C: I congratulate Powerlink for acknowledging the genuine impact of WACC. I think this transparency is a great start on this journey. **Key points from interactive discussion as a group:** **Q. Are there any improvements which Powerlink can make on how forecasts are presented to facilitate engagement in the future?** • Full points to Powerlink for releasing this information so early in the process. If you start these conversations late in the process, it's hard for stakeholders to keep a handle on the journey. It's great to see Powerlink explaining its current thinking, not defending it. • You've explained the process very well – it's a complex topic but the information has been presented very clearly. • Pre-reading was useful scene-setting information and easy to follow. • It's very early in the process but what's been achieved so far is effective. • It's important for the Customer Panel to remember that these numbers will change over time and may potentially increase. • These figures are a good baseline and provide the panel with an opportunity to challenge the process as it unfolds and compare how things are looking in 12 months. • Return of Assets, including the effect of a lower CPI assumption on the Return of Assets, is still complicated to try and understand – it would be good if Powerlink could try and simplify this.			

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	• I'll always keep coming back to my main focus – what's the impact on customers? If the numbers do go up, Powerlink needs to show the story behind this logically and clearly. I would like to see how Powerlink helps people navigate and understand any changes or increases in price. • These initial forecasts are logical and clear, and provide a solid baseline. • It's good to see the RAB and prices going down. That's a great start. **Q. What further information would Customer Panel members be interested in seeing in the next update of the Revenue Proposal forecast?** • I'd like more information on regulatory and legislative uncertainties, and how they affect Powerlink. It seems to me that we're all vulnerable to these external factors. You can do all this really good work, but it can be undone by policy changes. It would be good to understand your contingencies. • Both the regulatory and legislative landscapes can be challenging. Our F&A initiation letter identifies the need to better deal with uncertainties. We'd like to consider contingent reinvestments (and not have customers carry risk) in the capex space. We're yet to work through how to best manage opex at this early stage. • Be good to look at the whole bucket (items above), eg. veg management, biosecurity, land management, etc and how to quantify this in an objective way. We are also subject to a number of these things. • What are the key lessons learned from the previous Revenue Determination process? • To drive broader and deeper engagement. The last thing we want to do is surprise customers or the AER. • The establishment of the Customer Panel in 2015 was a critical part of our toolkit. It was especially useful to listen to our customers and loop			

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	back around to let them know what Powerlink has done with their feedback. • Powerlink engages with the AER regularly and we will work very hard to continue this relationship as part of our BAU approach.			
8	**Close and thanks** - Gerard Reilly Summary of discussion: • The Customer Panel agreed for Powerlink to complete audio recordings of future meetings, to help produce minutes efficiently and accurately. All recordings will be destroyed after the minutes are produced and the group reserves the right to pause the recording during meetings if requested, during confidential conversations. • Powerlink thanks Customer Panel members for their dedication and support during 2019.			
8	**Meeting closed at 4.20pm**			

Appendix A – Interactive discussion on new IT Benefits Realisation Framework

1. What would be mandatory assessment criteria to support decision making throughout the portfolio and project lifecycle?

- Benefits – justifiable and defendable
- Absolute “must haves” – gatekeepers
- Improved alignment to architecture
- Full lifecycle cost – be wary of hidden costs e.g. training, subscriptions
- Change management considerations
- Risk – analysis at front end
- What is the real impact on the business?
- Capacity/capability of business to absorb (and roll out) resulting level of change
- Security – improves over time
- Can investment be staged to roll over period of time?
- Fit for purpose approach e.g. business cases
- ‘Reliability’ relative to being on target to meet standards (required parameters to achieve desired parameters)
- Whole of life assessment
- Economic cycle investment considering regulatory impacts (5 year) consider opex/capex
- Objective criteria as much as possible. Clearly understand the objectives we are trying to achieve.
- Translation of outcomes into consumers/customers terms
- Traceability to customer outcomes (public documents)
- “Better service/safer service” is identified with costs e.g. “better data collection”
- Quantifiable/tangible terms (relatable)
- Lessons learnt
- Establish thresholds for categories (including bringing to Customer Panel for discussion/similar to RIT-T)

2. What would be associated metrics to support decision making throughout the portfolio and project lifecycle?

- % increase of investment = % increase of benefits
- Consider scrutiny on all projects (potential investment) → but set the bar higher for bigger $
- Aligns to architecture principles
- Process changes, business capability to realise and embed benefits
- Very explicit link between projects and opex (manages scope creep risk – onus on PQ to manage costs)
- System rationalisation
- Ongoing analysis during project lifecycle
- Tools (and expenditure) meet true business needs – removes gold plating e.g. iPhone 7 vs iPhone 10
- Dollar per customer
- Efficiency productivity
    - Time savings
    - Responsiveness
    - Dollar per user in context
- Training time – ease of access and how receptive staff might be
- Number of projects submitted not taken up e.g. Gate 1 and Gate 2
- Reliability profile – is it evolving the way it was planned?
- Operational
- Cost per service
- End $ compared with approved $