

<b>Date:</b> Wednesday 12 May 2021	<b>Start time:</b> 3pm	<b>Finish time:</b> 5pm	<b>Venue:</b> Powerlink's Virginia office and Teams (hybrid meeting)	<b>Meeting no:</b> 21
<b>Facilitator:</b> Gerard Reilly (Powerlink)		<b>Minutes:</b> Kiara Bowles (Powerlink)		
<b>Online attendees:</b> Andrew Barger (Queensland Resources Council) Ian Christmas (Edify Energy) Georgina Davis (Queensland Farmers' Federation) Dean Gannaway (Aurizon) John Gardner (CSIRO) Henry Gorniak (CS Energy) Mark Grenning (Energy Users Association of Australia) Claire Hamilton (Shell) Chris Hazzard (St Vincent de Paul Society) David Hiette (BHP Billiton) Robyn Robinson (Council on the Ageing) Mark Henley (AER CCP) Bev Hughson (AER CCP) David Prins (AER CCP) James Brown (AER) Slavko Jovanoski (AER) Mark Langeluddecke (AER) Brendan Li (AER) David Monk (AER) Jonathan Seymour (AER)  <b>Powerlink panel members:</b> Gerard Reilly Jenny Harris Norike Ganhao	<b>Apologies:</b> Steven Jones (Energy Queensland) Chris Evans (Powerlink) Narelle Fortescue (Powerlink)	<b>Powerlink presenters:</b> Stewart Bell Enrique Montiel Darryl Rowell Gary Edwards Greg Hesse Dana Boxall Matthew Myers  <b>Powerlink observers:</b> Andrew Bannister Jacinta Grech-Holmes Hannah Higgs Sharon Iseppi Rachael Lim Nicole Maguire Cameron McLean		

**1. Welcome and introductions**

- Gerard Reilly, Acting Executive General Manager People and Corporate Services

**2. AEMO's 2022 Integrated System Plan (ISP)**

- Stewart Bell, Executive General Manager, Network & Business Development

**Summary:**

- 2022 Inputs, Assumptions and Scenarios Report (IASR) – policies
- 2022 ISP Methodology – improvements
- 2022 ISP Methodology – further opportunities

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

Q. How have you come to the date 2031 for the future upgrade of the QNI? Isn't that something that will come out in the draft ISP in December?

R. This was a quote from the 2020 ISP.

Q. Do you have any views about the QNI upgrade, or how larger QNI upgrade sits in context of the New South Wales roadmap?

R. Given New South Wales is going to be exporting renewables to Queensland, and as long as they are reasonably stacked, then we will probably see more local generation closer to the load, which then reduces the need for interconnectors. Therefore, we do not see a strong case for the upgrade.

Q. Happy to take this question off-line. I am going through all the data on capital costs, and as you know there is a workshop in a couple of weeks time. I would like to know who the right person to talk to in Powerlink about the numbers provided for the database that AEMO is developing? I would like to understand this a lot better

R. Currently they are using the same estimates that were previously provided. By the end of June there will be three projects that we have committed to providing updated numbers, our engineering department is currently working on these.

R. The report coming out at the end of May, will not have the updated numbers available, so you will probably see the same numbers that AEMO published in the 2020 ISP. They will receive the updated numbers by 30 June.

Q. So the initial database is?

R. The 2022 ISP will include updated capital costs generated from Powerlink for those three preparatory activity projects.

Q. What is the philosophical approach to providing estimates?

R. It will be about class five estimates.

Q. So, they are potential ISP projects? Or, have they started the Regulatory Investment Test for Transmission (RIT-T) project process?

R. They will be around actionable future ISP projects. We are talking about projects that might be in the 2030s?

R. Yes.

Q. So no RIT-T?

R. We are not expecting actionable projects. They could become actionable if the assumptions change that put them in the spotlight over the next two years. As raised earlier in the meeting, in terms of the QNI, and the policies that they are going to be modelling, you would think they are being pushed out in time rather than coming in.

Q. Because the time frames are potentially so far out, you would not want to be doing any more than the class five at this stage. That would not be a wise use of resources or time, would you think?

R. Yes, I agree with that.

Q. Did the 2020 ISP include estimates on the preparatory activity projects?

R. They were planning level estimates that we had, and now we are doing what we would do, in order to do the initial stages of a RIT-T. So, in order to do a PSCR, we would do a class five estimate.

Q. A question that I am happy to take offline. There are class fives and there are class fives. How are you ensuring that, because the class five that AEMO is telling us is a plus or minus 30%, when in fact class five are going to be minus 50 to plus 100? Are you following the AEMO proposal of the plus or minus 30% on a class five?

R. AEMO is asking for a class four. We don't do class fours and the best we can do by the timeframe would be a class five. My understanding is that AEMO will then take the class five and add an allowance so that you do not get a minus 50%.

Q. Does Powerlink have any influence over how AEMO adjusts the forecasts that it provides and then uses in the ISP?

R. We are certainly keen to understand what they are going to be doing. Our understanding is that still has not been discussed.

C. Final comment is that AEMO ISP Consumer Panel is happy to offer to come along to the next Customer Panel meeting and present on the work that we're doing. That is an offer we are making to all networks, that offer is on the table.

R. That would be great and would be put on consideration for the next agenda. The next Customer Panel meeting will be the 17 June 2021.

Q. Down the track with the transmission cost database, with the development and population of it, is it likely that we will probably see more convergence of AEMO's work and your work? It will never be exactly the same, but will we see a closer convergence on projects and cost and the like from Powerlink's perspective?

R. I think so. They are and we are providing the estimates for at least three particular projects, and it may not be actionable at this particular point in time. At least then before that we will have a good view of how much they will cost and if they have to get triggered in say, five to 10 years' time.

R. That is a good point because it eliminates the element of surprise. I would see that as a good outcome.

Q. Regarding the previous discussion on QNI upgrade, does Powerlink think there is still a requirement for the QNI medium upgrade? Isn't this upgrade of the same tower lines, but with different options for double circuit line where the major was the twin circuit? With the likelihood of these developments, aren't they reducing as time goes on with the increase in renewable energy zones in New South Wales, and equally in Queensland?

R. I think the demand to export renewables from Queensland to New South Wales is reduced, given that New South Wales would plan their own renewables. I am not sure that we have to wait and see where the bottleneck shows, but maybe there would be opportunities by leveraging the existing infrastructure. When I say there are non-network options, so, can we use batteries, and some fast tripping, to actually get a bit more faster out of the existing assets for relatively low costs? That is probably something we would have to investigate.

Q. When you were talking about modelling of losses, I found that quite interesting. Who would be responsible for trying to market and convince load to come into the Renewable Energy Zone's (REZ's)? Because a lot of the time, people just feel that the focus is on generation but, as you pointed out, there is an attraction, if it's feasible and stacks up, to have the load also as part of the REZ.

R. They are trying to get load and it is very hard, it is typically, probably a government who does that. Ideally you need to have your generation not too far from where your load is so, if you can have wind and solar in North Queensland, Central Queensland and Southern Queensland,

then from a losses perspective, it is far better than having generation in Southern New South Wales and shipping it all the way to Central Queensland.

**Actions:**

- Confirm Agenda Item for AEMO ISP Consumer Panel at the next Customer Panel meeting on 17 June 2021

**3. Cost Allocation Methodology**

- Darryl Rowell, Chief Financial Officer

**Summary:**

- Powerlink's Cost Allocation Methodology (CAM) establishes the methodology for attributing costs to, allocating between or within prescribed, negotiated and nonregulated transmission services.
- The CAM applies to all Powerlink costs and is prepared in accordance with the requirements of the National Electricity Rules (NER), the AER's 2007 Cost Allocation Guidelines and the AER's 2002 Transmission Ring-Fencing Guidelines.
- Powerlink's CAM was approved by the AER in 2008.
- Costs are captured and tracked using Powerlink's Enterprise Resource Planning system, SAP.

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

Q. Are you saying that operating and maintenance cost of negotiated transmission services are not in negotiated transmission service charges, but are all within prescribed transmission service charges?

R. No that is not what I am saying. The cost of maintaining a negotiated or non-regulated asset is a negotiated and non-regulated cost. The cost of operating the network and despatching generators is a regulatory obligation. After the connection point, once it comes into the grid, that is a regulatory obligation for us to manage the network, the regulated network. Those costs are essentially out of our network operations centre, and are predominantly a regulated obligation, not a cost that we are able to allocate between regulated and non-regulated.

Q. Is that the basis with which you have prepared the FY27 Revenue Proposal? You adjusted your base costs from 2020 to account for the fact that you are going to be making allocations to non-prescribed services going forward?

R. We did a top down base-step-trend forecast of our opex. We have not made an adjustment, because in 2018/19 (the base year) at that time, we were not making a change to our allocation, we are making a change to our allocation at the start of the regulatory period.

Q. The opex allowance is for the next revenue reset assumes that all of the insurance costs are funded by the prescribed services. Is that what you just said?

- R. No, it assumes that our insurance premiums, not our self-insurance, our insurance premiums we allocate that on the basis of asset values.
- R. I think part of that had to do with the way we had forecast opex, being a top-down forecast, and part of it also, to ensure that we remained consistent in the way we allocated costs within a regulatory period, which is also consistent with our cost allocation methodology.
- C. The challenge we have is that the cost allocation methodology, in the way it is used to allocate costs, once the regulatory periods commenced is what ultimately is going to form the base year for the next reset. In the same way that the current proposal is influenced by the way costs have been allocated over the current regulatory period. So, what is being used to determine the base year for the purpose of the opex, and that is actually how you plan to allocate costs over the next regulatory period, which will inform the base year for the next reset.
- C. The challenge I have is the cost allocation manual that was approved in 2008 is quite an opaque document in terms of how it describes how costs will be allocated. If compared against other cost allocation manuals, such as AusNet's, which is somewhat more descriptive and their causal allocators are more closely aligned to the way costs are incurred. I can accept that there is a degree of simplicity in using just the labour as the sole allocator, or the predominant allocator, but given the growth in the non-prescribed revenues, which are now over 20% of Powerlink's revenue, and 14% of its asset base. Given the change in the nature of Powerlink's business, it is questionable whether those allocators remain appropriate.
- R. Isn't it also appropriate to look at the big picture here? Over the next regulatory period 2023 to 2027, both our regulated and our insurance costs will be rising. Where our top down is, we have flat opex, but we have not asked for a step change in insurance. We are trying to manage that with the efficiencies within our own business. I think there are other businesses that have asked for an insurance step change, and we have not. It is up to us now to manage those insurances both in regulated and non-regulated.
- Q. I guess the question was more fundamental. It is not just insurance. Is the cost allocation manual appropriate in the way that the Powerlink business is evolving over the last four years, and how you expect to evolve, in terms of the growth in non-prescribed revenue, over the next five years?
- R. If we go back to a couple of slides ago, 58% of the costs are directly attributable to the activity, because they are contractors, materials, external costs and driven by the actual activity that is happening, be regulated, prescribed or non-prescribed. Within the 40% that comes through direct labour, 60% of that direct labour cost is the cost of the person doing the work that has the statutory on costs. So you are talking about quite a small amount that is spread through that labour rate. It is still a very representative way of what is driving the costs in our business because most of it is still driven by the direct activity. When direct labour books their time, that is where it goes, so the portion of their time they spend on a non-prescribed asset, doing maintenance on it, that portion of the fleet cost, the IT costs, the corporate overheads, goes on to that activity. So it is very much driven by what is the work we are actually doing. That is the best causal factor that we can find for how we allocate those costs.
- R. I guess something that underpins that there is a degree of consistency and labour intensity between capex and opex activities.

- Q. I still didn't quite grasp the insurance discussion. Slide 8 suggests in the second bullet that there will be a change in the allocation as from 1 July 2022, but if I understood the subsequent discussion, that was all going to get wrapped into the fact that there is not an extra allowance for insurance, even though it is going to have to be taken into account, inefficiencies. Does that second bullet actually change anything in the regulatory proposal, as against if that allocation had not been engaged?
- C. There was no adjustment related to this, in relation to the base year, because of the application of the base step trend methodology. The way, in terms of applying that as a top-down methodology, we would not look to make an adjustment for something like this, particularly given the costs of insurance, in particular, in the base year. If you actually look at actuals now, or any significantly higher than they were in that year, and we would anticipate it be significantly higher in the next period.

#### **4. Productivity Initiatives**

- Gary Edwards, Executive General Manager, Operations and Service Delivery

##### **Summary:**

- We have set a target of no real growth in opex for the 2023-27 regulatory period.
- To help achieve this, we have targeted a real productivity growth of 0.5%, which is above the industry average productivity of 0.3%.
- Our Revenue Proposal identified a number of initiatives that can be categorised into four themes.

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

- Q. How much of the 0.5% productivity in opex requires changes in work practices that will require the unions to agree?
- R. We need to be respectful of our employees, and consult with employees and unions on a number of these initiatives.
- Q. What about the vegetation management, because that is a fairly big cost item. How are you going to be driving better efficiency in vegetation management?
- R. We operate over three regions in Queensland that has 15,000-20,000 circuit kilometres of lines. There are a limited number of contractors that undertake vegetation contract work. Historically we used regionally based vegetation contracts under a contract management framework. We investigated through the innovation framework ways to optimise the management of this work and identified that by centralising the management internally of all contracts across the state, which we have started to implement, that real efficiencies in the contract management were gained and a potential on-cost savings to be realised this year.

This has produced a different relationship with our direct contractors, where they are larger contracts proposed for a longer time. We are looking for economies of scale and contracts are merit-based and performance-based. Our expectation is that a more enduring relationship and a better a contract where we can have permanent people, we will get regularity, better performance and we will find savings.



Given this, how do we then ensure that we maintain and do the right vegetation activities? For example, we have explored LiDAR over the last couple of years. LiDAR: light detection and ranging, or laser imaging and ranging, where you put an infrared camera under either a helicopter or a plane, they scan the transmission network to detect where the vegetation is, with respect to you conductors, and you then can more clinically address the vegetation that needs maintenance, so we are not over or under servicing.

Some exciting news from the last six months is that satellite imagery is coming into its own. LiDAR needs a plane, and if it's a cloudy day, you may not get to see what you need, so there is a lot of inefficiencies. Whereas, satellites continuously are circulating and capturing images a couple of times about every 90 minutes, therefore you can selectively get contracts with satellite companies, and have the information and data for a piece of work within a couple of weeks. We are exploring satellite imagery to then set up these new contracts with the contractors, so we very clearly know, where we want them to do the work, what are the benefits, and the changes in productivity.

C. It is a good combination of both using technology and also improving business processes.

Q. I know you cannot give an exact percentage, but is it likely only a small part of the productivity initiatives is at risk to IR intervention, how much can be driven without Powerlink's controls without being reliant on union endorsement?

R. The working environment has industrial engagement every step of the way with work practices. It is part of our business. I would never put a scale on it. I have not quantified the value, it is just business as usual and we will manage that risk, and we will find cooperative ways of doing things. We would not have put forward potential productivity initiatives if we did not think they were achievable.

Q. Can we talk about the FIDO initiative?

R. Field Delivery Optimisation (FIDO) is a program that has been put in place a year ago. It is a three-year program to improve work mobility, resource planning and allocation. It uses new technology to get people to go to the right place at the right time, and the big underpinning issue here is data management and data retrieval. We believe if we move away from paper-based technology, we will get data in our asset management systems to give feedback on what the condition of our assets are, so we can more readily get better economies of scale. When people go to the field, they go doing a bundled piece of work, and they will know the work that is at that site. Queensland has a tyranny of distance issues. If you drive for three or four hours for a couple of days, you make sure that you know all that you need to do while you are there, it comes up, you recognise what the activities are, you record you have completed them, and you record the asset condition so the asset strategists can take that on board to make different asset strategies upstream. This means people are not then doing manual data administration, typing in the results from the field weeks and months after the work is completed. This creates real saving and true benefits of people doing the work that needs doing, not paper-based work.

C. I do not know how you quantify this, but how much confidence do you have as a business that you can hit your opex target through these productivity initiatives?



R. We would not have put it up if we did not think we could hit it.

C. These are our business objectives. Powerlink has a good reputation of hitting its opex targets for the last half a dozen years. They are very important to us, they are our business drivers, and we have always found ways to try to maximise the benefit of the work we do, and not pass on those costs to customers.

C. I think this also goes to driving ourselves as a business, and pushing ourselves harder and further, because we had heard from customers, and we had also heard from the AER, how are you doing things differently, and demonstrate to us that you're pushing yourselves. This decision has come straight from management. Are we 100% confident? I do not think we are 100% confident, because things change. No sooner do you put the forecast in, things change. But our management, and I am talking about general managers, I am talking about that they have engaged with people on the front line. They engage with the Board and management have been asked directly, can we still deliver what we need, are we confident that the service will not suffer as a result of this, and we still meet the needs and risks associated with our network? We are pushing ourselves, and this has come from management to push ourselves to do better.

## **5. Demand Management Innovation Allowance Mechanism (DMIAM)**

- Greg Hesse, Reset Stream Lead Capital Expenditure

### **Summary:**

- The Demand Management Innovation Allowance Mechanism (DMIAM) will provide funding for R&D on demand management projects with potential to reduce long-term network costs.
- It applies to expenditure that is not otherwise efficient – efficient expenditure is included in the ex-ante capital and operating expenditure allowances.
- DMIAM is a separate ex-ante allowance included in the Revenue Determination, but with ex-post approval of actual expenditure.
- The AER does not review or endorse potential DMIAM projects as part of the Revenue Determination process.
- The AER is developing a guideline to implement the DMIAM. A Draft DMIAM was published in December 2020. The Final DMIAM is expected in June 2021 and will apply to Powerlink in the 2023-27 regulatory period.

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

Q. So at this stage, is it unlikely that Powerlink is going to be outlining any potential projects for this around the revised Revenue Proposal?

R. Not in any great detail. I think we have got some conceptual ideas as to where we would look to direct our thought and effort, but no concrete proposals saying we would look to do this, at this cost in this timeframe.

- C. We are happy to share and talk to the panel once we actually have something that is more definitive. We are also happy to take any ideas that you might have on what we could potentially use as DMIAM related projects.
- Q. Is that scheme just limited to the TNSPs? I understand a similar scheme for Ofgem is actually a contestable process for innovation where non-network providers could also submit proposals for funding.
- R. This is a specifically TNSP scheme. At the distribution level, they have both the DMIAM, the innovation allowance, but they also have an incentive scheme, and a Demand Management Incentive Scheme (DMIS). At the transmission level, it has been limited to just the innovation allowance.
- C. This scheme also allows us to partner with a third party as well, not just Ergon, or Energex from a DNSP point of view. So, if there were a third party that was interested in undertaking some sort of demand management activity, that wanted to partner with us, we would certainly welcome that discussion.
- C. The important thing would be that they would need to sign up to sharing the learnings.
- C. I have heard a little bit about the Ofgem scheme. I think it is largely that Ofgem have a pool of money and different businesses put in their bids to access funds for particular projects.
- C. I think it was intended to avoid TNSPs replicating the same work.
- C. In Australia, I think the mechanism has been around the use of independent advisory panels, and the sharing and learning, and annual reporting, so people have visibility about what has already been done.
- Q. If your transmission business did a project with this technology using DMIAM and then shared the learnings, another business could not do a similar sort of technology under the DMIAM scheme, as they should be utilising the learnings from that first project. Is that the concept?
- R. That would be the concept. I guess it would be policed, if you want to think of it that way through the AER's annual reporting process and the AER approval of their expenditure ex-post.
- C. My understanding behind the purpose of this scheme is getting everyone to try and innovate more. This is a clear message coming from Energy Consumers Australia. Getting businesses to innovate and getting the learnings from others to leverage those things in order to do things better where companies save costs going forward, and trying to invest more of that into their business-as-usual processes.
- Q. I generally support these sorts of schemes. I note the previous slide talked about an amount of money for an oversight committee. Can you explain what their role is and where it sits on the IAP2 spectrum?

- R. Off the top of my head, I cannot. There is discussion in the draft DMIAM and the idea is that the panel should have relevant knowledge and experience of electricity markets, including customer and community representatives. The idea is that before embarking on a project, there would be a degree of endorsement, I guess, by the Independent Advisory Panel. It is not mandatory, as I said, the AER have an incentive, they would have regard to any advice or endorsement that an independent advisory panel provided prior to undertaking our project.
- Q. The panel would be formed by individual network business, not a central panel done by the AER?
- R. It is individual network businesses, and there is no real prescription around it. It could be a separate panel for each project if you were undertaking a small number of larger value projects. You could share a panel if you were doing a joint project between different businesses, so you would not necessarily say, here is the Powerlink panel, and here is the TransGrid panel, and they have both got to agree to undertake the whole thing. There might be some sharing mechanism. I am not sure.
- C. It seems to potentially make sense to have a panel that does a state, because that way you are getting across distribution and transmission.
- Q. Is it the intention that DMIAM will be included in the proposal, and it will be used to the full extent? Is that the aim?
- C. I think it is the case that, I am not sure of the AER, my understanding on reading it is that it would be included in the ex-ante revenue regardless. Obviously, if it was not fully utilised, then the left-over money would be refunded in the subsequent regulatory period to customers. It is not necessary, I do not think, that it would be fully subscribed, certainly not in advance. That is my understanding of the setup of the scheme.
- Q. Is there is an intention to include the allowance in the revenue for the next period, and use it?
- R. I am not sure that we have a choice, in that it has been said it will apply to us, I believe.
- R. It is in the framework approach.
- R. The framework approach states it will apply, so I am not sure if we can refuse it in the revenue. We have got some ideas, they are not fully formed, but to see where we can usefully use this money to advance the common knowledge of relevant technologies and techniques that held out the prospect for reducing long-term network costs.
- Q. Whatever is not spent goes back to customers in the next regulatory period?
- R. Yes.

- Q. If I recall correctly, I think the framework and approach had words to the effect that we would, by the time Powerlink comes through with their revised proposal, they would have better visibility of the scheme, given the timing of the release and we would look at the proposal at that time. So given your slide, I guess you are saying that you won't have detailed costings anyway, so it might not be an issue. Is that correct?
- R. I do not expect that we would have detailed costings from individual projects.
- R. Our understanding of it is that those detailed projects do not have to be approved as part of the actual revenue proposal or revised revenue proposal. They are considered within period.
- R. We are still investigating, and quite honestly, if our investigations within Powerlink reveal that we cannot see anything here that would provide some value, and we may come back and say we are not going for anything. While we have the opportunity, we will be looking, and I as I said, if you have ideas that you think you can throw our way, please provide them.

## **6. Weighted Average Cost of Capital (WACC)**

- Dana Boxall, Reset Stream Lead Finance & Modelling

### **Summary:**

- Weighted Average Cost of Capital (WACC) Scenario of the impacts of an increase in WACC of 1% each year of the regulatory period 2023-27.

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

- Q. What is the increase in the risk-free rate in the last three months?
- R. To get that WACC to increase by 1% each year, we would need a risk-free rate of about 3.3%, and that is holding the cost of debt constant to our Revenue Proposal forecast. At the moment it is around the 1.6 – 1.7.
- Q. So it is almost going half the distance required for a 1% WACC increase. If you were to put in your Revenue Proposal today, what would be the WACC?
- R. There are a couple of things that we would have to work through. The cost of debt would be updated as well, which we have not fed through this, so that would reduce it, but just the risk-free rate alone would probably increase it, I do not have the numbers on me.
- Q. Given the rise in rate since you put in your proposal in January. I think there were a few lucky networks that got a recent final ruling, they were lucky in the 30-day period they selected for the calculation. I am just trying to understand the risks, as there is a lot of expectations in the market of inflationary expectations and rising interest rates that have already partially occurred. I am trying to get an understanding of

what would be required for this 1% increase to happen, and the expectations of that happening now are much greater than what they might have been in December last year.

R. Looking at the risk-free rate, to get to that 3.3%, the risk-free rate has not been above three since approximately 2015. It is quite a stretch to get us there over the next little bit, however, I cannot predict markets.

R. None of us can but, I really appreciate the data, it is really helpful. Thank you.

Q. Before we move onto the Customer Panel views of the Revenue Proposal, does the information provided today answer the queries and questions you provided us? Is there anything we did not answer or is there any other information you require?

R. You have certainly covered the four questions that we posed. Thank you very much for all the work that has gone into fleshing out those answers, we really appreciate that. There may be some follow-up questions that other have, but I am certainly satisfied with what I have seen today. Thank you.

R. I agree, it has been fantastic the level of information we have been given today, so thank you very much to everyone.

## **7. Discuss Customer Panel Views on the Revenue Proposal**

- Matthew Myers, Manager Revenue Reset

### **Summary:**

- Discussion on the Customer Panel views of Powerlink's 2023-27 Revenue Proposal.

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

Q. A direct question first before making some general comments on the Revenue Proposal; is there going to be any inclusion, and maybe there is already, given the draft determination on the TransGrid system services rule change last week or the week before, are you likely to see any capex included in your proposal as a result of that rule change?

R. I think it's still too early to tell, it is only a draft determination. We would not know the form of the planning standard that was still to be determined through AEMO guideline development and so on. I did recall something in the draft determination along the lines of, if it triggered would meet the materiality threshold for pass throughs within period as well. I think the AEMC was perhaps relying on that as a mechanism. I am still going through all the detail of the determination and the actual text of the draft rules.

Q. That is a reasonable response. I am just thinking, given the time it will take for AEMO to get agreement with TNSPs on what the standard will be, what will be required et cetera, is a potential that it will not be decided before you have to put in your final proposal in December?

R. That will be my expectation, because I'm pretty sure they were only talking about making a final Rule somewhere around July, August or September. I thought July was a pretty quick turn-around and it might be challenging to meet that. I think their timeframe had the finalisation of the new guidelines, and in effect, the start of the new planning regime from 1 September 2022, so well after as we will be already into the next period by that point.

C. We have not considered whether or not it might be appropriate to look for transitional provisions, or anything like that.

C. Reflecting on what I said at the Public forum, I think all aspects of the proposal are heading in the right direction, and excellent consumer engagement, that had a real impact on the final proposal, and EUAA will be saying that in its submission. Overall, we are happy with the direction in opex and capex. One of the issues that, obviously, I have raised before is the achievability of the opex savings, that is why I was asking about that, and so we will be making comments about that in our submission.

The other general comment is that we look forward to the detailed analysis that the AER will do on the capex, and the base year opex. I understand why you have done the year that you have done, for, what was it, '18/'19 to not have a COVID year for opex base year, that is probably reasonable. The cut in capital is welcome, and as I say, the overall direction is good, and a lot of it will be seeing what the AER does in its detailed evaluation. I am still making my way through all 190 pages of the summary document, but they are my thoughts so far. Thank you.

C. This is my first round of experience on this, it is still very much a learning curve for me. However, it was interesting to hear the other stakeholders to that process, including the AER. I think that was quite insightful for myself, and also my fellow members on the Customer Panel, most of them who have had quite a lot of experience. Coupled with that, I have to just echo the thoughts that have been made, and has been put in the submissions and the like. I really cannot add much more than that, except to say, once again, I certainly have to give it a tick of approval. Also, the way you have responded to some of our questions, particularly this forum, for example, just highlights your commitment and transparency on the subject, so thank you very much.

C. Closing comment. Just to reiterate, we are reasonably satisfied with the ambitious targets that Powerlink have set themselves with opex. I know there is concerns from other panel members as to whether those ambitions are achievable, but ultimately, I think it is better to actually have ambitious targets and not meet them, rather than not actually set those targets to start with, because ultimately, even if you don't meet them and consumers bear some of that cost, we are still better with the strength of that incentive.

Like I said, given that we actually have no real concerns with the opex forecast for this regulatory proposal, our focus is really around the role of the CAM in terms of actually how it informs future proposals, and I welcome further conversation and engagement with Powerlink on that.

C. I'm involved in the Ausgrid and Endeavour co-design workshops for their next revenue period, and it is interesting that Endeavour are now seeking as an objective, capable of support.

- C. I know that we have had a lot of discussion about capable of acceptance, and I know that we are sort pushing the boundaries here, so I think a lot of us are in uncharted territory, we are just hoping to move through as best we can. It is about trying to take a look at the overall package as well.
- C. I don't have any outstanding issues with the proposal, and like others have said already, the engagement has been great, so I do not have any problems going forward. Thanks.
- C. I think we said pretty much where our thinking is up to at the public forum. We went through the AER's table 3 and expressed our view about how Powerlink had basically gone against those assessment conditions, and I think we came up with a pretty solid support of what you have done so far, and agree with the earlier comment, that today I think is a really good example of Powerlink's willingness to chat, to talk things through, to not duck the hard questions. Apart from that, we are still writing, so we will tell you in a couple of weeks what we have said.

#### **6. Meeting closed 5pm**