

# Transgrid Advisory Council Meeting summary

1 December 2021

## Attendees

<b>Location:</b>	Sofitel Melbourne, Transgrid Ultimo Office and via Webex		
<b>Chairperson:</b>	Brian Salter, Executive Manager – Legal, Governance and Risk	<b>Time:</b>	<b>9:30-12:00pm</b>
<b>Attendees:</b>			
Transgrid Advisory Council Members	<p><b>Andrew Richards</b>, CEO, Energy Users Association of Australia  <b>Christiaan Zuur</b>, Director Energy Transformation, Clean Energy Council  <b>Craig Memery</b>, Program Director, Energy + Water Consumers' Advocacy, PIAC  <b>Brian Spak</b>, Director, Energy System Transformation, Energy Consumers Australia  <b>Kim Woodbury</b>, COO, City of Sydney  <b>Sam Fyfield</b>, General Manager – Grid &amp; SCADA, Goldwind  <b>Stacey Sleeman</b>, Chief Financial Officer, Tomago Aluminium  <b>Michael Ottaviano</b>, Partner, ERM Advisory  <b>Scott Young</b>, Executive Director, Commonwealth Bank of Australia  <b>Andrew Blakers</b>, Director, Centre for Sustainable Energy Systems, ANU  <b>Panos Priftakis</b>, Head of Wholesale Regulation, Snowy Hydro  <b>Gavin Dufty</b>, Executive Manager Policy and Research, St Vincent de Paul  <b>Dev Tayel</b>, Business Development, Tesla</p>		
Transgrid attendees:	<p><b>Brett Redman</b>, CEO  <b>Brian Salter</b>, Executive Manager, Legal Governance and Risk  <b>Stephanie McDougall</b>, Head of Regulation  <b>Robert Alcaro</b>, Regulatory Manager  <b>Mark McEneaney</b>, Project Director, VNI West  <b>Sam Lovick</b>, Senior Economist  <b>Bronwyn Rosser</b>, Industry and Stakeholder Engagement Advisor  <b>Sophie Dowling</b>, CEO Associate  <b>Catherine O'Neill</b>, Stakeholder Engagement Lead</p>		
Transgrid Board members (observers)	<p><b>Warren Mundy</b>, Board member  <b>Chris Curtin</b>, Board member</p>		
Guest presenters	<p><b>Charles Popple</b>, AEMC Commissioner  <b>Tom Walker</b>, AEMC Senior Economist</p>		
AER observers	<p>Members of AER capex team  Members of Consumer Challenge Panel (CCP25)</p>		
Apologies	<p><b>Maria Cahir</b>, Senior Manager, Sales and Business Development, Tesla  <b>Iain Maitland</b>, Energy Advocate, NSW Ethnic Communities Council  <b>Tennant Reed</b>, Head of Climate, Energy and Environmental Policy, Ai Group  <b>Alex Wonhas</b>, Chief System Design and Engineering Officer, AEMO</p>		

## Meeting summary

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### 1. Welcome and introductions

Transgrid's Acting CEO, Brian Salter, welcomed members of the TAC and AER staff to the TAC meeting to discuss Transgrid's revenue reset (2023-28).

The CEO introduced the guest speakers and the new Transgrid CEO, Brett Redman.

### 2. Transmission Pricing - AEMC

Transgrid invited AEMC to speak to the TAC about the current reviews underway including the congestion management model and the transmission investment review, and the issues arising in relation to transmission pricing as a result of changes underway in the NEM. TAC members were encouraged to engage with the AEMC directly or via the reviews currently underway.

#### Discussion:

- Guidance** – Commissioner Charles Pople commented that the transmission pricing regime has not changed significantly since it was first introduced in 1994. Locational pricing is based on marginal pricing, but there is little in the Rules or in economic theory to guide the allocation of sunk costs. Several reviews of transmission pricing have taken place over the years, but many challenges remain.
- Open access regime** – TAC members noted that the transmission pricing reviews that have taken place to date have been stuck on the issue of 'open access'. AEMC presenters agreed that open access needs to be considered in any review because of the potential for free access to distort locational signals for generation.
- Time taken for review** – The TAC discussed the lengthy time taken for reviews that has led to the Rules being five years behind market development needs according to some members. Failure to keep pace with market needs could lead to States making their own rules to address concerns, leading to further 'Balkanisation' of the NEM. Some members considered that methodical and thoughtful reviews were important for stakeholder confidence in the process, but others suggested there was a danger that the AEMC was focused on relatively small issues and could lose sight of the bigger picture including the fact that modelling suggests that 400GW of solar/wind will need to be installed for Australia to reach a goal of net zero by 2050.
- Cost clarity sooner** – TAC members discussed the benefits of obtaining more accurate cost estimates for major projects sooner as a way of providing more confidence in the project, and speeding up the time to deliver them. Transgrid agreed that naming projects as 'actionable' allows work to proceed quickly with less capital at risk while accurate cost estimates are being developed. TAC members supported the idea of development money being given to transmission providers earlier in order to refine costs estimates, and therefore establish net benefits earlier in the process.

### 3. CEO Introduction

Transgrid's newly appointed CEO, Brett Redman, spoke to the TAC and highlighted three issues of reliability, decarbonisation and managing costs. The CEO endorsed the TAC's ongoing contribution to Transgrid and its ongoing relevance in 2022.

- **Customer priorities** – the CEO agreed that price is the most important issue for customers, but that customers' value on decarbonisation is building.
- **Regulated vs unregulated business** – the CEO endorsed economic theory that there is a core monopoly asset that must be regulated, but competition should be encouraged as much as possible outside of that core.

### 4. Revenue proposal 2023-28

Stephanie McDougall, Transgrid's Head of Regulation, provided a presentation to the TAC that outlined the feedback Transgrid had received on the Preliminary Proposal and the changes that Transgrid had made in its Revenue Proposal in response.

#### Discussion:

- **Technology** – TAC members responded saying that the findings of Transgrid's customer research that endorsed investment in technology was echoed in other customer research, particularly in gas, where customers encouraged gas networks to take advantage of the low interest rate environment and invest in innovation and technology.
- **Impact of ISP/REZ/contingent projects on customer bills** – TAC members praised Transgrid for its transparency in providing the cost analysis. The TAC discussed the analysis presented and the potential risk that project cost/benefit analysis might change in a higher interest rate environment. The discussion also touched on Transgrid's confidence level for cost estimates.

### 5. Potential price impact from ISP/REZ

Sam Lovick, Transgrid's Senior Economist, presented analysis of the price impacts to customers of proposed transmission network investment and the offsetting benefits of lower wholesale market costs, based on forecasting analysis from Aurora.

#### Discussion:

- **Modelling complexity** – the TAC discussed the complexity of modelling wholesale market changes including the benefits of new transmission capacity, the impact of the threat of competition, climate change, and the potential impact of capacity-based pricing in future. The TAC agreed that wholesale market benefits cannot be realised without investment in transmission.
- **Risk allocation** – the TAC discussed the need to get greater clarity on costs faster, so that good projects get approved. Stakeholders noted that the fixed proportion of the bill is likely to increase over time, with customers not well placed to manage risks. Stakeholders debated whether total bill costs would be lower overall in future. To the extent end bill prices are lower, the proportion of the bill that transmission accounts for will be greater.

## 6. Major projects update

Mark McEneaney, Transgrid's Project Director for VNI West, provided the TAC with an update on major projects.

### Discussion:

- **Broken Hill non-network solution** – Stakeholders maintained their interest in Transgrid's solution to the Broken Hill back up supply. Some stakeholders noted their frustration with the PADR process and the AER's approach to total costs and offered their support to Transgrid to partner with them to drive changes to the existing process.
- **Community engagement** – Transgrid noted recent interest from communities in undergrounding large transmission projects in proximity to local towns, particularly Wagga Wagga. Transgrid noted its intention to engage an independent expert to provide information on the cost implications of doing so and noted the ongoing need to engage properly with community stakeholders.

### Actions:

- Transgrid to engage with Tesla regarding potential for changes to the AER's approach to total cost to facilitate more non-network solutions in future.

## 7. Customer research findings

Sean Scales from Transgrid's research partner, Forethought, presented the findings of the final phase of research.

## 8. TAC in 2022

Brian Salter presented a proposed timetable for TAC meetings and draft agenda items for TAC meetings in 2022.

Brian also thanked Alex Wonhas, AEMO's Head of System Design, for his contribution to the TAC in 2021. Alex has resigned from AEMO. His replacement, Nicola Falcon, will participate in the TAC in 2022.

## Actions

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1. Transgrid to engage with Tesla regarding potential for changes to the AER's approach to total cost to facilitate more non-network solutions in future.
2. Send invites for TAC meetings in 2022 once dates are confirmed.

## Meeting close

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Meeting closed at 12:15pm.

The next TAC meeting will be held in mid-February 2022. Date to be advised.