Date:	Start time:	Finish time:	Venue:	Meeting no:
Thursday, 18 May 2017	1pm	4pm	Whittaker Room 33 Harold Street Virginia QLD 4014	Seven

Facilitator: Gerard Reilly (Powerlink)

Minutes: Kiara Bowles (Powerlink) & Rachael Maundrell (Powerlink)

Attendees:
Dan San Martin (Energex)
Jane Schober (Ergon Energy)
Mark Grenning (Energy Users Association Australia) (part attendance)
Georgina Davis (Qld Farmers' Federation) (part attendance)
John Stalker (Council of the Ageing)
Chris Hazzard (St Vincent de Paul)
Cameron Garnsworthy (FRV)
Jennifer Purdie (Adani Australia Renewables)
John Phillpotts (CSIRO)
Brendan Crown (ENA)
Jenny Harris (Powerlink)
Susan Mallan (Powerlink)
Norike Ganhao (Powerlink)

Apologies:
Andrew Barger (Queensland Resources Council)
Lynne Gallagher (Energy Consumers Australia)
Robyn Robinson (Council of the Ageing)
Gary Madigan (Energex)
David Hiette (BMA)
John Gardner (CSIRO)
Erin Bledsoe (QGC)

Powerlink presenters:
Ian Lowry
Gerard Reilly

Other presenters:
John Phillpotts (CSIRO)
Brendan Crown (ENA)

Attachments will include all documents provided to panel members at the meeting including:
PowerPoint presentations and pre-reading documents

Item	Discussion	Action	Due date	Who
1.	**Welcome to Powerlink –** Gerard Reilly, General Manager Communications			
2.	**Introductions and meeting agenda –** Gerard Reilly			
3.	**Presentation on AER's Final Decision on Powerlink's 2018-22 Revenue Proposal** **–** Ian Lowry, Revenue Reset Leader Discussion on the AER's Final Decision including: • Final Decision summary • Key issues from Revised Revenue Proposal • Rate of return • Forecast capital expenditure • Incentive schemes • Consumer engagement **Comments (C), questions (Q) and Powerlink response (R)** **(Questions during presentation)** **Q:** Regarding the 2016/17 figures in the presentation (slide #6), is that Financial Year 2017? What do the 2018 figures refer to? **R:** Figures are all escalated to 2016/17 base. **Q:** Do you complete this process every year? **R:** The revenue period commences in 2017/18 and runs through to 2021/22 and represents Powerlink's total five year revenue – the maximum revenue that Powerlink can recover from customers.			

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	C: Percentage changes in brackets are all relative in to Powerlink's original revenue proposal. **Q:** Are all the contingent projects subject to the Regulatory Investment Test for Transmission (RIT-T)? **R:** Yes, all projects more than $6 million trigger the RIT-T. **C:** The Efficiency Benefit Sharing Scheme (EBSS) is an incentive scheme that relates to Operational Expenditure (OPEX) only. **(Questions post presentation)** **Q:** I am interested in the process used to set reliability standards for connection points for your network – who sets these standards? **R:** Reliability standards for our prescribed network are legislated by the Queensland Government. The reliability standard changed from N-1 to N-1-50 in 2014. If it's a non-regulated customer connection, we negotiate directly with the customer. **Q:** Does the reliability standard apply for every connection point? **R:** The N-1-50 reliability standard applies to all of our prescribed network. **C:** We understand that TransGrid uses a different reliability standard for different connection points, taking into account the Value of Customer Reliability (VCR). **Q:** Does Powerlink use VCR? **R:** We use VCR in our network planning process by assessing the likelihood and number of impacted customers.			

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	Q: Does reliability for connection points vary for certain areas e.g. supplying Cairns and Brisbane? **R:** While the reliability standard is the same across the network, there are different trigger points which impact on how quickly you react to the threshold – this can be improved through better planning and investment. **Q:** Where do you get your VCR information? **R:** We use the VCR values that are published by AEMO. **Q:** What about benchmarking - how does Powerlink compare to other TNSPs? **R:** The Australian Energy Regulator (AER) publishes annual benchmarking reports and we participate in that process. We acknowledge that under the current benchmarking approach our opex performance could be improved. Making changes to reduce opex was a key area of focus of our revenue proposal and in our discussions with the AER. **C:** A particular area of focus for Powerlink is on creating greater alignment in what we report to the AER. We understand that different TNSPs report different information under the same measure – it's not necessarily 'like for like'. The AER is currently conducting a review of the benchmarking model for TNSPs to ensure greater consistency. Powerlink is working with other TNSPs and the AER to achieve greater alignment with a focus on the review of transmission output measures that is looking at, for example, connection points and reliability weightings. This will provide more useful and consistent measures for benchmarking. **Q:** The AER has said it would look at using an independent consultant to review the profitability of network businesses. What are your views on this?			

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	R: Members of our AER Consumer Challenge Panel made strong suggestions to the AER that they believe that network profitability is a concern. The AER acknowledged this feedback and has committed to engaging a consultant. We would be happy to be involved as necessary, but we don't know too much about this as yet. **C:** The AER's Final Decision rate of return of 6.02% takes account of the perceived stranded asset risk. **C:** We spoke at our last Customer and Consumer Panel meeting about holding an introductory session on our regulatory framework. We are happy to further investigate this to provide more information on this topic if required. **R:** Thanks but not really necessary for me at this stage. Just trying to get my head around some of the details.			
4	**Presentation on Electricity Network Transformation Roadmap (ENTR)** – John Phillpotts, Program Manager, ENTR, CSIRO & Brendan Crown, Executive Director Economic Policy, Energy Networks Australia Summary of presentation: • Purpose and overview of the Roadmap • Comparison of outcomes • Developing the Final Roadmap • Roadmap's implementation planning • Flagship projects • Milestones • Stakeholder engagement and monitoring • Alignment with other programs			

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	Q: What is a stand-alone power system tariff? **R:** This recognises the fact that over time customers will have more potential and incentives to go off grid. There will be new connections to consider other than the typical transmission model – new connections may not necessarily be conventional. Where cost effective, if customers are incentivised to stay connected to the grid, they will want to better utilise their energy use. Different tariff arrangements need to be considered i.e. concessional tariffs could be considered to make it worthwhile for customers to stay connected on the grid – 10% savings etc – and share their resources with the grid. These types of considerations encourage networks to interact with customers. This Roadmap signals that these types of tariffs need to be contemplated in the next five to 10 years. However, where cost effective, the Roadmap also calls for micro-grid and islanded connections as well. **Q:** Why wouldn't customers just use the micro-grid? **R:** Micro-grids have their own issues. If the network decides not to change pricing, customers may decide to disconnect and purchase systems (solar etc.) for their premises/homes to provide their power (not accounting for days of minimal sun) sometimes spending more on capacity than would be cost effective if they remained connected. However we believe we will see (islanded) micro-grids occur in more regional areas where it is more cost effective **C:** There was a forum held last week to examine these matters. If we don't change pricing for customers, you may very well have people that disconnect from the traditional network when this may not necessarily be the most cost effective outcome for the system. **Q:** How have you thought of customers (bigger customers like us) in regards to the			

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	Roadmap? What sort of industry do we want i.e. will price points be targeted to what customers can afford? There's lots of discussion on domestic pricing, but not much when it comes to industry. **C:** The Roadmap comes as a result of what we are seeing - the energy supply chain has been turned very quickly on its head. A lot of customers are investing in their own power systems, plus we are also seeing industrial customers pursuing their own generation and distribution options. **C:** There are a whole range of issues which need to be considered. **C:** Powerlink needs to look at the Roadmap in detail to determine what is specifically relevant to transmission and how best to integrate these findings into its future planning. Some of this work will involve engagement with our customers as well as other stakeholders. **Q:** Looking at the Roadmap, how do you get to 2050 without any write-downs? **R:** The CSIRO modelling uses the existing opening regulatory asset bases for each network service provider. No adjustments for write-downs were assumed. The issue of risk allocation is dealt with as an action in the regulatory section of the Roadmap as an action requiring further attention. **Q:** To get the savings you say are there, assuming asset values that give tariff structures is sustainable - is it going to be worthwhile for them to connect to export the extra power to Powerlink's transmission system? You would have to use a tariff structure that considers a cost base and regulated asset value. If there are no asset write-downs, how is this sustainable? **R:** We've calculated these savings. There are significant reductions through a			

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	change in expenditure on network assets based on reduced forward spend on replacement CAPEX and augmentation CAPEX. **Q:** If you make the assumption about no write-downs, is there an assumption on tariffs delivered? **R:** We did use existing regulated asset bases (RAB), with savings based on system efficiencies and utilisation of customer side resources contributing to reduced forward spend on network infrastructure. **Q:** Is there a broader picture of who stays connected to the network and the need for scenarios on people who opt-out? **R:** We assumed that 10 per cent of customers will go off grid by 2050. Cost effective tariffs can reduce this to one per cent. **C:** Large-scale customers are sophisticated and strategic. Looking at some of the models, it's hard to conceive that some of these forecasts are possible. **C:** We have access to a lot of detail and information as part of the Roadmap. Our challenge is to break it down and apply it to network by network future planning. **Q:** Will modelling on costs for customers in 2050 show the benefit of doing the work to change tariffs vs not doing the work? **R:** If by 2050 we can get the right signals put in place, we believe a $16 billion benefit can be achieved. This would accrue to customers if small changes are made quickly. How to get these changes through is the big challenge. **C:** The final report for the Roadmap was only recently released, containing 45			

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	recommendations. It's an extremely large piece of work and will prompt a significant amount of discussion and commentary. Powerlink is keen to use this report as a guide and to start talking to our stakeholders early-on. As things continue to evolve, we will continue to seek your feedback.			
5	**Group Discussion** Panel members split into two groups to discuss the following questions: 1. Are there any other priorities Powerlink should focus on in implementing the ENTR? 2. How can Powerlink best undertake customer engagement using credible processes and providing greater transparency and access to information? 3. What changes to regulatory processes will help ensure that the customers' role is central? 4. How should the transmission system be transformed to support power system security? 5. What transmission pricing arrangements would better incentivise connections in specific areas? ***See attached notes in Appendix A, which shows feedback from the Panel.***			
	Meeting closed at 4pm			

Appendix A – Group discussion – Implementation of the Electricity Network Transformation Roadmap

What transmission pricing arrangements would better incentivise connections in specific areas?

- Transparent information (not necessarily regarding pricing) about where connections are
- Locational pricing – vulnerabilities if the situation changes (e.g. if a generator shuts down)
- Doubtful if transmission pricing will largely dictate where connections occur
- Land near the network will largely dictate where connections occur
- Land near transmission infrastructure is valued and can influence decisions
- Trade-offs between volatility, security, planning write-downs etc.
- Capacity anywhere? Debatable
- Currently no link between headroom (network capacity) + pricing
- Potentially trialling different pricing, arrangements with some customers to explore benefits
- Drivers – Marginal loss factors, how secure is the connection (i.e. reliability and security of supply)
- Reliability of supply -
    - Key for mines
    - Pricing not as influential
- Showing where network has capacity - transparency

How should the transmission system be transformed to support power system security?

- Concerns that cost increases compromise the ability to do business in Australia
- Questions that ENTR is achievable in all senses (cheaper, greener and more secure realistic?)
- Is the ENTR just one roadmap to draw from?
- Scenario planning valuable to drive planning
- Policy will underpin what's delivered e.g. EVs, battery storage, solar PVs
- Opportunity to lower security to achieve cost savings – customer appetite for reduced security

- If generator, performance standards change to increase/provide Power System Security (PSS) services – some renewable generators may become uneconomic
- Integrated planning is key
- Generator led
- Looking at differences options – partnerships approach
- Smarter with the tech available
- Arrangement for customers if there is an outage to utilise their own resources
- Tap into customers who have resources on their site to provide power to others – or provide services back to the grid itself (mapping of areas)
- How can this location information be fed back to PQ?
- Interconnection between states to achieve balance of renewables
- Strategic locations of batteries across the state – maintenance stability (100 megawatt)
- Further discussions required between industry around best location for batteries

What change to regulatory processes will help ensure that the customer's role is central?

- Has to be simple – open regulation process – lower costs
- National Electricity Objective needs to be changed – Current state too hard
- Large costs involved to change rules that never really change
- Further trials to work out how it could change
- Changes to timeframes a consideration?
- AEMO, AER and AEMC overlap in role – potential to consolidate to improve efficiencies. Speed of change needs to be improved – how can we speed this up?
- Framework now hindrance rather than enabler
- Keep the process simple for customers
    - Introduction of more regulation and its becoming more prescriptive - this needs to be out on business to be more customer focused

  - Empower customers to lead discussions rather than regulation driving the process
- Remove revenue caps – why try when you can only reach a certain profile?
- Aggregation needed to influence transmission
- Things have worked “pretty well” for large/individual customers
- Less regulation and more negotiation

How can Powerlink best undertake customer engagement using credible processes and providing greater transparency and access to information?

- Identify customer – tailored messaging required for each
- Distribution customers:
  - Joint planning – how to improve? Quite technical
  - Consider use of language
  - More strategic approach rather than technical
  - Collaborative approach across all customer levels.
  - Need for AEMO to work more closely with distributors
  - Roll on effect of large customers connecting to network – impact on household customers
  - Feedback from distributor, increase supply chain
- Renewable customers:
  - Alignment between PQ and renewable objectives
  - Better engagement of customers around maintenance outages will lead to better planning
  - Better identification on what’s important to customers on this basis
  - Better information to customers so they can be more active in influencing policy
  - Finding the right balance between too much and not enough
  - Complexity of bills – customers need to know what they are paying for
- Consider ENTR as one scenario not necessarily “the Roadmap”
- Increase understanding of transmission/broader electricity industry (e.g. via mass media) for your “average” customers
  - Cost benefit analysis to determine if this is worthwhile

- AGL example – community groups developed their own information packs e.g. how to read their bill, change their retailer (connected groups/education campaign) (QCOSS involved)
- Bigger industrial/commercial customers need to be involved – play critical role in the system – economic values
- What industry mix do we want in the future?