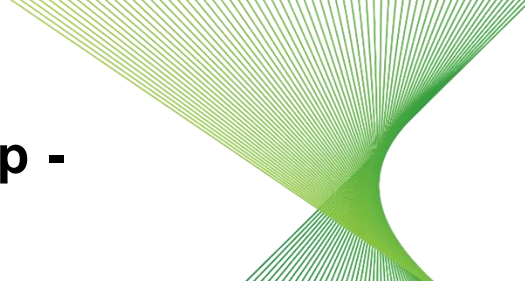


# Energy Transition Working Group - Meeting summary and actions

26 July 2022



## Attendees

<b>Meeting title:</b>	Energy Transition Working Group Meeting #3 for 2022		
<b>Location:</b>	Via Webex/Ultimo		
<b>Chairperson:</b>	Craig Stallan, EGM Delivery		
<b>Date of meeting</b>	Tuesday 26 July 2022	<b>Time:</b>	2:00pm - 4:30pm
<b>Attendees</b>			
Transgrid Advisory Council members	<b>Brian Spak</b> , Director Energy Transformation, Energy Consumers Australia <b>Christiaan Zuur</b> , Director Energy Transformation, Clean Energy Council <b>Kim Woodbury</b> , COO, City of Sydney <b>Nick Savage</b> , Policy Director – Environment, NSW Farmers Association <b>Tennant Reed</b> , Head of Climate, Energy & Environmental Policy, AiG <b>Craig Memery</b> , Program Director, Energy+Water Consumers' Advocacy, PIAC <b>Panos Priftakis</b> , Head of Wholesale Regulation, Snowy Hydro <b>Scott Young</b> , Executive Director, Commonwealth Bank of Australia		
Transgrid attendees:	<b>Craig Stallan</b> , EGM Delivery <b>Brian Salter</b> , EGM Legal Governance and Risk <b>Marie Jordan</b> , EGM Network <b>Gordon Taylor</b> , EGM Major Projects <b>Stephanie McDougall</b> , GM Regulation <b>David Feeney</b> , GM Policy and Energy Market Reform <b>Kasia Kulbacka</b> , GM Network Planning <b>Mark McEearney</b> , Project Director – VNI West <b>Pdraig Clifford</b> , Project Manager – VNI West <b>Robert Alcaro</b> , Network Regulatory Manager <b>Llinos Walters</b> , Community Engagement Advisor – VNI West <b>Arindam Sen</b> , Economist <b>Bronwyn Rosser</b> , Industry and Stakeholder Engagement Advisor <b>Deyi Wu</b> , Stakeholder Relations Advisor <b>Hannah Lock</b> , Consultant, KPMG		
Observers	<b>Roselle Mailvaganam</b> , AER <b>Richard McGill</b> , AER		
Apologies	<b>Andrew Richards</b> , CEO, Energy Users Association of Australia <b>Gavin Dufty</b> , Executive Manager Policy and Research, St Vincent de Paul <b>Iain Maitland</b> , Energy Advocate, Ethnic Communities Council NSW <b>Michael Ottaviano</b> , Partner, ERM Advisory <b>Luke Rankovich</b> , Commercial Superintendent, Tomago Aluminium <b>Maria Cahir</b> , Senior Manager, Sales and Business Development, Tesla <b>Dev Tayal</b> , Business Development, Tesla <b>Sam Fyfield</b> , General Manager – Grid & SCADA, Goldwind <b>Chloe Bennett</b> , Regional Manager, Aboriginal Affairs NSW		

# 1. Meeting summary

## 1.1. Overall summary of meeting

The third Energy Transition Working Group meeting of 2022 considered AEMO's 2022 Integrated System Plan (ISP) and its implications for Transgrid's projects. A particular focus was Transgrid's proposal for a single, accelerated program of works for Energy Connect, HumeLink and VNI West, and what this would mean for energy consumers. Within the context of the ISP, the group discussed Transgrid's upcoming Transmission Annual Planning Report 2022 (TAPR) and VNI West Project Assessment Draft Report (PADR) including planned consultation. Transgrid provided an overview of its submission to the AEMC's Stage 2 Draft Report for the Transmission Planning and Investment Review including proposed ways to address financeability and social licence issues.

## 1.2. Detailed summary of meeting

Agenda Item	Topic presented and presenter(s)	Summary of stakeholder response	Transgrid response
1	<b>Welcome and Introduction</b> <i>Craig Stallan</i>	N/A	Noted the upcoming engagement activities in the 2022 TAC schedule.
2(a)	<b>Networks Update: ISP 2022 and TAPR</b> <i>Marie Jordan</i> <i>Kasia Kulbacka</i> <i>Arindam Sen</i>	<p>How to ensure the accuracy of demand estimates, including:</p> <ul style="list-style-type: none"> <li>the treatment of Special Activation Precincts in relation to timing, volume and uncertainty</li> <li>reviewing data provided by DNSPs</li> <li>managing risk to consumers of unnecessary investment given some network projects are contingent on large projects (e.g. Narrabri Gas Project) which are not confirmed.</li> </ul>	<p>Provided an overview of the due diligence undertaken to inform inputs used in forecasts, and how discount factors are used to account for uncertainty.</p>
		Confidentiality of some demand estimates makes it problematic for customer advocates to assess their validity.	<p>Transgrid has confidentiality agreements with direct industrial loads which are consolidated in the TAPR as industrial loads.</p> <p><b>Questions taken on notice, to be responded to by Transgrid in due course:</b></p> <p>(a) Can Transgrid provide greater transparency about demand forecasts; is there guidance from the regulator around confidentiality?</p> <p>(b) How does Transgrid manage the risk of delays in large</p>

			projects from a probabilistic perspective?
		The importance of clear messaging in the TAPR about whether a project must proceed due to externally-imposed requirements or whether it is more conditional/optional and based on Transgrid's own analysis. This is also relevant for the Revenue Proposal.	Transgrid will review the TAPR messaging to ensure there is appropriate nuance about the need for projects.
		Quantifying the benefits of resilience – a form of insurance – and whether there needs to be a metric to capture this benefit under the regulatory process. Note there is risk asymmetry between delivering projects too early versus too late. TAC member offered to work with Transgrid in developing this metric.	Transgrid will follow up with TAC member on ways in which we can collaborate on developing an appropriate metric to quantify the benefits.
2(b)	<b>Accelerating the delivery of NSW transmission capacity</b> <i>Gordon Taylor</i>	Timing of ISP projects and whether Transgrid has leeway to bring ISP projects forward as part of the accelerated program.	Transgrid is subject to RIT-T processes, however these have largely been completed for Energy Connect and HumeLink, with VNI West well underway. Transgrid needs to work with the AER on how the projects could be accelerated within the regulatory system.
		Consider opportunities for cost efficiencies across other major transmission projects in the NEM	Transgrid is currently coordinating with other TNSPs eg. AEMO (VNI West) and ElectraNet (Energy Connect) and will look for opportunities e.g. supporting development of local industries which requires broader cooperation across large projects.
		Would cost recovery be brought forward with any acceleration?  Would cost savings be passed on to consumers or retained by Transgrid as an efficiency incentive? By what mechanism would cost savings be passed onto consumers?	Cost recovery would be brought forward in line with the accelerated timeline. Cost savings would be passed on to consumers via a lower RAB recovered in subsequent periods. This needs to be navigated with the AER.

		<p>Has Transgrid factored in cost increases due to inflation, increased commodity costs and global competition when estimating cost savings?</p>	<p>The proposed savings are based on Transgrid's current understanding. Transgrid is taking a collaborative approach with suppliers to potentially avoid cost contingencies but the final figure is yet to emerge.</p>
		<p>Implications for realisation of consumer benefits of a single program if the timing of work in South Australia and Victoria isn't aligned or there are delays e.g. due to social licence issues.</p>	<p>Social licence issues can have a flow-on effect in projects. However, a linear program allows for multiple open work fronts, enabling social licence and geographic issues across regions to be addressed in parallel. Also, a single program of works helps ensure the best contracting resources available due to the long tenure, as well as the ability to build on competencies.</p>
		<p>It may be useful to use some of the cost savings on addressing social licence rather than the whole amount being passed on to consumers.</p>	<p>The NSW Government is continuing to look at landowner compensation. Also, it would be up to the AER to determine whether any savings should be used on social licence issues.</p>
<p>3</p>	<p><b>VNI West PADR</b> <i>Mark McEneaney</i></p>	<p>Will Transgrid use equivalent assumptions regarding discount rates and sensitivities for capital costs and VCRs (Values of Customer Reliability) as for other recent non-ISP projects?</p>	<p>VNI West PADR is based on AEMO's Inputs, Assumptions and Scenarios (IASR) to align with other ISP projects.</p> <p>All ISP and non-ISP RIT-T processes use the same weightings and scenarios and should be externally and internally consistent.</p> <p><b>Question taken on notice, to be responded to by Transgrid in due course:</b></p> <p>(i) Confirm if there are any TAPR projects which use different sensitivities / weightings.</p>
		<p>Some discount rates and sensitivities in the ISP are implausible – need more robust figures to be internally consistent.</p>	<p>Changes to the discount rates and sensitivities and the implications on the non-ISP RIT-Ts will be worked through with TAC members in real time in the Revenue Proposal Phase 2 Deep Dive 2.</p>
		<p>Does any information in the PADR differ to the 2022 ISP?</p>	<p>The timings in the PADR are consistent with the ISP, however Transgrid is currently in discussions with AEMO on what</p>

			aspects can be potentially brought forward but it needs to be coordinated. There may be changes in the PACR and following stakeholder feedback.
		How does the AEMC Transmission Review Stage 2 draft report, especially on social licence issues, align with the VNI West project - or is it more for future projects?	Any changes arising from the Review will flow through to VNI West if applicable. Transgrid is already enhancing its approach to social licence as reflected in the expanded section in the PADR.
4	<b>AEMC Transmission Planning &amp; Investment Review Stage 2 draft report</b> <i>David Feeney</i>	There is full recovery of early works funding, so is the issue around timeliness?	<p>Timeliness of recovery is key as it would alleviate the financeability issue by creating an additional asset category. Transgrid has undertaken internal modelling to determine how these codified measures would impact projects such as HumeLink. Transgrid has also met with other TNSPs via ENA on this issue; there are varying views on the issue of financeability and how to resolve it. Transgrid is keen for prescriptive measures due to the number of projects in our portfolio, but noted that the AEMC may favour a principles-based solution.</p> <p>The AEMC Review is a substantial body of work and Transgrid wants to keep consulting with the TAC which could include a deep dive with Frontier Economics.</p>

## 2. Action items

Action	Responsible entity	Due date	Notes
Can Transgrid provide greater transparency about demand forecasts; is there guidance from the regulator around confidentiality?	Kasia Kulbacka	23 Aug	Question taken on notice
How does Transgrid manage the risk of delays in large projects from a probabilistic perspective?	Kasia Kulbacka	23 Aug	Question taken on notice

Review the TAPR to ensure there is clarity about which projects need to proceed based on external requirements versus projects which are conditional and based on Transgrid's analysis	Kasia Kulbacka	For TAPR publication (15 Aug)	This should be considered for all relevant project-related reports.
Confirm if there are any TAPR projects which use different sensitivities / weightings.	Kasia Kulbacka	23 Aug	Question taken on notice
TAC member offered to work with Transgrid in developing the appropriate metric to quantify the benefits of resilience within the regulatory process.	Deyi Wu	20 Aug	Follow up with TAC member on ways in which we can collaborate.
Provide information to EUAA in response to previous VNI West questions about: whether there is double counting of benefits; if there will be government funding; can there be a higher level of cost accuracy for early works.	Mark McEneaney	23 Aug	Preliminary responses are: 1) There is no double counting. 2) The potential level of government funding is not yet known. 3) The staged CPA process allows Transgrid to get closer to Class 2 estimates in Stage 2.

### 3. 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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