

Powerlink Customer Panel Meeting

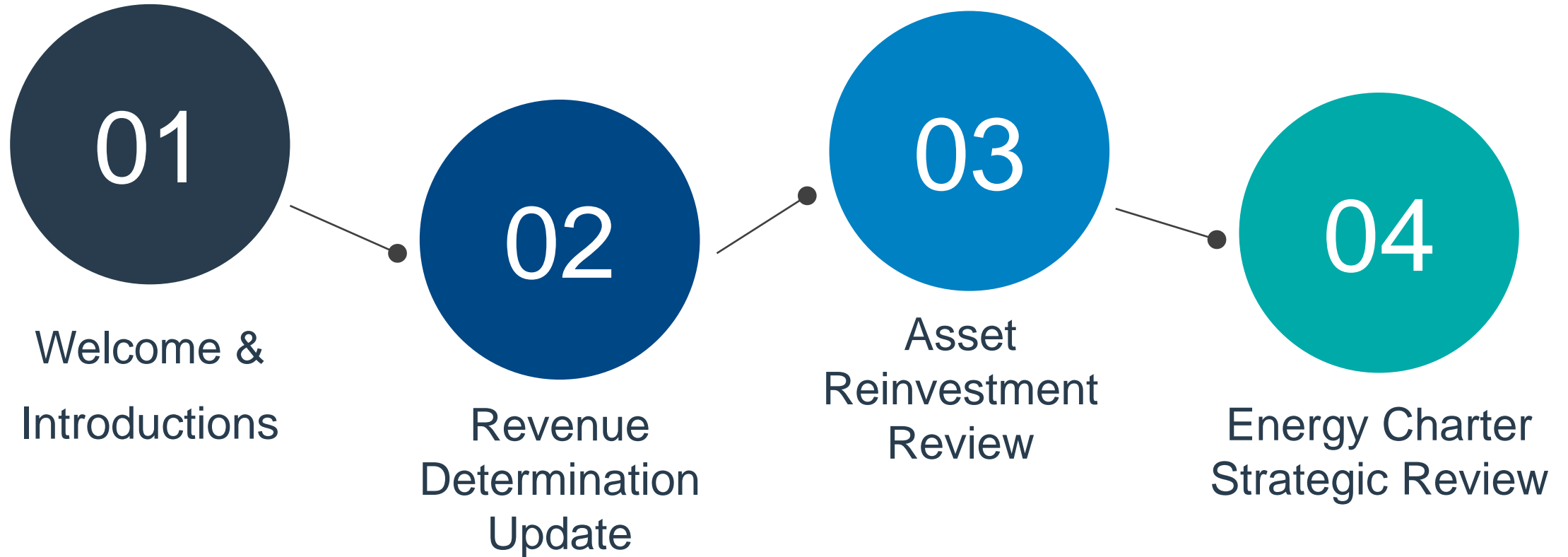
24 March 2022



Acknowledgement

Powerlink acknowledges the Traditional Owners and their custodianship of the lands and waters of Queensland and in particular, the lands on which we operate. We pay our respect to their Ancestors, Elders and knowledge holders and recognise their deep history and ongoing connection to Country.

Agenda



Welcome and introductions



Customer Panel Review 2021

Lessons Learnt session

- End of 2021, undertook a lessons learnt. Key insights:
 - Greater representation of regional stakeholders
 - Value in having member from Queensland Government
 - No current member representing interests of small business
 - Investigate offering of sitting fees
- Updated Terms of Reference in November 2021
- Undertook an Expression of Interest for new panel members

Customer Panel Membership

Existing members

- Andrew Barger, Queensland Resources Council
- David Hiette, BHP
- Chris Hazzard, St Vincent de Paul
- Mark Grenning, Energy Users Association of Australia (EUAA)
- John Gardiner, CSIRO
- Robyn Robinson, Council on the Ageing (COTA)
- Claire Hamilton, Shell
- Ian Christmas, Edify Energy
- Dean Gannaway, Aurizon
- Jenny Harris, Powerlink
- Gerard Reilly, Powerlink

New members

- Andrew Broadbent, CS Energy (replacing Henry Gorniak)
- Nicola Roscoe, Energy Queensland
- Leanne Caelers, Department of Energy & Public Works
- Claudia Brumme-Smith, Townsville Enterprise
- Amanda Rohan, CCIQ
- John Sadler, CWP Renewables
- Warren Males, Canegrowers
- Jo Sheppard, Qld Farmers Federation
- Jules Taylor – Powerlink
- Brett Mann – Powerlink
- Daniel Andersen - Powerlink

Departing members

- Henry Gorniak, CS Energy
- Georgina Davis, Qld Farmers Federation

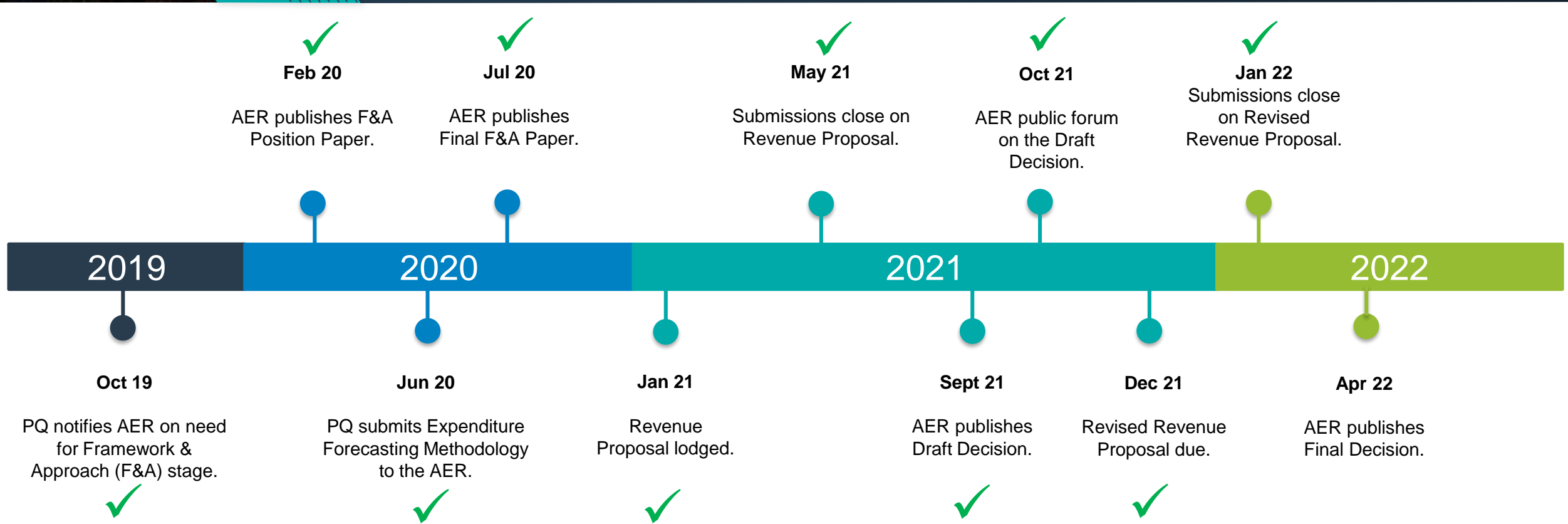
2023 – 27 Revenue Proposal

Final update prior to the AER Final Decision




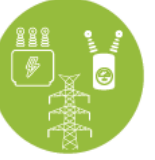


Provide an update to Powerlink's customers and key stakeholders on developments since we lodged our Revised Revenue Proposal in November 2021.

- We lodged our Revised Revenue Proposal with the Australian Energy Regulator (AER) on 19 November 2021.
- This slide pack provides an update on:
 - progress towards the AER Final Decision; and
 - update to the market Impact Component (MIC) of the Service Target Performance Incentive Scheme (STPIS) following the AER Final Decision for AusNet Services (transmission).

Regulatory milestones



Revised Revenue Proposal Overview

	 Capital Expenditure	 Operating Expenditure	 Rate of Return	 Regulatory Asset Base	 Maximum Allowed Revenue	 Electricity prices
Revenue Proposal	\$863.9m	\$1,046.4m	4.44%	\$6,958.4m	\$3,333.9m	11% decrease
Draft Decision	\$863.9m	\$1,046.4m	4.65%	\$6,983.4m	\$3,414.9m	9% decrease
Revised Revenue Proposal	\$882.4m	\$1,071.4m	4.65%	\$7,140.4m	\$3,427.6m	5% decrease

Note: figures in this presentation are in \$ real 2021/22 unless otherwise specified.

We expect the AER Final Decision will be published at the end of April 2022.

- We have responded to three Information Requests from the AER:
 1. Relates to the use of some of our assets and the potential for their transfer into our Regulatory Asset Base (RAB). This matter is being addressed with the AER on a confidential basis.
 2. Provide our historical STPIS data on a basis that is consistent with the recent AER Final Decision for AusNet Services. This is covered later in this presentation.
 3. Provide a clean copy of our Revised Proposed Pricing Methodology.
- On 8 February, we briefed the AER Board Networks Committee on our Revised Revenue Proposal. The AER was pleased that we have been able to achieve Capable of Acceptance from our Customer Panel.

Service Target Performance Incentive Scheme (STPIS)

AER has indicated it intends to apply the AusNet Services Final Decision on the Market Impact Component (MIC) to the Powerlink Final Decision

- The AER has further clarified its application of the Force Majeure exclusion to the MIC to include:
 - events that relate to changes in AEMO's approach to managing frequency control, if the new requirements imposed by AEMO are outside the TNSP's reasonable control; and
 - events where a semi-dispatch generator offers its maximum potential capacity even though it knows that a planned network outage is in place. This situation can arise when the **Australian Energy Market Operator (AEMO) places a semi-dispatch cap on these generators to match the network configuration at the time, resulting a binding constraint on the generator.** This also applies to unplanned outages.
- The AER made a distinction between the new renewable generators and the existing thermal generators, as the constraint data associated with the thermal generators are already in the TNSPs' historical performance data and the impact has been reflected in each TNSP's performance target.

Impact on Powerlink

- The tables below summarise the changes between the data submitted as part of the 2023-27 Revised Reset RIN and the updated data in response to the Information Request.

MIC Dispatch Intervals	2014	2015	2016	2017	2018	2019	2020
2023-27 Revised Reset RIN – Version 5 (capped)	3941	65	42	73	217	12549	23172
Response to AER Information Request – Version 5 (capped)	No change	No change	No change	No change	No change	9692	676

- Powerlink’s MIC performance target and floor change

	MIC Target from 2014—2020 Year Range	MIC Floor (maximum penalty)
2023-27 Revised Revenue Proposal	3364	6728
Updated for the AER Information Request	990	1980

Engagement following the Final Decision

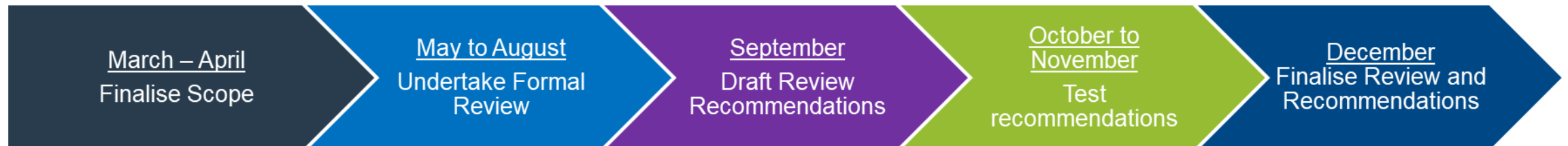
*We will circulate a summary
of the AER Final Decision
to Customer Panel members
in early May.*

Asset Reinvestment Review

- **Engagement Objectives**

- Enable in-depth and timely discussion on key elements of the asset reinvestment review, including its scope
- Ensure customer, stakeholder and AER insights are heard and considered
- Build understanding of Powerlink's asset reinvestment requirements.

- Establish ARR Working Group, but with a commitment to keeping our wider Customer Panel updated



Review Background

- AER stated that Powerlink's current asset reinvestment models are well developed and generally provide a reasonable assessment of the expected benefits of the proposed investment
- The AER did identify areas for further improvement in the repex asset management approach, particularly in relation to transmission lines replacement expenditure with an opportunity to take a more targeted economic risk-based approach.
- Powerlink's current asset management practice for transmission lines includes compliance in its approach

Timing

- Committed timeframe for completion of review is by 30 June 2023
- We will seek to adopt improvements identified through the review as soon as practicable over the remainder of the 2023-27 regulatory period

First meeting key actions

- Develop a glossary of asset management terms to establish collective understanding of the language
- Investigate any associated benefits with dividing long transmission lines into smaller built sections for asset management purposes
- Provide asset management guidelines for greater insight into legislative and Powerlink requirements
- Do a deep dive into a suitable transmission line refit project to provide greater understanding
- Provide an updated review scope based on feedback received to date
- Investigate potential for a site visit to walk through the challenges and trade-offs involved in asset reinvestment decisions

Energy Charter Update



- CEO led collaboration across the energy sector
- Established in 2018
- Powerlink is a foundation signatory
- Five principles:
 1. We will put customers at the centre of our business and the energy system
 2. We will improve energy affordability for customers
 3. We will provide energy safely, sustainably and reliably
 4. We will improve the customer experience
 5. We will support customers facing vulnerable circumstances



The Energy Charter

Energy Charter in action

Disclosure requirements

- Annual disclosure statement on Powerlink's performance against Energy Charter principles
- Lodged in September
- Maturity Model
- Customer Metrics
- Independent Accountability Panel
- CEO meetings

#Better Together Initiatives

- Collaboration initiatives where whole of sector and customer representatives work together to improve outcomes
- Recent/current BT Initiatives with Powerlink involvement:
 - Better Practice Landholder & Community Engagement
 - First Nations Engagement
 - Customer Voice @ Board
 - COVID-19 Customer Vulnerability

Strategic Review

Strategic review after three years of operation

- Feedback sought from CEOs, signatories, customer advocates
- Key themes of feedback received:
 1. The Energy Charter is seen as worthwhile & has delivered positive outcomes
 2. Most valued aspects are collaboration, building trusted relationships & knowledge sharing
 3. A desire to see more outcomes/actions & elevation of the #Better Together program of work in impact & priority
 4. Least valued is the Independent Accountability Panel process

Draft recommendations

Greater focus on being a whole of sector collaboration engine

1. Elevate the #Better Together program as Energy Charter flagship with program success the key measure of success
2. Decentralise the accountability framework by leveraging existing Customer Panels/Councils
3. Clarify certain Energy Charter commitments and its role regarding advocacy

Question

- How do we best involve the Powerlink Customer Panel from an Energy Charter accountability perspective?