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**1. Progress update, key milestones and proposed future engagement activities**

- Matthew Myers, Manager Revenue Reset

**Summary:**

- Overview of Revenue Proposal forecasts.
- Upcoming regulatory milestones and proposed engagement activities for 2021 and 2022.
- Powerlink has released several customer overview documents to help customers/stakeholders understand key topics.

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

Q. Robyn, I know we spoke about whether you would be interested in presenting at the AER's public forum on behalf of the Revenue Proposal Reference Group (RPRG) and you were going to talk to some of the RPRG and Customer Panel members. I just wanted to check in whether those conversations have happened and whether we can confirm anything here today or did you still need a bit more time?

R. I haven't had chance to reflect on the feedback that's come through but the upshot of it was I did contact all of the RPRG and Customer Panel members and there was support for a presentation to the public forum. So, we can confirm that today and I'll shoot that in an e-mail back around to Customer Panel members and let them know that I've given you that commitment.

R. Okay. Did an AER representative want to add anything about the public forum? *[Question for AER]*

R. No, that's good coverage, thank you. Did you mention our Issues Paper? *[AER response]*

R. Briefly, but I'm happy for you to talk to that more if you'd like.

R. Yes, I might just say a few words about the Issues Paper. So usually as part of this process, after we receive the Revenue Proposal, we'll do a high-level scan and highlight what we're seeing in terms of the key trends. That's what we'll do in this case as well and that will lay a bit of a foundation for the public forum and you'll be able to see in advance some of our thinking around what we're seeing. The other aspect that you'll see in our Issues Paper will be the question that Powerlink has put around 'capable of acceptance'. That's a concept that we do want to explore as part of this process so if the group here is able to give us views at the public forum or later in your submissions, I'd like to highlight that is a topic we are very interested to hear about. *[AER response]*

Q. In terms of the proposed 2021 and 2022 engagement calendar, does that sound like a reasonable plan over the next few months? Is there anything else you'd like to see?

- R. I haven't given this any thought at the moment but when the RPRG and Customer Panel members were looking at putting our letter together and early on when we were looking to give Powerlink some feedback on the draft plan, we had an out-of-session meeting. I'm just wondering if there might be value in another out-of-session meeting for the RPRG and/or the Customer Panel. I'm not quite sure at what point we'd do this in the program, but I think we agreed at that earlier discussion it might be an idea to have another one of them.
- Q. Just to clarify, you mean a meeting just of the RPRG and/or Customer Panel, without Powerlink representation, so you could have that robust discussion?
- R. Correct.
- R. I agree.
- R. Powerlink would be happy to facilitate that.
- C. I agree with that approach too and I think this is a pretty good plan. Have we had a discussion too about potentially having the Customer Panel put in a submission?
- R. No, we haven't.
- C. I know my organisation will be putting in a submission but I'm not sure whether or not the Customer Panel will want to or be able to put in a submission, so that's something that we'll discuss offline.
- C. Yes.
- C. But we would appreciate one, if that is possible.
- C. Yes, and that's part of the purpose of having a meeting by ourselves and that discussion may require more than one meeting.
- Q. There might actually need to be a meeting in April after the public forum for the Customer Panel to get together and determine the best way to move forward in the submission process?
- R. Yes and I think before that we'll make a decision about whether or not the Panel will put in a Panel submission and if so, then, yes I think we would have a meeting after the forum.
- C. Perhaps one of the RPRG members, after having a chat with the broader Customer Panel, could come back to us on some proposed dates and the approach for that and then we're happy to obviously to update the calendar. We're flexible. That mid-May timeframe for the RPRG to discuss the Revenue Proposal before submissions are due – our intent there was really to use that as a forum if you have questions or items that you want to clarify before you submit. We're happy to have those discussions and we'd really like to hear from you as to what your thoughts are before the submission gets lodged.

Q. A question about the public forum. I'm going to be on leave that day and out of reception so I'm wondering if that's recorded so that I could watch it afterwards?

R. We don't actually record it, but we publish the slides. *[AER comment]*

Q. But definitely anyone can register, that's correct?

R. That's correct.

C. I think other things will come up but I think for the moment, this proposed approach is pretty sound in terms of what we've previously discussed in the AER process.

**Actions:**

- **RPRG to contact the full Customer Panel and determine the approach regarding potential lodgement of a joint submission, including holding out-of-session meetings (without Powerlink attendance) as appropriate. RPRG to advise Powerlink on agreed approach and additional meeting dates required.**
- **RPRG to advise who will present at the AER's Public Forum on behalf of the Customer Panel.**

**2. Update on Service Target Performance Incentive Scheme (STPIS)**

- Alastair Andrews, Stream Lead STPIS

**Summary:**

- Focus on the three elements of STPIS:
  - Market Impact Component (MIC) – discussion on Powerlink's proposed application of using calendar year 2021 for target setting to reduce uncertainties and ensure STPIS targets are fit-for-purpose.
  - Service Component (SC) – consideration of Powerlink's proposed alternative target of 'one' in lieu of 'zero' for the large loss of supply event sub-parameter to better reflect the intent and design principles of the scheme.
  - Network Capability Component – Powerlink has not proposed any Network Capability Incentive Parameter Action Plan (NCIPAP) projects in our Revenue Proposal. Potential projects will be considered in-period.

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

- Q. In terms of the MIC performance exceeding Powerlink's current floor, does that mean once past the floor, there's no real incentive to change behaviour once we go past that floor?
- R. You could take that view, but we haven't chosen to and all through the last couple of years we haven't adopted that view. What we still need to do is make sure we minimise the output that impacts on generators and customers as much as we can. To try and achieve that we've moved some work into shoulder peaks – for example four o'clock in the afternoon until eight o'clock in the evening or four o'clock in the morning until eight o'clock in the morning where we can. Also, we continue to combine outages. Unfortunately, we're in a rebuilding or refurbishing stage of our program and all of our big substations are being rebuilt so none of the outages were small, so we've been fairly heavily impacted by that.
- Q. Is another reason why you're wanting the latest information included because of the greater change within the industry? A lot can happen in a 12-month period now – we haven't seen that rate of change in previous years.
- R. Yes, it is. The rate of change is fast. New rules are starting to come into force like the 'no harm' one, so you can see the effect of that and be able to take advantage of the effect. So, yes, it's a rapidly changing set of scenarios. This world is changing rapidly and regulation will catch-up, but at the moment, it's not quite there yet. We need to work on that for 2025 and beyond. We will learn a lot this year and we are finding things out every day. Some of the generators are becoming more educated and more able to place themselves in a better market position.
- Q. When the AER sets the targets for the next revenue period, is it one-year data? How many years do they average to get the floor and the target for the next revenue period?
- R. For this part of the scheme, they take the past seven years. You take the highest and lowest figure out and you take the median of those five years that you're left with. For our Revenue Proposal, we were asked to submit 2013 to 2019 and for our Revised Revenue Proposal we have been asked to use 2014 to 2020 figures.
- Q. So, you're proposing now that it includes 2021 and not end at 2020?
- R. That's right. It would be 2015 to 2021.
- C. Yes, you move the whole seven years one year further to take advantage of whatever comes out of 2021.
- Q. Do you need the AER's approval to include 2021?
- R. That's correct. So, the current mechanism is out to 2020. I don't know if anyone from the AER wants to comment on that? *[Question for AER]*
- R. We haven't made a formal decision on this matter yet. We have to wait for submissions, so whatever we say now does not necessarily represent what the AER's decision may be. The Issues Paper hasn't been published and is still yet to be finalised, but at a high level Powerlink has come

to us multiple times on this matter and we've pushed back on it for a number of reasons. The primary reason is that the scheme sets out the data period and our legal advice is that we can't include 2021. So, it's the most recent years at the time of submitting the proposal and that necessitates it only includes 2020. The second reason is on a practical level. The annual review of the STPIS data doesn't actually conclude until mid-March of the following year, so that data has to be finalised at that point in time and then it would go to our team that does the analysis on that because we can't just selectively use 2021 for MIC, it has to go across all components.

So, it would go to our modelling team that does the distributions for the Service Component and they require a two-to-four-week lead time on that and so that blows this out. We also rely on AEMO's data and there have been revisions from AEMO in recent years, for example last year we had late revisions which pushed everything out a month. The third reason is that 2014 to 2020 aligns with the past revenue reset period that was used, so 2014 to 2020 is consistent with what we applied in the last Revenue Determination. *[AER response]*

Q. But importantly, it's not even a matter your legal advisor says that you can exercise your judgement in.

R. Exactly, and we've provided that legal advice to Powerlink.

Q. So Powerlink's pursuit of this issue – is that because you don't agree with the legal advice or you think it should still be done?

R. I'm not sure that we have received that legal advice. If we have, then I'm not aware of it. *[Powerlink response]*

C. That went to Powerlink in an e-mail in December of last year. *[AER response]*

C. We would need to go and look at that.

C. On the second point about the alignment with the past period, so I know that yes, it may align with how it was done for our past reset, but I know there have been three resets in between where the most recent data has been used.

C. Yes, that's correct. Powerlink's observation is that TransGrid, ElectraNet and TasNetworks used the most recent year data for their STPIS final determinations.

C. So, they would be the equivalent of them using our 2021 data?

C. That's exactly right, yes.

C. In terms of the AEMO matter, too, we've proactively been speaking with AEMO to try to see what they can do in terms of getting data sorted. We've been working very closely with AEMO because of that timing and yes, they're dealing with more data, so there's been more data of this sort in the past 18 months than ever before. Last year we did see a correction come through in March, which is unusual, but it had no impact to our outcome in terms of dollars or anything. There seem to be little adjustments as we go through. But they've given us an understanding of the timing issues. We had a lot of discussion with them.

We'll go through this on a monthly basis throughout the year to be able to reduce AEMO's overall workload at the end to try and work through this timing issue that AEMO correctly points out. I know that it's a lot of work to do in January so if they can help us, they've said they'll try to have the minimum amount of work done in January to facilitate this outcome.

Our initial thinking at this stage is to provide data up to the end of October for our revised Revenue Proposal, so that would be 10 months of data. The remaining two months (November/December) would be provided in January. *[Powerlink comment]*

Q. By seeking to include the latest information, does that make the targets more challenging than would otherwise be the case?

R. It's likely.

Q. So would consumers benefit?

R. It's likely that our targets would be more effective than where we are and customers would therefore benefit from that outcome.

Q. I'm not sure that's correct. So, if you include 2021 and it's higher, is that what your expectation is, or you're expecting it to come down to be lower? *[AER question]*

R. I'd expect 2021 to be lower than last year because of the rate of inverter tuning has been successful so far, but it's not going to fall to below 600. It's hard to predict an actual number but it's probably not going to be the same as last year; it would be better than last year. *[Powerlink response]*

C. Yes, so I guess it's a bit hard to say whether it's going to be better or worse by including it when you actually don't know what that number is. *[AER comment]*

C. I think regardless of the number, it would be the most reflective of our new normal, if you like, and that's our fundamental argument. *[Powerlink response]*

C. I understand the sentiment, because you're effectively saying you'll take out 2014, which was around 4,000 on that graph, and put in whatever 2021 is in the seven-year average.

C. It's the previous seven years' data with the highest and lowest figures removed.

Q. Right, so you'd take out 2020 and 2016 and you'd have 2015, 2017, 2018, 2019 and 2021. Does that sound right?

R. Yes, that's right. You'd lose the 2014 and you'd take 2021 and my guess would be that 2020 would fall away. That would be the likely outcome.

Q. You're prepared to take the risk it may be a tighter or a higher hurdle to get over to get a STPIS payment?

R. Yes. Because in our view, it should be the most reflective.

- Q. I understand. So, my question to the AER is - if I understand this correctly - if your legal advice says they can't do this, how did those other three networks do it? *[Question for AER]*
- R. Unfortunately, we've not had strict interpretation of this scheme. *[AER response]*
- Q. So, had you had the legal advice back then? *[Question for AER]*
- R. No, we didn't. *[AER response]*
- Q. Is this trend that we see on the graph the same for other TNSPs?
- R. In absolute numbers, yes. They have different targets based on the system but certainly, they're seeing the same things and in our discussions with the other TNSPs, they were asking – they're considering the same arguments we have, that certainly prior to 2019 is not reflective of our current experience.
- Q. Does the development of Renewable Energy Zones increase the risk?
- C. It depends where they are. If you were chasing down a Renewable Energy Zone and if you knew what you were doing, you would think that it would be an opportunity for generators to invest without causing more pain. We wouldn't want to develop a Renewable Energy Zone and then just create the same problem for those generators. That wouldn't make sense. Having said that, we are still not clear what an efficient planning level is to be able to make allowances for planned outages. Most of the discussions are around 'system normal', which is all good and well until you start taking outages, so that's the piece that's still wrapped in what's known as an efficient level of headroom. That's undefined anywhere yet.
- C. I'm mindful that we recently lodged our 2020 annual STPIS report with the AER by 1st February this year – and the AER will make a final review very shortly – but we did note that the Dispatch Intervals (DIs) that we actually experienced were 70 times what we would normally experience. We don't know what the answer is but we know something's completely out of whack by significant orders of magnitude and we're asking that the AER take that into account.
- C. What you've heard from us today are just some preliminary views at this stage and we'll continue to work through the issues that Powerlink has put in front of us. *[AER comment]*
- C. Thank you. As we've discussed today, we've spoken multiple times with the AER on this matter and they've always been willing to sit down and talk with us about these issues so we do appreciate the time taken to do that.
- Q. Just a question for the AER. What's your thinking on this alternative? *[Question for AER]*



R. Once again, we are having a look through this and we'll work through the issue but there is a question about whether there is a discretion within the scheme to use a target of one rather than a target of zero. *[AER response]*

Q. Whether we can propose another target? *[Question for the AER]*

R. Yes, there is a level of prescription in the scheme and it may be that we do not have discretion to use an alternative target other than zero. The current scheme has a five-year average rounded up to the nearest digit, so there's some rounding allowed but I think in the long-run, the rounding up and rounding down should even out. If I make an example from the last reset, initially there were two events so the average is 0.4, therefore rounds to zero and 0.6 becomes one. I think eventually, probably a decimal point target probably is better but I don't think it's material.

So, let's say if your five-year average was eight events in the past, and your average is 1.6, and you've got a target of two, therefore you've got a windfall gain of 0.4 but then if it's six events in five years, it's 1.2 rounded to one so you've got a 0.2 shortfall, if you like. But I think the key consideration in front of us is that this incentive scheme is to deliver a higher level of reliability to consumers, so once it's delivered, the consumer pays for the improvement, but after the improvement's made, the target is set tighter.

The current level of reliability has already been paid for by consumers. If we were to set an easier target that would mean the consumer has to pay twice so we probably will be asking that question in the Issues Paper. *[AER response]*

### **Key action**

- **Powerlink to review legal advice from the AER regarding target setting years for the STPIS and advise its view to the AER and RPRG.**

### **3. Feedback from RPRG members on the Revenue Proposal**

- Matthew Myers, Manager Revenue Reset

### **Summary:**

- Powerlink invited feedback from the RPRG on the Revenue Proposal, published in January 2021.

### **Comments (C), questions (Q) and response (R)**

Q. I understand the group might need a little more time to consider the Revenue Proposal documents that have been published before providing specific comments, but if there's anything at this point in time, we'd be happy to hear it. Does anyone want to provide feedback?

R. No, nothing from me. I'm still going through it.

C. I would just say that I think it captured the discussions that we had around capable of acceptance quite well.

C. Not from me yet. It's still very early days in looking at it.

C. Nothing from me at this stage either.

**Actions:**

- **RPRG to review and provide feedback to Powerlink on the Revenue Proposal as part of the next RPRG discussion. Formal submissions due on 24 May 2021.**

**4. General business**

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

C. There was a question asked by an RPRG member wanting to discuss CopperString briefly – we might look to talk about that at our next broader Customer Panel meeting as there were other Customer Panel members not here today who are interested in this topic as well.

C. Yes, at our next Customer Panel meeting on 18 March our Chief Executive Paul Simshauser will spend a fair bit of time with the group. The purpose of that is for him to provide an update on where we're at in terms of things like our Renewable Energy Zone strategy and also our new business strategy which we're currently putting together. Rather than discuss CopperString here, is it okay if we wait until the Customer Panel meeting?

R. Yes. When I asked about CopperString, I'd forgotten there was a wider Customer Panel meeting coming up so it's fine to wait until then.

C. That's fine. Just for everyone's awareness, in terms of the Revenue Proposal itself – there's no ex-ante capex in there for CopperString. It may contribute to the contingent project that we've proposed for Central Queensland-North Queensland reinforcement. In order for that to go ahead, there would need to be a couple of triggers and CopperString may be one of those. In total the contingent project is about \$50 million or so.

**Actions:**

- **CopperString to be discussed at the Customer Panel meeting on 18 March 2021.**

**5. Meeting closed 3pm**