

Transgrid Advisory Council (TAC) Meeting summary and actions

23 March 2023

Attendees

Meeting title:	TAC Meeting # 2 for 2023		
Location:	The Tesla Boardroom, Transgrid, Ultimo Online via Microsoft Teams		
Chairperson:	David Feeney, General Manager of Regulatory Policy, Transgrid		
Date of meeting:	Thursday 23 March 2023	Time:	10.30am- 1pm
Attendees			
Transgrid Advisory Council Members	<p>Michael Ottaviano, Head of Renewables, ERM Advisory Panos Priftakis, Head of Wholesale Regulation, Snowy Hydro Scott Young, Executive Director, Commonwealth Bank Australia (CBA) Tennant Reed, Head of Climate, Energy and Environmental Policy, Australian Industry Group (AIG) Brendan O’Keeffe, Economist, NSW Farmers Association Sam Fyfield, General Manager, Grid and SCADA, Goldwind Mitchell Hume, Engagement Lead, Reform Delivery, AEMO Eli Pack, Group Manager, System Planning, AEMO Kevin Cheung, Australian Energy Regulator (AER)</p>		
Transgrid attendees:	<p>David Feeney, General Manager (GM) Regulatory Policy Marie Jordan, EGM of Network Stephanie McDougall, GM Regulation Nicole Ryan, GM Community, Stakeholder and Government Nathan Rhodes, GM Powering Tomorrow Together Mayur Kulkarni, Acting Project Director, HumeLink Michael Johnson, Program Director, Stakeholder Relations Major Projects Sam Martin, Policy Manager Robert Alcaro, Network Regulatory Manager Cassie Farrell, Stakeholder Engagement Manager Sarah Lim, Regulatory Reporting Manager Jane Deane, Senior Advisor, Stakeholder Engagement</p>		
Apologies	<p>Andrew Richards, CEO, Energy Users Association of Australia (EUAA) Brian Spak, Director Energy Transformation, Energy Consumers Australia Craig Memery, Program Director, Energy and Water Consumers’ Advocacy Program, Public Interest Advocacy Centre (PIAC) Gavin Dufty, Executive Manager Policy and Research, St Vincent de Paul Maryanne Graham, EGM Corporate and Stakeholder Affairs, Transgrid</p>		

1. Meeting summary

1.1. Overall summary of meeting

The meeting opened with a review of actions from the last meeting and a recap on Transgrid's approach to working with the TAC, based on the principles of being genuine, inclusive, accessible, responsive and transparent. We gave an update on Transgrid's upcoming stakeholder reputation research, including a snapshot of the progress made since the research was last completed in 2022.

The Transgrid team presented on the draft South West Renewable Energy Zone (REZ) Access Scheme and attendees discussed the associated issues for renewables developers, consumers and agricultural landholders. We presented an update on the upcoming State Government election, regulatory projects, Transgrid's System Strength Regulatory Investment Test for Transmission (RIT-T)/ Expression of Interest (EOI) and provided a summary of how network charges are expected to apply to the new Broken Hill compressed air storage facility (which will provide a network support service to Transgrid following the completion of the related RIT-T in 2022).

The second half of the meeting involved an update on Transgrid's major projects program, including a detailed update on the HumeLink project and Transgrid's proposed Contingent Project Application (CPA) 1, part 2, to recover the costs of purchasing Long Lead Equipment (LLE). We provided an update on social licence initiatives for the HumeLink project, which was a topic requested by TAC members at the last meeting.

The Transgrid team sought TAC member feedback on a variety of projects and issues, including the South West REZ Access Scheme, the Systems Strength RIT-T/EOI and proposed HumeLink CPA1, part 2.

1.2. Detailed summary of meeting

Item	Topic presented	Summary of stakeholder comments	Transgrid response
1.	Welcome and introductions David Feeney, GM of Regulatory Affairs		
2.	Actions from last meeting David Feeney, GM of Regulatory Affairs		
3.	2023 TAC engagement program Cassie Farrell, Stakeholder Engagement Manager		
4.	Regulatory Policy and Government Affairs update David Feeney, GM of Regulatory Affairs Nicole Ryan, GM of Stakeholder, Community and Government	<i>Feedback from Sam Fyfield, Goldwind:</i> As a renewables developer in this area, Goldwind do not support the REZ that's been defined. For the last 20 years Goldwind and other renewables developers, have worked with the National	<i>Response from David Feeney, Transgrid:</i> Thank you for the feedback. Transgrid will also be making a submission on this proposal, it's helpful to understand different

		<p>Electricity Rules (NER) connection and open access regime and have targeted its developments accordingly.</p> <p>Goldwind views this change as a bigger risk to its project than those faced with the open access regime.</p> <p>This change will encourage renewables developers to size their generation to max out the REZ capacity, so that they are the only project that connects. This is already occurring, with several 2.5GW projects recently being announced.</p> <p>Goldwind will be taking up these issues with EnergyCo. Goldwind would prefer EnergyCo invested in new network, because that is what will enable new renewables generation into the grid.</p> <p><i>Questions from Scott Young, Commonwealth Bank:</i></p> <p>Is this new regime being put in place to address some of the issues and concerns around renewables being placed on agricultural land?</p> <p>Are they referring to investment risk for the entity who will build and own the infrastructure, or is to do with the investment of people who are creating and building the generation capacity?</p> <p><i>Feedback from Sam Fyfield, Goldwind:</i></p> <p>Goldwind and the wind industry overall has done a lot of work to build social licence. Goldwind, and Clean Energy Council members in general, are quite proactive in this space, engaging with local communities early, well before we build new infrastructure. We've learned from experience the value and importance of engaging early</p>	<p>perspectives as we formulate our own position.</p> <p><i>Response from Sam Martin, Transgrid:</i></p> <p>Yes, one objective of the proposal is to focus generation in the geographical area of the REZ to avoid prime agricultural land. Another objective is to find the right balance in terms of the amount of generation and congestion, investment risk and benefits for consumers. EnergyCo believes that this limitation on generation is the right balance for consumer interests.</p> <p>The investment risks refer to generation developers. They are looking to give more certainty to generation developers around how many projects will connect.</p>
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		<p>with landholders and communities.</p> <p>We would encourage Transgrid and other transmission providers to make sure they adequately resource community engagement and social licence activities for transmission infrastructure.</p> <p><i>Feedback from Brendan O’Keeffe, NSW Farmers Association:</i></p> <p>NSW Farmers would support the approach of avoiding prime agricultural land through the access scheme.</p> <p>In terms of social license, NSW Farmers will be advocating for the recommendations of the Agricultural Commissioner to be taken up. The election outcome may also influence action in this area.</p> <p>More information for landholders around issues that may need to be managed in association with transmission and renewables developments would be helpful.</p> <p><i>Feedback from Scott Young, Commonwealth Bank:</i></p> <p>From an investment point of view, the proposed access scheme limiting generation to 34GW potential projects would be a sub optimal outcome.</p> <p>From a consumer point of view, the question is whether this would provide the most cost-effective outcome.</p> <p><i>Question from Scott Young, Commonwealth Bank:</i></p> <p>What is Transgrid’s perspective on the Greens’ proposed public ownership of energy assets and of the Energy Transition Authority?</p>	<p><i>Response from Nicole Ryan and Sam Martin, Transgrid:</i></p> <p>We consider this to be more of a philosophical position, which would expand on the kinds of existing assets already in public ownership.</p>
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<p>5.</p>	<p>Regulatory Projects Engagement Stephanie McDougall, GM of Regulation</p>	<p><i>Scott Young, Commonwealth Bank:</i> Would like to clarify in relation to the capacity to put in place a fixed time fixed price contract with contractors, are you saying that while you will do all you can to minimise costs, costs are hard to predict due to the very volatile inflationary environment?</p> <p>If Transgrid has been through the process to try and minimise that risk, and the markets not there, then it sounds reasonable. It then comes down to what's shared between Transgrid and consumers.</p> <p><i>Question from Sam Fyfield, Goldwind?</i> Have you been instructed by the government to do this project and is it coming out of the Regulatory Asset Base (RAB)? Is the government giving you extra funds to make it happen?</p>	<p><i>Response from Stephanie McDougall, Transgrid:</i> Yes, that is correct, however we don't know yet what form of contract we are going to get back. We need to work with contractors to determine how the contract will be structured and what components might be subject to a schedule of rates or repricing. Our objective is to get a fixed price contract, but whether the market is going to offer us that is still an open question.</p> <p><i>Comment from Marie Jordan, Transgrid:</i> We don't see a lot of fixed price contracts, but when we do, they are so overpriced and full of contingency that they aren't the right risk for the customer.</p> <p><i>Response from Stephanie McDougall, Transgrid:</i> For this project we will establish a new NSW RAB. It will be separate, but it will effectively operate in the same way. At some point in the future, it will be rolled into our overall substantive RAB.</p> <p><i>Comment from Marie Jordan, Transgrid:</i> This is all about the retirement of Eraring. This will act like a virtual line. We cannot build a line in time, there's some work underway for other projects to augment, and this is to ensure Eraring can retire in 2025. By using additional paired generation and the WSB, there will be a certain amount of battery storage</p>
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			held in reserve to make sure we have stability, in the case of an incident on the system.
6.	<p>System Strength RIT-T/EOI update</p> <p>Jesse Steinfeld, Energy Transition Manager</p> <p>Fiona Orton, GM Innovation and Energy Transition</p>	<p><i>Question from Panos Priftakis, Snowy Hydro:</i></p> <p>If the operational security mechanism gets delayed, I notice the AEMC has delayed it, does that change the timeframes you're showing on the slide?</p> <p><i>Question from Sam Fyfield, Goldwind:</i></p> <p>One of the risks you mentioned was that there is a lot of new technology coming along. At Goldwind we have taken an existing windfarm in China, and with a software change, we've converted it to grid-forming technology. It's an easy change for us to make, but it's not one we are quite ready to bring to the Australian market.</p> <p>When would you need that type of concept locked down? When would we need to be ready to bring it to market in Australia?</p> <p><i>Comment from Scott Young, CBA:</i></p> <p>Provided positive feedback on the structure and content of the presentation. Confirmed</p>	<p><i>Response from Jesse Steinfeld, Transgrid:</i></p> <p>We've explored this question very seriously and have sought legal advice. Our obligations commence on 1 December 2025. A potential delay in the Operational Security Mechanism (OSM) would not change our obligations on a planning horizon, and we don't expect it will significantly change our timeline.</p> <p>Delays in understanding what happens with the OSM, in terms of guidelines and the rule change, would influence how we develop the contracts, which could cause slight delays, but this will not fundamentally change our obligations.</p> <p><i>Response from Jesse Steinfeld, Transgrid:</i></p> <p>We're incredibly excited about these new innovations.</p> <p>Although obligations commence on 1 December 2025, not all solutions need to be available on 1 December 2025.</p> <p>We encourage any proponent to submit to the Expression of Interest (EOI), even if their technology is not ready on day one. Although we need to establish that we can meet the need in 2025, we also need to make sure that the portfolio of solutions we establish, is robust for the future.</p>

	<p>Network charges for the new Broken Hill compressed air storage facility Marie Jordan, EGM of Networks</p>	<p>his availability for ongoing TAC engagement and offered his time for any further engagement on this topic.</p> <p><i>No comments or questions raised.</i></p>	<p><i>Comment from Fiona Orton, Transgrid:</i> Based on the responses we get to the EOI, we expect to run further procurement processes for systems strength services into the future.</p>
7.	<p>Major Projects Portfolio update Nathan Rhodes, GM Powering Tomorrow Together</p>	<p><i>Comment and question from Tennant Reed, AIG:</i> There was a stakeholder deep dive session for VNI West last week. There was quite a bit of dissatisfaction from some stakeholders. There's will need to be a lot more discussion with stakeholders as the project goes forward. In relation to the PEC progress update, how is progress lining up against the plans and how is expected completion looking versus past intentions?</p>	<p><i>Response from Nathan Rhodes, Transgrid:</i> PEC timeframes are looking good, we are on track to achieve first power in December 2024.</p> <p><i>Comment from Marie Jordan, Transgrid:</i> That timeframe does not include commissioning, commissioning will occur after that.</p>
8.	<p>HumeLink Project update and CPA engagement Mayur Kulkarni, Acting Project Director, HumeLink Stephanie McDougall, GM of Regulation Michael Johnson, Program Director Stakeholder Relations Major Projects</p> <p>The ISP Regulatory Framework Eli Pack, Group Manager, System Planning, AEMO</p>	<p><i>Question from Tennant Reed, AIG:</i> Last month NSW Treasury issued new guidelines for cost/benefit analysis for government that substantially strengthened the incorporation of climate change into decision making. Are you aware of whether this impacts the consideration of your Environmental Impact Statement (EIS)?</p> <p><i>Comment from Brendan O'Keeffe, NSW Farmers:</i> We're hearing from our members about some difficulties with the Community Consultative Groups (CCG). Are there any notes or outcomes from those meetings available?</p>	<p><i>Response from Mayur Kulkarni, Transgrid:</i> No, we will take this question on notice and report back. (Action noted.)</p> <p><i>Response from Michael Johnson, Transgrid:</i> Yes, we publish notes and minutes of CCG meetings on our website and I'm happy to send you a copy. We recognise that some of the CCGs have not been so productive. We are holding a joint CCG later this month, which is something we are doing based on</p>

			CCG member feedback, so we are working constructively with CCG members to find new ways to engage.
9.	<p>Summary, next steps and close</p> <p>David Feeney, GM of Regulatory Affairs Cassie Farrell, Stakeholder Engagement Manager</p>	<p><i>Comment from Scott Young, CBA:</i></p> <p>Will there be another opportunity to talk about financeability issues?</p>	<p><i>Response from David Feeney, GM of Regulatory Policy:</i></p> <p>Yes, there are lots of developments in that space, we will add this to the agenda for next meeting.</p> <p>The latest information we have is that the Commonwealth department will be putting forward a rule change, which is consistent with the AEMC recommendation, and that's due to happen towards the end of this month.</p> <p>In addition, Energy Networks Australia might be a proponent of an alternate rule change on the same topic. It's likely that the AEMC will need to consider two rule changes on the same topic.</p>

2. Action items

Action	Responsible	Due date
Advise TAC of consultation process and next opportunity to provide input on AEMC's Transmission Review Report.	David Feeney, GM of Regulatory Policy	TAC meeting #3, 3 May 2023
Report back on any implications for the HumeLink EIS, of NSW Treasury's recent issued new guidelines for incorporating climate change impacts in cost/ benefit analyses.	Mayur Kulkarni, Acting Project Director, HumeLink	TAC meeting #3, 3 May 2023
Share link to CCG meeting minutes with Brendan O'Keeffe, NSW Farmers.	Michael Johnson, Program Director Stakeholder Relations Major Projects	Thursday 6 April 2023
Prepare a summary of what additional feedback Transgrid would like from TAC members.	Cassie Farrell, Stakeholder Engagement Manager	Friday 14 April 2023
Financeability update to be provided at next TAC meeting.	David Feeney, GM of Regulatory Policy	TAC meeting #3, 3 May 2023

4. Next meeting

The next meeting will take place at 9.30am on Wednesday 3 May 2023, including an update from Brett Redman, CEO. The meeting will be held at Transgrid's offices in Ultimo and members will also have the option to join the meeting online via MS Teams.

Transgrid is also holding a separate, more detailed stakeholder consultation session on our approach to meeting system strength requirements in NSW, and the treatment of network charges for storage projects. This session will be held at 9.30am on Friday 28 April 2023 at Transgrid's offices in Ultimo. Members will also have the option to join the meeting online via MS Teams.

5. Contact details

If you require any information on this summary or in relation to TAC meetings, please contact:

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