

Date: Wednesday 17 June 2021	Start time: 1pm	Finish time: 4:30pm	Venue: Powerlink’s Virginia office and Teams (hybrid meeting)	Meeting no: 22
Facilitator: Gerard Reilly (Powerlink)		Minutes: Rachael Maundrell (Powerlink)		
In-person attendees: Andrew Barger (Queensland Resources Council) Henry Gorniak (CS Energy) Mark Grenning (Energy Users Association of Australia) Robyn Robinson (Council on the Ageing) Online attendees: Dean Gannaway (Aurizon) Claire Hamilton (Shell) Chris Hazzard (St Vincent de Paul Society) Mark Henley (AER CCP) David Prins (AER CCP) Bev Hughson (AER CCP) Mark Langeluddecke (AER) George Huang (AER) Powerlink panel members: Jenny Harris Norike Ganhao Narelle Fortescue	Apologies: Steven Jones (Energy Queensland) Chris Evans (Powerlink) Ian Christmas (Edify Energy) Georgina Davis (Queensland Farmers’ Federation) John Gardner (CSIRO) David Hiette (BHP Billiton) Slavko Jovanoski (AER) Chris Evans (Powerlink)		Powerlink presenters: Paul Simshauser Matthew Myers Greg Hesse Roger Smith Gerard Reilly Narelle Fortescue Nicole Maguire Other presenters: Dr Andrew Nance (AEMO ISP Consumer Panel) Mark Grenning Powerlink observers: Cameron McLean Ben Saal Enrique Montiel	

1. Welcome and introductions

- Gerard Reilly, General Manager Communications

2. Recent power outage on 25 May 2021 – Callide Power Station

- Paul Simshauser, Chief Executive Powerlink

Summary:

- The most significant network event to occur in the last 30 years.
- 3,100MW of generation and 2,300MW of load lost as a result of the fire.
- 450,000 homes without power, plus businesses.
- Power restored to all but 9,000 homes an hour post-event.

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

Q. Is the intention to rebuild the affected unit?

R. The public statement that's been made by CS Energy is, yes. We are undertaking a comprehensive assessment into the incident as a priority. [CS Energy]

Q. Callide Power Station was only 15/20 years old?

R: I believe it was commissioned in 2001. [CS Energy]

Q: Was there any damage to Powerlink assets as a result of the incident?

R: Not that I am aware of. I understand the equipment Powerlink has in the power station is limited to relay rooms and other infrastructure well down the back to the communications interface – nowhere near the turbine hall. All of our equipment is designed and rated for those frequency and voltage variations as well.

C: The Australian Energy Market Operator (AEMO) issued a report around five business days later into the incident and highlighted there was no ongoing reconfiguration of the network or any outages affecting Powerlink infrastructure.

Q: There was a fantastic equipment recovery, what was that attributed to?

R: If you have 1,000MW coming into Queensland and that suddenly disconnects, that is equivalent to a loss of generation and the frequency went down to 48.5hz. But, on the NSW side and south, the frequency went up. What was amazing is that 20 seconds later they were able to synchronise the systems together. [CS Energy]

Q: Didn't the over-frequency in NSW throw our power generators off?

R: Not that I am aware of because the frequency didn't go up that high. [CS Energy]

3. 2023-27 Revenue Proposal Update

- Matthew Myers, Manager Revenue Reset

Summary:

- Submissions on Powerlink's Revenue Proposal received from the Australian Energy Regulator's (AER) Consumer Challenge Panel (CCP23), Energy Users Association of Australia (EUAA), Aurizon and Powerlink's Customer Panel.
- Powerlink is currently preparing a holistic response addressing matters raised in the four submissions.
- Customer Panel provided further feedback on two areas they would like more information on for future regulatory periods – cost allocation methodology and capital productivity.

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

Q: Is there anything further at this stage that Powerlink should consider in terms of next steps for engagement?

C: Powerlink is undertaking continued engagement activities between the Draft Decision and the Revised Revenue Proposal milestones.

C: If Powerlink was to ever change its cost allocation methodology, we would advise the Customer Panel and seek your input.

Q: Any impact on the Revenue Proposal regarding the Queensland budget announcements this week?

R: I am not aware of anything from a regulatory perspective.

4. Network support pass-through – System strength services in North Queensland

- Greg Hesse, Manager Regulation

Summary:

- Powerlink expects to spend \$3 million during 2020/21 on network support costs to address the North Queensland fault level shortfall declared by AEMO in April 2020.
- Our total network support allowance in the current regulatory period is \$0.
- Powerlink is required at the end of financial year (within 60 business days) to apply to the AER in the event of a network support pass-through. The Rules then require a determination from the AER within 60 days of that application.

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

Q: What benefit from this \$3 million investment do regulated customers receive?

R: The outcome of the North Queensland fault level shortfall, though it was being managed in the near term, was that inverter-based generation was being constrained. The Rules require that as the system strength service provider in Queensland, Powerlink is required to address that shortfall and use reasonable endeavours to do that within the timeframe specified by AEMO, which was by August 2021. Powerlink conducted an Expression of Interest (EOI) process to test potential options, with the goal of trying to find the least cost option. When generators are constrained it means that more expensive generation has to be sourced, increasing the total cost of our energy supply across the system. So, unconstraining those generators results in reduced total system costs.

Q: Is the short-term agreement with CleanCo and several solar farms a contract or is it just an agreement that you'll do some inverter tuning?

R: It is phrased in the Rules as a 'system strength service' agreement which is a form of a network support agreement.

Q: Even the tuning part?

R: Yes. I used the analogy a number of years ago when TransGrid was converting some transmission lines between Bayswater and Bannaby from 330kV to 500kV. Part of that took place with the generator step-up transformers which were Bayswater Power Station assets. TransGrid paid for Bayswater to replace those generator transformers to connect with the 500kV infrastructure. That was a network support agreement, subject to a network pass-through at the time.

Q: Was the tuning linked to the generator performance?

R: There are some linkages but it was also primarily upgrading firmware.

C: Powerlink has been working through the final due diligence and testing associated with this pass-through. AEMO's expectation is that Powerlink will fully remediate the fault level shortfall at Ross. We will work through our network support pass-through with the AER, and figure out timing to coordinate draft decisions to fit with the Revised Revenue Proposal as there is a crossover into the next regulatory period.

Q: Did this occur because the connection standards weren't correct when solar farms connected to the grid? And if they were correct prior to connection, the cost would have been worn by the solar farm developer, not by consumers?

R: Powerlink's, the developer's and AEMO's understanding at the time the new projects were committed to when the new framework came into place has been rapidly evolving. There was no other mechanism available under the Rules.

C: I understand that. My point is really one that consumers are being asked to pick up a risk they had no influence over, could not mitigate, was not their fault and had nothing to do with. So unfortunately the Rules don't allow any mechanism which would have said that even though we got it wrong, those costs should not be borne by connecting generators.

R: People probably weren't even thinking that was a possibility at the time the framework was coming in.

Q: How do we prevent this happening in the future – where customers are being slugged with costs they have no control over or no ability to mitigate?

R: I think that happens not just in this area, but a lot of other areas as well. I don't think we can answer that straight away, but it is a good question.

Q: The alternate option of just continuing to constrain the relevant generators and having them fund the necessary investment on their side of the connection – that's no longer an available option, is it?

R: The way the rules operate is once AEMO declared the shortfall, as the system strength service provider, Powerlink had an obligation to meet that need.

Q: I'm not suggesting it was at Powerlink's discretion, I am wanting to understand what options were considered by AEMO before issuing that direction or notice?

R: I don't know the answer to that.

C: What we've seen in this phenomena is that system strength has always been there but we had so much headroom that we passed muster each time we studied the power system. Then we had progressive cannibalisation as inverter-based resources (IBR) came into effect and this was further exacerbated by the retirement of synchronous generation, so you could say there are two factors. We've gotten to a point where now you say there's a shortfall - and there's no retrospectivity.

Referring to a previous point, why not leave them constrained off? I think developers have been caught in the middle, when the realisation came to do something and there's no scope at all to do anything about it. But going forward, there's the Revenue Determination process - but the question is about who is going to be impacted the most, the network? Because generation is going to come and go. What provisions are there to protect the customer?

Q: Effectively it's the consumers that subsidise the entry of the existing generators and subsequent generators will have to pay their way, is that right?

R: No. The first part is correct, the second part no, because under the TransGrid Rule Change there will be a deep and meaningful discussion between the TNSP and AEMO as to what level of system strength is required. That level will then be incorporated into the TNSPs Revenue Proposal, it will go through AER scrutiny and then it will become a prescribed service in the RAB. But the real risk is that not enough generators turn up and pay their money to utilise the system strength services that AEMO and the TNSP have agreed and consumers - given it's part of the prescribed service - take the stranded asset risk if the generators decide they don't want your system strength.

C: This system relies on each part of the food chain actually doing what they're required to do. We're trying to meet an obligation, we can't just ignore the obligation because we get criticism from customers and everybody else. As a customer focused business, we wouldn't do that. Similarly, AEMO has implemented this new arrangement, the AEMC's Rule, and we're very interested working through that too. We're also reliant on AEMO looking at this and applying reasonable endeavours to do everything that's required to maintain system integrity. We're also relying on the AER to view our application. We have been talking to the AER about the potential for this for quite some time, including at the very, very beginning when the issue of system strength came up and the 'do no harm' provisions. We've been talking to AEMO for quite a few years on those arrangements - to understand what is going on in the system and what we need to do that is reasonable.

Q: The AER will not review the volume of system strength, they'll simply review the efficiency of the procurement of an agreed volume between AEMO or the TNSP?

R: Yes. Information is in the public domain on how Powerlink has approached this and what the requirements are.

C: I am not disputing that. It's been best efforts by everyone on board but if somebody gets it wrong, and they got it wrong, and customers are now paying \$3 million because they got it wrong - all that risk is on consumers given it's a prescribed service.

- C:** The good news story in all of this is the example of what occurred in the West Murray, whereby the upgrade and retuning of controls avoided the installation of additional network equipment such as synchronous condensers which would otherwise go into the Regulated Asset Base (RAB).
- C:** Don't get me wrong, Powerlink has done a fantastic job. My complaint is around the approach the AEMC has taken to this, and we have had innumerable discussions about this very matter with the AEMC over the last 18 months. We have been unsuccessful in convincing them to change their position.
- Q:** Is this both grid forming and grid following invertors you are referring to?
- R:** No. I understand technically they're all grid following.
- Q:** Is there an additional cost associated with the North Queensland constraint?
- R:** I don't believe so. There may be, we're very close to the end of the financial year and so to the extent something doesn't happen in this year, and some costs go into next year, we'll need to work that out. My understanding is that for the NQ fault level shortfall that AEMO declared in April last year, AEMO is doing due diligence to get to a position where they can say that it has now been remediated. If CS Energy decide it's not worth repairing their damaged plant following the fire and close this unit, then that synchronous plant exits the system and we may be back into shortfall levels elsewhere.
- Q:** Does Genex's Kidston hydro project create any shortfall issues?
- R:** Kidston is synchronous. It's electrically a long way and I am not sure what contribution it will make to system strength, but it is synchronous.
- Q:** Your materials indicate that system strength services should be in place to manage the shortfall by 31 August 2021?
- R:** As part of the shortfall declaration, AEMO have to nominate a date required for us to meet the obligation.
- Q:** So, you're exposed during that time by constrained generation?
- R:** We're not that far off August 2021 and we're only just getting to the process now having jumped straight on it. It's our long-term solution.
- Q:** I know you've emphasised that the AER says it's not a materiality consideration. Does Powerlink have a materiality consideration? If this cost was \$100 would you still go through the cost pass-through process?

R: The Rules say the definition of a network support event - either positive or negative - is any variation from the allowance. As part of the application, the TNSP identifies the amount to be passed through. Theoretically, as an extreme example if it was \$100, yes, we would still apply to the AER and say, there was a pass-through event of \$100. We may elect to say, the pass-through amount that we're seeking approval for is zero, for example, if it was that extreme.

Q: If there are any delays, is Powerlink required to extend those in the short-term?

R: Yes. What you would have is an amount that goes into next financial year which would be a variation in the network support allowance we would need to address.

5. Update on RIT-T for replacement projects

- Roger Smith, Manager Network & Alternate Solutions

Summary:

- Quarterly update provided on RIT-Ts – one Project Specification Consultation Report (PSCR) published for Davies Creek/Bayview Heights. Powerlink estimates another four will be lodged within the next three months (from the end of May), plus two Project Assessment Conclusion Reports (PACRs).
- Outline of complexities with Kamerunga Substation leading to a review of RIT-T options.
- Innisfail secondary systems has completed PSCR phase, and is now due for the PACR to come out to finalise the RIT-T consultation process.

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

Q: Was there a decommissioning of an SVC? Somewhere in that area there's soon to be one decommissioned?

R: Out in South West Queensland at Braemar. We are aware of that.

Q: To what extent have you got non-network opportunities presented to you for consideration?

R: I'm not aware of any particular non-network options that have been presented to date for current RIT-Ts. We expect there's potential opportunities for non-network solutions in particular for the managing voltage control in South East Queensland RIT-T. There is no particular option identified at this point in time. We have identified what would be required to contribute partially or fully to meeting the identified need in the draft PSCR. But the Tarong/Chinchilla area replacement is probably more complex because it involves some reconfiguration to the network. Although, there are probably quite limited opportunities because you're talking about replacements to secondary systems that supply the load in some major areas. But again, this project will go through the three stages of RIT-T engagement so, hopefully if there is

anything that could at least offset some of the network requirements then we should identify that through the process. But there are no specific non-network options identified for any of those at this point in time.

Q: Do you send out a standard invitation to your address list for RIT-Ts?

R: Yes. Whenever we publish any of these documents, we send out a notification to an address list of potential providers of non-network solutions, so they are made aware of these feedback opportunities. The document includes information on how to make a submission.

Kamerunga Substation Deep Dive

- Established in 1976. Key issue is the current buildings are below the 50-year flood level.
- Powerlink has a requirement under the State Planning Guidelines to build infrastructure to withstand a one-in-200-year flood, and we are below that flood level at this point in time.
- Site is constrained by residential properties and narrow access to the residential streets around it.
- An example where a substation was established and then subsequent residential development has now applied more site constraints.
- Secondary systems are at end of life and Powerlink is looking at actions to appropriately maintain this equipment.
- Transformers (x2) are due to be replaced based on condition in 2030 and 2037.
- If there was a significant increase in load at Kamerunga, the current transformers would not be able to manage that increase in load.
- Consultation on the original RIT-T for this project was completed in July 2019, which included two feasible options in the economic assessment:
 1. Complete brownfield replacement, using air insulated switch gear (AIS), which is standard industry technology
 2. Complete brownfield replacement using gas insulated switch gear (GIS), which would be new to Powerlink but not new technology in the context of the electricity industry.
- A third option was that was discontinued due to no available land at the time and timeframes, was a greenfield rebuild option.
- Following the RIT-T consultation, the Powerlink Board approved the replacement with AIS equipment option in August 2019.
- Detailed investigations which followed found significant geotechnical issues which would impact construction and commissioning stages due to the types of foundations that would be required.
- A decision was reached to place the project on hold, and start a bottom-up review of the options considered and build in the site-specific factors to ensure Powerlink has a strong understanding of the recent context of what is required.

Q: How does the original AIS option address the one-in-50-year flood level problem that was the original catalyst for raising the whole substation?

R: Our demountable buildings would be raised to go on a metal stilt system, so we're raised that above the flood level. Similarly, with the primary plant, we were looking at simply raising the foundations a little to get above the flood point. So whilst the substation site would be inundated during the flood, we would lift our equipment outside of that flood level. That's how we were going to address that in the in-situ rebuild.

Q: What happens to underground cable trenches in a flood situation?

R: The cables are insulated within the underground channel, and they will at times be exposed to some water anyway.

Q: So at the PSCR stage, what type of cost estimate was prepared? Class one or two?

R: No, most are class three. In this particular instance, we actually progressed with preparing a class five.

Q: How can your Board approve a capital investment based on a class five estimate?

R: On reflection, it clearly wasn't the right decision to make, but we've been developing the Kamerunga Substation replacement project for some time.

Q: Is it still only at a class five estimate?

R: We had alternative options that were class three, but they were discounted due to cost and other factors. It was an evolving process. What we actually realised was that we had an emerging need.

Q: What's the normal Board procedure for a class level like that?

R: Previously, we'd looked at a class three. To get to a class two or even a class one, you need to go through the tender process and lock in the contract etc.

Q: Class one is typically plus or minus 10% accuracy in the estimate, is that correct?

R: Yes.

Q: Is that the order of magnitude? Class three is plus or minus 30%?

R: It could be up to 50%.

Q: And class five is plus/minus 50%?

R: It could be up to plus 100% or minus 50%.

C: It's the criteria that AEMO is now using for ISP capital costs, and we can talk about it later when we talk about the ISP.

C: For context on the neighbouring residents surrounding the site, there are a number of privately owned villas (approximately 30 villas).

Q: But it was Cairns City Council who allowed approval for them to be built right next to a substation? There weren't any rules around buffer zones or anything like that?

R: That question is probably best directed to Cairns City Council.

C: In terms of next steps regarding Kamerunga Substation, we're currently reviewing previous options and also looking at extensions of those previous options. We're still looking at using the existing site, but with the strategic purchase of additional land, we can now look at greenfield sites on equal footing to the brownfield option. We're liaising with Energy Queensland to try and leverage off their expertise with GIS solutions to eliminate some of those risks and drawbacks of using GIS, which is a first for Powerlink. We'll then start looking at community impacts, and examining those beside the economic impacts. The RIT-T requires us to deliver the most economical solution to our customers, and that is what we will do. But we want to make sure that we capture, and if it's appropriate, appropriate recognition of the fact that there may be actions that we need to take to minimise impacts to the surrounding community.

Q: So what you're saying is that the cheapest option might actually have the biggest impact on the community and surroundings, and so how does Powerlink take that into consideration?

R: It might mean that Powerlink does a temporary arrangement to allow a better outcome from the preferred solution, which might carry a bit more cost, but it might be a better outcome holistically. But we need to understand that. We don't understand all of those inputs as yet, so we'll be doing some engagement alongside the RIT-T. We'll be commencing government and community engagement once we have a shortlist of a number of options, we don't want to examine a wide 'shopping list', because the RIT-T doesn't allow for wider community engagement, unless we could monetise it. Unless there is an economic impact that we could account for in the RIT-T, we can't add it to the economic assessment we do. We need to be clear about what are the feasible options that we can look at from a RIT-T perspective. We will shortlist those and then we can engage with the local community.

Q: The greenfield site option, the land footprint that Powerlink will be procuring, is that just the site that's required for this substation, or is it the entire annexed area that's boxed in red?

R: It's the entire area, because it was an opportunistic purchase, so it was a take it all or nothing. We will have to look at that landholding in the longer term, as to what is the future requirement of the landholding. I don't know whether we would hold onto all that land or not.

Q: So you'd be paying market value on the entire site then?

R: It is market value, but in terms of where that is, it was not an unreasonable strategic purchase. It puts us in a better position for the wider consideration of options.

Q: The existing site is clearly a combination of 132kV and 22kV distribution assets, so if it moves to a greenfield option, is the RIT-T going to have a breakdown of what costs relate to transmission and what costs relate to distribution? Will the RIT-T pick up the costs to Ergon?

R: If we repeat the RIT-T, we would have to consider the costs, the Ergon distribution costs, as well as the transmission costs. I can't recall immediately whether we identified those separately or not, but they would certainly be included in the overall cost of the network solution proposed as part of that RIT-T.

Q: It doesn't look to me like Powerlink is going to be able to meet the December 2022 timeframe. Then my next question is, surely Powerlink needs to do something else in the interim?

R: No we will not meet the December 2022 timeframe, and yes, we need to be managing the risk in the interim, because there are primary plant and secondary systems that are end of life, so we need to manage that on an ongoing basis, and there will be operating costs as a consequence that we need to incur. The normal maintenance routine will continue. At some point we will need to perhaps step-up the frequency of inspections, the types of oil testing that we do on-site. I don't have the full picture of what that looks like, but that will be incorporated into our planning, because we have to manage these risks. There are also transformers on-site that are approaching an age where they become a potential risk, and we have to make sure that we keep ahead of that risk.

Q: Whether Powerlink does an internal update of the RIT-T or a public RIT-T process, will the costs that Powerlink will incur in the interim still be factored into that analysis?

Q: Do you mean the costs of investigating the alternative options?

Q: Anything that Powerlink needs to do in the interim?

R: If we have to do any enhanced maintenance that would be factored into the RIT-T economic assessment. If there was a time differential between one option over another, and therefore you had to extend the additional maintenance over time that would be captured in the RIT-T. The RIT-T wouldn't justify the operational works that we need to do, but it would take into account the fact that if you choose this option, and it means that you don't have to do that enhanced maintenance for that length of time, that's a benefit you can claim.

Q: Are sunk costs capitalised?

R: Sunk costs today would be capitalised. We have incurred some costs on this, for instance purchasing air insulated switch gear in anticipation of the former solution, but that is standard equipment and is probably being returned to inventory and will be used on other projects. So we

can minimise the sunk costs on the project by using monies issued elsewhere. The ongoing development costs for the alternative options, for finding a solution will be capitalised as part of this project.

Q: What's the indicative cost? How much did you have allocated in the current regulatory period for it?

R: We've included the forecast in the Revenue Proposal. The total cost in the forecast is \$35 million, but that's not all in the next period. Some of that's in the current period.

Q: Will you be subject to assessment due to the delay of the project?

R: We factored this into the forecast research, and that's why there was money included in the forecast in the next regulatory period. Initially, we thought this would have been done by December 2022, which wouldn't carry much cost into the 2023 financial year.

Q: But if you're close to the limit on your existing capital market, you've effectively done other things beyond this \$35 million?

R: That's right, but to the extent we'd [unclear].

Q: Obviously there's some lessons learned from what we've done. What were we intending to do in terms of creating better practices for future projects?

R: We've already factored a number of learnings into our processes. One of the issues we found with this particular substation is that we didn't consider the staging in sufficient detail upfront, and it's critical in these brownfield replacements. So we specify very early on in the process - even for class five estimates - that they must have a staging plan for how it's going to be built. If it needs diagrams because it's on a site like this, there will be diagrams produced by the Standards Act about how we're going to build it. Not to the 'nth degree' for a class five estimate, but you've got to demonstrate it is a business solution.

C: I would have thought that a staging analysis would take it out of class five, because that's one of the ways you get from class five to class four to class three. So if you've got a remotely comprehensive staging plan that's what makes it a class three.

R: Powerlink went through a review of our estimating process a few years ago. We have a matrix of inputs to the estimating process that then dictate what the process is for classing the project. We'll ask for a class five estimate but with staging plans. Our expectation of that is, you can call it a class five, but with a narrower accuracy band, or you can call it a class four or even a class three. Personally, as a user of those estimates, I don't mind what it's going to be called. I just want to understand what are you building, how are you building it, what are the stages, what's the cost and what's your confidence in the cost? That's the information that I'm after as a user of the estimates.

We've revamped the scoped document that my team put together to question those estimates. We've revamped that to be very clear about what the deliverables are in the estimate, so other organisations may well come back and say, well that's no longer a class five estimate, it's class three. We generally still call it a class five, but we'll get a better idea of the accuracy later, so we don't get too hung up on that. So that's one issue that was done.

We've also introduced a two-stage approval process for the Board. We go to the Board early on, and we talk at a classified level, and this may be really only class five estimate, the options we're looking at, the description of need, this is the price range we're looking at and we then want to go and undertake investigative work. We would progress beyond where we would normally have sought approval from the Board before we go back for the stage two approval that will have most information to get that higher confidence backing on the estimates at that stage.

We're also requiring, rather than assumptions in terms of resource capability and message capability, that there be input from the providers, so that we know the field resources we require to facilitate the project are available during our required period. Again, that's the level that will arguably take it beyond the class five, that is just something that we find that we might not be going into great detail, but we need to consider it and make sure that we've looked at what else is happening in parallel, what other jobs are happening at the same time and that we understand a bit better. There's competition for resources that's likely to have an impact.

But they're the sort of issues we are looking at following on from this one in particular. For this project, it's a particular site with particular physical constraints on the build, but we have other sites like Ashgrove West in Brisbane that are very similar as this substation is very constrained by the residential urban environment around it. We'll be taking all of these learnings up to Ashgrove West when we do that project.

6. 2020/21 Energy Charter Disclosure Statement

- Gerard Reilly, General Manager Communications
- Narelle Fortescue, Customer Strategist
- Nicole Maguire, External Communications Manager

Summary:

- Disclosure Statements should be authentic – the Independent Accountability Panel (IAP) wants to hear 'warts and all'.
- Signatories are being encouraged to demonstrate a clear path to move beyond 'business as usual' customer engagement.
- It is recommended that self-assessment under the maturity model incorporates opportunities to demonstrate ratings with data, information and stakeholder input, including by involving their Customer Panel/Community Council in development of Disclosure Statements.
- There needs to be a focus on outcomes not activity, as well as indicating whether previous commitments have been delivered.
- Signatories should identify their top three to five actions for the next reporting period.

- Signatories to clearly and more consistently outline how they have responded to previous IAP Report recommendations and commitments in their previous Disclosure Statements.

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

Q: Are the market bodies members of the Energy Charter?

R: Previously it's only been generators, transmission, distribution and retail. About two months ago, the Energy Charter launched a series of new signatory levels. We currently have 18 full signatories. They're the ones that go through the full Disclosure Statement process and get involved in all the #BetterTogether Initiatives they want to. We've brought in a secondary membership level called 'Collaborator'. This is for businesses who purely just want to participate in #BetterTogether Initiatives and don't have to go through the full disclosure process with the IAP. The Energy Charter has also brought in a third level now called 'Supporting Signatories'. That level of membership is really designed around your bodies like AEMO and AEMC. There'll be an announcement in the near future or one of those bodies joining the charter.

Q: Has anyone left the Energy Charter?

R: Unfortunately we had both Origin and AGL depart at the end of 2020.

Q: Did AGL provide a reason?

R: The reason they provided was because they were diverting resources into other areas. They believed by doing that, they would deliver better customer outcomes through those mechanisms.

Q: Is there something that you've experienced or that you think we've talked about that Powerlink needs to reflect in its Disclosure Statement that we haven't outlined in the pre-reading?

R: I've been involved in developing the mantra on safe and compliant production. I don't see the word compliance in there. Now I'm not sure - I've been thinking where you would throw it in. But compliance at the end of the day will not necessarily fully guarantee strong customer outcomes, but it's a high-level guarantee of reliability and sustainability.

C: It's a good point. A lot of the Disclosure Statements in the first year focused on how they met regulatory requirements and compliance. The feedback from the IAP and customer advocates was that this was a great start but they noted that signatories have to do those activities. They're really encouraging signatories to talk about the things we're doing above and beyond our regulatory requirements. We've tended to focus on more what we're doing above and beyond that threshold. We just assume that everyone would take it as read that we are meeting all of our compliance and regulatory obligations.

Q: If you look at safety, you'd say that's a given?

R: I agree that it should be given. I put compliance in the same bracket, because compliance, as time goes on, is becoming more complex or challenging.

Q: The main things I'm interested in are firstly, what did you say you were going to do last year and did you do it? Then secondly, what are you going to do next year? Let us hold you to account against the commitments that have been made. When I looked at your proposed structure, I wasn't quite sure I could see those things in there.

R: It's a good point. Sometimes it's hard to do this all in 10 pages, because everyone wants Disclosure Statements to be as concise as possible. I'm of the view that if there's a page you need to include that'll add value, we should include that page. The other element we want to reflect on is what the IAP recommendations were and this is what we've done with them. It's almost like three levels. This is what we said we were going to do in last year's statement. This is how we've tracked. This is what the IAP recommended we needed to do and this is how we're taking that on-board as well.

C: I am aware of the IAP recommendation that says you should identify the top three to five defined actions, so I would expect to see this highlighted.

Q: Good feedback. Does anybody online have any thoughts about what we really need to focus on or include in our Disclosure Statement this year?

R: I agree with what's been said in terms of the simplicity of the document. But you may also wish to consider not just a listing activities but rather assigning a priority or consumer value on each. Who did it affect? Which type of consumers? Because we're not a heterogeneous bunch. We're quite different types of consumers and customers. Were these short-term things? Are consumers going to see the benefits for the longer term? Is there any kind of quantification available? The sort of thing that customers would want to see from a customer point of view rather than what the business would want to see from a business point of view.

C: That's a good point - thanks. I think that's definitely something we could consider about how we weave that into our report. We could even consider a legend about the customer segment that is most impacted and the timeframe.

C: Backing up what was said about the importance of following through on 'this is what we said we were going to do, this is what we did', the other important thing – having re-read the narrative that Powerlink put together for the Revenue Proposal – is just telling the story about where you're going. This is really valuable too.

R: We'll have an updated version of the business narrative hopefully in the next few weeks for you all. As you know, things are moving so quickly in this industry, it's become outdated, so we'll circulate that to members of the Customer Panel for their feedback.

- C:** Powerlink will again endeavour to circulate a draft version of our Disclosure Statement. You will actually get to see what it looks like before we lodge it with the IAP.
- Q:** Looking through the analysis of the maturity levels, I can see where you're proposing changes in the assessment levels, but it wasn't quite clear to me what justified those changes in levels. When I looked down, there was red writing and green writing. Maybe that was the clue, but it didn't jump out at me. What I'm seeking is that I've changed from level A to level B because of X, Y and Z?
- R:** Good segue as our next speaker is about to talk us through that.
- C:** Before we move on, if you just go back one slide please, it would be great if as part of the Disclosure Statement process that Powerlink could demonstrate actually how it's understanding its customers' own environmental, social and governance objectives and what it's doing to support customers in promoting those objectives.
- Q:** I think we could possibly apply that layer over our customer segmentation information?
- R:** Yes, possibly. We'll have to think through that one a bit more, but we'll definitely take that on-board around how we could potentially incorporate that.
- C:** From your business customers' perspective, obviously ESG is quite important, for all of our own shareholders as well. It'd be nice to be able to understand actually how our suppliers are assisting us in achieving those objectives.
- C:** Thanks for the feedback. We'll move on to discuss our maturity level model.

Maturity model – draft self-assessment

- Q:** Regarding the Energy Charter principles numbers one and four, 'we will put customers at the centre of our business in the energy system' and then number 4 is 'we'll improve the customer experience', how come they're separate?
- R:** There are some slight distinctions in the principles. Customers at the centre of our energy system is much more focused on culture and any decision-making processes. In comparison, the principle on customer experience is more focused on the information you provide to customers, the service that you give them, so number four flows out of doing number one really well.
- Q:** When it's presented there, wouldn't one flow from the other? Because if you don't put customers at the centre of it, then the experience isn't that great for them?

R: I don't think you can. One is like a foundational piece for me - if you don't get one right, it's very hard to do two, three, four and five. Number one gives you the culture, the systems, the empowerment for you to go off and do that extra bit for your customers. You can't do that without your Board, executive support, your resources and everything like that. If someone says to me, if I can only focus on one principle to really turn the dial, it's that first one. It's principle one, because that sets the scene to allow everything else to happen.

Q: Are there any views regarding our draft plotting on the maturity model? Are we kidding ourselves or does that align with your expectations?

R: I think you're hedging your bets too much with the joint emerging/evolved classification. If you've finished emerging, then you're evolved. You haven't finished evolving, but I don't think you need to colour in a whole chart.

Q: You think we're probably being too safe actually stretching ourselves across both?

R: I think it's good the way you're flagging where you think you're tracking. I think that's useful because it gives you a sense of a trajectory too. I think you probably lose that sense of trajectory a bit if you've got dark blue, massive green block, long-term grey targets. You might like to pull in a bit on your green boxes.

Q: Can you outline what the process is for determining the maturity assessment in terms of who's adding what to it from the business?

R: The Customer Strategy team had first crack based on their view of everything that's been implemented from a customer perspective. It was then socialised with a number of key subject matter experts across the business. We then sent it up to the Executive Team and had a dedicated session with them to explore if they felt this was an accurate view for the IAP. Now the next most important people we are speaking to today is to our Customer Panel.

Powerlink also has an Energy Charter Customer Action Plan that sits behind this and we meet with the leads on any of those actions once a quarter so we can see how we're tracking. We can see on a quarterly basis, what's happening, what's improving and what work we still need to do.

Q: Powerlink runs a stakeholder survey every year, how does that fit into this process?

R: Yes, we do our yearly Stakeholder Perception Survey. We get some good metrics and it tracks things like social licence, trust and reputation, which we report on. What's more important for us is the qualitative data, the issues. What's coming up? What are the pain points of the different customer segments? Then we have dedicated meetings across the business with different parts to say, well, this is what your customer segment is saying about you. What is it that we need to do? Then we then take any actions we identify out of that process and put it into our Customer Action Plan. Then that's what we track on delivery of that.

Update on #BetterTogether Initiatives

- Customer Voice @ Board Level
- Know your customers and communities update
- Better Practice Landholder & Community Engagement Guide

C: In Victoria they had disputes with adjoining farmland owners. One gets an outcome with wind or solar and the other doesn't. Then they object because they say, I missed out, I'm not going to be a beneficiary of it. It was really interesting listening because you're actually bringing stakeholders together, but you're left with a bit of a mess. Anyway, just something to think about.

Action:

- ***Powerlink to circulate a draft version of its Disclosure Statement to the Customer Panel for review.***

7. Integrated System Plan (ISP) and Consumers Briefing for the Customer Panel

- Dr Andrew Nance, 2022 ISP Consumer Panel Chair
- Mark Grenning, 2022 ISP Consumer Panel Member

Summary:

- Introduction to the ISP Consumer Panel and update on the 2022 ISP Process.
- Overview of the Draft ISP Methodology published by AEMO last week.

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

C: You've probably heard similar things in the AEMO ISP forums. But it's very clear, as we've said, that the jurisdictions are doing things which are in the perceived interest of that jurisdiction by the government rather than the ISP which is the national point of view. One of my problems with that is that it means the ISP's role in terms of suggesting where future generation is going to be becomes more and more irrelevant, because the jurisdictions make their own decisions, notwithstanding anything that might be in the ISP.

But then consumers are left with, through the ISP or another mechanism, the need to build any transmission infrastructure that's required to connect this generation, because the transmission isn't necessarily planned properly with the generation announcement or funded. They're left to pick up the funding for the transmission and might end up with stranded assets, because you work out there's a whole load of generation here, we need an interconnector, because it'll bring it nicely to the other state. But then the other state decides, they're going to build their own generation here instead. From a transmission and planning point of view - which is what we're dealing with here with Powerlink - it becomes a very difficult thing to do. It becomes very difficult to actually do what the ISP is supposed to do, which is to optimise generation and transmission on an NEM-wide basis. I don't have an easy answer to any of that by the way.

Q: The trouble with the ISP is that it deals with such big macro issues that sometimes it's hard to actually break it down. I think going back to your question about how the existing Powerlink Customer Panel can benefit from this process, you've got two reports coming in. You've got one in September 2021, one in February 2022. Are there some specific questions you would like to give us that you want to get answers to either prior to or after you've published those reports? The scope of the ISP and NEM development documents are so huge, we'll be relying on your expertise to narrow the scope. And from an Inputs, Assumptions and Scenarios Report (IASR) review perspective, we're keen to know what are the three questions we'd really like to get consumers' thoughts on. I would say that would be of benefit to narrow our focus, because these are such big macro issues.

R: What would be really useful to the ISP Consumer Panel is to make sure that what's in the ISP is an accurate reflection of what Powerlink and the Customer Panel understand the situation to be in Queensland. I think one of the first steps around the IASR would be consideration of the commitments in Queensland that are included in the modelling and what are givens?

It'd be great to be able to come back once the Draft ISP's out which would be then in early 2022, which would be to talk about what it's showing for Queensland. How does this align with what you understand to be the circumstances? It would be great for us to be able to do that actually before we've got to get our report in. Now that might be a bit difficult to go in that window, but if that's possible, I think the local knowledge is part of what we really need to be able to capture this information. It's really big and it's really national, but it needs to reflect the local nuances if it's going to be meaningful. I'd love to be able to come back and test that with the group.

Q: Powerlink has its ISP experts here, do you have anything you would want to add as part of this discussion?

R: It was a very interesting discussion and I sat in the ISP methodology webinar this morning. It was also very interesting, especially the issue about the annuity which didn't come up here today, but it seems to be a big issue which could potentially change the optimal development path. In terms of how the cost/benefit analysis is done, whether you use an annuity method or you expect the assets to be paid for within a limited amount of time like 15 or 20 years. There seems to be some different points of view expressed by different people.

C: It's a complex methodology they use to try and compare different projects with different time periods of implementation.

Q: Is that the synergies report?

R: No. It basically annualises costs, which I can understand. It also annualises benefits and our concern is that the modelling goes out to 2050, so it has benefits from whenever it's supposed to start. If it starts in 2035, it goes out to 2050, but that's the end of the modelling. The assumption after 2050 is that costs equal benefits. We don't think that's an appropriate assumption for a 50-year asset, because you're only taking account of 15 years of a 50-year life. Now the response to that is to say, well, out in 2050 whether costs and benefits are the same beyond 2050 doesn't make much difference in 2021, but then that is driven by what discount rate you use. And we are the midst of a robust debate with the AER on what the discount rate should be.

Q: Do consumers think we still need the ISP?

R: In general yes, we believe that consumers still see it as an important part of having a joined-up national approach. We do feel though that the ISP is potentially under threat as it has been under-mined. It really loses its relevance the more the states head off in independent directions. We are not convinced that is in the consumers' interest. But, are consumers that attached to it that they'd miss it if it was gone? That's a good question, and I think unfortunately probably not, even though I'd like them to.

Q: I'm trying to push the limits here. The horse has already bolted in a couple of the states. Have things already gone too far that we can't pull back? Our team has been providing input to the ISP in its development phase for three or four years. They do try to always provide the best input that they possibly can given the circumstances, providing knowledge they have at that point in time. But you're entirely correct, things change. Things change more regularly than they did before. Sometimes you just have to go with it, because otherwise you'd just be constantly reiterating everything. But if things are changing so quickly, is having a plan which some states may be locking in stone - is that still the right way to be doing things?

C: We've got something in-between a national planner and each jurisdiction doing its Transmission Annual Planning Report (TAPR). You say, are they consistent? Why haven't we got a national planner? Is the ISP consistent with the TAPR? Is it an element of duplication? Building on what you're saying, I'm just wondering if that is why we do it twice.

R: The ISP is a really important document and really important process, but yes, it's facing headwinds at the moment. But we are working earnestly to ensure it is a relevant document to consumers, because lots of investment decisions can flow from that. We're doing as much as we can to ensure some transparency around the way it's done, engaging with consumers so they can understand what is going on and so that, when it does come out, they can have confidence it's gone through a rigorous and transparent process. Even if they don't understand the finer points of annuity modelling and cost/benefit analysis, they can have confidence that it represents something that's an efficient process with an efficient outcome.

Q: Do you think there's some value in the ISP demonstrating how much the state-based parochialism is diverging from an optimal development path? I think it's useful to have an independent view saying, that's great, but if we're overbuilding our renewable capacity 200% and we're underspending on our transmission assets, is it an objective estimate of the cost? You're making an informed decision about the extent to which you're diverging from that optimal path. I think that's useful, but I don't know that consumers would see that.

R: Yes, in principle. The issue though is the way the modelling is done, they have to assume State Government legislation is there. Even if they think it's not leading to an optimal development path, they still have to do that. It's interesting. We will be encouraging AEMO, when they put out the Draft ISP, to have commentary on that issue as to what extent have the state-based policies influenced the ISP and tried to understand what impact that's had on their outcome.

Q: Does AEMO have the ability to test a scenario in the ISP of an unconstrained development path? I know as part of the ISP they have to take account of the jurisdiction policies, but are they able to even show a scenario of an unconstrained development path?

Q: I don't think they can do that under the rules, can they?

R: It's a good question.

C: Surely they're not prohibited from doing that. It's just more work involved.

Q: Based on what you said before, you believe the best opportunity to come back to this group would be after the draft report gets released in December but before your report in February – is that right?

R: That would be best. Our report is due around 10 February 2022. The Draft ISP comes out in December 2021. It's not a great time, but it's a popular time for consulting on energy market stuff as I'm sure you all appreciate.

Q: Is there any value in doing something towards the end of this year?

R: It'd give us an opportunity to push AEMO to at least get some stuff that's relevant to the Queensland context available and get some informed discussion going.

C: Our next Customer Panel meeting is late October, and that would give us time to give an update on where we're at too from a Queensland perspective. It might be better to flesh out anything that can influence and go into to the Draft ISP in December.

Q: Are you looking for input from the representatives on our Customer Panel or the Powerlink people on the Customer Panel?

R: Both. How have you found the process this time compared to last time? Is it better? What are the issues that you've found? How do you think - from your perspective of what's best for consumers in Queensland - has that been taken on-board? Those are the sorts of things we're looking for feedback on.

C: Let's do that in October.

C: Yesterday we were talking to AEMO's CEO. There was acknowledgement that engagement needs to improve and Powerlink offered its assistance in helping.

C: Certainly the feedback we've got is that they are very, very focused on engagement and the benefits of it.

Action:

- *2022 ISP Consumer Panel to discuss and seek feedback with Powerlink's Customer Panel in October on information to be included in draft report.*

6. Meeting closed 4:30pm