



Customer Panel Meeting Minutes

Date: Friday 22 October 2021	Start time: 1pm	Finish time: 4:30pm	Venue: Powerlink's Virginia office and Teams (hybrid meeting)	Meeting no: 23
Facilitator: Gerard Reilly (Powerlink)		Minutes: Sharon Iseppi and Kiara Bowles (Powerlink)		
In-person attendees: Andrew Barger (Queensland Resources Council) Henry Gorniak (CS Energy) Mark Grenning (Energy Users Association of Australia) Robyn Robinson (Council on the Ageing) Ian Christmas (Edify Energy) Georgina Davis (Queensland Farmers' Federation) Online attendees: Dean Gannaway (Aurizon) John Gardner (CSIRO) Claire Hamilton (Shell) David Hiette (BHP Billiton) Mark Henley (AER CCP) David Prins (AER CCP) Bev Hughson (AER CCP) Warwick Anderson (AER) Slavko Jovanoski (AER) Adam Petersen (AER) Juris Kuznecovs (AER) James Brown (AER) Powerlink panel members: Jenny Harris Narelle Fortescue Faith Byers	Apologies: Steven Jones (Energy Queensland) Chris Hazzard (St Vincent de Paul Society) Garry Burke (Powerlink) Powerlink observers: Jacqui Bridge Alastair Andrews Andrew Bannister Jacinta Grech-Holmes Rachael Lim Cameron McLean Enrique Montiel Toni Umakoshi Nicole Maguire Kiara Bowles Hannah Higgs Tanya Fowler Sharon Iseppi	Powerlink presenters: Paul Simshauser Stewart Bell Matthew Myers Greg Hesse Dana Boxall Ben Wu Gerard Nicolas Faith Byers Dion Mikkelsen Gerard Reilly Other presenters: Mark Grenning (AEMO ISP Consumer Panel)		

1. Welcome and introductions

- General Manager Communications, Customer and Engagement, Gerard Reilly

2. Input on Powerlink's 2023-27 Revised Revenue Proposal positions

- Chief Executive, Paul Simshauser
- Manager Revenue Reset, Matthew Myers
- Reset Stream Lead Capital Expenditure, Greg Hesse
- Reset Stream Lead Finance and Modelling, Dana Boxall
- Manager Pricing and Billing, Ben Wu

Summary:

- Powerlink's Chief Executive briefed the panel on the key highlights of the determination process and thanked the Customer Panel and Revenue Proposal Reference Group for their continued time and commitment in working with us.
- Powerlink highlighted the Australian Energy Regulator (AER's) Draft Decision indicated Powerlink's Revenue Proposal is capable of acceptance, with the AER accepting all major aspects of it. Members of the Customer Panel congratulated Powerlink on achieving this overarching goal.
- Powerlink provided details of its preliminary Revised Revenue Proposal positions and discussed key topics in detail, such as inflation, capital expenditure, operating expenditure and its Revised Proposed Pricing Methodology.
- The Customer Panel said they had recently met (without Powerlink involvement) to discuss their decision on whether Powerlink should seek to have the Demand Management Innovation Allowance Mechanism (DMIAM) apply to it in Powerlink's Revised Revenue Proposal, following Powerlink's invitation for the panel to engage at the 'Empower' level on the IAP2 Spectrum. The panel indicated they were still working through final considerations related to this matter and would provide more information to Powerlink in the near future.

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

Strategic focus and where to next for Powerlink

Q. Powerlink's annual planning document will be released soon, which we are looking forward to. It is an example of what you have been talking about today as a way to share tangible information with us on Powerlink's direction and purpose. Is there anything you can share pre-session?

R. This year's Transmission Annual Planning Report (TAPR) contains a new chapter – Chapter 2, covering the framework, growth in markets and energy futures aspects. It identifies some of the challenges we see coming onto the network and the timing of these. We will also talk about the demand forecast in Queensland over the next five years being reasonably flat.

- C. Energy demand is coming down. However, you can start to see an uptick with demand from that year five through to year 10.
- C. Powerlink often talks about, whether in operations or in planning and our various lines of business, is that we want to try and operate the grid within an inch of its life. Right now, it is actually a really bad time to be building anything big. The market for infrastructure investment is horribly congested and so every investment decision we make needs to be made with a very high gauge rifle rather than going out with machine guns. We are pleased to not be doing a big interconnector augmentation or something similar because the current statistics are that 42 per cent of mega projects are running overtime and on average they are 30 per cent over cost. That is not measured from a small sample size – it is from 30 or 40 mega projects including about 20 mega projects happening around the country right now.

Everything Powerlink is doing right now is to try and work out how do we avoid doing anything like that. The planners have a lot to work out as well. They're trying to forecast and take into consideration new technologies and how this integrates with systems such as our wide area monitoring protection and control. And they need to give thought to things like potentially losing some transfer capacity and restoring that based on changed weather patterns etc. We are really trying hard to not put money into poles and wires or to do big augmentations because now is a bad time to be doing it. It is good on one level, money's as cheap as it's ever been, so that's good. However, we don't see that that's going to go away anytime soon. We have a horribly congested market for labour and a bit of a constraint over labour mobility. Shipping lanes are clogged and the cost of moving freight around right now is six times what it was two years ago. Just trying to get transformers right now is tough.

For all those reasons we are just trying to work out now what are the options we have at our disposal. We are replacing our energy management system and you can imagine it's not going to be a modern equivalent. What comes next is going to be exciting, like technology. Batteries are proving to be fantastic, and we don't want to own them, that is important, we want to remain a cleanskin, if we can do that that's important to us from an industry trust perspective. But I wouldn't mind borrowing them for a few seconds every now and then, at either end of our lines. I can tell you having done a battery in a former life, if someone said to me, we just need to borrow it every now and then and we'll pay a bit of money for it, that would have sounded like a good idea. Because I need it for five minutes, losing it for a few seconds is no big deal. I think the opportunities and the possibilities of our network are going to change. There's lots of reasons why Powerlink will need to be open-minded and our teams have got quite a nice body of work to go through that process right now.

- C. Can I just put a little response back to that? Powerlink is certainly innovative in the use of emergency schemes or protection especially for system protection schemes. I think Tasmania is another great example of that. Your point there is, there's an aversion in some areas to say let's run to the edge of the network with a safety margin but we can't always trust protection schemes. Well, they shouldn't be in there because basically we can't trust them. So I agree with you that's the mindset that's got to come across where possible.

AER Draft Decision overview & Key Revised Revenue Proposal positions

- C. The AER in its Draft Decision, whilst they provide an estimate, they don't update our forecasts for inflation. We note that the fluctuation is quite substantial, because of what is happening with COVID-19. The inflation forecast will be updated for the Revised Revenue Proposal. The increase in inflation was flagged at a previous Revenue Proposal Reference Group (RPRG) meeting.
- C. This means that it is the same forecast we put forward in our Revenue Proposal when expressed in 2021/22 dollars, with updates for inflation which is around \$13 million extra over the five-year period for opex. This figure will change again when the Reserve Bank of Australia's (RBA's) Statement on Monetary Policy (SMP) is released in November 2021.
- Q. Does it still end up being a three per cent real drop?
- R. This is all 2021/22 real dollars and in the Revised Revenue Proposal there will be updates for current period actual/forecasts on the same dollar basis.
- Q. At the moment your proposal is a three per cent fall in real terms. What do you think the new inflation numbers will be?
- R. If there were no other changes it would essentially be the same. This is because the current period would uplift by a certain amount given the inflation impact and the forecast would uplift by an offsetting amount. Therefore, it would be roughly 'like for like'.
- C. We are accepting the AER's approach to estimate opex. The AER had some differences in their approach to the way that Powerlink produced its forecast. One of those was category-specific forecasts for the Australian Energy Market Commission (AEMC) levy, which the AER did not accept. Powerlink will update the inflation and apply adjustments to align with the AER's approach and maintain our commitment to have no real growth into the next revenue period. Also, we will retain a commitment not to pursue any step changes.
- Q. So the productivity increases?
- R. Yes, it essentially is an adjustment to seek no real growth. It is not an extra productivity initiative or anything like that. We are wanting to ensure these adjustments results in a no real growth forecast that we committed to.
- Q. Does that increase your discomfort?
- R. Yes.
- C. In the AER's Draft Decision, additional information was requested about the use of some assets which may result in a further adjustment to the Regulatory Asset Base (RAB) in the final decision. It is a confidential matter that we are currently working through with the AER.

Q. Does the confidentiality prevail once a decision is made?

R. Yes. If it goes through, you are likely to see the number in the final decision but not see this tied to any particular assets or customer.

C. Would the AER representative like to confirm that? [Question for the AER]

R. I think that is right. [AER response]

C. Following the AEMC making a Dedicated Connection Assets (DCA) Rule change in July 2021, a National Electricity Rule (the Rules) change clarified how assets should be treated for the purpose of calculating prescribed transmission prices and settlements residues that accrue on DCAs which should be allocated directly to the owner of the DCA. Powerlink proposes to include a minor amendment to the calculation of non-locational charges in the Revised Revenue Proposal.

Q. Is the amendment just to ensure the wording is in line with the Rules or, does it actually have an impact on the way prices flow through to customers?

R. It is to align how we calculate prices with the Rules.

Q. Customers won't see a material change in how their transmission use of system (TUoS) is calculated by these wording changes?

R. They might because of the Rule change that has occurred, not because of our change.

C. To be clear, this aligns our current pricing methodology with what is in the Rules. If this wording wasn't in there, we would still have to apply the Rules.

C. Whilst it is a clarity piece, Powerlink does intend to write to our customers to advise them of this change.

Q. Is it a good change to the Proposed Pricing Methodology? Do we like it?

R. The clarity was important to ensure that dedicated network assets aren't considered as part of prescribed assets for the purposes of charging.

Q. Can you please explain the difference between the two asset classes?

R. If we take a simplified example, you might have one asset that is non-regulated and one asset that is regulated. It is important that they are segregated and we only charge applicable prescribed prices against the regulated asset. The complexity arises when you look into what steps you need to take to make sure that this happens consistent with the Rules.

Q. Did Powerlink have to go through and divide shared assets into regulated and non-regulated?

R. Our prescribed charges only reflect the value of prescribed assets.

Q. Are there some assets that would be provided only to a dedicated customer where you could have a part negotiated and part regulated connection?

R. Yes, and for these connections only the value of the regulated portion will be considered when calculating prescribed transmission prices.

Customer Panel feedback on preliminary Revised Revenue Proposal positions

Q. Before we discuss the Customer Panel's views on applying the DMIAM, I wanted to pose a few questions to the panel. The first is about your views on our preliminary Revised Revenue Proposal positions and also do you have any questions on any other matters that we haven't covered here that might have been in the pre-reading material?

C. I don't have any further questions. I think the whole Powerlink team has done a fantastic job in getting to this point regarding capable of acceptance, which I'm advertising to my colleagues around the industry. I think it's fair to say it's the first time this has ever occurred. I just think it's fantastic and reflects the great engagement co-design principles you started off with. I'm taking that into the reviews I'm involved in, in other parts of the sector.

C. We're sort of in deeply uncharted territory because usually we're in disagreement around this part of the process with the AER. It's very unusual.

C. I do think that we're all feeling a bit stunned by the fact we aimed for this and we've actually achieved it. I've been involved in regulatory reviews for over 20 years and the process has matured so much. I think we've always been aiming for this and now we've finally moved the dial. It is a bit stunning and we're obviously very happy about it.

C. It really wasn't an ambit claim and that's a message I'm sharing with all the other networks I'm involved in. I'm encouraging them to look at the way Powerlink approached it right from the beginning.

C. I think it's important to note too that there are elements of the Draft Decision that we might not necessarily agree with the AER (e.g. the Service Target Performance Incentive Scheme) but we will be accepting it in the interests of the overall package. This is so we can just get on with business.

C. You've probably heard us say lots of times, since 2015, we made a conscious decision to uplift the way we engage with our customers and stakeholders. We think that good engagement has to be an integral part of 'business-as-usual' (BAU) activities for it to be genuine and meaningful. Part of the approach we took here on our Revenue Proposal was just to continue that journey. So it's taken a lot of work, a lot of effort, not just from the people in this room, but right across the business as well. So we're glad we got there. We hope the AER maintains that approach regarding its final decision. But you'll also see Powerlink will be putting in a submission on the AER's Draft Better Resets handbook and we've also reiterated the importance of BAU engagement.

Q. Anything from anyone online, any CCP or AER views?

R. Nothing further from me at this stage, thanks.

Statement on Capable of Acceptance from the Customer Panel

Q. I'm interested in whether the Customer Panel would be open to providing a statement on capable of acceptance? In our Revenue Proposal you'll recall there was a statement on engagement that we published. Interestingly the AER's draft Better Resets Handbook which has recently just come out encourages a similar approach to that used by Powerlink in terms of having some sort of statement about engagement lodged at the time of the Revenue Proposal. We thought it would be equally as important for the Revised Revenue Proposal to have a statement either of that description or on capable of acceptance for the Revised Revenue Proposal just to continue that great level of engagement and customer views. I'd like to throw that open here as to whether as Customer Panel members, would you feel comfortable getting together to work through that?

R. We certainly are much more comfortable now. I think asking us earlier on if we wanted to do a statement on capable acceptance would have been more difficult in that we didn't know what the AER thought. Whereas now we've had that feedback from the AER and we're clearer on what Powerlink's response to that is. I think it's something I'm personally much more comfortable with now.

C. It's a learning for us. As I said, I think throughout this process over the last two years, we've sort of both been a bit in the dark at some stages because not many other people had been where we've been to. So then there wasn't really a handbook to refer to. I can totally understand that position. But I suppose it's worth noting that our Revised Revenue Proposal is to be lodged by 3 December 2021 and we are trying to finish the document earlier than that.

C. We would appreciate a statement from the Customer Panel. I'd like to flag that mid-November 2021 would be excellent timing for that document to be received if that's something that you would be happy to commit to. That's just purely because of the timeframes we've got to lodge our Revised Revenue Proposal by in very early December, if not a bit earlier.

Demand Management Innovation Allowance Mechanism (DMIAM)

- C. Regarding the application of DMIAM, it is noted that the AER did not accept Powerlink's proposal to not apply DMIAM and have called for Powerlink to apply the DMIAM in the next regulatory period. What are the implications of that?
- R. In its Draft Decision, the AER didn't accept Powerlink's proposal that we do not apply it. They said it should be applied. There was also some commentary made by the AER that they wanted to make sure we undertook further engagement with customers. Now we have the opportunity to either say yes, we agree with the Draft Decision, which is to apply it or indicate that we think that it still should not be applied. As per discussion at our last RPRG meeting, we have invited the Customer Panel to operate at the 'Empower' level of the IAP2 Spectrum and provide a decision on what we will implement in our Revised Revenue Proposal. If the Customer Panel tells us to go forward and seek to apply the DMIAM, we will do that. If you tell us not to, we'll do that.
- C. The Customer Panel advises there are still a couple of items they need to think about, but we are close to an outcome.
- C. The Customer Panel would like to thank Powerlink for this challenge. We did get together to have a meeting and had some very helpful discussions. Not everybody could make it unfortunately but we have had online discussions since then. We have a preliminary position. There are still a couple of little issues to be talked through or addressed before we can table an agreed position or table some material that provides the majority view and other views. Today's discussion and the paper that you provided to us on the rationale for considering different DMIAM projects is an important consideration for today's discussion. We had some questions still outstanding. One of them was if the AER has said we're not going to apply this, does that mean that's it? Is there an opportunity to change that? We think you've just described that's a normal process for the AER to say here's our position but if you give us more information, we are open to reconsidering that position. Then there was a little bit of discussion about the nature of the projects. Are we convinced? Do we have confidence that this description of how the projects could be handled covers all the circumstances that we might have concerns about?
- C. The question we discussed prior to the meeting, the fact that DMIAM is operating expenditure (opex) and not capital expenditure (capex), it makes it more difficult.
- R. The way it was described in the AER's development of the scheme was that they didn't want things entering the RAB because of their exploratory nature, or the potential for things to enter the RAB now that are actually only of benefit to consumers much further down the track due to a long payback period. So, they didn't want things entering the RAB to the extent that new assets might be needed, from an accounting perspective only, maybe you would lease them for a period of time from a third-party provider. So it was opex, that was the logic behind opex only.
- C. The Customer Panel has advised that another round of discussions will be held and then they will provide their decision to Powerlink.

- Q. Could someone from the AER provide their view as to why you reached the outcome in the Draft Decision about applying DMIAM, that would be helpful as it would give some insight regarding how open are you to changing that view? [Question for AER]
- R. In terms of Powerlink's Revised Revenue Proposal, we would look at the merits of that particular proposal on DMIAM. I guess one thing I just want to emphasise to the panel today is that it does not include one of the parties that made a submission on the DMIAM itself. That is the Queensland Electricity Users Network (QEUN) group. The letter that was put forward by that particular party was quite strong in terms of they had not been consulted on the issue. That is one thing that I think is quite relevant here. The Customer Panel may or may not wish to speak to that party to get their views as well to inform their own position on this. Early on in the process when Powerlink put forward their letter requesting that the AER not apply the DMIAM, one key consideration for us was the fact that the proposal had not been consulted on with Powerlink's stakeholders. [AER response]
- C. It's worth noting that a QEUN representative was part of our recent RPRG meeting that we held in September to specifically discuss the DMIAM. This was an opportunity for the QEUN to provide their thoughts and views which all the panel members who were there obviously heard. If we can demonstrate that we have engaged more appropriately on this matter, would the AER be more open to having a different view? [Question for AER]
- R. I think the AER would always look at the information before us. So, if something's changed since our draft position, we would look at that. [AER response]
- Q. Was the letter from the QEUN group published on the website? [Question for AER]
- R. It was published along with Powerlink's initial proposal letter. [AER response]
- C. It is worth mentioning that we are conscious about the number of resources, effort and engagement going into the DMIAM. \$3 million is not an insignificant number but, you have to make sure that we are not over-engaging on a small part of our overarching proposal. This is not stated to put anyone off, but we wouldn't want people to be spending days and days from here going through this because I think we run the risk of actually spending too much energy, time and effort on this aspect.
- R. Good point.
- R. However, what I wouldn't like to do is see us just give up and agree to a position without substance behind that decision.

Actions:

- **Customer Panel to consider providing a Statement on Capable of Acceptance by mid-November 2021 for inclusion in Powerlink's Revised Revenue Proposal.**
- **Customer Panel to finalise its decision at the 'Empower' level of the IAP2 Spectrum on whether Powerlink should seek to apply the DMIAM by mid-November 2021 for inclusion in the Revised Revenue Proposal.**

3. Review of asset reinvestment approach

- Executive General Manager Network & Business Development, Stewart Bell

Summary:

- AER considers Powerlink's current models are well developed and generally provide a reasonable assessment of the expected benefits of proposed investments. The AER identified potential areas for further improvement in the repex asset management approach. The detailed scope of the review is still to be determined.
- Powerlink intends to engage at the 'Involve' level of the IAP2 Spectrum with customers and the AER both on the scope and delivery of the review, and is seeking feedback from the Customer Panel on how to best involve customers in the process.

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

- C. I think from an engagement perspective, this is definitely something that could greatly benefit from customer involvement as we work through this review. We've got some initial thoughts about how we might be able to do this but we are keen to get the Customer Panel's thoughts and views. There are a range of potential engagement approaches and due to the nature of this we might need to do a separate stream of engagement outside of our normal Customer Panel meetings. Obviously this will probably be a key agenda item over some time and we will do regular reporting. So today we're really open to any high-level comments you've got but also what's the appetite and energy for Customer Panel members to be involved in scoping the review process and then being part of its delivery.
- C. Firstly, I think this deserves a separate stream in the Customer Panel because it's a really big and interesting topic. I'm happy to be a participant in that separate stream. With my hat on as a member of the AusGrid and Endeavour reset committees, they are doing very similar things there. So it would be useful to be able to hopefully bring, without breaching confidentiality, some learnings of what I'm doing with other organisations. I think it's fantastic you're doing this and I'm happy to contribute to the scope definition and the following work as a separate stream.
- C. Recruiting some customers from outside the panel is a good idea if possible.
- C. Yes, absolutely. I don't want to automatically put members of the Consumer Challenge Panel on it but there might be one of them who would like to be involved as well. We're very conscious especially over the past two years, we have been working very closely with the panel. You probably have a bit of engagement fatigue. So we probably do need to look at potentially other members.

If there are Customer Panel members here that want to participate, we're absolutely happy for that to happen. But I think I agree that we need to look at some other subject matter experts, or customer representatives, that can help with being part of this process.

- Q. I would also suggest that given the time commitment that might be required, is it right to say you're looking at sitting fees as well for this?
- R. Yes and one of the proposed changes we're looking at for next year as part of our normal Customer Panel is to actually introduce sitting fees because as we know, to do engagement well takes considerable involvement, energy, effort and thought. It's really hard to get good outcomes with just dropping in every now and then. I'm not saying we're going to re-create the RPRG but it would be potentially something along those lines. However, before we start going away and putting together a Terms of Reference and engagement plans, we just wanted to get some initial thoughts from the panel members.
- C. I have a memory that Powerlink has previously explored expanding its engagement reach to new industry groups etc. but the response was arguably low or ended up being the same people?
- C. Yes, that has been a challenge.
- Q. I wonder if people had any thoughts on how we overcome that hurdle then?
- R. You want someone that's there because they want to be there. People that believe they can add value and they're happy to put in the time and effort. Otherwise it just doesn't work. So that's the danger and that's why we're so reliant on some of the people currently in this room or online. I think it's an industry wide challenge. But we're always open for suggestions. You might know someone that we haven't engaged with previously. We'd be more than happy to reach out and make contact with them. But we do struggle particularly at transmission level just to get people involved because we're not as visible. We're a bit more complex than other areas of the supply chain.
- C. It's also worth noting, and you're probably already aware, don't forget we engage with our directly connected customers as part of BAU. Many of our directly connected customers do provide input but they prefer to do that behind the scenes and not in a public forum. So don't forget we've got that layer of engagement happening as well.
- C. For clarity, the CCP provides advice to the AER only, not the business directly. So a CCP member could not participate in Powerlink's review. It's for Powerlink to run that review and the AER would be involved in the process as per the scoping letter that Powerlink has provided. [AER comment]
- Q. So no member of the CCP, even individually, could participate in this kind of review?
- R. Not if they're conflicted, no. [AER comment]
- C. I was going to suggest that from the scope discussed there's opportunities for other general stakeholders rather than customers to be involved. Maybe groups such as landholders and also local councils. You're looking at this work that's spread across the state, they're the sorts of obvious candidates for that sort of discussion.
- C. That links in very nicely to the work we've been doing through the Energy Charter that Powerlink has been involved in, particularly as we are getting more and more questions about the impact of easements from renewable energy developments. It comes back down to why we did

that guideline as per the Energy Charter, with landholders receiving financial subsidies if they have a solar farm on their property, but less only the transmission line comes across your land.

C. The other group to consider here would be Ergon Energy as they do a lot of the work in some of these areas.

C. I agree that local council representatives are an excellent idea.

C. I think another relevant group for you could be the Local Government Association of Queensland. Not only do they have a strong planning focus in energy but there's a lot of energy projects out there, and their members are significant stakeholders and involved with hosting large generators.

C. I think the best thing from here is that we'll go away and put together some initial thoughts about how we might approach the engagement process for this and circulate it to Customer Panel members. But I suppose the call to action on people in this room and online is that if you know of an individual or an organisation you believe would add value, please flag that with us and then we can follow up accordingly. We'll aim to circulate our initial thoughts in December 2021.

Action:

- **Powerlink to draft initial ideas on the engagement approach for the asset reinvestment review and circulate to the Customer Panel for input.**
- **Powerlink to seek ideas from the Customer Panel for potential new organisations or contacts who could potentially add value to this specific group focusing on asset reinvestment matters, as well as the broader panel.**

4. Proposed security and resilience regulations for critical infrastructure

- Manager Resilience and Security Risk, Dion Mikkelsen

Summary:

- Cyber security is a shared responsibility between government and infrastructure owners/operators, with an increasing focus due to the frequency and scale of threats to critical infrastructure.
- There are three broad perspectives on managing cyber security – guiding, risk-based and prescriptive.
- Powerlink continues to engage with industry and the relevant authorities to influence rule development, to ensure efficacy and compliance.
- We need to strike the right balance in managing risks, with Powerlink seeking input from the Customer Panel on how we can best manage potential gaps between our planned approach to security and resilience versus the regulations.

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

Q. How much additional cost could you be looking at if the Commonwealth Government mandates a fully prescriptive approach?

R. That's a bit like 'how long is a piece of string' kind of a question.

Q. I mean we're not talking 'small bikkies' here though are we?

R. No, it's certainly not insubstantial and if you've been following some of the commentary around this legislation, you would know that the parliamentary joint committee on intelligence and security has been reviewing legislation since December 2020. Some feedback from industry was that you're asking us to sign up to rules that we really don't have enough information about to be able to understand effectively. But it's certainly not small change that's for sure. If we get into the really prescriptive stuff, particularly in our environment, it can be complex. If you look at the corporate side of Powerlink, I won't say it's easy but it's easier. There are products which can be purchased and processes which can change more easily. It's the operational side of business which is more complex, where you're trying to juggle security objectives with operational objectives and technology in a system that's not necessarily readily compatible with security concepts. The government's approach to using sector-specific rules should help mitigate these challenges. But it is still early days and we'll need to see what the regulations look like. We're also seeing some state governments, namely New South Wales, table some legislation earlier this week for the electricity sector with similar themes – it's giving the government powers to direct electricity utilities to do or not do certain things and to follow certain cyber policies and procedures.

Q. So you're going to have rules coming at a federal level and then additional requirements come out from state government then?

R. That's potentially the case.

C. The Commonwealth Government has been quite open about this consultation and we are involved in developing the rules and their co-creation. At the end of the day though, the legislation will be stood up and we're still going to need to manage our risks regardless of whatever outcome is reached.

C. I suppose our best outcome is that it's fairly closely aligned with what we've got now in that risk-based category. The most challenging outcome would be having very prescriptive requirements that are very resource intensive and lengthy to address.

Q. Are your insights being taken on board during this consultation process?

R. I think they are to a degree. It's been interesting to watch the process evolve. One of the recommendations from the recent review was go back and re-engage with industry. They also look at requirements amongst a range of different industries. We have some relatively mature processes in our sector but it can be a bit uneven across other sectors.

C. I wonder what role that Energy Networks Australia (ENA) plays in this topic. If the government is going to allow a more risk-based approach, they'll probably assess that on the lowest common denominator risk rather than the individual network risk. That's why I thought ENA has got some role as well to demonstrate there is an industry-wide commitment to the process.

C. So it's a given that Powerlink will need to comply with the regulations. Now in terms of customer, consumer and stakeholder engagement, including forums like this one, I'd have thought that one of the things you can put to the Customer Panel would be where you've got a choice of how to comply with the regulations and what the pros and cons of each are, including what the cost to customers might be alongside the risks where there's choice.

- C. For clarity, Powerlink did not ask for a step-change in opex for cyber security provisions due to this uncertainty around the legislation and the associated impacts. But I think we're being very upfront here today that we don't know what potentially is coming down the track. In some scenarios there might be the need to work out how we manage any extra costs ourselves internally within existing budgets or if the requirements are so prescriptive and the amount is so large, we might have to seek other ways i.e. potentially a cost pass through.
- C. Just to be clear, in the normal course of business, obligations come and go and in this case, we would always try to address this is in the context of that particular piece of legislation. So if these legislative changes were significant and there were cost recovery considerations, we would try to address those through that legislation. If it was material, we might seek a cost pass through arrangement through the AER.
- C. As we have committed as part of this process, if that were to be the case – and I'm not saying it will be – we would come and consult with our Customer Panel prior to doing that.
- C. It's obvious that Powerlink is committed to having its Customer Panel operate as BAU. It's not a secret that not all network businesses are at that stage. One of the things we've been concerned with is that if businesses only largely convene Customer Panels or the equivalent for a reset process, then things that come through between these resets don't get the same scrutiny. But I know our expectations are very different with Powerlink. This issue would get as much scrutiny between resets as it would have done had it been part of the reset process.
- Q. I think that's a good summary whereby this consultation ends up being in Powerlink's BAU. Whatever the Commonwealth Government hands down, you're obliged to meet the requirement. So it becomes Powerlink's BAU and whether you need to seek more money or not get assessed as necessary, right?
- R. We're just trying to have this conversation now early on, so that we're not just all of a sudden in however many months' time indicating this has come as a surprise.
- C. So we're not asking for a change right now. We may not need to ask for a change. But I think it's very topical. We're hearing about it in the media and it's an area where there will be some new regulations. Exactly what they'll be, we don't know. But I think also it's pretty fair to expect that between now and 2027 there will be an evolution of the risks and the way that we need to deal with them. If the changes required become material, we would need to think about what are the solutions, what are the costs and how do we cover those costs. So it's really just flagging a situation where there's quite a bit of uncertainty at this point in time.

5. Powerlink inputs into Integrated System Plan

- General Manager Network Portfolio, Gerard Nicolas

Summary:

- Powerlink did not provide direct input to the unit rates used in the AEMO cost database for the Integrated System Plan (ISP). GHD, who provided input to the AEMO cost database, also supplied comparison unit rates to validate Powerlink's unit costs used within our 2023-27 Revenue Proposal.

- Powerlink provided high-level estimates as preparatory activities for the QNI upgrade, CQ-SQ Transmission Link and the Gladstone Grid Reinforcement projects. The final cost estimate and economic assessment for any ISP project will be based upon a detailed 'bottom-up' estimate by the TNSP, not derived from AEMO's cost database.
- Powerlink has developed a two-stage approval process to provide for RIT-T pricing consistently against a class 3 estimate as part of stage 1 works and firm external pricing and resource and outage commitments during RIT-T consultation prior to final investment decision.

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

Q. In the first public document of a RIT-T, the Project Specification Consultation Report (PSCR), that's a class 3 estimate?

R. Yes. In stage one approval, we will have a class 5. Then we'll go to RIT-T class 3. Then during that six to nine month period, we will progress our design and staging. One of the things we are exploring is if there are some changes in the cost, that will give us an opportunity to become more transparent and when we do the Project Assessment Conclusions Report (PACR), we can also come forward and say the cost has changed from what to what – at class 3.

Q. So is the final cost figure in the PACR actually a class 2?

R. It can be a class 2. Depending on the timing as well.

Q. What do the different classes of estimates actually mean in terms of their accuracy?

R. Class 5 is plus 100%, minus 50% accuracy. Class 3 is plus 30%, minus 20%. Class 2 is plus 20%, minus 15%. During the workshops with AEMO, in different industries they may say class 5 but the banding is slightly different. It depends on who you are talking to. This is Powerlink's definition of different classes.

Q. Do Powerlink's class definitions align with the international standard?

R. Not exactly, no. But it is close enough.

C. The numbers you just said do align with the Association for the Advancement of Cost Engineering (AACE). Which leads me to my question – the problem I have with the transmission cost database was that they came out with GHD definitions of classes that were quite different from the AACE. So I never know when a TNSP tells me it's a class X whether it's referring to the AACE or the GHD definitions.

Q. Why would GHD use a different definition?

R. We don't have three hours for me to explain that.

Q. Is it just a preference of that's the way they do it?

R. It's just how they did it. I'm interested in your views but in my view, they did a process designed to get narrower bands, so they could justify using the midpoint as the number they use in the modelling. That's why I think the whole process was fundamentally flawed and you can read the 20 pages I wrote on that in the ISP Consumer Panel submission.

I'm interested because the transmission cost database came out with the GHD figures and it came out saying that at the Project Assessment Draft Report (PADR) is class 5 or 4 and at the PACR it's 4, maybe 3. It's just so very confusing.

- C. I think that if you look at the initial draft report, they came up with a class 3 at PSCR level and it's quite possible for us to provide a class 3 at PSCR. So we have to push that forward. But even when I said plus 100%, minus 50%, that's the maximum. Some projects won't be 100% all the time.
- Q. So were the costings in the ISP for Powerlink projects based on the AACE plus or minus class categorisation or the GHD cost class?
- R. It's based on our class category. What we provided. I think if you look at the report, they have given two figures there, AEMO's dollars and our TNSP costs as well.
- C. That's not made clear in the Transmission Cost Report. Class 3 in the Transmission Cost Report is plus or minus 15%. That's the accuracy rates. Because they had a symmetrically accurate rate, they could justify using midpoint. Class 3 and AACE is minus 20% to plus 30%. A significant difference. So I don't want to put words in your mouth. But has AEMO misrepresented the numbers you provided?
- C. We went through this process and I think where we got stuck with the classes is in terms of when we provided our estimate, we said this is a class 5 estimate and it has plus 100%, minus 50%. Then we went through the findings and that's where they have represented – if you look at the accuracy band, they have said plus or minus 75%, which means they're taking a mid-range for a class 5.
- C. Your numbers don't have symmetrical plus or minuses. They've represented them as having smaller and symmetrical plus or minuses. That's the justification for the midpoint.
- C. I think that's something AEMO can comment on.
- C. Yes, I know. It's not a problem for you. I'm just clarifying because in the modelling they're in the midst of now, they're using numbers that I don't believe accurately reflect the numbers that you gave them.
- Q. Don't we believe that the costings are comparable with the ones that we provided?
- R. The ones we have provided are the total estimate based on what they came up from the cost database.
- Q. But how can you use your numbers if it has an asymmetrical plus or minus and then justify using that number as the midpoint? Because the number you provided them is an asymmetrical plus or minus. There's not a midpoint.
- R. It could be if it's a skewed distribution.
- C. But you don't know that it's a skewed distribution.
- C. Having looked at this very closely, I think you've been misrepresented and that's a concern.
- Q. In which way?
- R. I don't know.

Q. You're not sure. You just believe it's significant?

R. Because if you read the Transmission Cost Data Report, they've represented this as the numbers they received from networks and applied a framework to them and they're all consistent. But they're not.

R. I think Powerlink will have to take that on notice.

6. ISP Consumer Panel update

- ISP Consumer Panel member and Customer Panel member from the EUAA, Mark Grenning

Summary:

- The ISP Consumer Panel is focused on managing uncertainty as well as improving the accuracy of forecasts.
- Timelines for the 2022 ISP progress were presented, along with five potential forecast scenarios for the National Electricity Market (NEM) in 2040.
- Four strategic recommendations were discussed: to further expand AEMO's stakeholder engagement capability; focus efforts on the inputs/assumptions that are most material to the consumer interest; elevate the status of the scenario work; and focus engagement on how uncertainty is managed prior to publishing the Draft and Final 2022 ISP.

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

Q. There's no rules dictating these timeframes for report release dates and consultation periods etc.? It's just AEMO timetable?

R. Yes, it's the AEMO timetable.

C. There's just been an online comment that the official date for release of consultation on the Draft ISP is 24 December 2021.

C. It's changed? Oh, okay.

Q. I'm not sure how many consumers are on the ISP Consumer Panel. Do you have support? Given that we have some dedicated resources here at Powerlink, for example, to crunch through all of that and do their day job – do you have any support from AEMO to understand the implications of the report?

R. Oh yes. We have the opportunity of engaging with AEMO subject matter experts to help us understand things. But there are only five of us there and we just do a lot of work, a lot of reading.

Q. Did you access any funding through consultants?

R. No. I think that may have been theoretically available to us. But we've never done that. We got the assistance of a report writer for three hours, to touch up our report we put in in September. But apart from that, we grind through 20 megabytes probably each time.

Q. Regarding the five possible scenarios, how does AEMO determine which is the most likely to come up?

- R. A couple of weeks ago they held a Delphi Panel. They got together about 35 people and had a structured process where participants were given 100 marbles and said where would you like to put those marbles? The potential scenarios outlined were 'slow change', 'steady progress', 'net zero by 2050', 'step change' and 'hydrogen superpower'. There were different categories of the 35 people involved in this exercise from government, generator, consumer, network and 'other', plus AEMO. Remember, AEMO had seven or eight people out of the 35 voting. It was basically a voting thing. The way the system went is that you could anonymously write in a text box for everyone to see why you think one particular scenario should be weighted more than another. So it was a blind debate between these 35 people.
- Q. How many of those 35 participants were consumers?
- R. I think there were five. Nobody on the ISP Consumer Panel participated because we were just observers. Now, if I were to ask you without seeing who voted where and what do you think those particular parties might say, the outcome is not surprising. I don't think it's surprising that the Federal and State Government representatives favoured 'net zero by 2050'. Because that in a sense aligns with Federal and State Government policy. It doesn't surprise me to see networks favouring 'step change'. Because, Powerlink aside, networks love building poles and wires and increasing their RAB. Step change means that they do a lot of that much quicker. It doesn't surprise me that AEMO favours that one too, because they also like building poles and wires. It doesn't surprise me that consumers were more for 'net zero' than they were for 'step change'. What's happening right as we speak now, AEMO is having an engagement forum on these results to provide other stakeholders with the opportunity of expressing their views on the results from this Delphi Panel. Basically, AEMO is saying we will take on board this input and then we will go away and make our final decision. In the end it's an AEMO decision. What they're saying is that if Australia goes to COP26 with a net zero by 2050, they're effectively going to delete the 'slow change' scenario. So they'll then assign weightings between the remaining four scenarios. It looks like 'net zero' and 'step change' might get about 40% and 'hydrogen superpower' might be 15% or something like that and 'slow change' 5%, when they get rid of the 'steady progress'.
- Q. Is the CSIRO involved in this?
- R. Yes.
- C. Maybe they were in the 'other' category.
- Q. How many submissions is AEMO likely to get on the Draft ISP?
- R. They got about 20 of 25 on the Inputs, Assumptions and Scenarios Report (IASR). Apart from the ISP Consumer Panel's submission, I think they only got a very small number from consumer advocates. Most of the other submissions were from other parties such as networks, generators and consultants.
- C. To AEMO's credit, what they've done recently is – at our recommendation – when an issue comes up, they schedule a webinar and provide the opportunity for advocates to give verbal feedback. Then that's written up. They firstly check with advocates and then that becomes a submission.
- Q. So how can we, as a transmission business, help the ISP Consumer Panel and AEMO? What can we do? What would you like us to consider?

- R. Support the ISP. Not a lot of your colleagues do. Support the notion of having common scenarios across planning documents in the NEM. Specifically what we were talking about before on capital costs is make sure that what you provide to AEMO is accurately reflected in the AEMO documents.
- Q. If you've got a tick against all those though, do you think there would be little reason to have opposition to the ISP?
- R. I don't think so.
- C. It's ideological thinking.
- C. There are parties out there who have an agenda who want to build stuff. But I sound like a cracked record. We've got to have a plan. We can't have six plans. That's part of the problem now. We have six plans. So we have a New South Wales road map, which has a different driver than the ISP. The ISP is based on net benefits overall to the system. The New South Wales plan is based on what's the lowest cost of New South Wales consumers. They're inconsistent.

7. Customer centric innovation

- Acting General Manager Strategy, Faith Byers

Summary:

- In 2019, Powerlink adopted Inventium's Innovation Framework and has been focused on establishing the foundations for growth in organisational innovation capability to enable better outcomes for our customers.
- There are numerous opportunities for customer involvement in the innovation process. Powerlink is seeking input from the Customer Panel on the best ways to engage with customers to strengthen and enhance our innovation approach.

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

- C. I'm going to share my experience with AusGrid. In their current reset period they've got an innovation allowance of \$42 million. They set up a network innovation advisory committee that I'm a member of and there's six or seven projects in that. I wouldn't say that we're empowered but we're very much involved and collaborate with them as they develop these projects from a very early stage. Some of which are working, some of which are not. There's a very good reporting system and we have regular meetings every couple of months to assess and give feedback on projects. I think if the committee had a collective view that we didn't think a project was worth it, AusGrid would be very reluctant to proceed with it. This approach gives us a 'ground floor' view of the innovation they're trying to do and that's really helpful for us in assessing the projects. It's symptomatic of a wider view of engagement that they're willing to do this detailed engagement and gives us confidence around lots of other items their expenditure. It gives us reassurance that they're listening to us.
- C. We know with our allowances going forward we're going to have to be very innovative. As part of our constructive discomfort we're going to have to come up with new ideas and ways of doing things to deliver what we need to do. So innovation is going to be a real focus area for Powerlink.

- C. I've done innovation work on and off for a long time. I did some even before I joined CSIRO and I've been involved with some of the future foresighting work that CSIRO has done which might be some of the same work that AEMO did for them or had done for them. I will make one point now, apart from saying I'm interested in this stuff, innovation can be threatening to organisations that have long histories and kind of get set in their ways because the way you get innovation is that you bring in new people to do things. That's absolutely been shown to work, bring new people in, get new ideas, but that's the kind of change that can generate a fair bit of resistance. So be warned that's the kind of thing I'll be pushing for if I'm involved here.
- C. Powerlink does already have a community of what we call 'innovation coaches'. They are people across our business who are passionate about innovation and doing things differently. They're at all levels of the organisation from team members to managers and they're trained in the innovation process but also across the growth mindset that you need in order to innovate. It is a different mindset and it can be quite threatening particularly when rules are really important in our organisation and there's some things you really do have to get right. What those coaches do is they help our organisation to understand innovation and when it is and isn't appropriate. You need to be careful that you're using the right type of approach for the right kind of problem. Typically that's something that's more complex where a level of creativity could really add some value and you don't already have a solution to it. So we have 40 coaches across the organisation and they help our business to navigate exactly that.
- Q. In the last few meetings you've given us examples of innovation where you're coming up with new ways of doing things. Would that be in that innovation bucket or is this more about continuous improvement or constructive discomfort? I wonder what bucket that's actually sitting in and you possibly haven't labelled this as 'innovation'.
- R. That's a very good point. We take quite a distributive approach. So we don't have a centralised innovation team with a large budget. We've really taken an approach of sharing information in our business to identify what the pain points are and where innovation could assist. It's a good question about what the most appropriate definition and approach is. There might be some views from the Customer Panel in terms of what types of innovation are most appropriate to be engaged in. Maybe it's things where there's a greater change or impact on customers.
- C. Our innovation framework is not done in isolation. For example, we've been focusing a lot more on diversity and inclusion in our business as well. It's also about bringing in people from other parts of the business to provide different perspectives and also help generate new ideas.
- C. The key to this is culture, isn't it? Really, at the end of the day you've got to break that nexus.
- C. I suppose from here the first step will be for Faith to have a chat with AusGrid, see how that works, if that's a viable or transferable model that would work for us. Maybe, maybe not. We'll see. We'll also have a chat with John [Gardner] to get his thoughts and views. Depending on the outcome of this initial groundwork, I think we could probably still flag there may be an opportunity for us to come back to Customer Panel members to provide an update on where we're up to in an innovation process and seek out your thoughts and views. We are going to need to do more innovation, not less, over the coming years.
- C. Just 100 per year. *[Laughter]*
- C. I have mentioned you need about 1,000 bad ones to get 100 good ones.

Actions:

- **Customer Panel member Mark Grenning to share with Powerlink the relevant innovation contact within AusGrid to offer insights into their innovation process.**
- **Powerlink to contact Customer Panel member John Gardner further discuss his innovation experiences and learnings.**

8. Engagement initiatives and Customer Panel planning for 2022

- Gerard Reilly

Summary:

- Powerlink recently launched its *Community Engagement Strategy* and was a key participant involved in the Energy Charter #BetterTogether initiative to develop the *Landholder and Community Better Practice Engagement Guide*.
- Powerlink is reviewing the Customer Panel Terms of Reference to ensure it reflects the most appropriate scope, focus and mechanics of the panel and is seeking panel feedback to update the document.

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

C. I'd like to throw something in and please take this in the spirit in which it is intended. I feel like Powerlink has been tested and challenged and Powerlink's engagement performance has been assessed over the time that we have established the Customer Panel. What do people think of the idea of us doing some kind of performance assessment on the panel? In the vein of continuous improvement.

R. Yes, that's a good idea.

R. Yes, I'm all for it.

R. That's a good idea.

C. The only issue with that is at the end of the process would Powerlink be open to offering additional assistance because I know when I first joined the panel some years ago I actually came in to Powerlink and spent some time with a few key staff members – they were very generous with their time. This meant I came up to speed and could actually participate in the panel.

R. I think inductions are really important. Because we want new ideas and thoughts, you've got to make sure that our panel members build up their capacity over a period of time so that they can provide their feedback from an informed perspective.

C. I wonder if there are any gaps on our panel? Do you ever sit here and think we really need a particular organisation or person at these meetings that we haven't currently got?

R. The main consideration you've already identified – and that's more regional representation.

- C. Yes, we're hoping that in 2022 we can travel. While hybrid is great, I still prefer people in the room. I think you have more rich conversations when people are in the room. So I think that we will definitely reach out to explore some new regional members. If people are aware of any contacts that might add value, please let us know.
- Q. When you say 'regional', what segment of regional stakeholders are you thinking of?
- R. I'd like to see more representation from the rural sector, maybe the sugar industry, something like that. Or Chambers of Commerce. I suppose some of these groups might find resourcing challenging. Sitting fees could help with that. One thing I think is very important – and I'm happy to help with this myself – is to assist in the induction process so these people feel they have enough knowledge to be able to make a contribution.
- Q. Would you consider promoting Customer Panel membership at your Transmission Network Forum? Where you have a bigger audience?
- R. That's definitely something for us to consider.
- C. It might also be worth considering that people dedicate their time to the panel regardless of sitting fees. We might need lots of different complementary mechanisms for people to 'feed in' on particular aspects that are of interest to their type of organisation but their type of business doesn't require a four or five hour commitment to the panel and all the intricate knowledge building. So it might be that actually there's different mechanisms for different contributions.
- C. Perhaps occasional membership might be a good way to ease people in and seek their input on particular topics.
- C. To be honest, sometimes we struggle. We reach out and invite people to join us but sometimes they say no for a variety of reasons.
- C. Just a quick comment about your Transmission Network Forum events. In previous events, you've had those breakout groups and a lot of ideas were jotted down. But probably what I would say is that to get real value out of this process, what actually did happen out of those sessions? Because they were great with some rich discussion and good ideas generation. I just wonder if it would be possible to get a recap on outcomes from some of the previous workshops.
- C. That's a good point. After our Transmission Network forum, probably about six or seven weeks after the event, we send out a summary report to capture key discussion. But to your point, the missing bit is the longer term application of this feedback e.g. 12 months or two years down the track – what have we actually done with those ideas? That's probably what we haven't done well.
- C. It would be great marketing particularly if there's some wins – or even explanations about why you didn't progress certain avenues.
- C. Yes, you could explain these valid reasons and perhaps the lessons learnt from that process.
- C. One final point on behalf of the Customer Panel. I'd like to call out the work that Robyn [Robinson] has done in the DMIAM. She's done a really, really fantastic job and I greatly appreciate her efforts in organising the panel.
- C. Yes, thanks, Robyn, really appreciate your help.
- C. Thank you and well done Robyn.

Action:

- *Powerlink to circulate the current Customer Panel Terms of Reference for feedback as part of the review process and seek ideas from the panel for potential new organisations or contacts who could potentially add value to the Customer Panel.*
- *Powerlink to consider promoting the Customer Panel and its role at the Transmission Network Forum on 15 November 2021.*

9. Meeting closed 4:30pm