



TransGrid

TransGrid Advisory Council Meeting Summary

22 July 2021

1. TAC Meeting attendees

Date	22 July, 2021
Venue	Via WebEx due to COVID lockdowns in NSW, Vic, SA
Time	9.30am – 12.00pm
Chairperson	Brian Salter, Exec General Manager – Legal, Governance & Risk

TransGrid attendees:	<p>Brian Salter, Executive Manager Legal, Governance and Risk</p> <p>Stephanie McDougall, Head of Regulation</p> <p>John Howland, Manager Infrastructure Planning</p> <p>Lance Wee, Head of Asset Management</p> <p>Robert Ephraums, Industry & Stakeholder Engagement Advisor</p> <p>Catherine O'Neill, Stakeholder Engagement Lead</p>
TransGrid board members (observers)	<p>Kevoke Sahagian, TransGrid board member</p>
TransGrid Advisory Council attendees	<p>Andrew Richards, Chief Executive Officer, Energy Users Association of Australia</p> <p>Craig Memery, Team Leader, Energy + Water Consumers' Advocacy Program, PIAC</p> <p>Kim Woodbury, COO, City of Sydney</p> <p>Gavin Duffy, Manager Policy and Research, St Vincent de Paul</p> <p>Tennant Reed, Principle National Policy Advisor, Australian Industry Group</p> <p>Dev Tayal, Business Development, Tesla</p> <p>Iain Maitland, NSW Ethnic Communities Council</p> <p>Panos Priftakis, Regulation Manager, Snowy Hydro</p> <p>Sam Fyfield, General Manager – Grid & SCADA, Goldwind</p> <p>Stacey Sleeman, Chief Financial Officer, Tomago Aluminium</p> <p>Andrew Blakers, ANU Centre for Sustainable Energy Systems, Australian National University</p> <p>Michael Ottaviano, Partner, ERM Advisory</p> <p>Scott Young, Executive Director, Commonwealth Bank of Australia</p> <p>Alex Wonhas, Chief System Design and Engineering Officer, AEMO</p>
Apologies:	<p>Paul Italiano, CEO TransGrid</p> <p>Lynne Gallagher, Chief Executive Officer, Energy Consumers Australia</p> <p>Maria Cahir, Business Development, Tesla</p>

2. Meeting summary

2.1 Welcome and Introductions

TransGrid's EGM, Brian Salter welcomed members of the TAC, TransGrid's board and members of the AER to the third TAC meeting for 2021.

2.2 Drivers of TransGrid's 2023-28 Regulatory Proposal

TransGrid's Head of Regulation, Stephanie McDougall gave a presentation on TransGrid's expenditures in the current regulatory period and the drivers of expenditure for the 2023-28 period.

Discussion:

> **Benchmarking**

- Reduced energy throughput due to higher penetration of solar could see benchmark performance suffer for some TNSPs due to model's reliance on energy throughput.
- Geographic location in the NEM (central or peripheral state) could also lead to changes in benchmark outcomes.
- Lower energy throughput does not necessarily reduce TNSP costs as new costs to ensure system stability may arise. AER consideration of benchmarking model may be warranted as a result of energy market transition.

> **Risk management**

- Discussion centred on how TransGrid manages risks, the costs that will be included in the proposal and costs that will be addressed through the pass-through mechanism.
- TransGrid must strike a balance between certainty and price volatility for customers. A Deep Dive into risk and uncertainty was agreed.

> **Benefits of ISP projects**

- Potential risk of double-counting benefits for multiple projects was discussed.
- Some TAC members noted that where Government's pursue transmission investments for the benefits of consumers, it is appropriate that a wider set of beneficiaries pay for benefits beyond electricity customers.

> **Risk of uncoordinated transmission investment**

- Concerns were raised that a lack of coordination could result in 'dead ends' being built.
- Some TAC members were convinced that all available capacity would be used as solar and wind farms clamour to connect and noted that investment in transmission will need to double or triple to achieve a net zero target by 2040.
- It was agreed the pathway to 'net-zero' was hard to predict and that optimal investment and distribution of costs is still required working within the current framework.

> **Contingent projects**

- There may be advantages in considering the whole investment program (including contingent projects) rather than relying on consultation on an asset by asset basis through the contingent project mechanism, particularly given the likely size of ISP projects.

> **Efficiency as a driver**

- > 'Efficiency' as a driver of investment was discussed. TAC members were interested to understand where efficiencies might be found within the 2023-28 expenditure forecast.

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- > TransGrid explained its approach to asset management assets that support existing coal fire generation.

Actions:

1. Deep Dive on risk and uncertainty to be arranged.
2. TransGrid to engage with PIAC on specific Broken Hill project
3. Further discussion requested on how efficiencies have been identified and accounted for in the TransGrid forecast

2.3 Customer Research - update

Catherine O'Neill, TransGrid's Stakeholder & Engagement Lead, outlined TransGrid's customer research program with research partners Forethought.

Discussion:

> **Trade-offs**

- TAC supported the examination of trade-offs and cautioned that trade-offs are different to priorities.
- TransGrid was encouraged to undertake research that is quantitative and could be tested (eg willingness to pay).
- There was support to examine questions around who should pay for de-carbonisation, and grid connections.

> **Reliability**

- TAC discussed why TransGrid was researching reliability given AER's 2019 study into VCR (Value of Customer Reliability) and suggested that it be used as a baseline from which a change in sentiment might be detected.

> **C&I customers**

- It was noted that the focus of the research was not C&I customers who TransGrid was more likely to engaged directly with C&I customers in BAU. Instead, the research was focused on customers who TransGrid doesn't have a direct relationship with (i.e. residential and small business customers), but whose actions and attitudes (when amalgamated) impact TransGrid's operating environment.

> **TAC involvement in survey design**

- Several TAC members indicated their interest in being involved in the research.

Actions:

4. TransGrid to work with advocates to address issue of C&I customer research
5. TransGrid to engage directly with TAC members interested in research

2.4 AEMO ISP – Customer Panel

Dr Andrew Nance, Chair of AEMO's Customer Panel provided a brief outline of the ISP process and the Customer Panel's role and responsibilities, alongside fellow Panel members and member of the TAC, Gavin Duffy. Dr Nance encouraged TAC members to become involved in the process directly.

Discussion:

- > Three transmission investment processes going in parallel – TNSP's reset process (known projects), contingent projects, and ISP/NSW Govt projects. Consumers are interested in what the likely impact of all three are going to be on their bills.
- > TransGrid encouraged to provide stakeholders with the most likely scenario by including the most likely contingent projects into the price/revenue forecast.

- > TransGrid confirmed that Project Energy Connect was assessed using the old NERs. Future ISP projects will be subject to the new rules for actionable ISP projects which streamline the regulatory assessment process. Future ISP projects will not be included as contingent projects or as part of the reset.

Actions:

6. TransGrid agreed to AEMO CCP providing an update on the process at a future meeting.
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2.5 Meeting close