

# Transgrid Advisory Council (TAC) Meeting summary and actions

24 August 2023

<b>Meeting title:</b>	TAC Meeting #7 for 2023		
<b>Location:</b>	Via Microsoft Teams		
<b>Chairperson:</b>	Nicole Ryan, GM Community, Stakeholder and Government		
<b>Date of meeting:</b>	Thursday 24 August 2023	<b>Time:</b>	10.30am - 12.30pm
<b>Attendees:</b>			
Transgrid Advisory Council Members	<b>Leigh Clemow</b> , Policy Manager Energy Users Association of Australia (EUAA) <b>Michael Lynch</b> , Senior Policy Officer, Public Interest Advocacy Centre (PIAC) <b>Panos Priftakis</b> , Head of Wholesale Regulation, Snowy Hydro <b>Tennant Reed</b> , Head of Climate, Energy and Environmental Policy, Australian Industry Group (AIG)		
	Observer - <b>Mitchell Hume</b> , Australian Energy Market Operator (AEMO)		
Transgrid representatives	<b>Belinda Ackermann</b> , Stakeholder Relations Advisor <b>Cassie Farrell</b> , Stakeholder Engagement Manager <b>Christian Abran</b> , Network Regulatory Manager <b>Craig Stallan</b> , EGM Delivery <b>Emma Ashton</b> , Government and Stakeholder Relations Manager <b>Jeremy Roberts</b> , Project Director, HumeLink <b>Michael Johnson</b> , Program Director Stakeholder Relations Major Projects <b>Michael Lloyd</b> , Community and Stakeholder Engagement Manage <b>Stephanie McDougall</b> , GM of Regulation <b>Zainab Dirani</b> , Senior Research Analyst		
Guest Speaker	<b>Amy Abraham</b> , Director of Innovation, The Energy Charter		
Apologies	<b>Andrew Richards</b> , CEO, Energy Users Association Australia (EUAA) <b>Christiaan Zuur</b> , Director Energy Transformation, Clean Energy Council (CEC) <b>Craig Memery</b> , Senior Advisor Energy, Public Interest Advocacy Centre (PIAC) <b>Josef Tadich</b> , Senior Manager, Engineering, Tesla <b>Kim Woodbury</b> , Chief Operating Officer, City of Sydney <b>Sam Fyfield</b> , GM Grid and SCADA, Goldwind		

## 1. Meeting summary

### 1.1. Summary of meeting

The meeting opened with a review of action items from the previous meeting. A presentation by the Energy Charter discussed the Better Together Social Licence Guideline (the Guideline), which was developed to enable transmission organisations to better understand and act on factors building and contributing to social licence in their communities. The Guideline also provides a tool for representatives of the agricultural

sector, landowners and communities to raise and discuss impacts and work constructively with transmission organisations to achieve shared value outcomes. Transgrid, a founding signatory of the Energy Charter, collaborated with the Energy Charter on the Guide's development.

We presented our draft FY 2022-23 Energy Charter Disclosure Report maturity self-assessment, seeking feedback from the TAC on our proposed progress. We outlined our engagement to date and presented our views on how we are tracking against each of the five Energy Charter principles, which we are required to report on as a signatory.

A presentation on the Victoria to New South Wales Interconnector West (VNI West) Stage 1 CPA discussed the dispute on the Regulatory Investment Test for Transmission (RIT-T) Project Assessment Conclusions Report (PACR). It was referenced that a determination from the Australian Energy Regulator (AER) was due by 4 October 2023. The team presented the VNI West Stage 1 forecast capex, basis of estimate for direct Stage 1 capex forecast and labour and indirect Stage 1 capex forecast.

Our position on the application of the Capital Expenditure Sharing Scheme (CESS) to Australian Energy Market Operator (AEMO) Integrated System Plan (ISP) projects was reiterated. We shared the key reasons as to why we do not support the CESS. TAC members were encouraged to raise questions or participate in further discussions around this.

The team presented on the HumeLink CPA 2 cost evolution, highlighting that they are on track to submit the draft CPA2 in late September 2023 to the Australian Energy Regulator (AER). The team reiterated that the capped number for HumeLink is \$4.89 billion. TAC members are invited to join a further deep dive session on HumeLink CPA 2 on 5 September.

We explained the key reasons for the HumeLink CPA 2 cost increase including the current operating environment and market forces including labour costs, inflationary pressure, increasing material costs and contractors' changing risk appetite. We also provided an overview of cost drivers and the current breakdown of the 2023 CPA 2 estimate.

An update on the HumeLink pre-brief Environmental Impact Statement (EIS) Exhibition review showed that we are working towards the EIS exhibition period starting on 31 August. The team highlighted that they are undertaking extensive pre-EIS engagement with key agencies and Councils. We referenced the steps in the environmental approval process, the level of engagement on the elements of the EIS to date and how we have incorporated feedback into the design of the EIS.

A VNI West community consultation update highlighted that the draft corridor report submission period has been extended until early September following community requests for additional time. The team outlined recent stakeholder engagement activities, community feedback received and opportunities.

The final agenda item saw a Regulatory Policy update on the financeability rule change, reforms to incorporate an emissions reduction objective into the national energy objectives, and the rule change in relation to enhancing community engagement in building transmission networks.

This was followed by a Government Relations update, including on the NSW Parliamentary inquiry into the feasibility of undergrounding transmission infrastructure, the NSW Bush Summit (held in August and represented by Transgrid) and our engagement on HumeLink corridor EIS with councils and local members of parliament.

Item	Topic presented	Summary of stakeholder comments	Summary of Transgrid response
1.	<b>Welcome and Introductions</b> Nicole Ryan, GM Community, Stakeholder and Government		
2.	<b>Actions from last meeting</b> Nicole Ryan, GM Community, Stakeholder and Government		All actions completed or in progress.
3.	<b>Guest presentation</b> – Amy Abraham, Director of Innovation, The Energy Charter  <i>Topic: Energy Charter            Better Practice Social            Licence Guideline</i>	<p><b>Mitchell Hume, AEMO:</b>            How has the Guideline been received by agricultural peak bodies (such as state-based farming federations and the National Farmers' Federation etc.)? Are they comfortable it has hit the mark and covered everything? Since its release there has been activity around what network business should or could be doing, particularly on farm. How do they see those issues reflected in the Guideline, particularly given their involvement in its development?</p> <p><b>Amy Abrahams, The Energy Charter, response:</b>            The Guideline was launched and endorsed by the National Farmers' Federation. It was completely collaborative and co-designed. The agricultural sector thoroughly reviewed the survey, told us who to reach out to on the survey and all of their comments were incorporated into the survey design. The content is not a concern for this sector, but whether it will be committed to. My advice to Transgrid and other signatories is to have good communication on how they are aligning to the Guideline.</p> <p><b>Leigh Clemow, EUAA:</b>            One of your statements was that people with powerlines on their properties are more comfortable with them than those with prospective power lines on their properties. That</p>	

		<p>sentiment may have changed since the Guideline's release in May given the recognition of constraints around having power lines (such vehicles passing under them etc.). Host farms and businesses of many older power lines did not receive updated communication. There is now a realisation that things that have been occurring under power lines, probably should not have. The freedom that farmers thought they had, and the comfort they had with those power lines, may be dissolving as they realise they could not do what they have been doing.</p> <p><b>Amy Abrahams, The Energy Charter, response:</b>        Safe operation of machinery, good test and tag processes, burden of communication and information, and changing standards came up in our research. There is a recommendation in the Guideline about good communication. What you raise is coming up in conversations around overhead/underground as a continuation of that social licence work. It is something we need to respond to in the undergrounding work. The Community Outcomes Group is there to keep us live to these issues.</p>	
4.	<p><b>Energy Charter Disclosure Report</b>        Cassie Farrell,        Stakeholder Engagement Manager</p>	<p><b>Tennant Reed (AIG)</b>  <i>In response to Principle one:</i> I agree with an evolved rating. Transgrid has been doing a lot to work with customers to genuinely take on their perspectives on their interests and how that drives everything else.</p> <p><b>Tennant Reed (AIG):</b>  <i>In response to Principle two:</i> This is a tricky one as overall for energy system users, affordability has recently declined. It is fair to say that to date, transmission has made little contribution to that, but it is a difficult environment for anybody to say 'we are doing a great job on affordability'.</p>	<p><b>Craig Stallan, EGM Delivery:</b>        The faster we do our job, the more supply and pressure relief. We are focussed on ensuring we work in a prudent and efficient manner, not only meeting that timeline, but saving costs. We do not think we are 'empowered' or 'exceeding' - in terms of what we can do to make a difference, we feel we have progressed.</p>

		<p><b>Leigh Clemow, EUAA:</b>          What Tennant is saying goes back to Principle one also. Have you jumped this far in that period? People are looking at higher cost pressures on affordability. You have many projects coming along that will add costs to bills - will the public think this is accurate - or will they think you are patting yourselves on the back? When there have been comments about Transgrid's consulting, while these may be historical, have you actually jumped as far as you say? You may well have improved. I think you have since I joined the TAC but is it as big a step to the middle of 'evolved' or a smaller step? I think we can go through all of these principles the same way. What does this look like on the ground?</p> <p><b>Leigh Clemow, EUAA:</b>          Maybe it is some of the dot points (shown on the slide). So in principle one, recognising poor performance from previous years you have made changes which will improve in the coming years, which may justify where you put the dot.</p> <p><b>Leigh Clemow, EUAA:</b>          With the discussions on undergrounding and safety etc., perhaps you should include a comment about how you are acknowledging community concerns and alternative options.</p> <p><b>Michael Lynch, PIAC via MS Teams chat:</b> Respectfully, my lack of comments today reflects the fact that I am working on another deadline, not agreement (or disagreement) with the self-assessments. In general 'silence = agreement' should be avoided, even in a context of confident speakers here.</p> <p><b>Mitchell Hume (AEMO):</b>          I have a broader question about the definition of vulnerable circumstances (for principle 5) as</p>	<p><b>Craig Stallan, EGM Delivery:</b>          Great feedback Leigh. We did not view this scale as zero to 100% (where zero is at the far left of 'elementary' and 100% is the far right of 'exceeding'). We took the approach of 'are we borderline, evolved or moving into empowered'. We chose middle of 'evolved' where we feel we have moved to the borderline, to being more 'evolved' than where we were last time. Perhaps the way we present it provides false accuracy. We were looking at it as more of what category we are in. I get the feedback that when you look at this there is the perception of the scale of movement.</p> <p><b>Craig Stallan, EGM Delivery:</b>          Good feedback Leigh. Thank you.</p> <p><b>Nicole Ryan, GM Community, Stakeholder and Government:</b>          Noted, we appreciate this feedback. We may come back to you to test what we add in around this.</p> <p><b>Nicole Ryan, GM Community, Stakeholder and Government:</b>          Please feel free to contact us afterwards via any channel to ensure your opinion is fed into our report.</p> <p><b>Craig Stallan, EGM Delivery:</b>          We will make sure the information is available to comment on and that commentary does not take on silence = agreements etc.</p> <p><b>Cassie Farrell, Stakeholder Engagement Manager:</b></p>
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		<p>there are critical customers for Distribution Network Service Providers (DSNPs) etc., but there are customers on Transgrid's network who are direct connected and may consider their load to be vulnerable? Is that vulnerable circumstance defined within the Charter?</p> <p><b>Amy Abrahams, The Energy Charter, response:</b> It is often defined through groups such as the TAC, who have specialist expertise, and by local and business circumstances. You may have vulnerable customers such as landowners being approached for a transmission project who have challenging mental health circumstances, poor reliability through their distribution network, vulnerability to costs or interacting with the energy system. It is not just cost or financial vulnerability – we think about it generally. It is an excellent conversation to have within this group – how does Transgrid define vulnerability – and what actions do you take. Most network business will have a vulnerability plan that helps define that.</p>	<p>I will give everyone a call.</p> <p><b>Craig Stallan, EGM Delivery:</b> Transgrid does think about vulnerable customers, in terms of our impact on the distribution network. An example is when we have to take an outage of some sort, working with distribution to ensure the power continues to supply those areas, so a hospital is not without power and running on emergency backup. We have processes in our systems to ensure those who are vulnerable, not just from a financial perspective, are managed within these processes.</p>
<p>5.</p>	<p><b>VNI West Stage 1 CPA Update</b> Stephanie McDougall, GM Regulation</p>	<p><b>Tennant Reed (AIG):</b> On that \$700 million cost difference - enhancing Project Energy Connect (PEC) after its construction - is that just the cost difference between delivering the projects and not inclusive of modelled or expected benefits of the projects?</p>	<p><b>Stephanie McDougall, GM Regulation:</b> That is the cost. We can provide further details around this. The PEC enhancement cost (\$235.49 million) is slightly higher than the underwriting amount - the reason is that we went back to market to test it, to ensure it reflects prevailing market conditions.</p> <p><b>Craig Stallan, EGM Delivery:</b> From an economic perspective, the assumption is, if you put in a secondary line, the market benefits are the same by having the same capacity available at the two nodes. Upgrading PEC is more cost effective than building a new parallel line, so that amount t is the cost difference between the two options.</p>

		<p><b>Leigh Clemow, EUAA:</b> Does the labour cost include training?</p> <p><b>Leigh Clemow, EUAA:</b> Does it also include a portion for the Legacy 100?</p> <p><b>Leigh Clemow, EUAA:</b> Does it include a similar number for this one?</p> <p><b>Tennant Reed (AIG) via MS Teams Chat:</b> Given Victoria's agreements to retire Yallourn by 2028, Loy Yang A by 2035 (and insistence that Loy Yang B will also retire then), plus nerves about pace of energy project delivery everywhere, it is sensible to get on with progressing early works on VNI West. But the ongoing scrutiny of costs to ensure they are efficient is very important. So, keep up the regular presentations and updates.</p>	<p><b>Stephanie McDougall, GM Regulation:</b> Yes. There will be new employees and current employees who will be retrained. We are building our skillset as we go through this major program. So, these costs cover all oncosts for people to be able to function to deliver the early works.</p> <p><b>Craig Stallan, EGM Delivery:</b> No, Legacy 100 was funded from the PEC project as they need these resources.</p> <p><b>Craig Stallan, EGM Delivery:</b> This will be in CPA 2. There is no specific training for construction resources in CPA 1 due to uncertainties around how many people and the timing of the final design. We do have some allocation of overhead that allows us to invest in the Charles Sturt University training facility which creates the capability to train. So that element of it is.</p> <p><b>Stephanie McDougall, GM Regulation:</b> Agreed. This is why we want to get this CPA out, so people can ask questions and review the detail. It will have all of our models and documents and is completely transparent to everybody.</p>
6.	<p><b>VNI West Community Consultation update</b> Michael Johnson, Program Director Stakeholder Relations Major Projects</p>		
7.	<p><b>HumeLink pre-brief EIS Exhibition review</b> Michael Johnson, Program Director</p>	<p><b>Tennant Reed (AIG) via MS Teams chat:</b> Input metrics show effort, but do you feel you are making headway on attitudes and acceptance?</p>	<p><b>Michael Johnson, Program Director Stakeholder Relations Major Projects:</b> Yes. We are seeing that our acceptance rates, access to</p>

	<p>Stakeholder Relations Major Projects</p>		<p>properties and negotiations with landowners with easements, are progressing ahead of schedule in many instances. We are finding an increased acceptance and understanding to talk, negotiate and work with us. We feel there is some uneasiness in the community due to the inquiry, but we are continually communicating, and are participating in the process.</p> <p><b>Jeremy Roberts, Project Director, HumeLink:</b> Over 70% of the line has consent to enter which has allowed us to undertake our surveys. Around 85% of landowners have engaged independent legal advice, which is positive and shows they are engaged in the process and understand the requirements. A similar number have had independent valuations. We have announced the Green Hills route deviation - around Batlow, the community had a strong view to put community-led route refinement (to the west side instead of the east). The east side of Batlow was impacting eight landowners and on the other side was forestry land. We went through that assessment and launched a refined route. Over 70% of landholder requests to move on their property locations have been taken on board – this is a high rate. Where practical, pragmatic and cost-effective, we have been able to minimise impacts on those landholder’s locations.</p>
<p>8.</p>	<p><b>HumeLink CPA 2</b> Jeremy Roberts, Project Director, HumeLink</p>	<p><b>Tennant Reed (AIG):</b> What is the rough relative contribution of these factors to the increase?</p>	<p><b>Jeremy Roberts, Project Director, HumeLink:</b> The \$3.3 billion gets to around \$4 billion from CPI alone. From the \$4 billion to \$4.89 billion - much of that is in the construction delivery partners area. Over 80% of this has been market tested, so much is driven by the market pricing element. I can provide more analysis of the different elements and what have been the main drivers for them. Much of it is in those categories we mentioned – contractor risk appetite and feedback from the construction</p>



		<p><b>Tennant Reed (AIG):</b> The relative contribution is important guidance for the future as material costs will bounce around and there is every prospect of supply chains catching up and prices stabilising for later projects. Wages are sticky - we may see relief on some things in future and not on others. It would be good to know how large a contribution labour costs in particular have made to this increase.</p>	<p>market. Even with us sharing risk, we have seen an increase in material and labour being some of the key elements to it.</p> <p><b>Jeremy Roberts, Project Director, HumeLink:</b> We can provide further analysis on the step changes in some of the different areas. We want to do another deep dive with the TAC as we continue to firm it up and get our internal approvals.</p>
9.	<p><b>Regulatory Policy and Government Relations Update</b> Stephanie McDougall, General Manager of Regulation</p> <p>Emma Ashton, Government and Stakeholder Relations Manager</p>	<p><b>Mitchell Hume (AEMO):</b> It would be good to understand how the community benefit fund amount that you referenced has been formulated for the VNI West CPA.</p> <p><b>Panos Priftakis, Snowy Hydro:</b> Is there a consultation coming up on the CESS?</p> <p><b>Panos Priftakis, Snowy Hydro:</b> More for your information - transmission access reform is not something directly related to Transgrid currently, but with many of the final recommendations expected in November, it is something you should keep on the radar as they will push the priority access. I am unsure what this means for generators connecting to transmission.</p>	<p><b>Stephanie McDougall, GM Regulation: T</b> We have funds in there for that. It is about pulling the early engagement activities into that CPA to facilitate that - this includes costs for scholarships and establishing town halls. We can provide more information on this and it is set out in the submission</p> <p><b>Stephanie McDougall, GM Regulation:</b> No. Our views and position are not in response to anything other than the CESS being removed for the purposes of these contingent projects. The AER made a determination on it as part of our 2023-28 determination. It has committed to revisit its decision as part of each CPA. We are looking forward to this. The advocacy piece is to ensure everyone is aware of our concerns and the outcomes for consumers if it were applied.</p>
10.	<p><b>Summary and next steps-</b> Cassie Farrell Stakeholder Engagement Manager</p>		

## 2. Action items

Action	Responsible	Due date/ status
Circulate draft VNI West Stage 1 CPA to TAC members.	Stephanie McDougall	By next TAC on 21 September
Provide further detail and information from the Draft VNI West Stage 1 CPA about the cost difference for the 500 KV Transmissions Line Enhancement on Project Energy Connect	Stephanie McDougall	At TAC on 21 September
Cassie Farrell to contact TAC members to seek any feedback on our proposed maturity self-assessment in our FY23 Energy Charter Disclosure Report.	Cassie Farrell	By next TAC on 21 September
<i>On HumeLink CPA 2 cost increase</i> – provide further analysis on the step changes in some of the different areas and the relative contribution of these factors to the cost increase.	Jeremy Roberts	By next TAC on 21 September
<i>On VNI West Stage 1 CPA</i> – provide further details on the community benefit fund amounts.	Stephanie McDougall	By next TAC on 21 September

## 3. Next meeting

The next meeting will occur on **Thursday 21 September 2023** via MS Teams.

## 4. Contact details

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

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