



Revenue Proposal Reference Group Meeting Minutes

Date: Thursday 10 December 2020	Start time: 1pm	Finish time: 3pm	Venue: Webinar	Meeting no: 10
Chair: Matthew Myers (Powerlink)			Minutes: Nicole Maguire & Kiara Bowles (Powerlink)	
<u>Attendees</u> RPRG representatives: Georgina Davis (Queensland Farmers' Federation) Henry Gorniak (CS Energy) Mark Grenning (Energy Users Association of Australia) Claire Hamilton (Shell) Robyn Robinson (Council on the Ageing) Other stakeholder representatives: <u>Customer Panel</u> Dean Gannaway (Aurizon) <u>Australian Energy Regulator (AER) Consumer Challenge Panel</u> Mark Henley Bev Hughson David Prins <u>AER - TBC</u> Slavko Jovanoski Claire Preston Anthony Weir Toby Holder Jonathon Seymour	Apologies: N/A	Powerlink members: Jenny Harris Matthew Myers Gerard Reilly Other Powerlink attendees: Alastair Andrews Greg Hesse Dana Boxall Andrew Bannister Ben Wu Jacinta Grech-Holmes Toni Umakoshi Roger Smith Rachael Lim Charlotte Guthleben		

1. Actions from previous RPRG meeting and progress update

- Matthew Myers, Manager Revenue Reset

Summary:

- RAB has been declining in real terms over the current period and is forecast to decline in both real and nominal terms in the next period.
- Per customer RAB has declined at a rate of 3% p.a. over the current period, and is forecast to continue to decline at a rate of 3% p.a. in the next regulatory period.
- RAB per MWh has remained relatively flat during the current period, and is forecast to decline at a rate of 2% p.a. in the next regulatory period.

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

C: Thank you very much for these graphs. Really appreciate the effort that's gone into putting them together.

Q: How sustainable is it? What would actually flatten it, and then turn it the other way?

R: Powerlink's Chief Executive spoke a little bit about that linkage between RAB and demand. You'll see within our Revenue Proposal in Chapter 2, there's a bit of a graph that shows how demand growth has been going versus RAB. You would expect to see that if demand growth is going up, the RAB would be going up as well. If demand growth is coming down, you would expect there would not expect RAB growth.

Q: The location of that demand growth, I think, would become another factor I suspect?

R: Yes, that's correct. We're not just taking the existing assets and replacing like-for-like. If it was done on that basis, you would expect to see the RAB essentially stay the same.

2a. Update on key outstanding matters - contingent reinvestment

- Greg Hesse, Stream Lead Capital Expenditure

Summary:

- Powerlink has decided not to pursue contingent reinvestment projects in our Revenue Proposal.

- This decision will not result in a change to the capital expenditure forecast (of \$865.3m) presented to the Customer Panel on 26 November 2020. The forecast included additional ex-ante capital expenditure to provide for targeted life extension of the assets that were the subject of the proposed contingent reinvestment (approximately \$21m).

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

C: The first item on our outstanding matters list is about contingent reinvestments. We acknowledged the significant feedback that we did receive from stakeholders, customers, the Australian Energy Regulator, Consumer Challenge Panel (CCP), all expressing in one form or another some concerns around the use of the contingent project framework for reinvestments. We have certainly heard that. We've taken that on board, and as a result, a decision has been made that we won't be pursuing contingent reinvestment within the Revenue Proposal. The capital expenditure forecast that we did present at the Customer Panel meeting on 26 November had already factored in additional capital expenditure (capex) into those forecast in advance of formally making a decision to remove the contingent reinvestment. So that introduced inconsistency in the positions that were being presented and I acknowledge we should have made that clear to the Customer Panel at the time. That was our error, but the bottom line is we don't see any additional change in the capex forecast as a result of having formalised that decision.

Q: You used the term reinvestment rather than investment. Can you please distinguish between the two?

R: We use the term reinvestment instead of replacement. Replacement connotes that it's a like-for-like replacement. We use the term reinvestment decision because we have a choice. A reinvestment decision could be simply retiring the asset without any replacement. It could be life extension. It could be replaced with something different. It could be replaced with like-for-like. We use the term reinvestment to capture a full range of things, whereas replacement tends to imply like-for-like.

C: In relation to this decision, whilst we might not be pursuing this within the Revenue Proposal, we think the idea or the concept, of contingent reinvestment is positive. It may be something that we pursue outside of the Revenue Proposal process, which involves continuing to talk to our customers and the Australian Energy Regulator (AER) about it as well. Ultimately, the reason that we were proposing this is to try to avoid asking for capital expenditure in our ex-ante ask if that capital is highly uncertain.

C: We are really wanting our Revenue Proposal to achieve capable of acceptance, and while our customers or at least some of them may have been providing some support for contingent reinvestments initially, more recently we're hearing they have concerns and we're certainly hearing from the AER that this is probably not the way they prefer to have us do this.



Q: Thank you for the change, which I think is a good change. So that I just understand it; the numbers that were presented to us a week or so ago that showed, I think, a two per cent decrease, they included \$21 million of what I think was previously classified as contingent reinvestment, is that correct?

R: Yes, it did include the \$21 million as additional capex for targeted life extension on those assets that otherwise had been part of a contingent reinvestment.

Q: How many dollars are not in the \$865 million that were in the contingent reinvestment bucket? I can't remember what the original size of the contingent reinvestment bucket is. I just want to say if that was (x) in \$21 million as in the \$865 million and (x) minus \$21 million is no longer in your proposal?

R: I don't have the numbers on the top of my head. To clarify, it wouldn't be a like-for-like comparison to the draft Revenue Proposal because the totals that would have been reported in there wouldn't have necessarily been just spend within the next regulatory period.

Q: Is that because some of the contingent reinvestment went over to the following period?

R: Yes. There is potentially a dollar spend in the next period, but also potentially in the following.

Q: Then my question was, how much in the next period only is still in that contingent reinvestment bucket that will not be in the proposal?

R: Yes. I understand.

2b. Update on key outstanding matters - RAB transfers, shared assets

- Dana Boxall, Stream Lead Finance and Modelling

Summary:

- Powerlink is investigating potential asset transfers into the RAB of up to approximately \$50m (\$21/22, real).
- At this stage, Powerlink does not anticipate an adjustment to the Maximum Allowed Revenue (MAR) for shared assets.

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

Q: Can I confirm that the forecast RAB reflects the change in depreciation profile for new investment?

R: Yes, it does. It includes the depreciation on all the new assets we have in our next regulatory period as well.

Q: Can I confirm that the post replacement expenditure (repex) is holding average asset age relatively constant?

R: That would be a fair statement. There will be obviously some movement, but yes it is holding relatively constant, maybe creeping up a small amount, perhaps.

Q: Is the additional maximum allowed revenue (MAR) basically five years of depreciation of these assets?

R: Yes, a little bit of return on, and mostly return of.

Q: Do you have assets that currently provide both prescribed and non-prescribed services and is there a standard cost allocation methodology applied to those?

R: This is different. This is about assets that are completely non-prescribed.

Q: Are these currently negotiated services, and if so, what is the valuation methodology for their inclusion?

R: We're still investigating - some might be. I know there are some non-regulated. Regarding the valuation methodology, we have to look for a reasonable way to get the value. What we might look at is what is its current value in our non-regulated asset base? But that's all part of the justification. We need to interrogate, we need to come up with a value, and actually demonstrate to the AER that it is a reasonable way to come up with a value.

Q: So that's based on regulatory depreciation, not tax depreciation?

R: It could be some other methodology. Because keep in mind, the way these things were set up were on a non-regulated basis, not necessarily a regulated basis. That's part of the review the AER does.

C: One method could be, were it originally a prescribed asset and subject to regulatory depreciation, what would be its residual value on transfer.



Q: Can someone from the AER comment on their approach? [*AER question*]

C: I think you would need someone from our modelling team to talk to that one. [*AER response*]

R: What I can tell you is that there's no one single method for valuing. The main thing is, if we think these things are valid, we have to come up with what we consider to be a valid method, and a valid number, and we have to justify that to the AER. The AER may or may not accept whatever method we used to value.

C: There was an incident with a part of TransGrid's application a couple of years back, where they had done, perhaps, what is a similar thing, so there might be some guidance in the AER's decision on that.

Q: I know this is confidential in relation to what it might apply to, but is it possible to give us an example, on what type of things we might be talking about, and why it changes at this point?

R: I can talk to an example where we had a prescribed need, and we could either build new network, or we could use the assets that were already in place that were provided on a non-regulated transmission service basis. So, instead of duplicating, we subjected those non-regulated assets for consideration as part of a Regulatory Investment Transmission Test (RIT-T) assessment. It turned out that it would be more cost-effective to use those assets and transfer them into the regulatory asset base, rather than building brand new ones.

Q: If an example of this does make its way into the Revenue Proposal, will it be confidential?

R: I can only talk about the previous situation. We deal with this with the AER and with the customer in question. So, until such time as the AER has undertaken the assessment and has come to a view, then I think we can actually make the location and the types of assets public. I'll come back to this panel if that's not the case. But that's my recollection.

C: I can offer a high-level perspective about how that would work from the AER's perspective. We would need some sort of evidence from Powerlink's side of things about why it needs to use the prescribed services, and that transferring that to the RAB was in the long-term interest of consumers, obviously, as opposed to alternative arrangements. The AER would go about assessing whether the value that's being rolled in was the appropriate value, taking into account the depreciation of the asset, and any revenues that Powerlink had received to recover the cost of that asset in the past. So, there was only the kind of amount that was to be recovered going forward being rolled into the RAB. [*AER response*]

Q: If we were over that \$7 million, what would be the kind of impact to our MAR that we might see?

R: If you think 1% of Powerlink's MAR, which is about \$7 million a year at the moment and if you say 10 per cent of that is the bottom line of that threshold and that would be about \$700,000 a year. I'm doing very rough numbers here, \$3.5 million or so, as an adjustment, if we hit that 1% of MAR threshold.

C: One other comment I would like to make is we flagged in our draft Revenue Proposal was around our insurance. We did have a little bit of information there about our insurance renewal, and that it would be coming in at the end of November, and that if it was significantly higher or materially different to what we were forecasting, we would make appropriate adjustments. That insurance renewal has come in. It is not materially different to what we were forecasting for this financial year, so we don't intend to make any adjustments to our opex target or approach based on what's happened with the insurance renewal.

Actions:

- **Powerlink to clarify what would have been the contingent reinvestment spend in this regulatory period and next regulatory period.**

3. Benchmarking

- Greg Hesse, Stream Lead Capital Expenditure

Summary:

- Econometric benchmarking of TNSPs is not well developed, even internationally. Australia is further limited by the small sample size of only five TNSPs.
- The effect of the change in weightings confirms benchmarking results for TNSPs cannot be used deterministically.
- HoustonKemp found Powerlink is operating relatively efficiently when compared to our peers and there is nothing to indicate our proposed 2018/19 base year opex is "materially inefficient". Please note the use of the term "materially inefficient" reflects terminology used by the AER.
- HoustonKemp found Powerlink's opex MPFP performance is consistent with other TNSPs and has improved over time.

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

Q: What's the driver behind the change in the AER's benchmarking approach for 2019?

R: There is actually a mathematical calibration process that the Economic Insights consultants go through. It's intended to attribute a percentage of these outputs to the activities of the TNSP, so how much of our activity is directed towards customer numbers per se, versus meeting maximum demand.

Q: Are you happy with that approach?

R: The AER acknowledges you can't really use this benchmarking in any sort of firm determinative manner, as seen on these slides, because what's happened is, that those TNSPs that are more energy and customer intensive, such as AusNet and TransGrid, their relative ranking has moved down. TasNetworks which has the lowest customer density has moved up quite considerably. ElectraNet moved up a little bit. Powerlink is fairly mid-range across all of those measures, so our absolute index numbers didn't really shift too much. Everybody else seemed to move around us. But it certainly has made a significant impact on the absolute values, but within an individual TNSP, their general trend hasn't shifted over time.

Q: I can see the differences in the graph, but I am really interested to know what the objective of moving some of those weightings is, and what was the rationale for it? While Powerlink hasn't changed, do you know what AusNet and TransGrid have felt about it, given it's impacted their performance? *[AER question]*

C: This is an issue that's affected both the distribution and the transmission benchmarking. It was an error that was identified by Powerlink in terms of the way that we calculate the output weights that impact the benchmarking. AER estimates a cost function that, basically, seeks to replicate the different weights that each of the outputs have from a transmission perspective. The way that was originally being estimated was incorrect. I can go into the detail and provide you further information about that error if that is helpful or point you in the direction of where you can get that.

We had a look at the revised results, and then we sought to understand whether or not from an economic and engineering perspective, the revised results made sense and were justifiable, which we considered was the case. We consulted with the various TNSPs in relation to this issue. So, they received the report a couple of times, as well as some broader customer groups to give us feedback. It's fair to say that TasNetworks was relatively supportive of the change as was ElectraNet, although ElectraNet does question our overall output specification. In contrast, I think TransGrid had several concerns in relation to the change. AusNet also questioned the change and sought to make sure that we had sufficient justification in there from both the economic and engineering perspective. From the AER's perspective, we considered that having less weight on customer numbers, which is the major impact, was appropriate given customer numbers are likely to be less of a driver of costs for transmission, and that circuit length was more of a driver of cost. Hopefully that's helpful. If not, I can provide you with some further information. *[AER response]*

C: That response seems almost a little bit contrary, if I'm honest. Even down to why doesn't then Powerlink get a weighting for the fact of the Queensland climate? Powerlink's transmission network must be shedding more electrons than Tasmania's just because of the temperature.

R: That goes to the operating environment factors, which we need a whole other two hours to discuss.

C: Some of the output measures do try to take that into account in terms of peak load, and whether that's in summer or winter and it's different for different businesses. There is some allowance for those types of things within the modelling, but as Powerlink is saying, the transmission benchmarking doesn't have a framework of quantified operating environment costs at the moment. [*AER response*]

C: Every year we go through these debates about how representative productivity figures are, and yes, they're less representative for TNSPs than they are for DNSPs because of the sample size. But I think irrespective of whether you look at last year's or this year's, Powerlink's productivity is now substantially less than what it was in 2006 because we tend to look at long-term trends. I'm hopeful that the recovery in 2018 and 2019 will continue, and with your proposal, hopefully that will be the outcome of your capex and opex proposal is that we'll see at least some further recovery towards what it was 15 years ago.

C: The AER made the draft reports available to HoustonKemp on a confidential basis. That greatly assisted us at the time, and again at this point. It certainly means we've been able to have the HoustonKemp report finalised fairly promptly after the AER has now issued their final reports and been able to make that available to the Customer Panel, the AER, and the CCP. So, I would thank the AER for their assistance in that and making that available. We provided the HoustonKemp report to the Customer Panel, CCP, and AER.

In terms of the conclusions that HoustonKemp drew, they were of the view that we were operating relatively efficiently compared to our peers. There's nothing in those benchmarking results that would indicate that our proposed opex base year of 2018-2019 is "materially inefficient" and note the term "materially inefficient" is terminology the AER uses.

Q: There's a blip in 2016-2017 on the maintenance per circuit length?

R: That was the decommissioning and removal of a section of line, so that comes in a large lump in a single year.

Q: The scale used in these figures minimises change, so you've got relatively large changes over time, but they don't look large on a small graph with a bunched up scale on the vertical axis?

R: I think the scale of our comment captured all the businesses in there.

C: If you had that as a full-page graph, the variation would show much greater than what it shows by being a third of a half a page.

Q: Is the AER able to project how the productivity index for a TNSP will respond to the Revenue Proposal? [*AER question*]

C: The AER would be able to include projected opex and potentially some of the capital values, but we would have to make assumptions about the outputs, and what they would do. Because it's an input to output ratio that we're measuring. I'm not sure how representative or realistic it would be. If we were to do it based on those assumptions, it would only be for Powerlink. We wouldn't have all the other businesses to compare against. It's not something we generally do, given the need to rely on a large number of assumptions. [*AER response*]

C: In terms of the question that has been posed about capable of acceptance, I think understanding how the Revenue Proposal as a package influences those metrics, I think would be quite an important information set for whether something is 'capable of acceptance'. Appreciate the complexities and the functions that need to be made, but the expectation here is that the Revenue Proposal is consistently trying to drive productivity and efficiency improvements over the next reset period, and I know we can rely on the incentive mechanisms to do that, but it would be nice to actually see how the Revenue Proposal itself would actually work in respect to those measures.

R: I think a key element is the fact that we have proposed a higher than industry benchmark for productivity as well. But I do want to just remind people that benchmarking results, and where we sit relative to others is not a driver for decision making, from our perspective. We're doing things that we think are prudent and efficient to run our business well.

Q: But I'm assuming an important factor is how your change in productivity for Powerlink goes overtime?

R: Yes. We're delivering good productivity for our customers. That's the main thing.

C: One of the objectives should be to get back to where you were in 2006.

R: We'll take your feedback away.

Q: Does the data exclude costs of major environment events e.g. cyclones?

R: From our point of view, there are no opex exclusions or anything like that, so it is our revealed opex and reported opex in the year is the same for each tier the only material opex exclusion is the easement land tax for AusNet. But then it allows for those functions the Australian Energy Market Operator (AEMO) does as part of the Victorian planning functions. It tries to put everything on a like for like basis as best it can.

Q: When the draft decision is presented, is there a summary of key observations, identification or anything like that? [*AER question*]

C: The AER's draft decision will work through all of the issues. So, it will have a look at the HoustonKemp report, and the issues raised there, as well as kind of the broader benchmarking report that we've just published, and the information that Powerlink puts into its proposal. So, we'll look at an amalgam of information, and provide a response on all of those issues within the draft decision. [*AER response*]

4. Engagement Evaluation

- Gerard Reilly, Stream Lead Customer Engagement

Summary:

- Discussions around engagement approach and feedback on approach to date.
- Importance of informal and formal feedback.
- Overview of engagement KPIs
- Input into what Powerlink is seeking from the Customer Panel meeting (without Powerlink representatives) discussing engagement and capable of acceptance criteria.

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

C: We were very cognisant of seeking informal and formal feedback, constantly asking for thoughts and views from different stakeholders, particularly our Customer Panel about how it is going, how are we going, do we need to pivot? We did pivot. I think we've done three or four different versions of our engagement plan, which really demonstrates we have taken feedback on board to make this an iterative process. I just don't want people to think that even though we're talking about evaluation today just before we lodge, this is not the first time we've thought about evaluation. This is something you need to do all the way through. It's actually probably more important that you evaluate as you go, so you can correct your mistakes before you get to where you need to get to.

Q: I would be interested to hear from those involved in the last revenue process, how they compare the engagement process to this one?

C: With all network businesses in this round of resets, we've seen a significant step up in the effectiveness of the engagement and it's like a competition between all of the businesses as each time, the bar is lifted, the businesses have to then reconsider their previous approach and what they need to do to be better next time. So Powerlink is not the only network business that's done that but in my experience, the engagement and the amount of information provided, the interaction, the transfer of information has been far more significant this time than last, and probably a perception that the RPRG, and the Customer Panel, has had more influence on this proposal than has been the case previously.



C: We'll talk more about it tomorrow but a simple measure is that I'm also on the Ausgrid Customer Council. When Ausgrid were looking at what they should do and where could they learn from for their reset engagement strategy for their forthcoming reset, I said please give Powerlink a call and talk to them. Yesterday, we had Powerlink address the Ausgrid Customer Panel on what Powerlink is doing.

C: I am not here to say that we've run a perfect engagement process. There will be opportunities to improve for future and I hope that that comes out in your discussion tomorrow because you know, when we go into our engagement for our next revenue determination the bar will be lifted again and we will have to take a different approach.

C: We're just quickly going to talk on some of the KPIs. We had a dedicated session with our Customer Panel late in 2019, just to make sure that we've got the right KPIs. It's a hard thing to do. Our overarching KPI is capable of acceptance but we do have some sort of - more a range of quantitative and qualitative KPIs there. They were in the engagement chapter in our draft Revenue Proposal. These are some of the key KPIs that we'll be reporting on as part of our chapter in our Revenue Proposal in January 2021 - that hasn't changed since our draft Revenue Proposal.

We can't put a number on the measure of the appropriate level on the spectrum and your level of influence. That's got to be something that we have to get qualitative input from you and that's again, really what we're looking for both - probably from an RPRG perspective today but obviously we understand that the Customer Panel is meeting tomorrow and we don't want to pre-judge or pre-influence what the discussion will be tomorrow.

C: There's a distinct lack of defensiveness in questions. I've been involved in a number of forums and looking at AEMO at the moment, they're undergoing a transformation in their approach to their engagement with the stakeholders. So I look at that and one thing that jumped at me here, is the lack of defensiveness and seeking to understand.

R: The key thing is that authentic engagement should happen before a decision is made. You all ask us lots of good questions and a lot of the time we go, "good question, we'll have to get back to you" and that's an honest, authentic answer.

C: We're having a dedicated session today on the RPRG, which we're going to have some questions and we're going to ask you the questions with your RPRG hat on. So we'll probably limit the responses to the RPRG members for that discussion because the Customer Panel is having their wider discussion tomorrow. The submissions we received on our draft Revenue Proposal gave us some feedback on our evaluation and our engagement approach. Now, one of the key bits of feedback we received is that you haven't seen enough evidence of the breadth of our engagement. We tried to talk to that at the last Customer Panel meeting and we've got a lot more information in our engagement chapter to demonstrate how we're trying to get that breadth of engagement over different parts of the state and across different stakeholder groups. We haven't been successful all the time but we've tried a lot to get people to the table. We're going to have the results of our Stakeholder Perception

Survey next week. One of the key questions that we asked in that was, have you been part of an engagement process for our Revenue Determination and if you answered yes, then we asked a follow up question about how did you rate the satisfaction of that?

Then for those of you who maybe were not aware the Independent Accountability Panel released their Energy Charter Report yesterday. It was good to see that under each of the signatories, they outlined what the signatory is doing well and what areas they can improve. One of the areas they picked out well for, was our co-design approach to our engagement process on our Revenue Determination.

For me, informal evaluation is probably as important, if not more important - the regular conversations. These are conversations that are not just happening within the Customer Panel members. We have phone calls, individual catch ups, emails. Just about how things are going and that is a really good way, just to temperature check how things are progressing and making sure that we are meeting expectations and staying on track from an engagement perspective.

Q: It occurred to me as we were talking through this, about the KPIs, that it refers to stakeholders and I was wondering how you're going to identify the different groups of stakeholders and achieve the targets for all of them?

R: It's probably a more accurate way to say 'participants' of the engagement process. For the Stakeholder Perception Survey, if someone has not been actively involved in our engagement activities over the last 18 months, they're probably not going to be able to provide their insight. So our evaluation is not just to go out there and just tap random people and say what do you think about our evaluation? It has been targeted to our people that have been involved in our engagement process. I haven't gone through and done a breakdown on different elements. We might be able to get that data from the Stakeholder Perception Survey because we will be able to track what stakeholder group they are. So with that question about overarching satisfaction, we'll be able to cut it from everything from state government, local government - I don't think we've had any landholders being directly involved in our engagement on our Revenue Determination.

The Stakeholder Perception Survey will give us a very specific breakdown for a range of things from social license to operate to reputation and trust scores. What we can do is actually just maybe send out a high-level snapshot of some of those key results. Just so that you can actually see how we're tracking and that has got landholders - like landholder groups, unions, state government, local government, and industry. About 11 or 12 different stakeholder groups as part of that report.

C: The Stakeholder Perceptions Survey is much broader than just the Revenue Proposal, it looks at wider commentary on Powerlink, and that's why we have the qualifying question in there around involvement in the Revenue Proposal.



Q: I don't remember seeing the engagement KPIs per se. Is there a level of consistency between those to see how Powerlink is tracking one year to the next?

R: We started asking the engagement question around 2016. For the key metrics like social license to operate, reputation, we have longitudinal data going back from 2012, but for our customer engagement approaches we only have four years of data to draw on.

Q: Were these KPIs specific to the Revenue Proposal process?

R: Yes. They were in our original engagement plan.

Q: Confirming the use of the word stakeholders is broader than the Customer Panel and RPRG?

R: Yes. Our Stakeholder Perception Survey goes out to more than 300 different stakeholders. 115 people participated in the survey. That is wider than Customer Panel but there is that qualifying question about have you been involved? But some of them would have been involved through things such as our Transmission Network Forum, the webinar, co-design workshop etc. So there are different parts but we just thought, rather than just ask everyone, how do you rate customer engagement for our Revenue Determination, we needed to do a qualifying question first so that people do self-nominate and say yes, I was involved and then they provided their views.

Q: To clarify KPI 2, you're saying we're not targeting seven? We are at least seven for Powerlink?

R: I'd be disappointed if it was seven or below. We're going to get an overarching satisfaction rating from the Customer Panel, which is important, because we've always said it's our primary vehicle to do the engagement for our Revenue Determination. But, then we also ask after each of the big key engagement activities, satisfaction ratings about actual engagement activity as well. For instance, our draft Revenue Proposal webinar had 35 participants and our Insurance Deep Dive had 15, we did send out surveys after that and received an average of 3-4 survey responses. When you're getting sample sizes that small, some of that information we simply just have gone, well that's not really representative of the group. So we can only go on what people give back to us as well, but it's up to us to provide as many different avenues for people to provide that feedback.

C: It's important to have a combination of both quantitative and qualitative. For the session tomorrow what I'd hate is that there's lots of great qualitative data that gets discussed in that meeting and it doesn't actually get recorded.

Looking at the engagement timeline, we have all spent a lot of time together and there have been key milestones where we've sought feedback.



We put a lot of effort into the scope, which again was iterative and changed the information and we'd like to know how you feel your participation influenced the Revenue Proposal. So I'd really like to hear from RPRG members on this.

C: Having only joined this forum in July, I can only really speak to the back end of the process, which has obviously been quite detailed and involved with a lot of things coming together in the final few months prior to the submission. So I think the engagement group has been clear and Powerlink has been very transparent. I think you've been very forthcoming with details, answers to questions when they've been raised, either by the RPRG or by the Customer Panel or other stakeholders. I believe we've been given every opportunity to participate. I think the question in my mind is around the definition of 'capable of acceptance'. I think that's where we always seem to come back to. What does capable of acceptance actually entail? I know, certainly from my perspective, there's been just a bit of hesitation around if we say yes 'capable of acceptance', without having the full weight of similar resources to what the AER has to review the proposal, just concerned about what kind of messaging we're giving across.

R: We completely understand that it's very difficult for the RPRG/Customer Panel to sign off on the repex model. We understand that the AER has got technical expertise but maybe that there is an overarching commitment or support based on the AER doing their due diligence in those technical areas. It's up to the Customer Panel to have that conversation tomorrow and come back to us.

C: I think from our perspective, we'd be more comfortable saying something is 'capable of acceptance' if that was clearly defined just around this engagement and these questions around engagement because that's something that we have been actively involved with, and we can give a view around the level of detail that you've been able to share with us or your attitude and your approach to the engagement, which from my perspective has been fantastic. It's just that when you conflate engagement with 'capable of acceptance', that's when the hesitation comes in.

C: I think the engagement - I should qualify this by saying I've only been part of the RPRG for the second part of the process so I haven't been to all of those 10 meetings - the engagement has been genuine, transparent and quite focused. I think we could certainly classify the engagement with the RPRG as deep engagement, so we have delved into a lot of detail that probably a lot of stakeholders aren't party to. I've appreciated the consistency, the way it's tracked every meeting we have, every cut of the forecast, we can track where we've been and understand what's changed over that time and why it's changed and that's been very helpful from my perspective. In terms of have we influenced the proposal, I think that there has been opportunities to do that and Powerlink has been only too welcoming of opportunities for us to guide the content or the format or the details of the proposal and I can think of a couple of examples there, one being the discussion about the change in depreciation approach. There's been discussions around insurance and how that might be handled and of course productivity and capex. So I think that we can point to examples where views that have been expressed by RPRG members and Customer Panel members have strongly influenced the proposal. So I think all of those things have been achieved. I'm still grappling with what 'capable of acceptance' means and I'm not the only one



in that boat. So I think, if we can spend a little bit of time tomorrow, thinking about how we define 'capable of acceptance', that might be a useful thing to do.

C: It's the same on the CCP too. I want to comment on how successful your original intentions were around the co-design process and how we went bravely into this process we've used and I think it's been a success. It's a success for many reasons. One is not the least because the commitment of Powerlink to run a process that was fit-for-purpose for Powerlink and fit-for-purpose for the BAU engagement and the Customer Panel that has been around for a number of years. We had developed a familiarity and an understanding of Powerlink's business, which I think facilitated the co-design process and the way you've gone about it. What I really appreciated was the comprehensive and transparent responses that I received to my sometimes detailed questions.

I'd like to pick up a point made earlier about the lack of defensiveness. There is another organisation that I'm deeply involved with at the moment that shall remain nameless, that has to get past that hump in its engagement and see engagement as a reason to find out more information and improve understanding rather than engagement that is seen as immediately provoking defensiveness. That is a particular characteristic of Powerlink's engagement where you seek to have engagement to help understanding and to inform and to increase transparency. The deep dives have been terrific. I've enjoyed being on the RPRG for those deep dives because I'm a bit of a wonk on these things. I'm looking forward to the discussion tomorrow because I think it'll be a particularly good discussion because you've helped us get to a position to have the discussion that we're going to have tomorrow in a very positive light. So thank you.

C: Picking up on the nature of the engagement process, I really do feel it's been genuine. That it's been open and very authentic. I think that the feedback as well from the Customer Panel has also been authentic and in good faith. That we can be open and ask any question that we want. For me, it's given me an even better understanding of the Powerlink business, which has been very useful for me because obviously we're involved with renewable energy so in certain micro grid projects and local government - not local government planning, but planning of utility infrastructure and those sorts of things. It's been very useful. The deep dives have been very enlightening. Probably on reflection, there's been some areas of the deep dives, if I'm completely honest with you, that have gone over my head and I actually find that paperwork - and I know it's been a tremendous amount of work, you can see just how much work has gone into each slide pack, but I've actually found those one-pager summaries that are sent out after these meetings really useful.

Every time that I have a moment where I can't quite remember what MAR is I can go back and have a look at that. So for someone who doesn't have as much technical knowledge on the economic side of things as some of the other panel members, I've actually found those summary documents really useful to try and keep me up to speed with what's happening and all the acronyms. Thank you for supplying that information because I don't think I'd be able to participate or follow some of the discussions as well as I have been able to without those copious notes and the summaries that have been provided. So I think that's been really useful but yes, I acknowledge the amount of work that they take to do.

One comment about that whole 'capable of acceptance', I know that's come up a lot and my view is, well I can't really comment on that firstly until the final Revenue Proposal, rather than on draft. It's got to be the final proposal and coming back to 'do I have the skills to say yes or no?' and probably my reflection is, I personally don't have the resources or the skills to perhaps make that determination. I can certainly say that the comment on the engagement process and the individual issues that have arisen as we've gone, and if I think that we've adequately addressed those but yes, it's that whole 'capable of acceptance' for that final Revenue Proposal.

R: We have set the bar high and we're hoping to get as close to it as we can.

R: Regarding the comment about the one page summaries, what we had identified for release - we haven't got to it yet, but we are hoping to try and get to it by the end of January - with the Revenue Proposal, is you might recall we sometimes put together one or two pages to say the Service Target Performance Incentive Scheme (STPIS) on two pages, Pricing 101 on two pages, so some of those are already published on our website. We hope may be useful for our RPRG and Customer Panel members more broadly in other types of engagement as well. We've got some out already.

C: That will be good because as I said, they are really invaluable to someone like me who's an engineer by trade and doesn't understand any of this other stuff.

C: I haven't seen any evidence of people being at times being disruptive in seeking to understand more. I haven't heard anyone have a whinge or moan. So that to me is always a really great barometer to indicate trust and respect. It's really important because that really defines the dynamic that's going on. I thought I knew what the Revenue Proposal was about at a high level, but now I appreciate the complexity of it and I don't think I've even scratched the surface, to be honest. It's been an opportunity to understand more about the business too. Again, I thought I had a pretty good insight, well that's only grown in that time.

The engagement scope has been clear and needs and expectations were quite well articulated, so I don't think anyone's walking out and wondering how did this happen? I'd also like to acknowledge the formal and informal streams too. I'm going to bring something back on this 'capable of acceptance', and maybe that'll come out tomorrow, noting what organisations we come from, what authority we can have in the sense of being absolute, however, I think where there's areas we can move on based on the actual engagement and information provided to us, it's conditional because it's the process you'd tick off on.

So based on the submission to the extent possible with our competency level - we'll talk about this tomorrow as to what - how should we word that. I think there's actually two iterations. There's the 'capable of acceptance' but when AER come back and do they come back with a draft of

something that you can talk about, I'd like to review what they said and review what we did on our 'capable of acceptance' submission. I don't know if that's feasible, it's being too altruistic.

R: I just want to again just reinforce a big thanks. The CCP added up all the hours spent on this and we spent a lot of time together over the last 12 months so it has been really deep engagement and we can only do that if people are willing to give up their energy and their insights. So we really, really do appreciate that.

C: In relation to the concept of 'capable of acceptance' for us, what we really mean by that is, as an overall package, is what we're proposing in terms of our revenue proposal, the information that you've seen, is it reasonable? Is it reasonable in terms of your customers? Is it reasonable in terms of overall broader customers across Queensland? That's what we're always trying to bring it back to - that higher level view. I want to echo something else too, you mentioned understanding in terms of what goes into the Revenue Proposal, and it's been a really useful exercise not just for me and people within this room but also my broader team. They've been listening into quite a lot of the RPRG meetings. Then also others in the business that we provide information back to, to say look, we met with the RPRG and they said these things. We met with the Customer Panel, this is their view. That includes our Executive, and our Board. It includes people who were a part of our asset strategies, it includes our estimators, and it includes our network planning area. There are a lot of other people who I think have learnt through the process too, in terms of what are customer's views and how our customers thinking about us and the overall process.

C: The more you understand, I think the more you can contribute and be willing to change, recognising the current, and the new paradigms that are emerging. So that's why this is so valuable if people want to embrace it. If they don't, well you're just going to say well, same old same old.

R: I think this goes to the constructive discomfort that we've spoken about previously. That's spreading throughout the organisation now because you hear that more and more in meetings because that testing and the challenge, it doesn't just occur for the purposes of a Revenue Proposal, we just do it in a much more constricted timeframe for our Revenue Proposal purposes. We're encouraging people in the business to put their customer hat on. It's almost like roll play. It has been helpful and our Chief Executive has embraced the feedback. He comes to us to ask, what the feedback was and he does make sure he keeps the Board abreast of that. It's about trying to make our business be more prudent and efficient. I can tell you, we are trying to grab that with both hands.

C: So long as you provide that environment, which we've seen from our perspective to us, you've got that internally, then that's only going to be a positive.

R: The AER and CCP have also been observers and somewhat participants in the process too, so I did just want to ask if there was anything a representative/s of the AER wanted to add in terms of that conversation?

C: I just want to acknowledge the huge effort by Powerlink staff. I know for a fact that pulling these meetings together and all the detailed decision documents, and papers takes a great deal of effort and they've been of great quality. Thank you to the wider Reset Team for pulling all those together, they've been very informative.

I was thinking about the whole issue of the RPRG and how helpful it's been over the past, I guess 15 months or thereabouts. I think it's clear from some of the feedback today that it's been a very open group. It's been welcoming in terms of its feedback and I think it's been very responsive. Powerlink's been very responsive to RPRG questions and enquiries and has been prompt with its responses. The one thing that stands out for me and I think it's reflected in some of the RPRG member's feedback today, is on the issue of 'capable of acceptance'. Everyone sees that there aren't, if you like, any showstoppers at this stage. We're at that stage now where I think the key issues have been discussed and members are broadly comfortable with where things are at. The one issue for me, and this reflects some of the comments made earlier about as an organisation, can you give a proposal a big tick? I think you have to wait and see once the final proposal is lodged and in terms of the AER, we need to see submissions on that initial proposal too, for a couple of reasons.

We need to make sure that Powerlink's engagement has been broad and all key stakeholders have had an opportunity to provide Powerlink with feedback. I think AER will be running a consultation process on your proposal will help inform that discussion from our perspective. It will help in terms of the subject matter or the issues, it would help confirm that yes, there are no contentious issues at play here. We are in a good space. For me personally, they're the two things that I really want to see in terms of the consultation process that we will run on your proposal how broad the submission base we get is, and what content comes back in those submissions. That's really key in terms of informing that discussion and I think that will also help some of the RPRG members themselves, that their organisations move to a decision whether or not Powerlink's final proposal is 'capable of acceptance' or not.

Just in relation to an earlier comment, in terms of the process, so once Powerlink puts forward its proposal at the end of January, we will publish Powerlink's proposal for stakeholder consultation and we will publish an issues paper and hold a public forum on that as well. That will happen before submissions are due from stakeholders. That will give an opportunity for RPRG member and members' organisations to digest the final Revenue Proposal and come to a view from an organisation perspective that the proposal is 'capable of acceptance' or not. Then we will make a draft decision and we will take submissions on our draft decision as well and obviously Powerlink will then have an opportunity to put in a revised proposal.

In terms of the issues paper that we publish, I think if we assume that there are no contentious issues in play, I think the focus of that issues paper might well turn to this issue of 'capable of acceptance'. That will be because after all, if there are no issues to discuss, if there's a few things here and there to tweak, what will be discussed in an issues paper then? I think it really goes to that issue of 'capable of acceptance' then. It shifts to a different angle. So that would be another opportunity for stakeholders to provide some feedback on that particular point. *[AER response]*

C: A couple of points I will make is that when CCP first started, the language we talked about a lot was no surprises. So that was really a starting point of we want for regulatory proposal that there's no surprises for consumers, for the AER, for network businesses. I have to say I will be incredibly surprised if I'm surprised by anything in what Powerlink puts up in the Revenue Proposal. So that's probably a triple negative but it really does summarise the fact that there is trust. There has been thoroughness. There has been good, deep engagement and pretty much all the key people have a clear understanding of where each other is coming from which, I think is really important.

I want to reiterate a point made earlier, which was in terms of engagement across the board, the bar is high and getting higher and I look back to what was going on with network businesses five years ago. We've moved a very long way collectively, but Powerlink - this might come back to haunt me – is at the forefront of raising the bar in terms of consumer engagement. So that's certainly another observation I'd make. This has been a great process because nobody's ducked any of the questions. From a CCP point of view, looking at different businesses, some really are quite defensive and some are not defensive at all. Powerlink is right up there with the not-defensive-at-all end. That's where you build trust, where you build good outcomes. Where everybody understands each other and you actually have really sensible discussions about complex issues. So I think well done to everybody that's been involved in achieving that.

On 'capable of acceptance', I've done a reasonable lot of thinking about this over the last few months in this context and elsewhere. One of my observations is that the term 'capable of acceptance' was being used, two or three years ago but it was very aspirational whereas now, it's pragmatic. It's real. What does it really, really mean? I think the fact that there are different views about - in actually getting traction about a proposal being regarded as 'capable of acceptance', it's really good that we're at that place. I think there's also a bit of nobody quite wants to be the first one to say, this is 'capable of acceptance'.

The discussion we've had for the last half hour, I think is very positive, very affirming. There was a tone there which was very genuine. I've heard the word genuine used a few times and I think that's high praise for everybody that's been involved, so well done. We look forward to wishing you all a great Christmas and maybe we'll think about what a Revenue Proposal might look like in the New Year.

R: Thank you all for your feedback. Once Powerlink has lodged its Revenue Proposal, we would look to have another meeting of the RPRG to discuss the final proposal in its entirety. We probably look to do that around late February, early March for a couple of reasons. One is the practical reason that a few of the team will hopefully, understandably, be going on leave for a little bit of time after it's lodged, and it also gives you, of course, the time to read through it and consider what's in there. So I think that that would be a valuable session. Post that, we're in your hands as to whether you want to continue with the RPRG. In what kind of form. We don't think that it'll be on a monthly basis but there may be some further check-ins that you might want to have with us that we'd be more than happy and willing to do.

C: I'd like to explore those steps the AER spoke to.



R: The AER's website probably has a bit more granular detail in terms of the steps. That sound like a fair assessment there in terms of coming back as an RPRG after we've launched a little bit? I did have one other item that I know we probably haven't given an update on STPIS for a little while. There's nothing massive changing there. It was probably more a check-in to see whether you wanted an update on STPIS in any way before it gets lodged. So we're still intending to propose an alternative target for one of the measures, which we talked about in the draft. Our view is that we still think that STPIS should be reviewed so we'll probably hold that position in terms of the Revenue Proposal, but it was more is there anything else that you would like on that topic, given that it was one that we talked about a few months back? You can take that away and think about that. Don't feel that you have to come back to us now.

Q: Will that be in your final Revenue Proposal?

R: We could do it just before, if you did want an update on that. So just putting that out there as an offer. Really appreciate everyone's time. Thank you, AER, CCP and thank you, RPRG and CP members who have been on the call and in attendance today.

Actions:

- **Powerlink to circulate a high-level overview of the Stakeholder Perception Survey key findings.**
- **Powerlink to prepare a range of brief overview sheets on additional key topics related to the Revenue Proposal by the end of January.**
- **RPRG to advise Powerlink if they would like a "dial-in" session on STPIS in January, with the view to holding a full RPRG meeting in late February/early March.**

5. Meeting closed 3pm