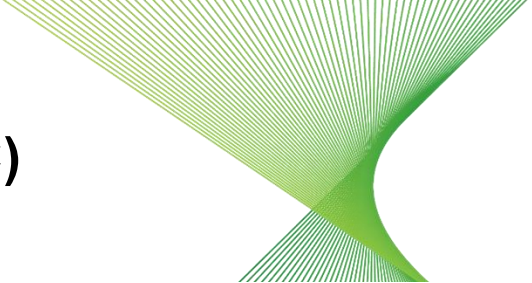


Transgrid Advisory Council (TAC) Meeting summary and actions

25 May 2023



Attendees

Meeting title:	TAC Meeting #4 for 2023		
Location:	Level 9, Meeting Room 02, Transgrid, Ultimo Online via Microsoft Teams		
Chairperson:	David Feeney , General Manager of Regulatory Policy, Transgrid		
Date of meeting:	Thursday 25 May 2023	Time:	10.30am- 12.15pm
Attendees			
Transgrid Advisory Council Members	Andrew Fullgrabe , Australian Energy Regulator (AER) - observer Brian Spak , Director Energy Transformation, Energy Consumers Australia (ECA) Gavin Dufty , Executive Manager Policy and Research Unit, St Vincent de Paul Leigh Clemow , Policy Manager, Energy Users Association Australia (EUAA) Morgan Rossiter , Senior Policy Officer, Clean Energy Council (CEC) Michael Lynch , Senior Policy Officer, Public Interest Advocacy Centre (PIAC) Panos Priftakis , Head of Wholesale Regulation, Snowy Hydro Paul Dunn , Australian Energy Regulator - observer Sean Mullins , Director, Australian Energy Regulator - observer Scott Young , Executive Director, Commonwealth Bank Australia (CBA)		
Transgrid representatives	Belinda Ackermann , Stakeholder Relations Advisor Cassie Farrell , Stakeholder Engagement Manager David Feeney , General Manager (GM) of Regulatory Policy Emma Ashton , Government and Stakeholder Relations Manager Jane Deane , Senior Advisor, Stakeholder Engagement Jeremy Roberts , Project Director, HumeLink Nathan Rhodes , GM Major Projects Delivery Robert Alcaro , Network Regulatory Manager Stephanie McDougall , GM of Regulation Zainab Dirani , Senior Research Analyst		
Apologies	Christiaan Zuur , Director Energy Transformation, Clean Energy Council Josef Tadich , Senior Manager, Engineering, Tesla Kim Woodbury , Chief Operating Officer, City of Sydney Maryanne Graham , EGM Corporate and Stakeholder Affairs, Transgrid Mitchell Hume , Australian Energy Market Operator (AEMO) Nicole Ryan , GM Community, Stakeholder and Government, Transgrid Sam Fyfield , GM, Grid and SCADA, Goldwind Tennant Reed , Head of Climate, Energy and Environmental Policy, Australian Industry Group (AIG)		

1. Meeting summary

1.1. Overall summary of meeting

The meeting opened with a review of actions from the previous meeting. Transgrid presented a further opportunity for TAC members to provide input on our next steps on the Australian Energy Regulator (AER) final decision and consideration of the rule change proposal.

The team referenced the Capital Expenditure Sharing Scheme (CESS) pros and cons document requested by the TAC, which was circulated prior to the meeting. TAC members were invited to provide feedback on this subject to their review and consideration of the document.

We presented an overview of our Community and Stakeholder Engagement program, including a snapshot of the extensive engagement work being undertaken across Transgrid, and sought feedback from the TAC. The reputation research survey was discussed and TAC members were advised that they may be contacted and invited to participate.

A Major Projects update on the Power Tomorrow Together (PTT) program highlighted early project progress wins and saw a discussion on opportunities to optimise our project timeframes and drive efficiencies. A VNI West project presentation outlined engagement activities and the imminent release of the final regulatory investment test documentation, the Project Assessment Conclusions Report (PACR). Transgrid referenced discussions with the Energy Corporation (EnergyCo) regarding the Hunter Transmission project and advised that we are well-positioned to support the projects in their strategy.

The team provided further details on the HumeLink Contingent Project Application CPA1 (Part 2), noting we received positive feedback loop confirmation from the Australian Energy Market Operator (AEMO) and lodged our CPA1 (Part 2) for purchasing long lead equipment (LLE) as part of early works, on 23 May 2023.

During the second half of the meeting, Transgrid provided an update on the route alignment, land and property acquisition process and engagement for HumeLink CPA-2 (Delivery). We updated TAC members that we are in the final stages of the early contractor involvement (ECI) process with our delivery partners.

This was followed by a presentation on the Waratah Super Battery (WSB) non-contestable revenue proposal, which noted that our draft revenue proposal would be submitted to EnergyCo on 26 May 2023 for review and feedback, ahead of the initial revenue proposal being submitted to the AER by 30 June 2023. Transgrid explained the proposed automatic and non-automatic revenue adjustments for the project and provided examples of how they could work. TAC members were invited to share their views and perspectives on the proposed adjustments.

The final presentation highlighted the release of an AER consultation paper on the transmission ring fencing framework. TAC members were asked their thoughts on AER's consultation and proposed options. TAC member views were also sought on the recommendations of the Australian Energy Market Commission (AEMC) rule change to earlier planning in the Economic Assessment Process (EAP) for Integrated System Plan projects (ISP). This was followed by a government affairs update, including on the announcement of a new national Net Zero Authority and the Hydrogen Head Start program.

1.2. Detailed summary of meeting

Item	Topic presented	Summary of stakeholder comments	Summary of Transgrid response
1.	Welcome and introductions David Feeney, GM of Regulatory Policy		
2.	Actions from last meeting David Feeney, GM of Regulatory Policy		All items actioned.
3.	Transgrid Community and Stakeholder Engagement program Cassie Farrell, Stakeholder Engagement Manager	<p>Michael Lynch, PIAC: How do the phone calls and survey data collection work? Who is doing it and how does the oversight work?</p> <p>Michael Lynch, PIAC: Is it a voluntary survey so anyone who wants to respond can?</p> <p>Michael Lynch, PIAC: What sort of rate of responses did you get?</p>	<p>Cassie Farrell, Stakeholder Engagement Manager: We have engaged SEC Newgate who have been conducting this research for us since 2015. There are three main measurement scores – Reputation, Net Advocacy and Trust. We conduct 20 to 30 deep dive telephone interviews (qualitative and quantitative) with a broad range of stakeholders and extend this to a 15-minute online survey.</p> <p>Cassie Farrell, Stakeholder Engagement Manager: Yes. The survey is voluntary, and we strongly encourage stakeholders to participate.</p> <p>Cassie Farrell, Stakeholder Engagement Manager: We have taken a very different approach this year to ensure we have the right stakeholder representation. There were approximately 82 respondents last year. We are looking to increase that. I will share the high-level summary of last year’s survey results as an action item. We will present the results of this year’s survey in August or September.</p>
4.	Major Projects (PTT) Update Nathan Rhodes, GM Major Projects Delivery	<p>Michael Lynch, PIAC: The digital standardising designs sound like a good idea. Is there a plan to balance the ambition of</p>	<p>Jeremy Roberts, Project Director, HumeLink: We need a suite of different design styles. As an example, designs for guide tower arrangements on Project EnergyConnect (PEC) will not technically work in the terrain</p>

		<p>standardising designs with having meaningful input for each project?</p>	<p>for HumeLink. If we went with completely standardised designs, we would miss opportunities for efficiencies. However, having a standard approach means when we next go to market, it allows tenderers to price evenly to a high certainty, while still allowing them to bring their concept and innovation on top of this.</p> <p>Having standard design suites that are prototype tested, helps to save time and money and allows us to move straight through the design phase into the procurement phase.</p> <p>It is a balance between having a large library of standard design suites but allowing flexibility to cater for the right type of tower for the terrain.</p> <p>There are other things you can do, such as adding weight to the tower or going taller, so it spans further and less towers are required. A taller, heavier structure can reduce the number of towers.</p>
<p>5.</p>	<p>HumeLink Project engagement, HumeLink CPA1, part 2 update, Stephanie McDougall, GM of Regulation</p>	<p>Leigh Clemow EUAA: When you talk about the Commonwealth underwriting the project, who exactly are you talking about?</p> <p>Leigh Clemow EUAA: Which department is that with?</p> <p>Scott Young, CBA: Have you done an assessment of your suppliers just to make sure they are able to deliver in instances where prices continue to rise and margins get squeezed for them?</p>	<p>Stephanie McDougall, GM of Regulation: The agreement is with the Commonwealth government.</p> <p>Stephanie McDougall, GM of Regulation: We can provide more details on this department: The Commonwealth of Australia as represented by the Department of Climate Change, Energy, the Environment and Water (Commonwealth) (DCCEEW).</p> <p>Stephanie McDougall, GM of Regulation: We have locked in quantities and prices for transformers and reactors. We are still going through the procurement process for steel and conductors.</p> <p>Jeremy Roberts, Project Director, HumeLink: We will go in and pay for black steel as soon as we can. One of our delivery partners has a worldwide Engineering, Procurement and Construction (EPC) contract that manufactures transmission tower steel. We are working very closely with them as part of the consortium of one of our delivery</p>

	<p><i>HumeLink CPA2 update, Jeremy Roberts, Project Director, Hume Link</i></p>	<p>Scott Young, CBA: I also see your approach is likely to be a more perfect hedge for your commodity risk because it is very hard to use some of the benchmarks for steel as a way to hedge out that future price inflation. It just comes down to delivery and just making sure that the implied hedge cost is cost effective.</p> <p>Michael Lynch, PIAC: How have the easement negotiations differed for HumeLink from earlier projects from your learning perspective and after the introduction of the \$200,000 per km allowance?</p> <p>Michael Lynch, PIAC Any applications of learnings there that you can think of?</p>	<p>partners that they bring capability to provide this. So, as soon as we can have the approval, we will be trying to lock it in, not just hedge it.</p> <p>Nathan Rhodes, GM Major Projects Delivery: Our procurement and operations teams are doing a lot of due diligence on our suppliers, such as going to factories, and ensuring they have policies in place and the capacity in this very hot market to meet our needs. We are engaging with the market to get that confidence, so when we get to the point of locking down a contract, we know they can deliver. Our program approach is giving us confidence to lock up capacity, as well as provide us with first access into a hot market with these suppliers. This mitigates a lot of those risks you highlighted. Our program approach is rolling out a lot of benefits and helping us de-risk and gain confidence that these parties can deliver on the timeframes our consumers need.</p> <p>Jeremy Roberts, Project Director, HumeLink: On that second point, that has been very welcomed by some. Many see the allowance as a benefit, however others, regardless of financial compensation, still refuse to want that on their land.</p> <p>On PEC, it was seen as a real benefit. The team had progressed through negotiations quite a way by then and many agreements were in place. The difference we have found is that on PEC, there are far fewer landowners, and they have long land holdings. HumeLink has very different demographics and a lot smaller land holdings – farmers, hobby farmers and people that use their landscape for intense agriculture, retirement or generational farming, where our transmission assets have much more visual impact. The sentiment is different for HumeLink but is changing. At the last Community Consultative Group (CCG) meeting, there was a lot more acceptance and questioning from the community about how the HumeLink project will affect them, than at the previous meeting where the focus was more on opposing the project.</p>
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6.	<p>Waratah Super Battery (WSB) update <i>Non-contestable Revenue Proposal,</i> Stephanie McDougall, GM Regulation</p>	<p>Scott Young, CBA: In relation to the last option of the CESS, might there be a risk that the AER says it was not an efficient way to spend capital and</p>	<p>Stephanie McDougall, GM of Regulation: Absolutely, that is how the rules are written. At every reset we have, there is a section where the AER considers whether there was a material overspend against the allowance, and if so, whether they will undertake a ex-post review. We only ever spend CAPEX</p>

		<p>therefore disallow some of that?</p> <p>Scott Young, CBA: Just to clarify that point. If for instance you go down a fixed price and fixed time contract, which is going to have a multiple and premium to it subject to it being allowed within the AER determination, that should be fine and it is not going to be retrospectively reviewed to say that premium was not a great thing so therefore we are going to disallow some of that?</p> <p>Michael Lynch, PIAC: On the locked in prices that you are accepting for HumeLink CPA Part 2 (LLE), do you have a way of estimating or being upfront about the premiums being paid there to move that risk to the suppliers?</p>	<p>where we know it is needed and are confident we have done our very best to prove that it is efficient.</p> <p>Stephanie McDougall, GM of Regulation: No. If we decided before we approach the AER with a CPA that we are going to go with a fixed price contract which has a big premium built in, we would put that price in our CPA and the AER would assess whether it consider the costs is prudent and efficient. If the AER did approve it, then that is the efficient allowance efficient allowance for the project. The AER would not subsequently review the allowance.</p> <p>Stephanie McDougall, GM of Regulation: For our LLE, we negotiated with suppliers across multiple projects to ensure that the price is reflective of the scale and scope. This approach ensures that the prices we secure are the very lowest, notwithstanding that we have a fixed price for them. Securing specific items of LLE is different to requesting the market to price an entire project where that contractor must take on all the risk for all components they have to deliver on.</p> <p>Nathan Rhodes, GM Major Projects Delivery: We have been very diligent about working through different elements of the scope and who is best placed to manage the risk profile of that asset class. So, for equipment, the risk profile is very different than building a greenfield transmission line in the field. However, there are elements for example, that a design and construct contract, like the substations that are very discreet and the risks are well understood, the contractors are saying to us we are probably best placed to manage that risk and we have fixed elements of the design and construction scope. We think that is very prudent and efficient. It has been market tested and value engineered in terms of scope testing with those contractors. Our view on things like transmission lines and other risk profiles, and the view of the market, is that it is not efficient for us to take that risk and if we forced them to, the risk premiums would be significant. Indications are at this point around 30% premium in terms of total cost, that we are validating from a counterfactual perspective, but we</p>
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		where it seems that by default if I am in the shoes of Transgrid, would be just to go down a fixed time, fixed price contract and then it is really up for stakeholders to decide if they want to take on a bit of risk to have potential savings.	
7.	Regulatory Policy and Government Affairs update David Feeney, GM of Regulatory Policy Emma Ashton, Government and Stakeholder Relations Manager	<i>Regarding the AER transmission ring-fencing framework update when TAC members were asked their views.</i> Michael Lynch, PIAC: We are still developing a position. We will be making a submission.	David Feeney, GM of Regulatory Policy We would be very happy to have further discussions with you once you are developing a position.
8.	Summary and next steps Cassie Farrell, Stakeholder Engagement Manager		

2. Action items

Action	Responsible	Due date/ status
Provide TAC with a high-level summary of last year's reputational survey results.	Cassie Farrell, Stakeholder Engagement Manager	Sent 1 June 2023
Advise TAC on the name of the government department underwriting the Rewiring the Nation federal government funding.	Stephanie McDougall, GM Regulation	TAC meeting #5, 28 June 2023

3. Next meeting

The next meeting will occur on Wednesday 28 June 2023. The meeting will be held online via MS Teams. The team highlighted the upcoming in-person meeting on Thursday 20 July 2023.

4. Contact details

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

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