<table>
<tr><td>Date:
Thursday 26 March 2020</td><td>Start time:
1pm</td><td>Finish time:
3pm</td><td>Venue:
Webinar</td><td>Meeting no:
5</td></tr>
<tr><td colspan="2">Chair: Matthew Myers (Powerlink)</td><td colspan="3">Minutes: Kiara Bowles and Tanya Fowler (Powerlink)</td></tr>
<tr><td><u>Attendees</u>
Customer Panel representatives:
Kerry Connors (Energy Consumers Australia)
Henry Gorniak (CS Energy)
Mark Grenning (Energy Users Association of Australia)
Jordan Hosie (Shell)

Other stakeholder representatives:
<u>AER Consumer Challenge Panel (CCP)</u>
Mark Henley
David Prins

<u>AER</u>
Slavko Jovanoski
David Monk
John Thompson</td><td colspan="2">Apologies:
Georgina Davis (Queensland Farmers' Federation)
Bev Hughson (AER CCP)</td><td colspan="2">Powerlink members:
Jenny Harris
Matthew Myers
Gerard Reilly

Powerlink presenters:
Kathy Hirschfeld AM
Kevin Kehl
Matthew Myers
Greg Hesse</td></tr>
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1. Discussion with Powerlink's Board Chair
- Kathy Hirschfeld AM, Chair

Summary:

- The Powerlink Board is committed to its involvement as appropriate in the Revenue Determination process, via attending engagement opportunities and receiving regular updates on the process.
- The Board is driving a new 'Better Together Initiative' as part of The Energy Charter to explore the opportunity of having the voice of the customer amplified at a Board level to appropriately influence strategic direction.
- An overview was provided of the Board's involvement in risk management and internal compliance and controls.

Comments (C), questions (Q) and Powerlink response (R)

C. Thank you very much for that overview Kathy, that was nice and comprehensive and nothing further to raise at this point.

C. Terrific presentation Kathy, much appreciated. I'm just wondering, I'm not sure whether you are involved in other organisations that don't have the same responsibilities as Powerlink. Do they take a much different approach to risk than Powerlink? How do you assess the difference between those organisations?

R. I'm involved in three other organisations, but I have been involved in a variety of organisations previously including the University of Queensland and a not-for-profit. Every organisation needs to manage risk and do it appropriately, because risk is a part of business. So if you're not taking some sort of risk, you're not going to get a return. I think all organisations need to manage their risk appropriately and most of them will have an enterprise risk management framework that uses the three lines of defence in risk. So I think we can all learn from each other to improve the way we do it, but they're all fairly similar in the way they approach risk now.

Q. You mentioned climate change and we've talked previously about rising insurance premiums and perhaps difficulties in getting insurance. I'm just wondering how that plays out in Queensland. I know, for example, I have family in Cairns and I know a lot people up there are having difficulty getting house and contents insurance. How does that play out in terms of the level of self-insurance that Powerlink might be prepared to take over time?

R. I think that that's a conversation we have to have with our shareholders, but Powerlink works closely with our insurers and we've actually just approved our insurance renewals. I think we've done very well. We got very low premium increases and yet also received expanded cover, which is quite unusual now. I'm finding most of the organisations I'm involved with are having to pay a lot more for even lower levels of insurance. In some areas, insurers are just backing away from certain insurance. So I think it is going to be costing more in the future and there are certain things that we can probably look at, such as self-insurance, but I think that's going to be a conversation that we might need to have with the shareholders.

Q. Thanks very much for the presentation, really helpful. I suppose the question I have is how risk sharing is considered. I'm thinking of things like Integrated System Plan (ISP) developments and future network capability. How is the risk between stakeholders, owners, shareholders, business and customers considered?

C. That's a good question and it is something that we're certainly seeing. I think that in the past Powerlink has taken a very conservative view as far as risk sharing. Basically we have been averse to sharing much risk at all. I think we're looking at opportunities to share more risk, but with counterparties that we feel are appropriate. So certainly when we're looking at new renewable energy components, we've had a lot of feedback that our approach to financial guarantees for example was very risk averse. We are looking at ways to share risk more appropriately.

C. Thanks very much and I'm sure that's going to be an ongoing discussion for Powerlink and other networks across Australia.

C. Thank you for the presentation, which was very good. I was going to ask about the Energy Charter, which obviously also involves retailers. I've heard from distributors about some of the initiatives happening between distributors and retailers. What is Powerlink as a transmission business getting out of that sort of interaction that's happening within the Energy Charter?

R. Thanks for the question. I haven't been involved on that level with the Energy Charter. Kev may be able to answer that question, or Gerry. I'm only involved at a fairly high level at this stage.

C. I might throw it to Gerard Reilly there. Gerard?

R. Yes, sure. I've actually got the honourable role this year of being what's called the Chair of the Industry Working Group for the Energy Charter, so I've got a fairly good understanding about what's happening. One of the unique elements of the Charter is that a lot of people get focused on the public disclosure regime, but I actually see the real benefit for customers as being the conversations that are happening between companies all across the supply chain. We believe that's something that's unique. A lot of industry associations are very much based around specific organisations and one part of the supply chain.

The architecture that we've created for the Charter enables us to bring together people from generation, transmission, distribution and retail to have great conversations around key central issues. Obviously COVID-19 is a good example of that. We are having weekly phone calls with in excess of 30 people from across the energy supply chain to discuss what we can do in this time of crisis to deliver for our customers.

There's also a series of activities called Better Together Initiatives, where we've actually tried to identify some of those key areas that will deliver the best outcomes for customers. Again, we've got people from different parts of the supply chain across different businesses working in their own smaller organic groups to come up with ideas that I think go beyond what they could achieve if they were working on their own. It's still early days of the Energy Charter, technically we're only halfway through its second year, but I think that some of the real power will be that ability to have those conversations across all parts of the supply chain.

C. For Powerlink, it's hard to have a direct relationship with customers outside of those that are very mature and business savvy. The Energy Charter does give us that ability to expand our relationships with customers. It also tests ourselves against our commitments and keeps us on track to then deliver that. Customer service delivery and customer centricity feature in our values, our vision and our mission and the Energy Charter allows us to bring life to that – particularly for our people, who wouldn't necessarily have a direct customer relationship and feel that challenge from the customer every day. So it brings that quality and texture to our organisation as well.

2. COVID-19 implications
- Kevin Kehl, Acting Chief Executive

Summary:
- Powerlink's key focus in relation to COVID-19 is the safety and security of our people, and the safe, secure and reliable operation of the transmission network.
- There are a number of challenges that may result from the crisis, particularly regarding outage delays, labour availability, minimum demand complexities, and potential capital expenditure (capex) and operating expenditure (opex) deferrals if a continued escalation occurs.
- Powerlink sees itself as critical to both working through the immediate COVID-19 pandemic but also in the recovery phase.

Comments (C), questions (Q) and Powerlink response (R)

Q. I have a comment for this group which is not something that has been discussed widely within Powerlink. But something that is keeping me awake at night is concerns about whether given that some of these issues might impact our staff, as well as our Customer Panel members, but also the Australian Energy Regulator (AER) staff – has the AER given any potential thought to whether or not there may be a need to extend any of the regulatory timeframes associated with the formal Revenue Determination process? *[Question for AER]*

R. I think the AER might be making a statement on some of these things in the near future, but they are definitely being considered internally. We are getting some enquiries from businesses on how the current environment may impact regulatory proposals. I think that the starting point is everybody's quite understanding and trying to be as flexible as possible, given the current circumstances. With things changing daily, it's hard not to take that approach.

In terms of timing for resets, of course we'd like to stick to the current regulatory timelines. There is some wriggle room for the AER to delay receipt of a proposal, for example, but the risk there is that it may mean the AER is compressed on the other end of the timeline. So, for example, if we were to receive a proposal three months later than its expected date, what would normally be a 15 month timeline for the AER would be reduced by the amount of that extension. So that's just one thing that we should be mindful of and consider how that would affect the quality of our analysis.

I recall about a year ago, when we had the New South Wales distribution proposals, we provided them with a three-month extension. That was in the context of the remittals which were under foot at the time. The purpose of the extension was to facilitate, if you like, the development of better proposals. So you could argue that there is some sort of precedent, but obviously we run the risk of being compressed on the back end of the timeline. So unless we've got some sort of certainty that the proposal will be improved by approving extension, I think it just makes it a bit difficult to approve. But that's something for the AER Board to consider, if such an extension was sought. *[AER response]*

C. Thank you for your insights. I've also been thinking about whether this current environment will actually cause us to change our approach to how we might forecast certain elements of our Revenue Proposal. So this is more about it's quite difficult to operate in this environment, where you're trying to contact people and I must admit, it's only been a short period of time but it is difficult to get access to everybody.

Sometimes you need groups of people to provide input. I'm not saying it's insurmountable, but it creates challenges. So if we were intending to do a full deep dive or a full bottom-up on some element of our Revenue Proposal, even three months ago, I'm actually wondering whether that is still practical in the current environment. I'm just trying to be practical.

C. As a generator representative in relation to COVID-19, I'll very quickly go through this and not labour the points. Our primary focus is safe, compliant production – in that order. We've talked quite a bit about safety. I think there will be challenges we are confronted with as an industry. I believe minimum demand will certainly test some of the thermal plants, where the AER guideline on minimum safe operating levels has probably come to the fore a lot quicker than I think a lot of parties thought it would.

There's also the question of availability of resources. One of the things I think is pivotal is the Powerlink 'over the network' (OTN) communication network. We've already seen congestion on the public network and the mobile network and to me, that particular bit of infrastructure is critical. As a generator we have just recently installed primary access to that, so that's a real winner. Similar to Powerlink, we've also split the shifts for our control room and trading room staff to minimise potential cross-contamination.

We've rescheduled a lot of our outages because of availability of both the workforce and distance of separation. You can imagine how close people have to work. We're going through a shoulder period now, this is just optimal for renewables, and also we're going to have a much higher supply line, because those outages are not going to occur. There's questions around will that prejudice us for summer, because a lot of those outages will be transferred to the latter part of the year. So there's a whole series of challenges from a reliability point of view.

Our communications with Powerlink and Australian Energy Market Operator (AEMO) are very strong and healthy. I agree with the sentiments raised regarding the review of timelines for Revenue Proposals. I think some of those will emerge naturally and others may have to be triggered and reviewed.

I have read the Framework and Approach (F&A) document that Powerlink circulated and I thought that you captured the essence of it. However, I was at the AEMO demand forecast reference group yesterday and it was insightful to hear about the extent of the challenges being confronted with forecasting. This is particularly relevant to Powerlink because you'll be using forecasting throughout your regulatory reset process.

The whole paradigm is changing and the other thing is that this distress may result in some industries actually not returning. That's the reality of it, so how do we capture and manage this uncertainty? We're not trying to solve these problems here, but this crisis is a real challenge and a lot of decisions are going to be made. You've got the hard task of choosing which forecast to underpin your cost of benefit under.

C. I wanted to congratulate all parts of the energy supply chain for what they're doing now. I think the way they're working together to ensure the lights stay on and the gas stays being delivered is fantastic. I know some of you would have seen the press release that Energy Networks Australia (ENA) put out this morning. That's something we're going to communicate to our members in the next couple of days. Planned work, and maintenance for example, has to continue. We're encouraging our members to be very supportive of all parts of the supply chain that are bringing the power to them as best as they can. They may have some interruptions linked to planned maintenance, but it's absolutely essential that continues. So we think the response of the industry has been fantastic.

The second point I was going to make was regarding forecasts. A few of us are talking about potentially asking AEMO to delay publication of the final version of the ISP. We haven't actually formally suggested that, but when I asked AEMO about how they're going to take account of the dramatic changes we're seeing today, they seemed to think that they will continue with its publication under the current arrangements. But my personal view and the view of others around the traps is that we think there's a good case to be made for delaying the Final ISP, to give a chance to review the demand forecasts. It would also enable more stakeholder engagement around that, because AEMO has effectively stopped stakeholder engagement on the ISP now. So I wanted to let you know that we're starting to think about this now and it will probably end up in a letter from a number of organisations to AEMO around that issue in the near future.

In relation to engaging on Powerlink's Revenue Determination process, I think that what you've done today is fantastic, so let's see how we can make the new mechanisms work as well as we can. From my perspective I'll be supporting you as much as I can to keep to the existing timeline, but I understand that circumstances can change.

C. I think we're all doing our best across the industry at the moment in these trying circumstances. I know there's a lot of discussion within our business as well around making sure we're working with counterparties appropriately during these times to ensure that things keep flowing through as best we can. It's important to recognise that a lot of people are putting in a lot of additional discretionary effort to make sure that, as referenced, the lights stay on and the gas keeps flowing. So I'd just reiterate the sentiment, it's times like this where the industry pulls together and it's really good to see that everyone is doing their best to try and smooth out the effects of COVID-19.

C. What's very much occupying Energy Consumers Australia's (ECA's) time is that COVID-19 is just a short-term crisis. But the recession, as it's accelerated, is going to be the one that will throw up a lot of challenges in the medium to longer term. We're very conscious there are a whole lot of households and small businesses who are going to encounter hardship in relation to their energy bill for the first time and they won't think of themselves as vulnerable or in hardship. So we've been encouraging industry to be as proactive in their communications as possible around offering assistance and helping those customers understand where assistance is available.

I know that Powerlink doesn't necessarily see those small customers, but I think the role you've played in the Energy Charter has been a very constructive one. I'd encourage you to continue playing that role and giving some priority to that, because I think the way in which you've engaged with customers has been very proactive and there are others that could follow your example on that front.

We're still thinking about how market bodies can best engage with customers. We actually developed a series as part of our grants program, a tranche of funding that was going to help consumer advocates travel to meetings where they could have these conversations with industry. Travel's not necessarily required, but there may be other ways to resource and support a consumer voice.

C. I suppose a very brief comment to reflect on the question regarding Revenue Determination process timelines. I think it comes down to what's a reasonable expectation in terms of engagement in the current circumstances. Noting that we are in incredibly uncertain times and one of the critical things for dealing with uncertainty is regular and open communication and ongoing engagement. So the techniques and the methods will need to change, but the concept is still incredibly important. But we recognise that none of us have the answers at the moment. We know engagement is important, we know it needs to happen, but how and when and the best ways, there's still some work to be done on that. So again, I'm just re-reflecting the uncertainty of our times.

C. We might be seeing effects with small businesses closing, but a lot of large businesses will have a knock-on effect from that because large businesses are likely to be selling to small businesses. We don't know how long the medical crisis will go for, but the economic crisis will lag behind very, very substantially.

The Consumer Challenge Panel (CCP) has had discussions with transmission businesses about the level of engagement that could be done with mass market customers, the people who aren't directly connected to the transmission network, but still obviously pay an element of transmission charges. Engagement is going to be particularly difficult with those kinds of customers at this time – bringing people together for forums, which isn't necessarily something a transmission business would do anyway. It's going to be incredibly difficult, but even things like online surveys could be hard as people have other things on their minds at the moment. Getting people engaged with the electricity system is going to be a significant challenge.

C. I think the comments I made earlier about timelines were just to note that we're obviously conscious of those issues with businesses, how they're adversely impacted under the current situation with staff productivity declining. People are distracted, I think we're all aware of the challenges that we face in that respect. We've developed a bit of a knowledge bank, if you like, in terms of what's ‘good’ or ‘best practice’ customer engagement. Now we're almost moving to a ‘next best type’ customer engagement, because we're likely to move to more online or remote engagement channels. It will pose a challenge in terms of how you assess the approach used. I think we'd all prefer to be discussing issues face-to-face and probing in that manner. But now we're all being forced to online or virtual engagement models, so it will be interesting about how we assess that in future resets, because we don't have that reference point as we have for conventional scenarios at the moment. On the working from home aspect, the AER moved to working from home last week. Staff are still going into the office only if essential, but otherwise we're all moving to this new environment where we're working from home and logging in and all the challenges that that poses from an IT capacity perspective. So I think everybody acknowledges that it's a challenging time for all. *[AER comment]*

Action

- ***To maximise upcoming engagement opportunities, Powerlink invites RPRG members, and AER and CCP representatives, to send through feedback on how we can successfully continue to engage in this difficult time and any particular methods we should be considering.***

3. Actions from previous meeting
- Matthew Myers, Manager Revenue Reset

Summary:

- Powerlink is seeking input from the RPRG on its Preliminary Framework and Approach (F&A) Paper submission. In particular, the paper references engagement with the RPRG on the Service Target Performance Incentive Scheme (STPIS).
- Powerlink also welcomes submissions from the RPRG, Customer Panel and individual members directly to the AER.

Comments (C), questions (Q) and Powerlink response (R)

Q. Given time constraints, I'm happy to take comments from people outside of this session, unless there's something really urgent people want to raise within this session to talk about at the moment.

Okay, I will take silence as we will receive comments into the future in that case. But if not, please just message me and I'm happy to come back around to you in terms of any comments you may have.

Action

- ***RPRG members to provide feedback to Powerlink on the Draft Preliminary F&A Paper, due for submission to the AER on 30 March 2020.***

4. Network capital expenditure
- Greg Hesse, Stream Lead Capital Expenditure

Summary:

- An overview of Powerlink's 'business as usual' approach to risk/cost assessments, with practical examples of our network reinvestment decision-making.
- Presentation of 'Cut 2' network capex forecast – a high-level, indicative forecast with the very first view based on the Repex Model.
- Discussion of key input elements and the iterative nature of producing these forecasts.

Q. When you look at your deterministic reliability obligation, what extent do 'Value of Customer Reliability' (VCR) values come into determining that?

R. Our licence condition is pretty clear – the network capability has to support the maximum forecast load, with the most critical element out of service, with no more than 50 megawatts of load shed. So at that point it's been specified in our transmission authority, there isn't a VCR that comes in at that point. It possibly came in at a point prior to the establishment of that standard, the policy setting, but it's not a specific thing from our triggering action.

Q. Does that answer your question at the moment?

R. Yes, thank you. I'm just going to be interested to see – so that effectively means all your capital proposals are going to be based on this deterministic reliability obligation, rather than any consideration of VCR.

C. I guess in terms of a trigger for action, or a trigger to do something, yes that's correct. Where it comes into play is in the options assessment. So there may be an option still living within the licence condition, that leaves us with say 40 megawatts of load shed following a major event. There might be another option slightly or somewhat more expensive that doesn't have that load shed exposure. In which case, the VCR value for that load shed exposure would come into the decision-making process.

C. Okay, that's a good example, thanks Greg.

Q. Could I please get a bit more explanation on 'augex' – it's the first time I think I've seen this terminology.

R. It's just the shorthand for augmentation capex, so it's what we consider as our load driven activities. So primarily augmentations but it could be additional connection works or something like that.

C. Yes, it refers to prescribed connection.

C. In relation to the Draft 2020 ISP timing of 2028, that would imply around $300 million of expenditure by Powerlink on assets on the Queensland side of the border prior to 30 June 2027. There would still be expenditure further into the subsequent period to meet the 2028 commissioning, so the proposal is to leave all that non-preparatory expenditure, which we think is around $300 million, as a contingent project at this time and not include it in the updated forecast. We'll see what the Final 2020 ISP says when it comes out in June this year.

C. So what that means is the $300 million that we may need to incur, but not sure at this stage, will not be captured in our Maximum Allowed Revenue (MAR) set for the next regulatory period.

C. That's correct, yes. We stay with that position that would not be reflected in the MAR. If it was triggered, there would be a contingent project assessment subsequent to the RIT-T and the AER would then determine what the efficient capex to include in the period was.

C. We are currently undertaking a process to understand our own estimating around QNI Medium as well and to provide that TNSP specific input to AEMO for their Final ISP.

C. So we are developing some work so that we can do a sensibility check on the costs that AEMO has used for QNI Medium in the ISP. We will be going back to AEMO across several levels once we've got that material ready.

Q. QNI Medium was an actionable project in the Draft ISP, wasn't it?

R. Yes.

Q. So when the Final ISP comes out whenever it does, in June or some other time, and it says here's an actionable project, doesn't that require Powerlink to spend the $300 million? Or do you still have a choice of whether or not you spend it?

R. As far as I'm aware, some of the information that went to Council of Australian Governments (COAG) on 20 March – it was still debateable as to what's in and what's out of preparatory works. So I'm not quite sure what the outcome of that is at this stage, but strictly speaking prior to COAG, actionable meant from the Energy Security Board’s (ESB's) perspective was that you did preparatory work. I guess we're looking at this in terms of why seek to include it upfront when there's no clear certainty on timing.

C. Just to distinguish, the preparatory work side is probably $10 million to $20 million in that it's environmental approvals, that sort of thing. The $300 million is our assessment of the actual build cost within the period. So the actual ISP doesn't force us to go and build, we've still got to do the RIT-T and demonstrate the solution. But it does oblige us to do some of these preliminary works on the critical path. It does oblige us to trigger the RIT-T.

C. Yes, so we understand that AEMO considers the actionable ISP rules for preparatory works should be single digit millions, no more than that. But of course, that may not capture easement acquisitions, for example.

C. I think I was using the term ‘shovel ready’ and I'm never sure what that actually means and what expenditure's involved in that.

C. Agreed.

C. I think ‘shovel ready’ is even different from ‘actionable’. They use ‘shovel ready’ for Marinus Link but we were just ‘actionable’, which was the way of triggering the RIT-T process and obliging us to get to a draft by the end of next year.

C. Certainly the message I heard yesterday is that AEMO is going ahead, like a freight train, a bullet train, to get this done. They want to get as much expenditure committed to enable projects to be ready to go quickly, given the time period that's required to construct them.

C. Yes that was the message from yesterday’s meeting. We can see a mismatch and we've got to do a reset, which is challenging for Powerlink, because subsequent imperatives may be still somewhat diluted as a result of the indeterminate way forward at the moment. It is a really challenging period. This is going to be hard for you because your reset is due sometime early next year, isn't it?

C. January, yes.

C. Once that's locked in, this is the real dilemma that you're going to be confronted with. I'm not sure within the process what sort of opportunities you've got to revisit things. I can imagine it will be quite convoluted, any revisiting that's going to be required due to emerging circumstances that manifest themselves.

Q. Can you clarify in terms of capex, is AEMO now going to use TransGrid and Powerlink capex estimates for QNI?

C. I don't know the answer to that. I know we will make our view available to them. I don't think we can force them to use it. It's AEMO's ISP, they consult with us, we will provide input as best we can. But I can't promise you that they will use our estimated costs.

Q. In the spirit of transparency, is it possible for the estimates that TransGrid and Powerlink provide to AEMO to be made publicly available?

R. We'll take that away as a question on notice.

C. I want to avoid a situation where we're commenting on an ISP and the networks who are supposed to do all the work and build the projects don't have confidence in the capital estimates. We run the risk that you're going to come along with a contingent project application with the AER that says a number higher than what AEMO has used in the Final ISP. Hopefully the answer now is to say no, you can't do that, you can only use the number that was used in the ISP as a cap.

C. I've been in forums where AEMO has been asked about where they sourced those ISP costs. They said they actually developed those costs with our reference to the network service provider, which I think reinforces the point. I know you're not executing this, but there is a risk of this mismatch. That is concerning, I think, for customers because it could work both ways, but I'd suggest a majority will go the other way.

C. Yes, that's why it's so important that we still do the RIT-T, because any network option in the RIT-T has to have a proponent and the proponent would be, in the case of QNI, Powerlink and TransGrid who would be putting their best view of their estimates forward as part of that.

Q. In terms of paying the potential costs relating to voltage control and fault levels, is the instability in the system caused by the connection of renewable generators?

R. Voltage control and fault levels are functions of the synchronous plan that's connected and the minimum demand is largely being driven by induced consumers putting PV on their rooftops. So the demand applied to the transmission network is falling. That also then forces off a range of generators. The generators that burn things like coal, gas and oil have higher short run marginal costs than those that rely on environmental conditions, wind or solar. So these are system standards that we're required to meet and so they fall within the bucket of prescribed transmission services.

Q. It needs to be recognised that these challenges could occur – let's say we didn't have this penetration of renewables as such, but nevertheless with the retirement of generation – and I know Queensland is probably a bit ahead of the game, but the retirement of existing synchronous plant could precipitate this outcome anyway. It just depends what its replacement is?

R. Yes, there are many moving pieces with this dynamic at the moment.

Q. On the Cut 2 network capex comparison graph, have your rates changed or is this a reflection of just more work to be done at similar unit rates?

R. The unit rates have been brought forward at Powerlink's normal escalation for capital project forecasting. We haven't had the opportunity yet to re-baseline those unit rates, so we've taken the unit rates from the last time and brought them forward.

Q. So the repex model is largely based on volume times unit rates, is that correct?

R. That's correct, yes.

C. That gives an expenditure forecast. Some of the key inputs to volumes is asset life, asset key things for the different asset classes?

R. The replacement life, yes.

Q. Also unit rates – it's leveraging off what we've actually delivered projects for with AER oversight? Can you explain that a bit further?

R. The unit rate derivation was working off our normal estimating processes for those elements and there is a feedback loop around actual project delivery costs back into that estimating process, so we don't lose track of what is really happening. Last time we also got external consultant advice to basically ask the same question of our internal and external estimating to validate the responses. We also used the unit rates to build up equivalent costs using unit rates to some of our actual projects that we were delivering.

So an actual project that had this many circuit breakers, this many instrument transformers etc. – what does all that add up to using unit rates versus what the bottom-up project estimate was. So they were the different ways we benchmark those unit rates. Having got that baseline from the last time, we need to re-do that baseline or review and update that baseline. That's still work to be done. So in effect we've taken those previous unit rates and just applied escalation to bring them forward to today.

Interactive discussion questions:

1. **Are the proposed inputs to the capex forecasts appropriate?**
2. **What are your initial views about our risk/cost methodology?**

C. My initial response to these sorts of questions is that it's a bit too early to give a definitive view. But what I do like is the transparency with which Powerlink is taking us on the journey. I understand the issues about things popping up and resulting changes, and trying to get all the analyses and business cases built up. So I wish you well in that process. I applaud the way we're being brought along. In terms of the views about risk and cost methodology, I think that – and perhaps I can defer to my AER colleagues – given the issues around the treatment of risk and development of business cases that Energy Queensland (EQ) has had in its recent times, I suppose I'm just encouraging Powerlink and the AER to have close discussions as early as possible to learn from the experience that EQ had.

C. I'm well aware of the EQ issues, I've been deeply involved in them. Fundamentally it comes down to once the evidence is before us, whether we believe that the repex model is in fact suitable for the asset class that's being used. We would also, even with the repex model, if we felt there were reasons to consider the forecast that the repex model was producing was perhaps questionable in some way, then we'd be seeking supporting evidence as to the need. That would obviously then get into the question of the risk involved, risk quantification, that sort of thing. So it's certainly something we're well aware of. We've mentioned it before in previous conversations, that the repex model may not be a good fit. So it's going to come down to the evidence that demonstrates that it is a good tool to use in that particular context for that particular asset group. *[AER comment]*

C. Thank you, okay. I appreciate it is early days, I guess part of this is also just helping to make sure that the RPRG is guiding us in terms of customer expectations too. So if there is any particular direction or path that you think that we should be going down, that would help us better understand things for our next meeting in April.

C. Down.

C. Yes, we want the forecasts to go in that direction too.

C. I think it's going to be an interesting issue. The trend is not looking encouraging, I'd say, compared to what your forecast was last December. It's not going in the right direction. So it's going to be interesting to see how you balance the flat peak demand in the system in the next five years.

C. Yes, they are challenging questions and I understand your perspective. There may be the opportunity for some innovative approaches to that, at least in the near term, depending on what happens with demand. I think it was two weeks ago that the most learned economists were talking about a V-shaped recovery, now I think everyone's talking about a fairly shallow U-shape.

C. It'll be good to see the narrative around a large increase of capital for a system that has relatively stable peak demand and a falling total demand. It's a situation where – and I know your approach, just because something's old and wearing out, that there are innovative ways of replacing assets. That you don't always have to do 'like for like'. You don't have to replace a Commodore with a Mercedes.

C. I agree about the importance of transparency and the challenges of forecasting. I think it's just collecting our thoughts on how we provide input to you as such. I think it's important for you to highlight to us the timelines and pressures that you're under. We don't want to be forced into a decision at all but be as informed as we can in providing support or commentary on it.

C. As others have said, I'm actually enjoying coming on the journey. That's all I'll say at this point in time, that's good transparent information, good to have a sense of the challenges and the formula being used to guide discussions.

C. I was just going to echo that transparency is really important and appreciated. As everybody knows, we're in unchartered territory on quite a few things. I'd encourage you to try and be a bit innovative within the regulatory regime to take into account the uncertain environment. Whatever we forecast for the next five years is going to be wrong. It's very difficult to work out what's going to happen in the future, particularly now.

C. Yes and I think it's also about being, as we talked about in terms of the hybrid plus approach and use of the repex model being reasonable, about how we're actually going about that forecasting as well, given the uncertainty we currently have.

C. What we're trying to do is not create an expectation that we can develop forecasts with much more certainty seven to 10 years out, what we do not have that level of certainty on. I think what's most important is that we leverage off our normal planning and investment processes and provide supporting information commensurate with that, rather than making up information that does not have any greater standing than we may be required to claim it does.

Q. I would be interested in knowing how everyone felt this session went in terms of engagement, bearing in mind that we may have to have a similar type of session in the future. So I'm quite keen to hear from any of the RPRG members in particular as to whether you felt that the structure of today went okay. The technology seemed to work all right, I wouldn't say it was perfect.

C. I've been having problems with WebEx until now. That worked well, the presentations were there. You circulated information to us beforehand which again gives us that chance to scan material and go through the key points of decision. I think you've chaired the meeting well. I think from that perspective I certainly can work with what we've got now. I'm not sure what we could improve. Personally I think if this is what we can do, I'm more than happy to deal with that.

C. The quality has been a lot better than the dial-in was. I also echo how helpful it is to have the agenda and slides in advance. Sequencing the questions after presentations was very helpful as well. So thank you very much.

C. I'd echo those comments. I'm missing not being there with you guys, but this meeting went really well from my point of view. I heard pretty much everything. It was well chaired and people were brought in to the discussion as needed. The materials prepared were appropriate and came out beforehand so we could follow the topics very easily. So given the circumstances, I think it went pretty well, thanks very much.

Action

- ***Powerlink and TransGrid to consider publicly releasing the cost estimates provided to AEMO for QNI Medium.***

5. General business – discussion about RPRG's operation

- Matt Myers

Summary:

- In the spirit of continuous improvement and ongoing transparency, Powerlink is seeking feedback on the RPRG's function and implementation.

Action

- ***RPRG members to provide collective feedback for Powerlink on how the RPRG is operating from an engagement and governance perspective. Please consider things like:***
    - ***Meeting frequency, length and format***
    - ***Suitability of content – level of detail provided, background and context prior and during meetings***
    - ***Relevance and frequency of out of session communication***
    - ***Value of meeting minutes and one-page overview***
    - ***Topics covered so far and interest in any specific future topics to be covered.***

6. Meeting closed 3pm