Date: Thursday 30 April 2020	**Start time:** 1pm	**Finish time:** 3pm	**Venue:** Webinar	**Meeting no:** 6
Chair: Matthew Myers (Powerlink)		**Minutes:** Nicole Maguire and Kiara Bowles (Powerlink)		

Attendees

Customer Panel representatives:
Henry Gorniak (CS Energy)
Mark Grenning (Energy Users Association of Australia)
Jordan Hosie (Shell)

Other stakeholder representatives:
AER Consumer Challenge Panel (CCP)
Mark Henley
Bev Hughson
David Prins

AER
David Monk
Claire Preston
John Thompson

Apologies:
Kerry Connors (Energy Consumers Australia)
Georgina Davis (Queensland Farmers' Federation)
Slavko Jovanoski (AER)

Powerlink members:
Jenny Harris
Matthew Myers
Gerard Reilly

Powerlink presenters:
Matthew Myers
Greg Hesse

Powerlink participants:
Gary Edwards
Andrew Bannister
Dana Boxall

1. Actions from previous RPRG meetings
- Matthew Myers, Manager Revenue Reset

Summary:

- Discussion on outstanding actions from previous meetings, in particular estimating the wholesale/generation costs to customers during network constraint events regarding the Market Impact Component (MIC) of the Service Target Performance Incentive Scheme (STPIS).

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

C. I have spoken to Henry Gorniak in relation to the MIC component of STPIS and whether we could actually estimate the impact to end-use customers of the wholesale generation cost of things. This came up a couple of months ago. We aren't able to estimate this from our own perspective, but we would be interested if this could actually be derived from a generator perspective.

R. This is a challenging one. In effect, if you have a binding constraint that actually limits the amount of true generation you can get to the node and you still need to meet demand and that supply comes from something that's being constrained and offered, in that instance because all generators get that clearing price, you end up with a higher price at the node. So you would argue intuitively that because you've got stranded or quarantined cheaper energy, but the network is not capable of using that and the constraint is binding, you would say intuitively there's ultimately a cost to customers. Does that make sense?

C. I think the issue is that it's hard to quantify how much more, because we'd have to re-run the whole National Electricity Market Dispatch Engine (NEMDE) without that constraint in place to be able to see what the price would otherwise have been. The marginal value of the constraint doesn't necessarily help you.

C. Even if you look at the local price, which you can work out, then you look at the clearing price. It's not a simplistic approach you can take.

C. I'm thinking slightly differently and Henry and others might be able to say whether this would work or not. Obviously you can't look at the price on the hedged contracts, but essentially if one generator wasn't able to get its exports to market and another generator was, and there's a difference in price of the two generators in terms of the cost multiplied by the efficiency – then the price in the market would affect the cost. Looking at it being a less efficient generator, this will indicate in the longer term the market has taken a less efficient way of serving its needs. It's difficult to know what the cost of the generators are in a sense, but in a way if you do schedule something that was less efficient than we would have wanted, then overall the market will move and customers will end up paying more.

C. From Powerlink's perspective, we're not seeing this as a critical issue to continue looking at. Unless the RPRG thinks this is something that we need some more detail on, then perhaps Henry – and David (Prins) too if you have some ideas – could provide more insight?

C. Leave it with me. Just having the discussion in recent days has triggered some more thoughts. I will pursue this a little bit further and if some lightning strikes, I might be able to give you a bit more insight.

Action

- ***Henry Gorniak to further consider and discuss with Powerlink how to estimate the wholesale/generation costs to customers during network constraint events related to the MIC of the STPIS.***

2. Cut 2 Forecast
- Matthew Myers & Greg Hesse, Stream Lead Capital Expenditure

Summary:

- Presentation of Powerlink's Cut 2 forecast, a preliminary and indicative overview of Powerlink's current thinking regarding capital expenditure (capex), operating expenditure (opex), Rate of Return (RoR), Maximum Allowed Revenue (MAR), Regulated Asset Base (RAB) and incentive schemes.
- The Cut 2 forecast builds on Powerlink's initial Cut 1 forecast provided in December 2019. Feedback received at the Customer Panel meeting will inform Cut 3, the forecast to be used for Powerlink's Preliminary Position and Forecasts Paper (PPFP) in July 2020.

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

<u>GENERAL DISCUSSION</u>

Q. I have a question about the Demand Management Innovation Allowance Mechanism (DMIAM). Is that outside the engagement scope circle *(diagram on slide 10)* because it's not seen to be an important issue?

R. No, it's probably outside the circle because I may not have increased the circle to include it in there.

Q. I'm just wondering how you're going to look at that. I'm thinking for example of what Ausgrid's doing as they've got specific consumer engagement in their incentive and innovation allowance schemes. That model is working well for Ausgrid and I invite you to consider that model as well.

Q. Is that as part of their revenue determination process or is that 'business as usual' engagement on those schemes?

R. They committed to set-up a separate innovation committee as part of their recent Revenue Proposal and that was accepted and carried on. I'm not sure with those innovation areas whether they correspond to your DMIAM. If they don't spend them, then they're not in the Capital Expenditure Sharing Scheme (CESS).

C. Just adding to that, the submissions on the wholesale demand mechanism closed recently. I might have some more feedback for you once I see what this final determination is. Now that's on the wholesale side. This demand management, does that cover the whole spectrum?

R. At a high level, it's funding and research for demand management projects. There isn't a lot of detail out there at the moment, the Australian Energy Regulator (AER) is still working through the guideline from a transmission perspective.

C. I agree and we'll wait until the final comes out. I think there's probably a bit of activity still to occur to help put everything together.

Q. Since we have the AER on the line, is there any new information they would like to share with the group on how it is considering handling the COVID-19 impacts across the industry? *[Question for AER]*

R. We're in the early stages of considering potentially putting forward a rule change proposal to provide a mechanism that would be applicable for all network businesses if it is required to re-open determinations that are on foot, that are current, if necessary, to account for the impacts of COVID-19. It's early days in that process in terms of getting the information and the data together that we might need to see what the impacts actually are, but we are trying to put in place a mechanism that would be available if it were to be required in the future. *[Response from AER]*

Q. Is that intended to be a one-off or is that something that industry would be able to look at in a few years' time? I think you mentioned it's only for determinations on foot, because I'm mindful we're still trying to clarify some of the impacts in the normal course of business, but some of the impacts could flow-on for several years. *[Question for AER]*

R. Yes, that's right. It's not clear at this point how the mechanism might be structured in terms of timeframe, but it would be something that would occur down the track once the effects become more understood, so it wouldn't be only what's happening in the next six months or we're not listening to you, it would certainly be something that would be able to be used once those effects become clear. It's early days in that process for us though, so we're still designing and thinking about what that might look like. *[AER response]*

HIGH-LEVEL OVERVIEW

Q. Are you able to advise what the Cut 2 forecast MAR would be if you were to apply a 6% Weighted Average Cost of Capital (WACC)?

R. We did do that analysis and it looked to be about a $620 million differential in the MAR over the five-year period. We've been open about that and it is included in the slides.

Q. Does that mean similar to the $4.03 billion in the current period if you applied the 6% WACC?

R. What we did there was say that if we had the Cut 2 forecast, if we applied the 6% WACC to that, that would give us about $620 million increase of MAR.

Q. So that means that in the absence of a fall in external rate of return, admittedly it's preliminary numbers, prices would go up from 2023-27?

R. Yes, this would equate to about an $11 price increase for the average residential customer.

Q. The only reason that prices are likely to come down is because of WACC, not because of reduced spend in capex or opex?

R. In this current forecast, that's correct.

CAPEX

Q. On slide 18 – I have a question for the AER. Is a reduction in actual expenditure due to COVID-19 a legitimate reason for CESS benefit? *[Question for AER]*

R. That would be one of the things we would look at in considering, for example, a re-opener, where there's an impact on incentives schemes, capex, opex and therefore a flow-through to incentive schemes and the outcome is not driven by efficiencies, it's driven by some other factor. That's something we'd have to consider in that context. It's not what the schemes are there for. *[AER response]*

Q. I know there's a degree of uncertainty around how this. Can I interpret that under the existing rules it probably would get a CESS benefit, but you're considering whether or not this particular circumstance would be an exclusion?

R. Yes, whether we needed to make some adjustment to account for the impact of COVID-19 on which the efficiency calculations are made.

C. From a Powerlink perspective, we're still trying to understand how COVID-19 is impacting our business in a bit more detail. One of the things we are thinking about – I haven't contacted the AER about this yet – is that if we don't really have control over some of the outcomes that we might be achieving in some areas, is it reasonable to count those things as an efficiency gain, or similarly, as an efficiency loss during the current regulatory period?

One of the things we are thinking about is whether we should advocate for the purposes of how we capture the Efficiency Benefit Sharing Scheme (EBSS) and CESS carryovers into the next regulatory period, and whether we put a stop on applying the EBSS and CESS schemes for example, as of this year. We didn't suffer any COVID-19 impacts that we're aware of at this stage in the first two years of this regulatory period, so if we've made a gain or a loss, then that makes sense to apply. But from this year onward, is it reasonable for us to continue operation of those two incentive schemes? My own personal view is that seems to be a really hard thing to try and claim and therefore should we just cease operation of the CESS and EBSS from 2019-20? I'm heartened to hear the AER is also thinking about this and I'll contact the AER to further discuss.

C. I think it makes sense, the way the discussion's actually gone, because once again, you're looking for fit-for-purpose. We just want to ensure the process is harmonised. I suppose we just stand by and wait for some commentary from the AER and recognising Powerlink's position.

C. It's actually an issue industry wide, not just related to Powerlink. If any particular business is considering they can still demonstrate this link, I'll leave it up to them. But we're dealing with so many priority issues right now and I wouldn’t want to be claiming an efficiency benefit or loss in the next couple of years, mindful of what's going on.

C. Yes, that makes sense. I can see, without understanding all the machinations that sit behind it, as a principle that makes a lot of sense.

C. I think from a Consumer Challenge Panel point of view at this time, we recognise this is an important topic and we'll have some further discussions with the AER before we go any further.

C. It would be useful for the AER to develop a holistic position on what things it thinks COVID-19 will impact on and how it will deal with them, rather than looking too much at just the individual components. There is lots to consider – the total way that revenue is built up and where COVID-19 may or may not have an impact, and what can be done about it.

Q. Looking at the forecast capex at the moment of $1.3 billion, how much is repex and how much is other?

R. About $1 billion is repex.

Q. So it's the bulk of the total then?

R. Absolutely. And as we've said there will be further follow-up to inform that as well.

Q. I'm sure we've looked at this before, but I know your allowance in the current period is about $920 million. What's your latest forecast of expenditure in the current period?

R. Pending any COVID-19 impacts on delivery, which we know there will be, I think overall we were, up until that time, expecting to land close to our allowance in the current period within a couple of per cent.

Q. When you prepare and present your final submission – I assume all the detail that you're alluding to will be included in that presentation or submission?

R. Yes, last time we provided quite detailed spreadsheets that tracked all the transformations from the reported Regulatory Information Notice (RIN) data, so you could verify that as a starting point and then describe the different adjustments to input data along the way.

C. We are also aiming to be able to talk through this with the AER before we lodge our Revenue Proposal. We would aim to talk through all the elements of the Repex Model – what we've done and how. That way, they know exactly what's coming.

C. That sounds great. That gives a lot of transparency, particularly for lay people, like myself, to be able to follow the journey.

C. At the moment we think the figure of $1.2-odd billion for the capex includes some double counting and we've been highlighting that this is very high-level and indicative. We need to go through things with a fine-toothed comb to ensure we remove instances where assets are being double counted or shouldn't be in there to reflect our normal asset management practice. That's why the forecast is expected to come down in the next cut.

Q. Can I just check with a practical example? Suppose you've got a contingent project, like QNI and that's got $100 million investment in a particular transmission upgrade. Are you saying that now you will take whatever assets are picked up in there, so if those assets are also being counted in your base forecast, you will remove them? Does that make sense? So you might say you've got the contingent project, we're not going to need to spend $100 million on replacement because it's going to be picked up in the contingent project basket. I think that's what you're saying, but I'm just double checking.

R. QNI is probably not a good example. The QNI Medium contingent project is 'new build', whereas this is focused on replacement or reinvestment of an existing asset.

C. Okay, good point.

C. But if we had a contingent replacement figure, then we would need to make sure that we weren't double counting on the expenditure side.

C. Okay, that's what I thought and hoped you were saying. Thank you for confirming that.

Q. I have a question for the AER about the development of their Repex Model. I'm only really familiar with the model for distribution network service providers (DNSP). I'm interested in what sort of work the AER is doing to improve the robustness of that Repex Model for TNSPs? *[Question for AER]*

R. The Repex Model is not really a TNSP or DNSP model as such, it's a model that works on populations of assets. So the fundamental assumptions within it are you have a large population which is in some sort of steady state of its life, in other words it's just rolling over, it's not all new and it's not all old. So in a distribution sense, that fits pretty well. For certain assets in transmission, it may also fit pretty well. For other assets, it may fit less well, because the population is smaller or because there is something different about the nature of the replacement needs for that population. So things such as where you have some sort of redundancy in an asset (e.g. secondary system assets), it doesn't fit very

well because the drivers aren't really just the service-based driver, it's not just degrading at some sort of rate because of the environment, it's degraded because we can't get parts for it anymore or some other factor that's not a continuous time process.

So that's the fundamental overview of the model. It does fit in some places, it doesn't fit in others and the bottom line is that without literally re-developing the model from scratch with a different set of assumptions in it (e.g. not a large population), then there's not much we can do about that. The other factor of course here is that with transmission assets, because the Repex Model isn't generally used in this space very much at all, it's not really practical to benchmark between networks.

That's the long-winded answer to your question. The short answer is there's not much we can do in that space for re-development to make it fit transmission. That's a different exercise. *[AER response]*

C. Our application of the Repex Model is not attempting to do all of our replacement. In transmission you do have certain specialist equipment, reactive power devices, SVCs and some of those sorts of things that are quite atypical and so we don't attempt to shoehorn those sorts of things into the model. But where we do have fairly homogenous asset types in a large-ish population, that's where we look to run it through the Repex Model.

C. We're using the Repex Model for replacements and reinvestments that we think are appropriate and that is precisely why we are supplementing our forecast through some bottom-up scopes, estimates and analysis, where we think it is also appropriate to pick-up big ticket items or where we think that the extra effort is well worth it.

Q. This is really a question for the AER. I'm mindful with the final actionable ISP rules that will be kicking in from 1 July this year – there were quite a few changes to those arrangements for RIT-Ts but I'm also conscious of the treatment of preparatory works for example where, for whatever reason, AEMO may decide Powerlink needs to complete preparatory works on something they think is actionable or shovel-ready very, very soon, so we may acquire easements or pre-order long lead-time equipment. In a subsequent update of the ISP, AEMO might decide to delay or cancel that project. We've already spent those funds and we have no assets to capitalise those works against. The AER is well aware and I hope consumers are too that those funds end up in opex, not capex. I'm wondering if the AER has done anymore thinking in that regard? *[Question for AER]*

R. The work around that is not something I'm directly involved in, that's mostly relevant to my colleagues in our policy area. My understanding is that under the new rules there are different arrangements for dealing with those preparatory costs, depending on whether they are minor in nature or more significant. I'm not across this in great detail but I would think that the treatment would be different depending on the materiality

of those costs and whether the ISP itself allowed for a specific project related to early works or what I call 'shovel-ready' works, something like that, in which case the preparatory works themselves could be treated as a capital investment and a project in its own right. But in the case of a different project where those preparatory costs might be more in the nature of 'business as usual' early planning works, those two scenarios would be treated differently. That's my very basic understanding. *[AER response]*

Q. Powerlink hasn't actually come to a landing on this, but I'm interested to know, would that treatment be consistent with accounting standards? I don't know what the answer is, I haven't actually gone to ask, but I'm mindful we have a capitalisation policy and if you have no assets to capitalise to, we can't call it capex. That's why I'm saying it gets expensed and becomes opex – and I'm trying not to blow out our opex unnecessarily for the ISP or any other reason. But I'm thinking that's a risk as a result of the new rules. *[Question for AER]*

R. Perhaps we can take this question on notice, because I don't think any of us on the call have all the background that will mean that we can answer the question in a satisfactory way today. *[AER response]*

Q. The number that you've got in there for QNI Medium, is that the same as the ISP?

R. Yes, that's right.

Q. The range of $1,040 to $1,925 million seems to be the same range as in the Draft ISP in December 2019?

R. We haven't updated that number in the slide. That's still just a number from the range in the Draft ISP.

Q. Okay, so we had AEMO telling us a few days ago that they've increased it by 30% – is that something they've talked about and agreed with you?

R. I understand we've been told that's what they were intending to do and I have your questions from the other day. Did you want me to quickly go through those?

C. Yes please.

R. So first question, the costs, are they still going to be presented as a range in the Final ISP and using the midpoint? So we understand from AEMO that yes, that modelling is being done with those new 30% higher costs and the Final ISP will still include a range which will be plus or minus 30%, around that new midpoint figure.

Q. So what does that practically mean? Because in the Draft ISP they would have used about $1.5 billion for QNI Medium. What will they use in the Final ISP for QNI Medium?

R. I guess it would be 30% above that.

Q. You don't know?

R. I don’t have it in front of me, I'm sorry. The planners would probably be aware of it, I haven't got that exact figure.

Q. I'm trying to understand how much is the AEMO estimated figure and how much is a Powerlink and TransGrid estimated figure?

C. In which figure, in the Final ISP?

Q. Yes, because you previously advised us that you didn't have input into the Draft ISP capex number. I'm just trying to establish – AEMO has come back saying we're going to increase it by 30% but I don't know what that 30% means and you're telling me it means midpoint plus the 30%?

R. Yes, that is my understanding of what they're going to use.

Q. Okay and the second question is, do you agree with that?

R. With some qualifications, we see it probably as being more realistic. We've tried to put together a high-level estimate internally of the same scope of works. I guess the qualifier is Powerlink has never constructed 500kV transmission infrastructure before, so it's really hard for us to be definitive on this point. We can be a lot more confident in estimates around 275kV construction.

Q. So the $285 to $530 million for the Queensland works, is that similarly increased by 30%?

R. I would imagine so, yes. I think their midpoint last time was a touch over $400 million, so it's going to be a number somewhere in the low to mid 500s now I would think.

Q. That's what I'm trying to understand. Is AEMO coming up with these numbers themselves or do they actually have Powerlink's support for the numbers in the ISP?

C. I recall previous discussion about where did the figure come from in the Draft ISP. I've heard a couple of times from TNSPs that they provided figures with qualification and in some instances they may have been used, but in a lot of other instances they weren't. So the question was, where did AEMO get that figure from and the TNSPs said you'd have to ask AEMO.

C. My understanding is it's still the same advice as last time. So for the interconnectors, AEMO has applied their own price book but escalated everything by 30%.

C. I understand that was done off the basis of what's been observed in terms of RIT-Ts and regarding what is Powerlink's view. I think we can loop back around to you and the wider RPRG around what our view is at this point in time in terms of an estimate. I haven't got that with me.

Q. Meaning you'll respond separately rather than here now?

R. I don't have it in front of me. We can send that through to the RPRG.

C. I understand that you've never built a 500kV line, but neither has AEMO, so I'm just wondering, we have two organisations trying to estimate a number for something they've never built. How accurate are those numbers? I'd like to have some confidence in those figures.

C. We are happy to loop back around to you and provide some initial thinking from our perspective.

Actions

- ***Powerlink to contact the AER to further discuss ceasing operation of the CESS and EBSS.***
- ***The AER to provide information on the application of final actionable ISP rules, in particular regarding the treatment of preparatory costs expended for contingent projects which are delayed/no longer required and move from a capex to opex classification.***
- ***Powerlink to provide the RPRG with more information on its initial high-level cost estimate for QNI Medium.***

OPEX

Q. I'm trying to remember what the final Energex and Ergon proposals were for materials price change, I thought it was zero rather than a Consumer Price Index (CPI) increase, or was it a zero real increase? I'm just trying to compare what Powerlink's included here with what the Ergon and Energex figures were. *[Question for AER]*

R. Yes, so it's zero real, we allow CPI for materials. *[AER response]*

Q. You mentioned something about a draft benchmarking report, what is that?

R. So this is for this year's benchmarking report, some early information from the AER, as I understand it, which will be fed through into the next cut.

Q. This early?

R. That's my understanding.

R. Yes that's right, we've got the data and because we know that you are using it for the purposes of this reset, we've looked into getting the report done earlier rather than later. I think it might be available the week after next. That's what we're trying to work through at the moment. *[AER response]*

C. That's great, I really appreciate that, that's very good, thank you AER.

Q. You're effectively having as a benchmark the average rate of productivity growth of all TNSPs over the 2007 to 2019 period? *[Question for AER]*

R. That's right, I think the terminology there is “line of best fit” between the periods? *[Question for AER]*

R. That's right, yes. The benchmarking report looks at productivity over the period and in relation to opex, there's two ways you can measure it. You can look at a point-to-point estimate, so from the beginning, when we estimate it to the last observation, or you can look at it via line of best fit. I think because there have been some material changes over the period that we look at it, using the point-to-point can result in not the best measure of productivity. So I think for some recent resets we have gone to using a line of best fit measure. *[AER response]*

C. I'd just encourage you to focus on a number considerably higher than 0.14% for productivity. I acknowledge as emphasised in past meetings the limitations of the productivity data for TNSPs.

C. I was just thinking about the impact on demand, not on peak demand, but on energy flows as a result of COVID-19 – how that might distort it, but I haven't thought that totally through. Your assets are the same and if your volumes are down, then productivity goes down as well.

C. I would imagine there would be some broader economic impact to productivity too, not just within this sector. So it'll be interesting to see how that flows through. The other aspect is your energy throughput will impact your output growth component as well. I'm keen to see how this rate changes between now and the July forecast.

C. It's always built around a sort of steady state forecast in a way and it doesn't cope very well with these significant shocks.

C. Yes and the component of things which are going to be absorbed as part of the rate of change aspect as well – that is obviously a consideration for us. Based on the range of factors, our productivity figure may not be above the industry trend of 0.14%.

C. I think it goes back to the point I was trying to get across before – I think the AER needs to look at the whole thing in a holistic way, the impact of COVID-19, because it flows through to quite a number of the calculations.

Q. When's the next Deloitte wage price forecast being done and when will that be ready? *[Question for AER]*

R. We do them for resets and so our next Deloitte report will be available for the Victorian reset. Also, I think that will assist us with the gas resets that are coming in during June. So we wouldn't necessarily have state-based wage price index (WPI) forecasts for Powerlink until closer to the time we make the actual draft decision. But we'll have Victorian WPIs to help with the Victorian distribution reset.

C. I'm also mindful not to go and get another consultant's report. If we're not seeing anything that might materially impact where things are going, I don't really want to spend dollars on another consultant's report. So what I'm flagging is we might use whatever reports are out there as opposed to spending dollars on another external consultant's report.

C. I understand the point raised about the AER trying to look at the impacts of COVID-19 or how it might address this via the regulatory framework holistically. I also understand that's a really big task for the AER and I'm not sure whether the AER is thinking to focus on the big or priority rocks first as opposed to every single rock.

C. If they were to do it, I think it would be something they would do to apply across all of their determinations, not just Powerlink, but I take your point.

C. There are a lot of different work streams going on at the moment on different aspects of things within the AER and I'm not across them all, but just in terms of the re-opener, the principle is certainly that it would be applicable across the industry and it would take a holistic view of every aspect of that. I think it would be looking at this in an ex-post sort of world, more than an ex-ante. We're not trying to predict what's going to happen. *[AER comment]*

Q. In relation to insurance, are you finding there's less players in the market?

C. We have been talking to other businesses as well, so we are aware that some insurance providers are going out of business. We also understand that some businesses are not able to get the level or the types of insurance they might have had previously. So they’re either underinsured or trying to insure in a different way. Maybe the AER has some more visibility of that too, but that's what we are aware of.

C. From the generation point of view, it's a similar experience, but I would have thought with coal plant, there might be a built-in premium and I was wondering from a transmission point of view, but you're still encountering the same sort of challenges.

Q. Just for a bit of context on the insurance story – what would be a normal expectation about insurance change year-to-year in terms of percentage? What I'm seeing on slide 30 is a 53% increase in premium and I accept that's probably a reasonable estimate. How do I understand the 53% against what would have been, dare I say it, a normal year-on-year increase, say five years ago?

Q. So what was the increase in our insurance from 2018/19 to 2019/20?

R. In terms of orders of magnitude, I think 53% is maybe four or five times what might be a normal increase.

C. Okay, so you could normally expect even up to a 10% increase year on year?

C. I've got the number here, we increased by about 13% in the last regulatory period.

RATE OF RETURN, MAXIMUM ALLOWED REVENUE AND REGULATED ASSET BASE

C. I think the fourth dot point (on slide 33) says results in approximately $130 million decrease in revenue compared to Cut 1 may give a bit of a misleading view, because then we get into the deep and meaningful discussion of real rates of return over multiple revenue periods – whether or not when you look at the AER's measure of expected inflation. So I don't think it's really a case that you're losing revenue under real terms over multiple regulatory periods.

C. That's a fair comment. We just wanted to make sure that we were highlighting to RPRG members what the differences were, because that way you could follow the bouncing ball and we're definitely trying to follow it too.

3. General discussion
- Matthew Myers & Gerard Reilly, General Manager Communications

Summary:
- Powerlink thanked the RPRG for their recent feedback on the operation of the group and associated engagement approach. Discussion on high-level feedback received to enhance engagement practices moving forward.

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

C. I think as our feedback shows, we're enjoying our participation in this process and learning a lot from it. We find it very valuable.

C. Yes, ditto that.

C. From my perspective, someone who's coming into this forum with fairly minimal background in the power industry, I'm enjoying being involved. I'm also finding it an interesting challenge trying to get up to speed and get my head around materials. So I appreciate the level of detail that's been provided and the effort that everyone is going to in order to engage all the relevant parties. Definitely from my perspective, I can appreciate the amount of work that's obviously gone into preparation for the sessions and from someone who is not overly familiar with the material, the sessions are really clear.

C. We'd be happy to provide some one-on-one interactions to give you a bit more background or try to bring you up to speed as best we can so that you can meaningfully participate, so please feel free to reach out and we can do some more one-on-one sessions if that's what you might find of value.

C. Thanks, I really do appreciate that. I know that offer has been made before and absolutely, I think I'll try and take you up on that. From my perspective, I think selfishly I'd almost prefer to be able to sit across the table to undertake a session like that. I think in circumstances where we're remote learning, sometimes it's more difficult, particularly when there's technical detail to go through in a remote capacity which can be challenging, but I appreciate we could be in these circumstances for an extended period of time. If I'm being optimistic and hoping that we're all in a position to actually get around a table and run through those sessions face-to-face in the next couple of months, that would be my preference, but if not, then I'll definitely look at something virtual.

C. We're pretty happy with the meetings. We're getting good information and I'm finding the interaction really useful. If there's any upside to COVID-19, it's been that we've appreciated that all three of us in the Consumer Challenge Panel can actually join in.

C. I agree with all of that. I think the whole world is now thinking about what's the efficiency of having as many in-person meetings as we did in the past and whether there are more efficient ways to do things, particularly where people are geographically dispersed. Also, because I've not been able to attend an RPRG meeting in person as yet, it's been a case of dialling in remotely over the phone. Now we're all in the same boat, it's very much a leveller.

C. Thanks for the insight into the Cut 2 numbers, we obviously appreciate an early and close look at these as soon as you have them. We look forward to the Cut 3 forecast where you consult on your draft plan.

4. Meeting closed 3pm