<table>
<tr><td>Date:
Friday 31 January 2020</td><td>Start time:
1.00pm</td><td>Finish time:
4.15pm</td><td>Venue:
Tom Graham Room
Powerlink
33 Harold Street
Virginia QLD 4014</td><td>Meeting no:
3</td></tr>
<tr><td colspan="2">Chair: Matthew Myers (Powerlink)</td><td colspan="3">Minutes: Nicole Maguire and Kiara Bowles (Powerlink)</td></tr>
<tr><td><u>Attendees</u>
Customer Panel representatives (in person):
Georgina Davis (Queensland Farmers' Federation)
Henry Gorniak (CS Energy)
Mark Grenning (Energy Users Association of Australia)
Ayden Rye (Shell)

Customer Panel representatives (attendance by telephone):
Kerry Connors, Energy Consumers Australia

Other stakeholder representatives (attendance by telephone):
<u>AER Consumer Challenge Panel</u>
Bev Hughson
David Prins

<u>AER</u>
James Brown
David Chan
Slavko Jovanoski
Evan Lutton
Claire Preston
David Monk
John Thompson</td><td colspan="2">Apologies:
Mark Henley (AER Consumer Challenge Panel)</td><td colspan="2">Powerlink members:
Jenny Harris
Matthew Myers
Gerard Reilly

Powerlink presenters:
Alastair Andrews
Matthew Myers
Greg Hesse
Gerard Reilly

Powerlink participants:
Tim Byrne
Gary Edwards
Greg Hesse
Cameron McLean</td></tr>
</table>

Item	Discussion	Action	Due date	Who
1	**Welcome and introductions** **–** Matthew Myers, Manager Revenue Reset Summary: • Safety share from RPRG member – employee death (natural causes) onsite at Callide Power Station. Discussion about how the situation was managed and asking attendees to consider in advance their actions in a similar situation. **Comments (C), questions (Q) and Powerlink response (R)** C: Just as a recap, this is the chart *(referencing chart in presentation – slide titled 'Recap – 2019 Annual Benchmarking Report (RIN Data to 2017/18)'* depicting the multilateral total productivity from the most recent AER benchmarking report from November. To re-orient, Powerlink has the red line towards the bottom but you can see it starts to lift in 2018. Q: What do you think has contributed to that? Was it a one-off thing or the start of a more sustainable benchmarking story? R: The main driver was the reduction in opex at the start of the current regulatory period, so we've had seven per cent reduction in opex, so that was the main driver of that kick-up. C: In relation to assumptions, this is using the five-year energy not supplied average at this stage. You can see that the red line - Powerlink - holds a little bit steady and then drops back a little bit. This was a big change for AusNet because they had a few years of quite low energy not supplied, so when you bring them back to a five-year average that brings them down. I think the big thing then is when we actually plug in the zero-megawatt hours energy not supplied for Powerlink, the red line goes all the way up, by changing one parameter. It's quite sensitive.			

Item	Discussion	Action	Due date	Who
	C: So going from a five-year average of 140 megawatt hours (not supplied), which to put it in perspective is a blackout of Cairns for about 40 minutes, one of those events to zero made that difference year-on-year. Q: How would the others change if they had a zero interruption? R: If everyone went to zero, then the relativities will stay the same. Q: Do I read that graph as being the lower the number, the more energy is lost? I was trying to read it the other way around. R: Yes. The higher the energy not supplied, the worse the performance so the lower the benchmark result would be. Q: Just to clarify, that's energy not supplied due to a transmission issue, not due to a lack of generation? R: Due to a transmission issue. For instance, in 2018, we had a lightning strike that impacted circuits into Cairns on a Sunday evening so it blacked out all of Cairns for a period of about 40-45 minutes. It's where an outage of the network interrupts supply to customers. C: We're showing that not to say how great we might look in benchmarking. It's just to demonstrate that the change in one input can have a significant change on that particular input. C: I've been working on the benchmarking for a couple of years. We've known for a while that the reliability of the network can affect the benchmarking results quite materially. I think some of those observations you made are correct. A couple of years ago we ran a bit of a review of this with and one of the things it focused on was the impact of reliability.			

Item	Discussion	Action	Due date	Who
	So, it's a known issue. We sought to address some of it by trying to cap the impact of it. Sometimes these huge once-off events can really damage benchmarking results and make it difficult, as it doesn't reflect the underlying productivity change. So we looked at a way to reduce the impact of those. *[AER comment]* C: I think it's not so much the size of the step when there's a change in energy not supplied, I think it's the order of magnitude of the change that is quite possibly the more relevant thing to note. C: Going from 1,000 to 100 is one order of magnitude. Going from 140 to very close to zero is many orders of magnitude difference. C: We look forward to being able to continue the conversation in the next couple of months. Q: If I understood you correctly, did you make an adjustment to the model a couple of years ago to limit the variability of this factor? *[Question to AER]* A: Yes. The adjustment was related to a significant outage of ~6,000 MW/h in 2009 experienced by one TNSP. This outage resulted in that TNSP experiencing a significant drop in their multilateral total factor productivity results. So, we reviewed our method in 2017 and sought to potentially cap the impact of models that apply to reliability. The cap applies as a cap equivalent to 5.5% of revenue, so the maximum contribution it can have from a dollar sense is 5.5% of annual revenue, which is Powerlink's case is about $30-$40 million. *[AER response]* Q: Because I'm wondering if this has such a big impact, does that provide you with an incentive to spend lots of money on a third circuit into Cairns, which may only be required once in a blue moon but it looks great for your productivity?			

Item	Discussion	Action	Due date	Who
	R: That's precisely the discussion we were having at the last meeting about the 'beauty parade' and doing something meaningful, as opposed to something that makes us just look better. Q: Just building on that, you know how we have a reliability standard - your benchmarking there, is it benchmarking against the standard or just actuals? R: It's just actuals. C: So there isn't a standard and that makes it difficult to justify - because if you say you've got 0.002 per cent of unserved energy, I know there's a reluctance to accept that, but that is the standard. C: I think it was also highlighting the fact that, if the November AER benchmarking report comes out with a result similar to this, that's going to be the last benchmarking report before we submit the revenue proposal as well, so it will be important. Q: Powerlink had a seven per cent of opex reduction. Does the unserved energy have a greater impact than us actually further reducing opex - like an actual efficiency in our business in terms of how it will appear on the benchmarking? R: I don't believe it's so much the absolute magnitude of the change, like reducing unserved energy by 300 megawatt hours on average. It's more the order of magnitude of the change. C: I think what it tells me, because I raised the question, is that we like to focus on DNSP productivity but we've got to be very cautious about how we interpret TNSP productivity. C: We are looking at productivity more in the sense of a trend aspect rather than a point-to-point, which is also important.			

Item	Discussion	Action	Due date	Who
	C: I think that is consistent with where the AER has got to given that there is some variability, so it's better to look at not to the end or start points which could be influenced by these factors we've just been talking about. Our transmission reports do acknowledge that probably the transmission benchmarking is not as reliable or mature as the distribution benchmarking. I'm happy to work with you guys in understanding this issue and coming to a common view on it. Q: Do you do the same exercise on TNSP opex that you do on DNSP opex and how much can you rely on the opex productivity from the TNSP to do that sort of calculation? R: To date we haven't, for the reasons we were just talking about, we haven't relied on it to make an efficiency adjustment. It obviously guides us but we haven't and it's one piece of the information we take into account, but we don't apply it in the same way that we do for distribution. [*AER response*] C: We are keen to work further with the AER regarding the assumptions we've made and the benchmarking to result to understand it better. We'll do that in the next few weeks.			
2	**Interactive discussion – ISP and contingent projects** - Greg Hesse, Stream Lead Capital Expenditure Summary: • What defines a contingent project and the AER's treatment of contingent projects. • Overview of Draft 2020 Integrated System Plan (ISP) recommendations and initial observations of the document. • Proposed approach to contingent projects for the Revenue Proposal. Q: So because your revenue periods are five years, given the ISP is every year, there's potential that a new actionable project comes up that nobody's considered for whatever reason?			

Item	Discussion	Action	Due date	Who
	R: Potentially. It's early days in the ISP process, so as we get into a rhythm of every second year, you would like to think that something brand new won't suddenly pop up. C: We've gone back and had another look at the history of contingent projects since around 2004 when they first became a 'thing'. A significant number have been put forward and accepted in revenue determinations over the years. A relatively small number have actually been triggered. Powerlink has had one, back in 2008. Q: You do the RIT-T before you do the contingent project? R: You would do the RIT-T and then you make your contingent project application. There was a rule change last year that allows you to do them in parallel if you want to. Q: But in each case you make, there's been provision already? It's not in your upfront revenue? R: No.			
	Q: To what extent are you able to say what the actual costs are that have resulted from contingent projects have been compared to actual costs? C: Compared to the costs that they indicated as part of their revenue proposals? R: Correct. C: We haven't done that. C: That would be very interesting, because particularly in the case of EnergyConnect, they've done a RIT-T on the basis of $1.53 billion on a capital cost estimate that has	Provide information on actual costs that have resulted from contingent projects compared to their indicative costs as per Revenue Proposals.	27 February 2020	Matthew Myers

Item	Discussion	Action	Due date	Who
	landed somewhere between one and 15 per cent of scope defined. The AER has judged that it could go up to $2.2 billion, in which case it wipes out all the NPV. Q: Is there any reason why so many projects didn't go ahead? Is it something about the contingent project process or is it that the market is changing too rapidly? What do you think is the main reason? R: We haven't looked at the other TNSPs to any great extent, I can only really speak for Powerlink. In our case, we've had a QNI upgrade in the last few revenue proposals and we've had the Bowen Basin and Galilee Basin, which are load-driven. From my perspective it would be that they are intended to capture uncertainties, so where that uncertainty has actually not eventuated then those contingent projects have not proceeded. Q: There's a big difference, isn't there, between what was allowed and what was actually triggered in some of their numbers? R: There would be some, and I'll say it's probably not a large number, where the indicative timing may have been towards the end or around the boundary of a regulatory period. So it was a contingent project but by the time it actually came to pass, it just got caught up in the next revenue proposal anyway. Q: How do you convince consumers, given that the NER 5.16.6 test is going, that removing that AER review stage will not lead to overinvestment in projects? R: There's still the requirement to make sure we appropriately apply the RIT-T and follow the course of the RIT-T process. For example, we've tried to make sure - and you'll notice that it is still in the rules that the TNSP retains discretion to adopt different assumptions - if we in the normal course of business come up with new information that suggests there is something that could materially impact the analysis and gives us a different result, then we should change our approach.			

Item	Discussion	Action	Due date	Who
	C: I know there may be a perception that we pushed for that so that we could potentially overspend. I assure you that was not the case at all. We speak to our planners and in the normal course of business, we're getting new information in all the time. We want to leverage off the assumptions in the ISP where it actually makes sense to do so, but if we get new information that might give us a different result, we wanted to retain that discretion to use the new information. That's why we've actually pushed for that. Q: Would you genuinely want the RIT-T to be a proper test of an actual investment, not just a rubber-stamping of AEMO's previous analysis? R: Yes. C: We go through a public RIT-T process and certainly from our perspective, I think the AER is now more involved in monitoring how those documents are presented. At our last meeting we spoke about the fact that the AER has recently done a compliance review test and come back to us with suggestions as to how we need to improve and they've done the same with the other TNSPs as well. Perhaps that's also a question for the AER because they are more involved in monitoring what's going on as part of BAU with RIT documents in addition to the ISP. Can we perhaps get some input from the AER? C: We certainly have been trying to get more input in the way the RIT-T is applied. The ISP rulemaking process is still underway and it's a question for rule-makers and policy-makers as to where that lands. I probably can't say too much more than that from an AER perspective. *[AER response]* Q: When AEMO develops ISP, how much consultation or collaboration is done with the TNSPs?			

Item	Discussion	Action	Due date	Who
	R: There’s a fair bit of consultation around the inputs, which includes the scenarios and costs. Where we find that we can add value is understanding the network and its capacity. All through the process we advocate strongly for the iterative nature of the document, because it is complex. It informs the planning of new capacity and augmentations but you need to take that back into the physics of the problem and do time sequential runs, look at those results in the network analysis phase to understand if those assumptions you've made in that high-level long-term modelling are actually reflected in the detail and if not, you need to adjust. With the 2018 ISP there was no time for that cycle, so between the draft and the final 2020 ISP, AEMO have acknowledged it themselves they've got more work to do. There's a lot to happen between the draft and the final and our role is to work with them and help them achieve the best possible outcome. C: Fundamentally, consumer advocates are being asked to provide a submission on the ISP by 21 February 2020. There is 42 megabytes of data on the AEMO website. It is just not possible to comprehensively review that. There’s a summary AEMO ISP document of 50 or 60 pages. Tell me where in those 60 pages it actually says how much the projects in group one, two and three actually cost. C: It doesn't. C: They spent 64 pages telling us how wonderful these projects are and nowhere in those 64 pages do they actually say how much they cost. I'm not sure that's best practice consumer engagement. I found the range of costs in an Excel spreadsheet – between $5 billion and $8.5 billion. At the end of 2018, probably 2019, the total RAB of TNSPs was $21 billion. We're talking about just the group one projects being 40% of the current RAB and yet that is not important enough to get in the first 64 pages of the summary that we're supposed to comment on.			

Item	Discussion	Action	Due date	Who
	What the changes are taking away is the AER RIT-T process of an independent assessment of a complex area that consumers can never hope to have full engagement on. In the case of EnergyConnect, if that RIT-T analysis 5.16.6 under the rules was not done by the AER we would never know the cost involved. Q: You don't think that the AER guidelines that came out at the same time as the consultation go far enough? The purpose of those guidelines is the AER gets to develop guidelines to give a framework and requirements around how AEMO does its analysis. There's quite a bit of material in those guidelines. R: Our submission to the AER is very strong on doing two things. One is more prescription, less discretion, and we give some specific examples where there's more prescription required. Secondly, we propose that all projects above a certain level, for example, $1 billion - so it wouldn't apply to minor QNI - all projects that have a capital cost greater than that should still be subject to 5.16.6 or at least some process in the contingent project application where they assess benefits as well as the efficient level of capex, and certainly that the guidelines should apply for the 2022 ISP in much more description. And then the AER does a review at the end of the 2020 ISP to see how things have gone against the guidelines and see where we could look at lessening the prescription and increasing the discretion. Q: The fact that you engaged on contingent projects previously with AEMO makes me wonder at what point you either converge or diverge? R: There are the planning aspects and then we've got to make sure the planners come up with a sensible solution that can be appropriately recognised in the regulatory framework in a way that the good things actually do come to pass and nobody's left short or paying excessively.			

Item	Discussion	Action	Due date	Who
	Q: Where you've got two parties with slightly different drivers and agendas, how do you marry that? Q: Are you talking about generation load coming in as well as demand taken out? R: I suppose when I talk about load, I predominantly think of customer load going out. In the case of Queensland, it's typically large mining developments, extractive industries and gas developments. It's probably more from our perspective, it's more generation leaving an area, leaving us with a potential reliability trigger. Other generation coming in and changing flows is probably more the ISP type market benefit side of things. Q: So where you've got solar farms and windfarms, are you saying you brought them in as a benefit? R: Yes. The ISP in its assumptions and planning of generation had significant potential for solar and wind in central and north Queensland. With a lot of the customer demand in Queensland being in the south, you end up with tidal flows across the network from north to south and if there is network congestion across there, there may be market benefits in augmenting the network to relieve that congestion. Q: Is there support for Powerlink continuing to investigate the sandbox with a repex contingent side of things? I just want to make sure that we've got that on record. C: We put in a very supportive submission of the sandbox concept. **Key question for interactive discussion:** • **How can Powerlink ensure customer interests are appropriately reflected when developing contingent projects for the Revenue Proposal?** C: I think 5.16.6 is a safeguard that needs to be retained.			

Item	Discussion	Action	Due date	Who
	C: From what I've seen today, I think what you're suggesting seems to have a lot of merit, introducing a lot of rigour and transparency. C: It's good. I'd like to see more detail about it, because my concern is that, recognising that you've got your load growth ones and they're fine, they're off on their own category and you're the best judge of that and then the AER can assess it as part of the revenue reset process. My focus is really on the ISP-driven stream and needing to ensure that the net benefits test is rigorously applied. C: A very simple answer to your question is that don't just have discussions like this but we have an independent assessment through the AER to help us engage with you and give us information. You've obviously just put very high level information forward at this stage. Is there anything in particular that you think we need to deliver to you to help you gain an idea about our thinking on contingent projects? Q: Is there a good example of how someone else is presenting information around a contingent project and you refer to that as a really well-presented piece of evidence? C: I think what it comes down to is demonstrating value in a sense. It depends how you explain the market benefits as to how the customer is going to view that. C: We are stuck in the middle with this because we're trying to do the right thing by consumers, we're trying to put out more information, but we try and make sure we're adopting the right inputs and assumptions where they materially could change the outcome, but we're also mindful we're trying to adhere to AER guidelines. I think the AER itself is trying to work through the urgency of the timing of some of these projects. C: I guess probably what I'm hearing though is the main concern and interest is less about the contingent projects as part of an upfront revenue proposal or AER assessment			

Item	Discussion	Action	Due date	Who
	– it's more when they get triggered, how appropriate is that assessment and what is the trigger point. C: Also, you've got to be careful about what the triggers are, because I know there were some issues in the ElectraNet proposal. ElectraNet proposed a number of triggers and the AER rejected one or two of those triggers. It's not just, "here's an idea". It has to have robust triggers. C: And not hidden in the ISP. We are after transparency. C: Yes, it's definitely about transparency. How can AEMO claim they're being transparent in the ISP document when in 64 pages they don't even tell us how much it's going to cost? Just a simple thing like that. Please tell us what the range of capital costs are you're asking consumers to potentially pay for. C: We certainly go back to AEMO to get the Queensland-specific costs for QNI because it didn't break it up into Queensland versus New South Wales. So, I can understand why they wouldn't have looked at it that way because it's a total solution. Q: Hold on, you had to ask AEMO for what assumptions they used in the ISP on the cost for your projects? R: No. For example, QNI medium is from a site in Queensland to a site in New South Wales. So we had to go to AEMO and say how much of that was on our side of the border. Q: But how does AEMO get an estimate in the first place? How are they going to get that number unless they'd asked you? R: In that particular case, they developed the estimate themselves.			

<table>
<tr><th>Item</th><th>Discussion</th><th>Action</th><th>Due date</th><th>Who</th></tr>
<tr><td></td><td>Q: Without asking you?

R: For that specific option, yes.

C: Aside from costs, we've also advocated for things to be made more explicit in the rules about how AEMO interacts with TNSPs, because we're trying not to duplicate work. We're trying not to slow things down but we're also trying to make sure things are robust. It's quite explicit in the rules what the TNSP has to do. It's not as explicit in identifying the things that AEMO should be doing. We've tried to put that in there and part of that is closing the loop.

Key question for interactive discussion:

• Discussion on how to progress the concept of reinvestment projects being included within the contingent project framework (e.g. through regulatory sandbox arrangements).

C: I want to emphasise this is in the very early stages for Powerlink in terms of what we might be proposing here, but I guess we just wanted to put it out there as a potential consideration.

R: In principle, I'd say it's a really positive initiative and could bring some great customer benefits. The question I suppose is at what point and how much information you would provide. It's got to be without prejudice because it is a sandbox.</td><td></td><td></td><td></td></tr>
<tr><td></td><td>C: I agree.

C: We'll be working a lot more on this in the next two to three months, as we'll be putting something out in response to the AEMC's regulatory sandbox consultation. It might be something that might be time-limited, may not be for the full five years, depending on how much progress we can make in between. We would ideally want to come up with a</td><td>Share Powerlink's submission to the AEMC on regulatory sandbox arrangements.</td><td>27 February 2020</td><td>Matthew Myers</td></tr>
</table>

Item	Discussion	Action	Due date	Who
	reasonable set of criteria, especially if we don't agree with the criteria that the AEMC is using. Q: Have you seen interest from other TNSPs in this space or is it just in relation to particular issues that Powerlink faces? R: We have flagged this with other TNSPs. They would like to understand a bit more detail. We've certainly been considering how we better address uncertainty so that consumers are not having to pay for that upfront. R: We talk about it all the time, about the risk, particularly if the risk is placed too unfairly on customers and how we manage that. We think this is one way of doing that. C: And we do have support from management, who have said it's worthwhile pursuing this, talking to customers, getting some input.			
3	**Business Narrative** - Gerard Reilly, General Manager Communications **Key question for interactive discussion:** • **What are your views on the draft Business Narrative (topics covered, detail provided, readability)?** • **What improvements should we consider?** C: A lot of this is about risk, and you've outlined a lot of the risks really well, but the word 'risk' never appears in the document. The other thing is, you've actually not covered the environment. We talk about regulation, power, demand, affordability, engagement, but you don't have a section that's talking about the changing environment that the network is in, and we've seen that particularly with the bushfires but also during drought, how that impacts your customers and their demand for power.			

Item	Discussion	Action	Due date	Who
	C: I think there's key words in there like 'appropriate' returns. I'd say 'legitimate' returns. I think because you're bound by the rate of return guidelines, it's not negotiable in a sense. C: I'm interested from a readability perspective – do people feel the Business Narrative was pitched at a level that could be relatively easily understood or are we still being a bit technical with some of our language? Q: Who's the specific target audience for this document? If the target audience is a general consumer, do we need to hone in on the semantics around specific words? R: The context that I see is that this is probably not a document you're going to hand out to a Queensland household that we haven't much to do with. It's probably going to be to the people outside of Powerlink that we believe are going to have an active involvement in our Revenue Proposal. It's going to be wider than just the RPRG and Customer Panel, but I would think that they would have a level of understanding of the industry. R: I think of the Business Narrative as a starting point in relation to positioning opex and capex. C: I think we probably need to come back to the point of 'how will that impact me'. What does it mean? C: When you talk about affordability, is it worthwhile raising the issue of any reforms or changes in tariff structures you might consider? I don't know how feasible that even is in terms of transmission, but it's certainly a major issue in the distribution network. C: We don't call them tariffs in transmission, we call them transmission charges, but we could look at including something there.			

Item	Discussion	Action	Due date	Who
	C: We are doing some consultation on pricing and will have something to share with you very soon. C: As a TNSP, how do you ensure that what the customer wants at the distribution level is facilitated? C: A lot of customers want to do their own thing and we need to think about what we're going to do about that. The next 30 years is not just going to be that we replace stuff we built in the 1960s. It's not as simple as that. That's not the story of the future. C: We very consciously made that switch in our last reset or thereabouts. We stopped talking about 'replacement' to 'reinvestment'. We use the term reinvestment, which means we may do a like-for-like replacement, it may be replaced with something different, or it maybe not replaced at all. C: I think it's worthwhile keeping top of mind that customers say they don't look at the energy sector in segments. They just see the energy industry as a 'whole'. R: The other good point raised is about just trying to flesh out a bit more of the 'so what'. This is what we're facing and this could be the potential flow-on impacts to the customers. We'll do a revised version of this and then have another discussion.	Provide a marked-up revised version of the Business Narrative for review.	27 February 2020	Gerard Reilly
4	**Service Target Performance Incentive Scheme (STPIS) review** - Alastair Andrews, Stream Lead STPIS Summary: • Powerlink has performed well under STPIS up to 2019 but recent changes in operating activities to minimise disruption to generators and customers has seen our performance against the current scheme decline.			

Item	Discussion	Action	Due date	Who
	• As part of our Framework and Approach (F&A) Initiation letter in October 2019, we have requested the AER review version 5 of the STPIS for our next regulatory period. We are concerned the current scheme is not fit-for-purpose in the current operating environment and needs to be adjusted. **Key question for interactive discussion:** • **Do you support a review of STPIS? Why/why not?** • **If a review occurred, what should be considered to ensure appropriate targets and incentives that reflect a rapidly changing network environment?** Q: How has the scheme evolved over the past five years since version 1 and what are the changes that instigated the review process? R: The original intent was about availability and reliability. It evolved into the more your network is available, the less likely it is to impact energy flow. Figures were based on different averaging periods, there was less history so everyone was trying to figure out the history of what does your data mean. We were originally incentivised to improve our network, and then the service component went from a mix of availability and reliability to just purely reliability. The network capability component was really introduced to encourage networks to use their existing aspects much more intensively. Q: In relation to system strength, what would happen if you have a loss of supply event on a weekend and all of a sudden you haven't got synchronous generation? You'd start constraining certain parties, and that could lead to a really challenging dilemma. R: Yes, and not to mention the impact on our customers. Q: How does the Queensland Government spend $100 million to connect the Kidston project, but then effectively you may be asking in your revenue proposal to spend money to help Kidston get out?			

Item	Discussion	Action	Due date	Who
	R: It's about getting power generated in the north to the south and that will incur additional expenditure. C: We're trying to indicate that south-west Queensland is the better place to build new renewable generators right now. But there are still lots of projects that want to connect in north Queensland. C: I've written a few submissions in the last 12 months on MLFs. Proponents effectively want to be subsidised so they can locate in a position where they get cheap land. C: Some are in the optimal location, from the market perspective. R: But under the rules, we can't discriminate who connects to our network. Q: Are you able to estimate that i.e. what the impact on markets might be? It seems to me that's a very good way of convincing the AER to consider the change, isn't it? R: I suppose the penalty we pay is supposed to be somewhat reflective of the costs to the market. Q: But who assesses that's actually the case? R: You couldn't prove it either way and that's one of our challenges. We could fix all of this from a very negative point of view, but you could still get a generator behaving differently anyway. C: For example, we could spend hundreds of millions of dollars to build something between CQ and SQ to address STPIS. That wouldn't necessarily be the right outcome.			

Item	Discussion	Action	Due date	Who
	Q: With that marginal cost of 10 megawatts, it says 'greater than' but when you do your calculations, does it assume it's 10 or does it actually look at the marginal cost, where it actually lands on the day? R: No, it will trigger everyone. And the market systems tell you the differential you've caused and we separate the ones that are more than 10 dollars in our counts. C: So they're out. Okay. C: So our systems do that but we've got the 20,000 or 30,000 records which we have to go through every month to figure that out. Q: Is there any way you could think of how we could estimate the market impact? I'm just mindful that you have a wholesale markets branch and you have access to much more information. *[Question for AER]* R: I think we'd need to look at all the data. *[AER response]* Q: The other thing is you mentioned is that you've been talking to other TNSPs. Have you got their support or is this more of a Queensland focus? *[Question from AER]* R: We have their support. We're working on a letter to bring together more information and data from all of the TNSPs. We do have their support for a review because it impacts them as well. So, this stuff is affecting them too, particularly in relation to the market impact component. C: Okay. I'd still like to stress that this is a national scheme, so any changes have to be fully consulted with all the interested parties. Also, in addition, we try not to link the reset determination process to changing the scheme. The timing probably won't be very effective in that regard. *[AER response]*			

Item	Discussion	Action	Due date	Who
	C: The elephant in the room remains COGATI. Now, hopefully some determination or direction could be given, but it's too far away. If you're talking years this justifies doing it, you can't say we're going to sit back for years and do nothing. R: I'm not saying we're not doing anything. We have to make a decision whether to do it or not. What I'm saying is that to plan more effectively and in a more timely way, we need to get this right. By all means though, we'll consider your proposal. *[AER response]* C: In relation to the service component, that has a mechanism which sees us with a target of zero for our large outage component into the next regulatory period. Now, that doesn't sound like a logical target to have. We would be spending an incredible amount of money trying to achieve that, which is almost impossible. C: Which is a perverse outcome. C: It's essentially a penalty only outcome. Q: What would a review mean for customers? It would give us a chance to consider the best way to design the new scheme. It would not be an easy piece of work but you might get an outcome which incentivises network performance in a slightly different or more constructive way to ensure that TNSPs continue to behave in the right way – because there is a school of thought that if you're going to max out your penalty, why would you bother doing anything constructive. C: We could take the hit and behave inappropriately. I'd like to emphasise that is not our behaviour and we are not encouraging that. C: It's potentially incentivising you to do perverse things, with adverse benefit to customers.	Seek advice from the AER about estimating market impacts linked to network constraints.	TBA following discussion with the AER	Matthew Myers

Item	Discussion	Action	Due date	Who
	C: Up to 18 months ago, it was probably okay. It's the changes in the world that we work in that are now creating this. And it's the target-setting mechanism, not the scheme itself. The scheme's got its heart in the right place. It's just that using the current mechanism for target-setting, we would get a target which we could never meet, so we would max out our penalty from year one, right the way through to the five years of our next period, which is not a constructive outcome. Q: What evidence do you have that your fellow TNSPs face similar issues? R: We've got submissions from them, we've had meetings with them and they are displaying the same characteristics. C: What we're essentially trying to achieve as part of the MIC target-setting component of the review is to get a target-setting mechanism that's actually fit-for-purpose and quick to respond to significant changes in the market, like the ones we've seen just recently. C: I think the word is ‘relevant’. Like you said, what was relevant 18 months ago has changed. Q: How does this work in the context of the F&A where the AER says this is a national scheme so it has to get the support of all TNSPs. How can they review that in the context of your F&A? R: I can't see that in six months they would be able to do that. We remain concerned that a thorough review needs to be undertaken. Q: So you're using your F&A as a trigger point to get a broader STPIS review? R: We wanted to flag it to the AER and they have given us their initial thoughts. The AER has also asked us if this is a broader issue, so we have taken it upon ourselves to speak with TNSPs to discuss whether they are experiencing the same thing. We've got more			

Item	Discussion	Action	Due date	Who
	evidence from them as well and we're trying to put that to the AER. I realise the timing of any review is not necessarily good but we're also mindful that ideally we would have liked this to have occurred in the market at a timeframe that was much more convenient for a revenue reset, but it hasn't panned out that way because things are changing so quickly. Q: What happens if the review happens after your revenue determination finishes? Are you constrained? The application of that new scheme would apply then to the next upcoming resets (i.e. ElectraNet and TransGrid). R: We wouldn't change a STPIS mid-regulatory period. The scheme that you start with applies for the entire duration of your reset period. So it wouldn't start for us until 2028. C: I'm also mindful the TNSP who's just going ahead of us, AusNet Services, they have also put this to the AER and I understand - and please correct us if we're wrong - the AER has put out some public information to suggest that they don't think a review should go ahead i.e. the current version 5 would apply. Is that correct? *[Question for AER]* R: Yes, AusNet is about three months ahead of Powerlink, that's correct. *[AER response]* C: I guess the other thing that I would maybe put on the table is that if there were to be a broader review, we're not averse to suggestions such as the options we've got in there about specific exclusions or essentially a 'holiday' type arrangement for MIC, which could be achieved through a revision of the scheme. For instance, there was a version of the scheme which applied only to Directlink which was in relation to significant fire damage they had on their network which was impacting their ability to work within the scheme. So, whether there would be an ability for something like that to happen in lieu of the broader review happening, just putting that there as maybe that's something that could be considered too. Q: Could we ask, how long do you estimate a broad review would take? *[Question for AER]*			

Item	Discussion	Action	Due date	Who
	R: It's a proper consultation process so I would imagine that a review can be completed inside a year. It all depends on how complex it is, especially the market impact component. *[AER response]* Q: Should you add expenditure to your reset to compensate for the likely STPIS penalty? R: We'd prefer to look at negotiating a temporary holiday/exclusion period to avoid a continuation of this situation. Q: Is the sentiment in the room that we should further pursue this? R: Yes, in principle. I think this needs to occur to avoid perverse or inappropriate behaviour. It can't go on 'as is'.			
5	**Meeting closed 4.15pm**			