



Customer Panel Meeting Minutes

Date: Thursday, 24 March 2022	Start time: 2.00pm	Finish time: 4:00pm	Venue: Powerlink's Virginia office and Teams (hybrid meeting)	Meeting no: 23
Facilitator: Gerard Reilly (Powerlink)		Minutes: Kylie Dezotti Jules Taylor (Powerlink)		
In-person attendees: Andrew Barger (Queensland Resources Council) Henry Gorniak (CS Energy) Mark Grenning (Energy Users Association of Australia) Ian Christmas (Edify Energy) Sharon McIntyre proxy for Jo Sheppard (Queensland Farmers' Federation) Dean Gannaway (Aurizon) John Gardner (CSIRO) Claire Hamilton (Shell) Andrew Broadbent (CS Energy) Leanne Caelers (Qld Dept of Energy and Public Works) Chris Hazzard (St Vincent de Paul) John Sadler (CWP Renewables) Warren Males (Canegrowers Association) Online attendees: Cherie Josephson (QCCI) Robyn Robinson (Council of the Aging) Ian Christmas (Edify Energy) David Hiette (BHP) Powerlink panel members: Jenny Harris Gerard Reilly Daniel Andersen Brett Mann Jules Taylor	Apologies: Claudie Brumme-Smith (Townsville Enterprise Limited) Jo Sheppard (Queensland Farmers' Federation)	Powerlink presenters: Paul Simshauser Paul Ascione Greg Hesse Gerard Reilly		

1. Welcome and introductions

- General Manager Communications, Customer and Engagement, Gerard Reilly
- Welcome to online panel members
- Facilitator over view of public webinar providing industry with the same level of detail provided to our customer panel.
- run through agenda
- Introductions from all panel members around the room and online.

2. Powerlink's 2023-27 Revenue Proposal update summary

- Manager Regulation, Greg Hesse
- Powerlink submitted its Revised Revenue Proposal to the AER on 19 November 2021, two weeks before the deadline.
- AER's final decision is expected at the end of April.
- Submissions closed on our Revised Revenue Proposal and the AER's Draft Decision in January. There was one submission from the AER's Consumer Challenge Panel (CCP23).
- The forecast expenditures are essentially what was in the original proposal and the draft decision updated for the changes that have happened to inflation since we first launched back in January last year 2021.
- Rate of return will reflect current conditions consistent with the rate of return instrument, and most other things will then flow from that.
- Only three information requests from the AER since Powerlink submitted.
- Provided an update on the Market Impact Component of the Service Target Performance Incentive Scheme – the AER has clarified some of the arrangements and definitions.
- System Strength is very pervasive across the network and it will continue to be a challenge as the energy system transforms. Because this is relatively new, there is no captured history.

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

Q. What is the likely impact in terms of the movement in market rates, because they've been quite significant since the draft? Because the final decision will reflect the averaging period, and that number could be much larger than what's on this page right now.

R. We expect the number will likely go up. I cannot disclose to you or anyone else what our averaging period is. That will be disclosed when we make the final decision.

C. Moving on to the STPIS. This comes out of the AER's final decision that was made in effect of AusNet's services at the end of January. In particular changes around the market impact components.

The AER has provided some further clarity around exclusions for the market impact component of the STPIS. One relates to changes that AEMO may make to managing frequency control aspects and risk of islanding of regions. In the past, maybe two constraints were required to manage the situation. Now, if all of a sudden it's eight, that change is outside of the TNSP's control.

The big one is this - it's called the semi-dispatch cap of generators. This refers to variable renewable energy generators who are constrained, due to network constraints. That's a recent feature that hasn't been captured in our history to date.

Q. With the changes you've got in the mix, the STPIS part of it, how far away is it from what you were looking at in your review of the full STPIS?

R. If you are looking back using seven years of history in an environment that's changing in such a short half-life at the moment, you run the risk that you will be setting benchmarks and incentivising behaviour that bears little or no relation to the needs of the network and customers in as little as two years' time. So ideally something that could be a little more forward looking or adaptive, or even the actual behaviour into incentivise.

Powerlink Asset Reinvestment Review Working Group

Summary

- The AER stated that Powerlink's current Asset Reinvestment models are well developed and generally provide a reasonable assessment however there may be opportunities for improvement, particularly in relation to transmission line replacement expenditure by taking a more targeted economic risk-based approach.
- Powerlink's current approach includes both risk and compliance based approaches.
- First few meetings of the Asset Reinvestment Review Working Group will focus on developing the scope for the review.
- The review will be completed by December 2022 with a report and some recommendations.
- ARR working group member Andrew Broadbent provided some insights regarding the first meeting.

C. It's great that in the first meeting there was a strong keenness to understand Powerlink's asset reinvestment requirements. To the point where we thought the scope would be sorted within one or two meetings, but I suspect it might be a bit longer, as we need some more education pieces as we go along.

Powerlink's current approach does include a risk-based approach, but it also includes compliance units approach.

Anything that we do discover or find that can improve it, we will implement it into the current regulatory period. Particularly if there's cost savings for our customers.

The ARR Working Group said they'd like a deep dive into an actual line fit project. They are also quite keen to potentially have a site visit so they can understand the challenges that Powerlink face with regards to rough terrain, getting access to lines, and understand the distance from towns and depots, in terms of mobilisation and demobilisation costs.

C. *From ARR Working Group member.* It is a really good, diverse skill set that has been selected for the panel. There really is genuine engagement from Powerlink. I think there's that willingness to provide additional information, to fill any information gaps that are arising, and there is genuine engagement with the AER throughout the process, as well.

I think the time we've spent, and will spend in getting the scope right, is another important element of it, and just showing the genuine interest in improving any processes that can be made through Powerlink.

C. One of the areas, which is really important is the customer's ability to get more deeply involved in the opex/capex trade-offs. Looking at what's the cost to customers of assuming that additional level of risk by deferring or delaying CapEx. If we look back around the current revenue reset, we could have invested a lot more time in customers getting a better understanding of those trade-offs.

Q. So are there certain elements of the capex/opex trade-off you think we should be focusing on as part of the review?

R. I think baby steps. I think a good scope is really trying to understand risk. Once we understand risk, we can then actually understand value of the risk and what trade-offs are available.

R. Another important consideration for trade-offs is that TNSPs across the NEM use different definitions. The term capex doesn't actually include all the same things. Therefore, what we (Powerlink) might call opex, others are capitalising. That's something we'll actually go into a bit further, as part of the review. There may be some other questions that we need to take away to other parts of the business for further input. Because someone may ask, are you going to change your capitalisation policy? I hope not, but it could be. If that question arises we need to think thoroughly and think - would it add value to the way we run our business, and value to customers as a result of it?

Q. Is the AER involved in the review?

R. Yes Albert Tong from the AER is a member of the working group and will be attending all meetings and providing input.

Q. Are you thinking about thresholds for your reinvestment requirements, is it part of the scope to think about some really big picture risks, and long-term risks associated with resilience challenges? We know that that's been a theme that keeps coming up in discussions around increased floods.

R. Yes there was discussion around the scope including future-proofing. How do we come up with an asset reinvestment approach that takes into account a rapidly changing physical environment, as well as operating environment? So that we're not having to review this process again in two years' time.

Q. Has the use of the Repex model in any way driven this?

R. Part of the AER's job was to look at the frequency of our investments, but also the efficiency of our investments. They had some testing, and I think it was also a concern for them that we used our Repex model, which is the replacement expenditure, which is a top down model to forecast our expenditure for the next regulatory period.

That was also a question that was raised at the group, whether that should be part of the scope. I'll just tell you now, what I said then, is that we only used the Repex model for the last two resets for forecasting our capital expenditure, or at least a portion of it, for revenue reset purposes. We don't use it to forecast what we think we're going to spend within period. We do a detailed analysis to figure that out.

C. But things like mobilisation costs of labour, network assets, both from an outage perspective or geographic - these are really tough, hard to get at towers. How do we actually monetise those costs for that? Because I think the AER is comparing a bundling approach, versus a, what happens if you work on that tower, that tower, and that tower? We're saying, it's actually more cost effective to go in and do a stretch of towers, because of these reasons and factors - more practical project management reasons. That's an interesting thing we need to keep discussions going with.

C. We're doing the same thing on our network now. It's basically taking a risk-based approach, seeing where I can extend the life out of assets that I've got a large cluster of assets I can go in and replace, I minimise mobilisation costs.

Q. Was the AER's concern that the assumptions that we're using, the top-down model, were overly-conservative or under-conservative?

R. No, their focus was largely in relation to transmission lines. They looked at a lot of our capex. They were comfortable. They saw improvements from their perspective. But there is some disagreement on how we conduct risk assessments for revenue reset forecasting purposes versus what - the way they would do it in a desktop setting.

C. To make one more comment, there was a discussion around acts of climate change. The way we design our network is to avoid natural disasters. So, take our transmission lines, for example. We've got an inland route, we've got a coastal route, and that's not by chance. It's to give ourselves resiliency when cyclones cross. So, we've actually still got supply going into all major regional areas.

Energy Charter Update Summary

- It's a voluntary CEO collaboration.
- There's about 20 energy businesses from across the supply chain. So, generators, transmission, distribution and retail. We come together under a collaborative banner to work together to improve customer outcomes, and to drive a better customer centric culture within our businesses.
- We had a three-year roadmap, or a strategy, and that three years has come to an end,
- As any business does, you do a strategic review of what is going well, and areas that we need to improve. So that's where we're at.
- Can I just preface that the information I'm about to share to you is actually so draft, it hasn't actually been signed off or gone to the CEO Council of the Energy Charter. That's not happening till next week, but I really did want to have this conversation today, because I don't think it can wait until June.
- Each year we make an Energy Charter Disclosure Statement - an assessment of our performance against the five Energy Charter principles.
- Under the existing model there is an Independent Accountability Panel which reviews disclosure statements and makes recommendations.
- Strategic review found many benefits of the Energy Charter including the collaboration across the supply chain. Support to direct resources to support the Better Together initiatives.
- Looking to move from a central Independent Accountability Panel model to a decentralised model where signatory Customer Panels play an accountability role.

C. If we're moving from a process where Powerlink developed its disclosure statement and then handed it over to an independent accountability panel of three people, to more of a decentralised, where the Customer Panel are going to play a greater accountability role, I haven't got any preconceived ideas, but I'd really like to get your thoughts and views about, how do we best involve the customer panel in that process?

My initial thought would be, at the moment, you've been endorsing our last few disclosure statements. I don't think it's impossible for you to endorse our next statement, if your role changes from endorsing to more of a holding us to account perspective.

What sort of information do you want to see from us at regular customer panel meetings, so that we can demonstrate to you what we are doing well, what we're not doing? I'd really like to get some thoughts and views about how you think the Customer Panel could be placed to take over that accountability role for Powerlink?

Q. Would you reconcile the disclosure statement against the Energy Charter five principles in some way? Is that the purpose of the maturity model?

R. The five principles stay the same. The maturity models still stay the same. Our disclosure statement, its structure will still stay predominantly the same.

C. So, I think one of the benefits of going to a decentralised approach is that hopefully, we can get a bit more Powerlink specific advice or views. The challenge we have now is how does the Customer Panel provide 'independent' advice when it comes to assessing our performance.

Q. One of the advantages of the IAP, was that it was a consistent approach against all energy charter members. So, how are we managing that potential for variations of assessment across signatories?

R. What we're proposing to do - and again, this is all still very early - is that we'll probably use the next 12 months as a bit of a testing phase. Clare Petre, who is the Chair of the IAP, has indicated that she'd be happy to do a formal review of the first round of the decentralised model, and to ensure that we do get some sort of consistency. I would say that there would be some sort of guideline, or something developed by the Energy Charter that gives some sort of - we don't want to be absolutely, everyone does the same thing, but at least something which gives people confidence that each signatory went through a similar accountability process.

Q. Has there been any thought given to the signatories playing a peer review role for each other?

R. No there hasn't but it's definitely something that could be considered.

C. One idea is to have a joint session with Energy Queensland or other Queensland energy GOCs. There is a lot of crossover between the Customer Panels of Energy Queensland and Powerlink.

C. The other thing I'm mindful of is that the Customer Panel already devotes significant time and energy as part of our normal BAU engagement process. This will probably have to be done outside of existing customer panel meetings, so is there a benefit in maximising that time by actually doing Powerlink and Energy Queensland together? Or Stanwell's? I don't know. I'm just putting ideas. I don't know what the answer is.

C. The other comment I'd make, is that I have the advantage of sitting on multiple business customer panels. Endeavour, Ausgrid, AusNet Services, etc. So I get a good view of what is good or not good engagement. I think some method that allows, the Powerlink Customer Panel, to get some sort of exposure to other business engagement processes could help them do the benchmark of how they assess Powerlink.

C. Is there scope for you to pull a rep from each organisation on the Energy Charter, to form a pseudo higher IAP, and do the review? Or pull a member from customer panels from each Energy Charter signatory to form an IAP, to get consistency, to be able to see what's occurring, to cross-pollinate?

C. It pretty much reflects word for word the sort of feedback from the EUCG, as well. The perspective around the customer councils from me is that a business is accountable to its customers. It didn't make sense to me to pretend that a business should be accountable to an independent panel of some sort.

My preferred position would be that Powerlink, and any business, works with the customer panel to develop the targets. One would think Powerlink is right now developing the targets for the next financial year. I would see a strong role for a customer panel to be involved in the development of those targets, to agree to the targets, and then to monitor progress against those targets through the year, rather than wait for an accountability process that takes place a year or 18 months or sometimes two years, after the setting of the targets, under the current arrangements.

So, my suggestion would be a lot closer involvement between the Customer Panel and Powerlink in the setting, agreeing and monitoring of those targets, and then some sort of reflection at the end - quite soon after the end of the financial year - how's it gone against those, and the Customer Panel provides feedback to Powerlink. Do we think it's achieved the targets or not? If not, why not? I think it's preferable to bring that process back in-house, rather than to rely on the independent accountability panel, to make those assessments.

Actions:

- ***Powerlink share the current Energy Charter Disclosure Statement for panel to review existing customer metrics.***
- ***Powerlink prepare an overview of existing customer focused metrics to provide a baseline for Customer Panel to review.***
- ***Powerlink to coordinate a Teams meeting to co-design customer metrics for the 2022/23 Financial Year.***

Meeting ended at 4.10pm.