

# Transgrid Advisory Council (TAC) Meeting summary and actions

1 March 2023

## Attendees

<b>Meeting title:</b>	TAC Meeting # 1 for 2023		
<b>Location:</b>	The Tesla Boardroom, Transgrid, Ultimo Online via Microsoft Teams		
<b>Chairperson:</b>	<b>Maryanne Graham, Executive General Manager (EGM), Corporate and Stakeholder Affairs</b>		
<b>Date of meeting:</b>	Wednesday 1 March 2023	<b>Time:</b>	1pm- 4pm
<b>Attendees</b>			
Transgrid Advisory Council Members	<p><b>Andrew Richards</b>, CEO, Energy Users Association of Australia (EUAA)  <b>Gavin Dufty</b>, Executive Manager, Policy and Research, St Vincent de Paul  <b>Kim Woodbury</b>, Chief Operating Officer, City of Sydney  <b>Michael Ottaviano</b>, Head of Renewables, ERM Advisory  <b>Oliver Derum</b>, ISP Engagement Lead, Australian Energy Market Operator (AEMO)  <b>Panos Priftakis</b>, Head of Wholesale Regulation, Snowy Hydro  <b>Scott Young</b>, Executive Director, Commonwealth Bank Australia (CBA)  <b>Sean Mullins</b>, Australian Energy Regulator (AER)  <b>Tennant Reed</b>, Head of Climate, Energy and Environmental Policy, Australian Industry Group (AIG)  <b>Craig Memery</b>, Program Director, Energy and Water Consumers' Advocacy Program, Public Interest Advocacy Centre (PIAC)</p>		
Transgrid attendees:	<p><b>Brett Redman</b>, CEO  <b>Maryanne Graham</b>, EGM Corporate &amp; Stakeholder Affairs  <b>Gordon Taylor</b>, EGM of Major Projects  <b>Craig Stallan</b>, EGM Delivery  <b>David Feeney</b>, General Manager (GM) Regulatory Policy  <b>Stephanie McDougall</b>, GM Regulation  <b>Nathan Rhodes</b>, GM Powering Tomorrow Together  <b>Stephen Troughton</b>, Project Director, EnergyConnect  <b>Mark McEnearney</b>, Project Director, Sydney Ring  <b>Jeremy Roberts</b>, Project Director, HumeLink  <b>Carl Charlier</b>, Commercial Manager  <b>Michael Johnson</b>, Program Director, Stakeholder Relations Major Projects  <b>Robert Alcaro</b>, Network Regulatory Manager  <b>Cassie Farrell</b>, Stakeholder Engagement Manager  <b>Sarah Lim</b>, Regulatory Reporting Manager  <b>Deyi Wu</b>, Policy Advisor  <b>Jane Deane</b>, Senior Advisor, Stakeholder Engagement</p>		

Apologies	<b>Brendan O’Keeffe</b> , NSW Farmers <b>Nick Savage</b> , NSW Farmers
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## 1. Meeting summary

### 1.1. Overall summary of meeting

The first meeting of the Transgrid Advisory Council (TAC) for 2023 began with an update from Transgrid CEO, Brett Redman, followed by a group discussion. Brett spoke about Transgrid’s program approach, which is already demonstrating many benefits, and key learnings from recent visits to the UK and Asia.

The group discussed global issues, such as the war in Ukraine, and the impacts of these events on supply chains and costs for major infrastructure projects in Australia, and ways to build capabilities locally. Discussions also covered the net benefits to consumers of Transgrid’s works and the range of factors influencing the timeframe in which net benefits would be realised. Attendees discussed Transgrid’s proposed approach to engaging with the TAC in 2023, including the frequency of meetings and proposed meeting agendas.

The second half of the meeting involved presentations from Transgrid employees on financeability issues, Transgrid’s major projects program, and regulatory engagement. At the conclusion of the meeting, TAC members were asked to share any further feedback regarding Transgrid’s proposed TAC meeting program and approach, by Friday 3 March 2023.

### 1.2. Detailed summary of meeting

Agenda Item	Topic presented	Summary of stakeholder comments	Transgrid response
1.	Welcome and introductions <i>Maryanne Graham, EGM Corporate &amp; Stakeholder Affairs</i>		Transgrid acknowledges and thanks TAC members for their valuable input over the last 12 months.
2.	CEO update and open discussion <i>Brett Redman, CEO</i>	<i>Question from Andrew Richards, EUAA:</i>  What impacts are you expecting on program costs, resulting from global influences such as the war in Ukraine, Inflation Reduction Act and relevant European policies?	<i>Response from Brett Redman, CEO:</i>  In terms of supply, some regions overseas, particularly in North America and Europe, are very constrained. Transgrid recently secured orders with suppliers in South Korea and Japan for highly sought after electrical equipment. Our long lead sourcing

			<p>approach, and the bundling of procurement for major projects, has enabled us to secure equipment at cheaper prices for consumers.</p> <p>The biggest cost pressures will be domestically with local labour and construction costs and competition with other major infrastructure projects.</p>
		<p><i>Comment from Andrew Richards, EUAA:</i></p> <p>Suggested a separate discussion be held on how we can work together to leverage and build sovereign capability for the energy transition.</p>	<p><i>Comment from Brett Redman, CEO:</i></p> <p>Transgrid is very committed to finding and using local suppliers. Ultimately, the Australian community are funding our projects, and if we can drive more benefit for the Australian consumer dollar, then we absolutely want to do it.</p> <p>In many cases, there is no local manufacturing capacity for the specification and volume of equipment we require. We are actively discussing and working with local suppliers to understand their capabilities and build capacity locally.</p>
		<p><i>Question from Andrew Richards, EUAA:</i></p> <p>How will Transgrid demonstrate that the Rewiring the Nation funding results in lower costs for consumers?</p>	<p><i>Response from Brett Redman, CEO:</i></p> <p>The underwrite and Rewiring the Nation loans are separate entities and all going to plan, Transgrid will never draw on the underwrite.</p> <p>HumeLink Contingent Project Application (CPA) 1 did include funding for some long</p>

			<p>lead items, but we needed a bridging mechanism to fill the gap for additional items required, while we seek funding via an expanded CPA1. Transgrid will make down payments off our own balance sheet and will seek to recover those costs through the expanded CPA1. Transgrid will use standard AER processes to demonstrate our prudent and cost-effective purchases. Transgrid is using Rewiring the Nation as a way of achieving lower costs. We are in active discussions with state and federal governments, and the Clean Energy Finance Corporation (CEFC), about the terms of our loan so that we can back solve what's required for us to live within the existing regulatory pricing envelope. We are working behind the scenes to try to avoid big early costs for consumers.</p>
		<p><i>Question from Tennant Reid, AIG:</i></p> <p>How important is the certainty of conditions and timeframes, in determining costs? How do costs relate to current as opposed to future conditions?</p>	<p><i>Response from Brett Redman, CEO:</i></p> <p>Greater certainty will achieve a better deal, but we are trying to balance the need to give suppliers enough certainty and commitment, with our known and committed project list, while ensuring consumers aren't locked into unnecessary costs.</p>

		<p><i>Question from Panos Priftakis, Snowy Hydro:</i></p> <p>The VNI-West project was in the ISP as 2031, but you're aiming for 2028 with government support. Why is this?</p>	<p><i>Response from Brett Redman, CEO:</i></p> <p>The primary reason for this shift in timeframe is to bring forward the energy and related benefits for consumers.</p>
		<p><i>Request from Andrew Richards, EUAA:</i></p> <p>Assuming that net benefits will be achieved at some point, it would be good to reach a shared understanding of the net benefits equation and what are the key factors that influence this equation. What do the net benefits look like and at what point will consumers start to see those net benefits?</p>	<p><i>Response from Brett Redman, CEO:</i></p> <p>Yes, let us come back to you with more detail but for example, the VNI upgrade is expected to deliver net benefits of up to \$268 million to electricity customers.</p> <p>Overall, in the current climate, we are better to be early than late in the delivery of projects. Renewables developers also need certainty over connection timeframes.</p>
		<p><i>Question from Scott Young, CBA:</i></p> <p>What programs, new or old is Transgrid trying to use to make sure it has the required labour to augment the network as opposed to outsourcing to construction firms? How much of the risk is Transgrid willing to take?</p>	<p><i>Response from Brett Redman, CEO:</i></p> <p>Our approach uses a combination of both internal and external resources. We are ramping up our in-house labour, expanding our in-house training school, graduate and apprentice programs. We are recruiting talent into our major projects to address these needs.</p> <p>Contractors will need to demonstrate through the procurement process that they have access to the labour that's needed. Our program approach, and the phasing of projects will also enable</p>

			employees to move across projects in a structured way.
3.	<p>2023 TAC engagement approach and schedule</p> <p><i>Maryanne Graham, EGM Corporate &amp; Stakeholder Affairs</i></p>	<p><i>Gavin Dufty, St Vincent de Paul:</i></p> <p>How long would monthly TAC meetings be?</p>	<p><i>Response from Maryanne Graham, EGM Corporate &amp; Stakeholder Affairs:</i></p> <p>We are open to feedback from TAC members on the timing and frequency of meetings. We propose a meeting be held once per quarter that would go for around two to three hours, supplemented by shorter meetings each month.</p>
		<p><i>Question from Andrew Richards, EUAA:</i></p> <p>Is it worthwhile setting up TAC sub-groups to address separate areas of interest in more detail, rather than all members covering everything?</p>	<p><i>Response from Maryanne Graham, EGM Corporate &amp; Stakeholder Affairs:</i></p> <p>Yes, it was another option we considered, and we are happy to review this further. We are trying to weigh up how much information TAC members want and ensure we provide members with the right amount of information to provide informed feedback.</p>
		<p><i>Question from Andrew Richards, EUAA:</i></p> <p>What does Transgrid want to achieve through the TAC and to what extent will feedback and input from TAC members have any real material impact?</p>	<p><i>Response from Brett Redman, CEO:</i></p> <p>Transgrid takes the views and feedback received through the TAC very seriously. Feedback from the TAC is routinely discussed with the Board and with the AER and others. We are genuinely seeking your input to co-design how we run the TAC going forward.</p>

			<p>There are challenges around what issues Transgrid can and cannot influence or change, and challenges around the magnitude of work ahead of us. We want to work with TAC members to strike the right balance and approach.</p>
		<p><i>Feedback from Andrew Richards, EUAA:</i></p> <p>We need a clear demonstration from Transgrid of how our input has been taken into account.</p> <p>For example, how was the input and feedback provided for HumeLink CPA1 addressed by Transgrid?</p>	<p><i>Response from Brett Redman, CEO:</i></p> <p>Yes, Transgrid should and will demonstrate how we have considered, addressed and changed our response based on your input and feedback.</p> <p><i>Response from Stephanie McDougall, GM Regulation:</i></p> <p>Transgrid collaborated closely with the EUAA on HumeLink CPA1 and we value the feedback received. We refined our costs and CPA1 submission, as much as possible, to reflect the feedback from TAC members.</p> <p>Moving forward, we want to continue working with TAC members to discuss the aspects of our costs and other elements of our application that we can control (recognising that some matters, such as the project scope and project implementation timeframes are settled outside of the CPA process).</p>

		<p><i>Feedback from Kim Woodbury, City of Sydney:</i></p> <p>Supports the review of TAC membership, particularly if it is desirable for new key stakeholders to be included, given where we are in 2023. The group may be getting too large.</p>	
		<p><i>Feedback from Andrew Richards, EUAA:</i></p> <p>VNI-West project - there has been inconsistencies in the messages given by Transgrid and AEMO. Suggestion to hold a joint session with AEMO and Transgrid to clarify any inconsistencies.</p>	<p><i>Response from Mark McEneaney, Project Director, Sydney Ring.</i></p> <p>At a project level, all workshops and engagement processes have been undertaken jointly with AEMO. We are happy to further discuss and address any gaps.</p>
4.	<p>Financeability update</p> <p><i>David Feeney, GM Regulatory Policy</i></p>	<p><i>Feedback from Scott Young, CBA:</i></p> <p>CBA is observing acute issues of serviceability across all real asset classes. Offered to provide more input and assistance on current market issues.</p> <p>Requested clarification of timing of rule change.</p> <p>Noted challenges with maintaining investment grade rating and ensure funding within the context of serviceability issues.</p>	<p><i>Response from David Feeney, GM Regulatory Policy:</i></p> <p>We understand the Commonwealth Government will lodge the rule change request in a few weeks' time. The rule change process takes about six months from initiation to completion.</p>



		<p><i>Feedback from Andrew Richards, EUAA:</i></p> <p>EUAA weren't in favour of previous rule change on this as not convinced it was in the best interests of consumers. Consumers should not have to pay the cost for projects being fast-tracked and associated financeability risks. Important to ensure that the costs and risk burden are being distributed in a fair and equitable way.</p>	<p><i>Response from Brett Redman, CEO:</i></p> <p>We hear the view that government should have to pay for the fast-tracked transition. Most people want the transition and decarbonisation to get underway.</p> <p>Transgrid is acting under Government policy regarding the need for and timeframe of the energy transition.</p>
5.	<p>Major Projects Portfolio update <i>Nathan Rhodes GM Powering Tomorrow Together</i> <i>Stephen Troughton, Project Director, EnergyConnect</i> <i>Mark McEneaney, Project Director, Sydney Ring</i></p>	<p><i>Question from Andrew Richards, EUAA:</i></p> <p>To what extent will NSW strategic benefits payments impact on the costs of the project?</p>	<p><i>Response from Stephanie McDougall, GM Regulation:</i></p> <p>For Project EnergyConnect (PEC) we have calculated the cost as per government requirements and have reflected that in our revenue proposal as an opex step change. The cost will be passed directly to customers. For future projects it will be recovered as part of the CPA.</p>
		<p><i>Question from Andrew Richards, EUAA:</i></p> <p>With regards to the Orders under the National Electricity (Victoria) Act (NEVA), would Transgrid be seeking a similar type of order in NSW?</p> <p>Does the Order have any implications on the Regulatory Investment Test for Transmission (RIT-T) or CPA processes?</p>	<p>Response from Mark McEneaney, Project Director, Sydney Ring:</p> <p>No, the Order allows AEMO to align the approach for the Victorian parts of the project, with the approach we are undertaking in NSW. The Order will resource AEMO to thoroughly develop the project including a comprehensive engagement process.</p>

			The Order directs AEMO to complete the RIT-T process.
6.	HumeLink project update <i>Nathan Rhodes GM Powering Tomorrow Together</i>	<p><i>Question from Craig Memery, PIAC:</i></p> <p>What is the impact of delays to the Snowy Hydro project, on net benefits for the HumeLink Project? How are you addressing the risks associated with project, particularly related to capital costs?</p>	<p><i>Response from Gordon Taylor, EGM of Major Projects and Brett Redman, CEO:</i></p> <p>We will continue to re-run the modelling as we move forward. The model runs over a period of 20 plus years, so we don't expect short-term delays of around one year to have a significant impact. We expect benefits would rise, similarly to costs.</p> <p>Transgrid to provide more information on latest modelling of net benefits for HumeLink project, in relation to Snowy Hydro project timeframe.</p>
		<p><i>Comments from Panos Priftakis, Snowy Hydro:</i></p> <p>There has been delays to the timing of the Snowy Hydro project, but as of last month we were 43% completed. HumeLink will also unlock access to significant existing Snowy Hydro assets that are currently constrained.</p> <p><i>Comment from Craig Memery, PIAC:</i></p> <p>We understand the benefits of the project to Snowy Hydro and that's why we believe Snowy Hydro should</p>	

		contribute to the cost of these shared assets.	
7	<p>HumeLink CPA2 Engagement  <i>Carl Charlier, Commercial Director</i></p> <p><i>Michael Johnson, Program Director Stakeholder Relations Major Projects</i></p>	<p><i>Question from Andrew Richards, EUAA:</i></p> <p>With HumeLink CPA2, what level of confidence are you hoping to achieve when you submit CPA2? Are we likely to get to a Class 2 or Class 3 cost estimate?</p>	<p><i>Response from Gordon Taylor, EGM of Major Projects:</i></p> <p>We'd be failing if we decreased the quality of CPA 2 estimate. Our objective is to maintain the quality of our results. We expect most work will be Class 2, with a few Class 3 estimates. In some areas it is not possible to secure the entire route options and procure in advance. We are working to finalise the detail on fixed costs, while determining the best way to minimise contingencies to cover project uncertainties.</p>
		<p><i>Feedback from Craig Memery, PIAC:</i></p> <p>Engagement objectives look good, particularly those related to understanding and addressing consumer preferences.</p> <p>Need to integrate the social licence piece through the consumer and other stakeholder engagement and remember social licence has two parts, community and consumer acceptance of projects.</p>	
		<p><i>Feedback from Gavin Dufty, St Vincent de Paul:</i></p> <p>Important to engage with stakeholders around social licence</p>	

		<p>as early as possible. The more time given to this, and the earlier you begin, the better the outcome.</p>	
		<p><i>Feedback from Andrew Richards, EUAA:</i></p> <p>Need to think differently about early works on a project and before jumping into the numbers, begin engaging with communities and spend some time with stakeholders very early on. This would add real value to the projects. People will come to their own conclusions if you aren't on the front-foot with your engagement.</p>	<p><i>Comment from Gordon Taylor, EGM of Major Projects:</i></p> <p>One of the most challenging and important aspects of our work going forward, is getting the timing right around when to begin engaging with the community. Sometimes if you go out too early, with too little detail, it can create more uncertainty for people. There is a real art to getting the balance right.</p>
		<p><i>Question from Panos Priftakis, Snowy Hydro:</i></p> <p>How much was the strategic benefits payment recently announced? Was it well received?</p> <p><i>Comment from Andrew Richards, EUAA:</i></p> <p>Some people will perceive these payments as a negative, or as an insult. Benefits payments should be discussed at the start of the conversation, and this would make a difference for future projects.</p> <p><i>Comment from Craig Memery, PIAC:</i></p>	<p><i>Response from Maryanne Graham, EGM Corporate and Stakeholder Affairs:</i></p> <p>It's equivalent to \$10,000 per kilometre per property per year. Yes, it was very well received. We lobbied government very hard for this. Not everyone is satisfied, but overall, it has been very well received.</p>

		<p>The payment provides benefits overall, but there are a range of issues associated with it being a blanket value.</p> <p>Suggest formalising treating future deep dives as part of Transgrid's engagement for regulatory processes, including Transgrid's next revenue determination. One of the criticisms of Transgrid's revenue proposal engagement was that it started so late no amount of engagement could catch up. We would strongly encourage and support Transgrid treating all its engagement contributing to the regulatory expectation to meaningfully engage.</p>	
8	<p>Regulatory Engagement <i>Stephanie McDougall, GM Regulation</i></p>	<p><i>Feedback from Andrew Richards, EUAA:</i></p> <p>Recognition of Transgrid's positive response over the last six to eight months, in engaging with the EUAA and addressing feedback in the revised revenue proposal.</p> <p>There is an opportunity for Transgrid and the state government to do a case study on how the Road Map is going to function into the future, and this could give people a lot more confidence that they're going to receive value for money.</p>	
9	<p>Summary and next steps</p>		

	<i>Maryanne Graham, EGM Corporate &amp; Stakeholder Affairs</i>		
10	Conclusion and close <i>Maryanne Graham, EGM Corporate &amp; Stakeholder Affairs</i>		<p><i>Comment from Maryanne Graham, EGM Corporate and Stakeholder Affairs:</i></p> <p>Reminder for all TAC members to submit any further feedback on the proposed TAC engagement approach by Friday 3 March.</p>

## 2. Action items

Action	Responsible	Due date	Notes
Transgrid team to provide further information, to build a shared understanding, of what the key factors that will influence the net benefit equation.	Transgrid	21 March	
TAC members to review and reflect on Transgrid's proposed approach for engaging with TAC, including for the HumeLink project and give some feedback to Cassie or Jane this week on thoughts of meeting regularity, sub-committees.	All TAC members	21 March	
Andrew and Mark to discuss inconsistencies in narrative between AEMO and Transgrid (VNI-W project example)	Andrew Richards and Mark McEneaney	21 March	
Transgrid to give update on latest modelling of net benefits for HumeLink project, in relation to Snowy Hydro project timeframe.	Carl Charlier, Commercial Manager	21 March	

### 3. Next meeting

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The next meeting will take place at 10.30am on 23 March 2023 at Transgrid's offices in Ultimo. Participants will also be able to join the meeting online via MS Teams.

### 4. Contact details

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

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