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Version:

CUSTOMER AND CONSUMER PANEL MEETING MINUTES

Date: 28 May 2015	Start time: 1pm	Finish time: 4.15pm	Venue: Tom Graham Room 33 Harold Street, Virginia Queensland 4014	Meeting no: 1
Chair/facilitator: Amanda Newbery (Articulous)		Assistant facilitator: Nathan Williams (Articulous)		Minutes: Tina Patrick (Articulous)
Attendees: Michele Price (Energex) Jane Schober (Ergon) David Hiette (BMA) Paula Tricarico (Santos GLNG) Robyn Robinson (Council of the Ageing) Peter Maher (St Vincent de Paul) Elizabeth Hobman (CSIRO) Julia Mylne, (Chamber of Commerce and Industry Qld) Andrew Barger (Queensland Resources Council) Mark Grenning (Energy Users Association Australia) Stewart Bell (Powerlink) Jenny Harris (Powerlink) Simon Taylor (Powerlink)		Apologies: Phil Barresi (Energy Users Association Australia) John Gardner (CSIRO)		Powerlink Presenters: Merryn York Gerard Reilly Don Woodrow Lutfiye Allahmanli Greg Hesse
Attachments include all documents provided to panel members at the meeting including: PowerPoint presentation; pre-reading document; Terms of Reference; Stakeholder Engagement Framework.				

Item	Discussion	Action	Due date	Who
1.	Welcome to Powerlink – Merryn York <ul style="list-style-type: none"> Merryn thanked panel members for their attendance and acknowledged the group's diverse backgrounds Powerlink's position in the supply chain is as a transporter of high voltage electricity Our costs account for about 9% of the average household electricity bill Although this is a new forum for Powerlink, the organisation is committed to seeking input from stakeholders and increasing the level of engagement with customers and consumers Powerlink wants to facilitate a process where you can provide genuine input in an open and transparent way We are particularly interested in your feedback regarding our engagement processes so that we can improve sessions over time. 	N/A	N/A	N/A
2.	Introductions – Amanda Newbery <p>Panel members introduced themselves and shared their expectations about the meeting and their role on the panel. These included:</p> <ul style="list-style-type: none"> Seeking clarity about what is important to consumers and why Learning more about the savings and cost reductions that could be achieved in the revenue reset Increasing knowledge sharing across the industry, particularly around the reset process Gaining a greater understanding about the opex and capex methodologies to be used by Powerlink in their revenue proposal Discussing the impact of Powerlink on the small customer bill and all customers 	N/A	N/A	N/A

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	<ul style="list-style-type: none"> Ensuring that people understand what is happening at Powerlink and that things are heading in the right direction, particularly with reference to understanding consumer behaviour and helping people reduce their energy costs Hearing from other companies about their challenges Developing new relationships with others in the industry Hearing feedback and considering how it may be incorporated in Powerlink's revenue proposal Gaining a better understanding about what all consumers are looking for not just large industrial customers Learning more about how Powerlink affects aged and vulnerable people and exploring these issues over time Understanding where opportunities exist to assist vulnerable people, particularly through consumer engagement Representing people who are struggling Providing a consumer perspective. 			
3.	<p>Overview of Powerlink's engagement approach</p> <p>Gerard Reilly provided an overview of Powerlink's engagement approach. Key points presented included:</p> <ul style="list-style-type: none"> The panel is part of expanding our engagement with customers and consumers and is an opportunity to talk about a range of Powerlink operations, not just the reset. The panel is a 'business as usual activity' Powerlink is committed to genuine engagement. Powerlink wants to discuss changes at a relevant time so we can change the way we do things. 	<p>Panel members to contact Gerard if they require further details about Powerlink's engagement or would like to suggest ideas about how Powerlink can improve their engagement approach. Gerard can be contacted at greilly@powerlink.com.au or telephone 3860 2057.</p>	As required	All

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	<ul style="list-style-type: none"> Powerlink's Stakeholder Engagement Framework outlines a series of principles. We ask you to hold us to those principles. We want to present information in a simple and accessible manner and we want to know how you think we can do that better. Powerlink will genuinely consider the panel's input and will get back to you and demonstrate what we have done with your input. We make a commitment to share this more broadly so people not at the table can have access to information that we discuss in this room. Our focus is on directly connected customers, consumer representatives and wider industry groups. Although we won't be engaging directly with mums and dads, we appreciate we do impact on consumers and value their representative's feedback. Powerlink has undertaken stakeholder mapping and market research to identify what our stakeholder believe are the key issues. The top three issues include: <ul style="list-style-type: none"> Pricing Cost v reliability trade off Greater stakeholder involvement in the long-term planning of Powerlink's network. 90-95 % of stakeholders surveyed said they preferred face-to-face engagement. Powerlink proposes to undertake the following engagement activities: <ul style="list-style-type: none"> This quarterly Customer and Consumer Panel The Powerlink Transmission Network Forum to be on 24 July, which includes future forecasting through the Transmission Annual Planning Report along with additional engagement activities. 			

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	<ul style="list-style-type: none"> Forums to discuss network planning across Powerlink's ten Area Plans. Revenue reset-specific engagement activities <p>Gerard invited members to contact him for further information or questions about Powerlink's engagement activities. Gerard can be contacted at greilly@powerlink.com.au or telephone 3860 2057.</p>			
4.	<p>Role of the Panel</p> <p>Terms of Reference Amanda Newbery talked through the Terms of Reference.</p> <p>Regularity of meetings Most members thought that quarterly meetings were appropriate, however, it was agreed that this should be reviewed after the first meeting to get a better feel for how the meetings will operate.</p> <p>Potential Panel agenda items What are we going to talk about?</p> <ul style="list-style-type: none"> Fixed costs <ul style="list-style-type: none"> Treatment of stranded asset Pricing structures and Transmission Use Of System (TOUS) Reliability Consideration of vulnerable consumers Innovation in technology but also broadly, for example pricing models and research methodologies Innovation around AER reset process – eg. length of regulatory periods 	<p>Panel to review meeting regularity at the end of the meeting</p> <p>Powerlink will provide an overview of planned engagement activities and topics to be discussed at next panel meeting.</p>	End of this meeting	Panel members

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	<ul style="list-style-type: none"> Communication outside the panel forum – at consumer level to reduce power bills Research – how do you test new innovations backed up with real world data. Future proofing and impacts on forecasting Disaster proofing Impact of State and Federal government decisions and how that manifests changes for consumers (consumer energy targets etc) 			
5.	<p>Reset overview Don Woodrow Provided an overview of Powerlink’s Revenue Proposal process. Key topics covered included:</p> <ul style="list-style-type: none"> overview of Powerlink’s revenue proposal key revenue proposal dates potential input opportunities. <p>Comments (C), questions (Q) and Powerlink responses (R) C: Panel members expressed an interest in being involved in discussions (early in the process) about:</p> <ul style="list-style-type: none"> Benchmarking Draft figures for capex and opex and price paths Percentage breakdowns within forecasts <p>R: Yes of course, we’d welcome that early engagement.</p> <p>Q: Has the State Government given any direction on Powerlink’s Revenue</p>	Reset team to advise panel members as consultation opportunities arise.	As required	Reset Team

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	<p>Proposal?</p> <p>R: Not to DW's knowledge.</p>			
6.	<p>Opex methodology and discussion</p> <p>Lutfiye Allahmanli spoke to the slides on opex, Key topics included:</p> <ul style="list-style-type: none"> an overview of what is included in Powerlink's opex maintenance considerations refurbishment considerations opex forecasting methodology. <p>GROUP DISCUSSION</p> <p>What will add value to our opex forecasting methodology?</p> <p>Comments, questions and Powerlink responses</p> <p>Q: How is Powerlink Queensland diverting from the guidelines for opex methodology?</p> <p>R: Powerlink is not diverting from AER guidelines.</p> <p>BENCHMARKING</p> <p>Q: Our industry is going through a downturn. We are using stopwatches to time our staff. We are diving down to investigate our costs and get to the nitty gritty about what is making the costs. I suggest Powerlink do the same. How do you determine the base year and is it audited to bring in efficiencies? Are you doing a deep dive on operational efficiencies?</p>	<p>Overall, Powerlink proposed to adopt the AER's base step trend model for its revenue proposal.</p> <p>Powerlink will liaise further with the AER to establish consistent benchmarking data for TNSPs</p>	On going	Reset Team

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	<p>Q: An audit isn't a benchmarking exercise. The 2014 Annual Transmission Benchmarking Report says Powerlink is the most inefficient transmission provider by far. There is no evidence of Powerlink undertaking benchmarking to determine an appropriate base year. Powerlink should use benchmarking data to be at the efficiency frontier.</p> <p>Q: You have to question the (opex) methodology. Need to look at industry standards, review those standards in light of discrepancies and account for the variables such as the environment. You need to question the base year, for example if you use 2007, and it went up by CPI, then what are the results?</p> <p>R: Powerlink is aware of the AER's 2014 Annual Transmission Benchmarking Report. Powerlink's revenue proposal will not be prepared in the absence of benchmarking and we fully appreciate that the AER will look at benchmarking data when making their determination. There is a range of benchmarking data available that we are currently considering.</p> <p>RIN (Regulatory Information Notice) data used in the AER's benchmarking report is required to be independently audited (financial data) and/or independently reviewed (technical data).</p> <p>Stakeholders may not be aware that some of the AER's benchmarking data has not been prepared on a consistent basis. Powerlink has raised some concerns with the AER about benchmarking data and is asking the AER if we can all report data in the same way so that we know that it is consistent. We are working with the AER through RIN Process for 14/15 data.</p>			

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	<p>PRODUCTIVITY CHANGE</p> <p>Q: What is the rate of productivity change?</p> <p>R: The AER benchmarks the industry annually. The AER's benchmarked industry average for productivity change in 2014 was 0.86. Powerlink's productivity change in 2014 was measured by the AER at 0.92.</p> <p>Q: What step changes might be put forward?</p> <p>R: Powerlink is considering this issue as part of the development of its opex forecast. The newly introduced Australian Energy Market Commission levy imposed on Powerlink by Queensland legislation is a possible step change.</p> <p>Q: What impact will EBA and labour costs have on Powerlink's expenditure forecast? Does it mean consumers will pay more because of EBAs? Reference made to the Deloitte's report on EBAs.</p> <p>C: The government owned corporations' wages policy sets the requirements of the EBA.</p> <p>R: The AER will seek to establish efficient labour costs. While a regulated business can propose use of EBA rates in its revenue proposal, the AER has discretion on whether or not to accept the EBAs as efficient.</p> <p>Q: Are there any proposed changes to the size of the workforce?</p> <p>R: Powerlink's Business Strategy has an initiative to ensure that resourcing aligns with future workload. We are working through that</p>			

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	process.			
7.	<p>Capex methodology overview and discussion</p> <p>Greg Hesse spoke to the slides on capex. Key topics included:</p> <ul style="list-style-type: none"> • An overview of what is included in capex • Powerlink's current considerations for: <ul style="list-style-type: none"> ○ asset re-investments ○ demand forecasting ○ network configurations • Current methodology thinking for capex forecasting <p>Comments, questions and Powerlink responses</p> <p>Q: Is capex replacement like-for-like?</p> <p>R: Powerlink uses the term "reinvestment". Replacement is a part of our reinvestment program. This includes reconfiguring and extending the life of an asset through refits that are undertaken in the most efficient way.</p> <p>Q: Do advances in technology impact on the need to refurbish/replace assets? For instance does a tower built in the '60s have a shorter life than a recently built tower? What percentage of your asset base is requiring replacement? Do you have to replace the entire asset?</p> <p>R: We have an average of 380 transmission towers reaching 50 years old every year in the next 10 years. We've got three single circuit lines between Brisbane and Gladstone built between 1971 and 1981 coming up for a 50th birthday.</p>	Powerlink will consider the ideas put forward (in the group exercise) for criteria for identifying where additional bottom-up information will supplement the top-down forecasts.	31 January 2016	Reset Team

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	<p>In some cases we only replace bolts and some light members and in some cases we will do some painting to help extend the life. We are balancing that with replacement and decommission if that is more efficient. Sometimes it's cheaper to replace with a whole new asset than replace components of an asset.</p> <p>All towers typically have an average life of between 40 and 60 years depending on where they are. It is only older towers we are considering for re-investment and on average they last approximately 50 years.</p> <p>Any recent technological advancement that may have been adopted in the last few years do not affect the expected life of equipment approaching its end of life.</p> <p>SOLAR PV Q: Is the solar figure used in the PowerPoint presentation about the electrons being pushed back on to the network? R: The solar figure is the total demand estimated to have been met by solar PV (photovoltaic) generation. Some of that solar PV energy will have been consumed at the point of generation and some of it will have been injected into the distribution network.</p> <p>TOP DOWN FORECASTING Q: What percentage of the capex hadn't been approved when the last reset proposal was submitted? R: About 2/3 had not been approved, but many would have had</p>			

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	<p>approvals processes started. Bottom up means that detailed information is provide – an options analysis paper has been undertaken; scope report written; approvals have gone to the Board where appropriate. The regulator looked at 25 of the 400-plus estimates we prepared for the last revenue proposal. It means there is a heap of work that no one looks at. When we come to use the information four years later, the world has changed and the information may no longer be relevant to decision making. All projects that would be presented in a “top down” format to the AER would subsequently have to go through the internal due diligence process prior to Powerlink Board approval during the revenue cap period.</p> <p>C: This internal Board process is of little benefit to consumers in the case where a top down proposal that is approved by the AER is subsequently not approved by the Powerlink Board. Consumers will continue to pay prices reflecting the original AER approval, not the revised lower expenditure by Powerlink. This is happening now but the State Government is not passing on the capex savings to consumers but taking them in higher dividends.</p> <p>GROUP DISCUSSION</p> <p>The panel broke into three groups to discuss possible criteria for identifying where bottom-up information could supplement the top-down forecasts.</p> <p>The following ideas (as recorded by groups on butcher’s paper) were put forward:</p>			

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	<p>Group 1</p> <p>Bottom Up</p> <ul style="list-style-type: none"> • Apply \$ threshold (size) • All focussed on \$ • Focus on high value \$ • Focus on high profile projects (controversial with community) • Because they will be scrutinised (so protected scrutiny) • Projects where there's a non-network alternative solutions <p>Top down</p> <ul style="list-style-type: none"> • Its innovative and great but needs to be transparent • Needs a transparent process for the rest of the costs • For small projects <ul style="list-style-type: none"> • Template – X no. per Y no. • Where identical projects – take a sample from them, apply across <p>Consistency</p> <ul style="list-style-type: none"> • Consistent on previous years • Consistency on method • Look at previous reset vs actual • Need a legitimised process for top down <ul style="list-style-type: none"> • 3rd party review • A sub-committee of the Panel <p>Group Two</p> <ul style="list-style-type: none"> • Does it need to be quantitative data? • A hybrid of all 3 • Whatever provides the most benefit to consumers? Consider: 			

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	<ul style="list-style-type: none"> number of consumers? Impact on economy? Load? + how that translates into cost? +price impact on consumers - #1 primary concern <p>Reliability</p> <ul style="list-style-type: none"> As maintenance in Capex To improve or maintain current standards Has to be met under AER <p>Priority</p> <ul style="list-style-type: none"> \$threshold tempered by timeline of project (to be determined) At certain point, need to determine when that is - + criteria <p>Group Three</p> <p>Full bottom up approach</p> <ul style="list-style-type: none"> Large end users are prepared to pay additional costs for Powerlink to do a full bottom up forecast for projects over some threshold/trigger value (for the sake of argument, call it \$5 million) so that detail is provided about replacement and associated costs. Any criteria need enough detail to allow the AER to identify inefficiencies, such as all assets to be replaced and unit cost for replacement. <p>Identify priorities</p> <ul style="list-style-type: none"> We're prepared to spend \$X amount on XX projects Identify the most important projects? <p>Sampling</p>			

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	<ul style="list-style-type: none"> Take a representative sample of different categories – for example a sample of common assets and a sample of more bespoke projects. 			
8.	<p>Meeting recap and actions</p> <ul style="list-style-type: none"> Meeting was a good opportunity to start talking about Powerlink's business as usual activities as well as the reset. Members would like an electronic copy of PowerPoint presentation It has been useful to hear the processes that Powerlink is following and have access to the people who are making the decisions. Mixed views on regularity of future meetings and some people said it might be best to adjust according to decision-making timeframes. Maybe shorter meetings because a lot of what was presented today was in the pre-reading materials. Next time assume everyone has read the pre-reading material. <p>Comments, questions and Powerlink responses</p> <p>Q: Does this forum cover both regulated and non-regulated business?</p> <p>R: Yes, the forum does cover both regulated and non-regulated matters.</p>	<p>Panel to review the frequency and length of meetings to ensure the most efficient and effective use of everyone's time.</p> <p>Powerlink to provide electronic copy of PowerPoint presentation.</p> <p>Powerlink to endeavour not to double-up information in pre-reading and subsequent presentations to allow additional time to be dedicated to group discussion</p> <p>Pre reading material should provide enough detail to facilitate in-depth group discussion.</p>	<p>Ongoing</p> <p>2 June 2015</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Panel members</p> <p>Gerard Reilly</p> <p>Gerard Reilly</p> <p>Gerard Reilly</p>
9.	Meeting closed at 4.10pm			