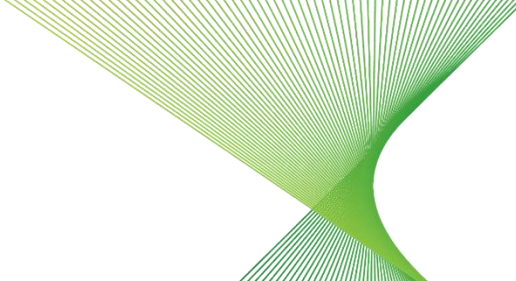


Transgrid Advisory Council Meeting minutes

28 April 2022



Attendees

Location:	Via Webex and Edison Board Room, Transgrid, Ultimo		
Chairperson:	Brian Salter, EGM Legal Governance and Risk	Time:	2:00pm-4:30pm
Attendees			
Transgrid Advisory Council Members	<p>Tennant Reed, Head of Climate, Energy & Environmental Policy, AiG Brian Spak, Director Energy Transformation, Energy Consumers Australia Kim Woodbury, COO, City of Sydney Iain Maitland, Energy Advocate, Ethnic Communities Council NSW Panos Priftakis, Head of Wholesale Regulation, Snowy Hydro Gavin Dufty, Executive Manager Policy and Research, St Vincent de Paul Michael Ottaviano, Partner, ERM Advisory Andrew Blakers, Director, ANU Centre for Sustainable Energy Systems Scott Young, Executive Director, Commonwealth Bank of Australia Luke Rankovich, Commercial Superintendent, Tomago Aluminium Douglas McCloskey, Program Director Energy + Water, Public Interest Advocacy Centre Stacey Sleeman, Chief Financial Officer & Company Secretary, Tomago Aluminium</p>		
Transgrid attendees:	<p>Brett Redman, CEO Brian Salter, EGM, Legal Governance & Risk Craig Stallan, EGM Delivery Marie Jordan, EGM, Network Gordon Taylor, EGM, Major Projects Kasia Kulbacka, Head of Network Planning Stephanie McDougall, Head of Regulation John Howland, Head of Network Planning Heather Wagland, Head of Community, Indigenous Engagement & Sustainability Mark McEneaney, Project Director, VNI West and Sydney Ring Elli Baker, Project Director, HumeLink Stephen Troughton, Project Director, Project EnergyConnect Colin Mayer, Project Director, QNI and Powering Sydney's Future Robert Alcaro, Regulatory Manager Mitchell Hume, Robert Ephraums, Senior Advisor Stakeholder Engagement Catherine O'Neill, Consultant Deyi Wu, Stakeholder Relations Advisor</p>		
Transgrid Board members (observers)	<p>Gerard Reiter Stasha Prnjatovic Charles-Eduarde Mariolle Dr Warren Mundy Eric Dubreuil</p>		

Guest presenters	Warwick Anderson , AER Ashley Kemp , Senior Consultant Future Energy, Aurecon Tomas Keraitis , Future Energy Practice Leader, Aurecon
AER observers	Slavko Jovanoski , Director in Networks, AER Roselle Mailvaganam , AER Elissa Freeman , AER Consumer Challenge Panel Dr Robert Nicolls , AER Consumer Challenge Panel Mike Cleary , AER Consumer Challenge Panel
Apologies	Sam Fyfield , General Manager – Grid & SCADA, Goldwind Andrew Richards , CEO, Energy Users Association of Australia Maria Cahir , Senior Manager, Sales and Business Development, Tesla Christian Zuur , Director Energy Transformation, Clean Energy Council Craig Memery , Program Director, Energy+Water Consumers' Advocacy, PIAC Dev Tayal , Business Development, Tesla

Meeting summary

1. Welcome and Introduction

Meeting opened at 2.02pm.

Robert Ephraums, Senior Advisor Stakeholder Engagement, welcomed members of the TAC, AER staff and guest presenters to the meeting. He acknowledged the Transgrid staff and Board Members present.

Brian Salter, EGM Legal Governance & Risk, outlined the meeting agenda and corresponding presenters. He introduced Transgrid's CEO, Brett Redman, to give the CEO Update.

2. CEO Update

Brett Redman, CEO, provided the following comments:

- At a global level, there are two major themes: ensuring energy security in the short-term and achieving decarbonisation over long-term.
- At a local level, the industry faces emerging pressures including rising inflation and supply costs, and access to materials and labour.
- Nationally, there is the federal election campaign, and he has had ongoing contact with Minister Angus Taylor & Shadow Minister Chris Bowen.
- At a state level, Transgrid is working with EnergyCo and the NSW Government on the REZ programs and the Hunter transmission line upgrade in light of Eraring's early closure announcement. Transgrid is also actively involved in shaping policy, including looking at competitive models for CWO.
- The need for Transgrid's major projects, including Powering EnergyConnect (PEC), VNI West and Humelink, aligns with both the Coalition and Labor Parties' policies. Both parties are in support of renewables and the transition but their respective approaches are differentiated by timing and sequencing.
- Transgrid's strategy as a network utility is based on three important pillars:

- **Nurture Trust:** trust is essential from a macro level to a landowner level in order for Transgrid to deliver our Build agenda;
 - **Transition Reliably:** changes to the energy system pose threats to reliability, therefore Transgrid is focussed on ensuring the current grid operates reliably, whilst also being forward-looking, efficient and cost-focussed for the consumer;
 - **Grow Rapidly:** delivering the large number of projects in the timeline.
- Transgrid's recent restructure within the organisation recognises the rapid growth in the market, a shift towards being more customer-focussed, and ensuring the grid is run reliably by both the prescribed and contestable businesses.
 - Brett introduced the two new Executives – Marie Jordan, EGM Network and Gordon Taylor, EGM Major Projects. Marie and Gordon provided a brief introduction about themselves and the projects/initiatives they were looking forward to within Transgrid.
 - In terms of project delivery, Transgrid is nearing the end of three major upgrades – QNI, QNI Minor, and Powering Sydney's Future. Emerging projects include PEC (underway), HumeLink (200m corridor confirmed and given notice to landowners), and VNI West (federal government recently signed off on underwriting agreement for early works planning). In Sydney, the northern and southern rings have been accelerated in response to the early closure of Eraring. This ten year Build program will strengthen the backbone of the NSW energy grid.
 - Transgrid is conscious that we need to continuously restate our rationale, timeline and costs and ensure that we deliver on time, on budget and on specification.
 - In terms of engagement, Brett thanked the TAC members for their ongoing counsel and feedback and committed Transgrid to undertake engagement to the highest standard. Brett acknowledged that the engagement process on PEC was below-standard. Moving forward, Transgrid will engage stakeholders earlier.
 - In terms of financeability, Brett noted that the current model inhibits Transgrid's ability to maintain our credit rating. Transgrid will be engaging regulatory bodies to advocate for fair compensation and the regulated return.

In Open Discussions, the following issues/questions were raised:

A TAC member noted the importance of trust, efficiency and delivery, and queried the delineation of roles and responsibilities in the transition.

- Brett stated that the government has a role in promoting and facilitating transmission investment, noting Labor's Rewiring the Nation plan and the Energy Security Board's plans. He also noted that Transgrid has reorganised our business in anticipation of greater competition in the transmission market, to allow Lumea to compete for and win business and become the best transmission operator and builder.

A TAC member requested insight on the AEMC's transmission review.

- Brett noted that the AEMC recognises financeability as a genuine, listed issue. Transmission providers require both a return on their existing base business, as well as a return on managing the build of large projects. He stated that the AEMC will release a paper in late May which considers the issue of financeability. Brett stated that Transgrid will engage heavily in that process and affirmed that we are not looking for anything more than the regulated return.

A TAC member noted the intense price rises for wholesale electricity in NSW, and the impact on large energy users, stating that big spending initiatives must have a rationale behind it.

- Brett acknowledged the issues around energy security and price stability in the context of limited overcapacity and the increase in coal and gas prices. He noted that every dollar spent in transmission unlocks between \$3-\$10 in extra capacity.

3. Revenue Reset Consumer Engagement

Brian Salter, EGM Legal Governance & Risk, noted that we are moving to phase two of the Revenue Reset engagement. He thanked all TAC members who contributed to the AER's public forum, including Andrew Richards who spoke on behalf of the TAC. Brian also thanked the Consumer Challenge Panel.

Brian noted that the overwhelming message Transgrid received was to move from an inform/consult approach to a consultation process that is co-designed by TAC members in phase two.

Brian invited Warwick Anderson from the AER to outline their expectations on the consultation process.

AER

The AER provided background on Transgrid's phase one proposal. He noted the limitations on consulting purely with consumer groups, and acknowledged the enormous benefit in regulated networks having deeper engagement with consumers and empowering consumers during this process. The AER welcomes any moves by regulated networks to bring consumers into this process, ideally at an early stage before the AER is engaged.

The AER noted the exemplary example of another transmission provider, who although encountered a range of uncertainties when putting together their proposal, they undertook deeper engagement with consumers before lodging their proposal. As a result of this, the AER accepted a large portion of their proposal.

The AER stated that there is no set formula on exemplar engagement processes and it depends on the business and customers involved. He encouraged Transgrid to experiment and engage consumer groups as to the most effective way to conduct these processes. He stated that engagement should not be a box-ticking exercise – it requires genuine engagement and consumer-driven outcomes.

The AER flagged the following issues for consideration: AER is still in the early days of Transgrid's revenue proposal assessment. The AER has sought more information from Transgrid, particularly on capex (how it is supported and whether AER has material needs), and opex (Step Change scenario).

The following issues/questions were raised:

A TAC member noted that as a consumer advocate, there are multiple consultations occurring and their organisation is required to be selective in attending consultation meetings due to their limited time and resources. They flagged to the AER that they must factor these circumstances in when assessing the various proposals. The AER can also provide non-binding regulatory guidance - particularly in highly technical areas – and examine the timing and sequencing of the various proposals to allow for more meaningful engagement. They noted that in order to maximise the use of limited resources that is in the long term interest of consumers, it may be more useful for the AER to monitor BAU processes so that consumer groups can focus on capex. They also stated that there could be greater communication between the AER and consumer advocates.

- AER acknowledged the pressure on consumer groups' resources, affirmed that good consultation started these processes early.

A TAC member concurred with the above sentiment, stating that their organisation's resources were spread thinly and they also do not have adequate time and resources to devote themselves to further working groups and sub-committees.

- AER stated that the AER can assist in this process by identifying at an early stage what are the key things for stakeholders to focus on. He also stated that Transgrid's regulatory team can provide further assistance.

A TAC member noted the difference in engagement between distribution and transmission providers.

- AER acknowledged that transmission costs made up a smaller part of the bill as compared to distribution costs and that customers are not connected directly to the network. However, he stated that other transmission providers still incorporated consumers' feedback and priorities into the early stage of the consultation process. This led the AER to largely accept their revenue proposal in the draft decision stage.

Brian Salter stated that Transgrid are conscious and grateful for the feedback provided by the AER and TAC members. He stated that is why Transgrid is moving to a co-design model to better meet the expectations of consumer advocates and the AER's regulatory needs. The result of the co-design workshop will lead to a consultation process that is more robust.

- Warwick emphasised that there is no one-size-fits-all approach. If consumer advocates are not able to engage deeply and drive the process, the AER will still proceed with assessing the proposal, but reaffirmed that better outcomes are produced through deeper engagement.

Stephanie McDougall, Head of Regulation, outlined the engagement conducted on phase one of the Revenue Proposal, including six TAC meetings between June and December 2021 and independent customer research. The outcomes indicated by consumers were based on five areas:

- Affordability
- Safety, security, reliability
- Rapid, localised demand growth
- Supporting the transition
- Technology and innovation.

Discussions with the AER and through the AER's Public Forum provided valuable feedback on Transgrid's phase one consultation. The key takeaways include co-designing a model of engagement based on collaboration and empowerment of consumers.

Stephanie flagged that the following items should be decided as part of the co-design workshop:

- The participants involved must provide a diversity of views to ensure all consumers are represented
- The topics of discussion must be workshopped and agreed to
- The forum in which engagement is conducted e.g. TAC, deep dives, sub-committees, independent research etc must be explored.

Stephanie noted that engagement objectives may need to be revised for phase two to ensure it is tailored and measurable for the current proposal. The objectives should then be endorsed by Transgrid's Board to ensure it is fit-for-purpose and reflects the priorities and preferences of stakeholders. Stephanie noted that the revised Revenue Proposal is due in November 2022.

The following issues/questions were raised:

A TAC member raised that the value for consumers was not clear, especially in the context of emerging social licence issues. They encouraged Transgrid to focus on communicating a narrative of why transmission is important and how it adds value to peoples' lives.

- Brett agreed with this, stating that whilst the move towards renewables was well-conceived and generally accepted at a conceptual level, the practical side of the transition requires a broader narrative with consumers and the community that outlines the need for specific projects and the timeline at which these projects are implemented.

A TAC member noted that the engagement in phase one did not adequately outline the purpose of transmission, its value-add for communities and the trade-offs consumers face. Meaningful engagement incorporates consumers' voices from discussions on social licence, timing, cost recovery etc. They encouraged Transgrid to go back to the community to learn about how they want to see transmission built and operated.

- Brett stated that this is a multi-layered concept and a large part of the consultation is being played out at a federal level via the election. He noted that Transgrid will ensure it also plays a key role in explaining that narrative to consumers.

4. Major Projects – Delivering the ISP

Gordon Taylor, EGM Major Projects, provided an update on the major projects. He noted that the project teams all had a common focus on:

- Safety first – especially in the context of contractors and sub-contractors on larger projects;
- Nurturing trust – ensuring environmental, community and land acquisition issues are resolved during early stages of the project;
- Reliable delivery – having a relentless focus on the projects due to time-sensitive objectives.

Powering Sydney's Future – the project is in its final stages, within budget and ahead of schedule; next step is road determination.

Queensland – NSW Interconnector upgrade – this project is almost complete (including the Dumaresq, Tamworth and Armidale substations), next steps are to complete the SVC commissioning works.

Victoria – NSW Interconnector upgrade – this project is a non-network solution with further technological opportunities, and is within the target project cost.

Project EnergyConnect - works have begun on this project which was impacted by COVID. Transgrid is looking at innovations with the contractor e.g. considering guide towers, piling etc – to improve timing and account for future constraints on steel and concrete.

HumeLink – this project is moving to market testing on procurement options. The corridor has been narrowed to 200 metres, and active engagement will be deployed to finalise the route. A funding application has been made to the AER for early works to determine the design and geo-tech which will provide the best value for money for consumers.

- A TAC member asked whether Transgrid is liaising with other transmission providers regarding timing and sequencing of projects.

- Gordon stated that Transgrid has had discussions with suppliers to de-risk the heated infrastructure environment; will provide a further update at the next TAC meeting.

Victoria – NSW Interconnector West – this project is in partnership with AEMO to undertake the RIT-T, with the PADR currently in development. A deep dive will be provided at the ETWG meeting next week.

Sydney Ring – the Hunter upgrade is an actionable project in AEMO’s draft ISP, which nominates the northern option as actionable by 2027. Transgrid is supporting DPE and EnergyCo to commence the RIT-T process immediately.

5. Broken Hill RIT-T

Kasia Kulbacka, Head of Network Planning, advised that the Broken Hill project is in the final stage of the RIT-T process. She advised that the PACR will be released in two weeks’ time, with the preferred option being Hydrostor’s compressed air solution. This option is conditional upon ARENA and Hydrostor finalising a funding agreement and a network support agreement.

- A TAC member noted the relatively new technology and queried whether the risks were allocated between Hydrostor and ARENA, and not consumers.
 - Kasia confirmed that Hydrostor and ARENA bore the risk with this option.

Tomas Keraitis, Future Energy Practice Leader at Aurecon, outlined the findings in the Hydrostor advanced compressed air energy storage system Technical Assurance Report.

Brett Redman noted that this option would remove the diesel generators to install a cleaner solution. He noted that the priority is reliable supply and removal of fossil fuel generators.

The following issues/questions were raised:

A TAC member noted that it would be valuable to have a demonstration of the technology. They also asked that if this option is confirmed and the expectations are not met, that consumers would not be required to pay extra.

- Kasia confirmed that Hydrostor bears the risk, and that this option is a good deal for consumers, the environment and Hydrostor.

A TAC member asked about the life cycle of the technology and whether there has been consultation with local communities.

- Kasia confirmed that the technology has a shelf life of 25 years and the feedback from local communities has been positive due to the jobs the project provides.

6. Social Licence

Heather Wagland, Head of Community, Indigenous Engagement & Sustainability, outlined Transgrid’s position on social licence issues and our focus areas for 2022, including:

- Quality of community engagement
- Corridor & route selection process
- Above-ground vs underground lines
- Impacts to agriculture operations

- Impact compensation
- Local community benefits
- Engagement with Aboriginal communities
- Landowner engagement during maintenance.

Heather noted that a lack of social licence can impact upon project costs, timelines and the overall energy transition. This issue has been identified by AEMO in the draft ISP as a key risk. Transgrid is conscious that the objective is to nurture trust within impacted communities and treat these stakeholders as valued partners. Transgrid is also aware that the impacts and benefits must be at the centre of our decision-making processes and working through what aspects need improvement. This is to create long-term respectful relationships with Transgrid's stakeholders even after the completion of projects.

Heather noted that the communities recognise that some issues were within Transgrid's control to resolve, but were also aware that other issues are controlled by government legislation, policies and regulatory rules. They want Transgrid to advocate on their behalf to the respective bodies regarding any reforms.

The following issues/questions were raised:

A TAC member noted that as transmission is built first, transmission providers experience the social licence issues most intensely. They encouraged Transgrid to have a broader narrative of why transmission is important and communicating that to the various communities. They also stated that in some circumstances regional and rural communities don't have the capability to accommodate large projects.

A TAC member stated that Transgrid should employ multiple channels to undertake consultation and engagement so that sub-groups and communities e.g. First Nations groups, are not missed.

7. Wrap up

Brian thanked everyone for attending and their contribution to the meeting.

- The next TAC meeting is scheduled for 23 August 2022.
- The next ETWG is scheduled for 4 May 2022, and includes the System Security Roadmap Workshop #1.
- The RRWG co-design workshop is scheduled for early-mid May.

Meeting close

Meeting closed at 4.26pm.