

Meeting Snapshot

Coordination Group | Costed options deep dive

Wednesday 24 July 2024

Participants

Customer Experience Members

Mark Grenning
 Kieran Donoghue
 Helen Bartley
 Gavin Duffy
 Peter Eben
 Emily Peel
 Dean Lombard

Observers

Adam Petersen
 Felix Karmel

AusNet staff

Andrew Linnie, EGM Network Operations
 Charlotte Eddy, Regulation & Policy GM
 Ross Young, Work Programs & Maintenance, GM
 Robert Ball, Price Review Manager
 Lucy Holder, Customer Engagement Manager
 Cameron Yates, Asset Management Chapter Lead
 John Paul Annal, Manager Distribution
 Jensen Lai, Manager Gas
 Greg Hannan, Strategic Director
 Tim Baumgarten, Senior Asset Performance Engineer
 Lia Mavrias, Business Graduate

Note: not all AusNet staff and observers attended the entire meeting.

Key outcomes

Although the content was complex, panel members shared their thoughts on AusNet's repex forecasting approach and reliability/price trade-offs under different investment levels to prudently manage network risk in the EDPR period. Discussions included the techniques AusNet applies to manage their assets and the approach to like-for-like replacement

The CG supported the use of AusNet's Value of Customer (VCR) (noting it is subject to further review and AER approval), and that whatever VCR is chosen should be consistently applied across the whole proposal. Whether using AusNet's VCR is ultimately desirable for the proposal will be further considered this at the August offsite, cognisant of the price impacts.

Key discussion points

Agenda item

Key discussion points

Welcome

AusNet's Charlotte Eddy opened the meeting with an Acknowledgement of Country, welcomed participants then outlined the meeting purpose and agenda.

AusNet's Andrew Linnie introduced the repex topic, highlighting the importance of repex for reliability and safety.

1. Asset Management Approach

AusNet's Charlotte highlighted that AusNet is targeting inform/consult on AusNet's asset management approach and the prudence and efficiency is left to the AER, acknowledging it's very technical and there's no expectation that all will have thoughts. AusNet's John Paul summarised the Asset Management Approach.

Discussion included:

- John Paul highlighted in response to a question on the Padlet, that a Level 2.5-3 is enough for ISO accreditation, then it is a question of what is prudent and efficient to invest in achieving beyond Level 3.
- AusNet's Greg Hannan confirmed the asset management system is a framework and a standard – how you factor in your operating environment including customers and their expectations is an important part. Continuous improvement is an important part of the framework.
- It is important to have a consumer-oriented narrative around the repex program and what they will expect to be informed as to why AusNet is engaging in specific activities.

2. Risk based asset management and repex investment methodology

Panel members noted they found it hard to comment on the asset management approach due to its technical nature. There was a request for a full-day session to educate panel members on the detail, so they can make a judgement on level of confidence in AusNet's engineering.

AusNet's Greg Hannan described the risk-based asset management approach and how risks are determined.

Discussion included:

- The process of inspection mandates, and whether the estimation of asset class life is accurate. Furthermore, the probability of asset failure is not just determined by age. Panel members found communication of customer outcomes of different approaches helpful given the content is so technical.
 - It was suggested that AusNet notifies communities of staked poles to ensure they are aware of the reason and have a contact available. These methods would ensure richer communication with interested customers and build their literacy.
 - A panel member said they'd like to spend a day being taken through AusNet's repex approach in detail.
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3. Repex investment portfolio proposal

Discussion centred on the prudence of AusNet's unit rates, validated through market testing. Additionally, there were clarifying questions on the robustness and accuracy of repex forecasting as the future demand fluctuates and may vary from the forecast.

AusNet's Robert Ball described the preliminary repex forecast and the drivers of it, noting that an ageing asset base/deteriorating condition and the market for components and labour have driven the increase.

AusNet's Ross Young spoke through the process AusNet has gone through to understand market rates for various service providers:

- Industrial and union representation in AusNet and its contractors' workforces
 - Confirming AusNet is using the incumbent's unit rates in its forecasts for work where it would be used, but market rates (internally forecasted) for the major works AusNet seeks multiple quotes for.
 - AusNet shared on a confidential basis some details of its agreements to help give confidence in the prudence of its forecasts.
- Clarifying AusNet can't see/share other networks' unit rates, but AusNet can market test which gives a comparison. Others may not have this option
- Confirming that AusNet has a "due date" for replacements when they're identified as needing replacement. There are many reasons for delaying or bringing forward work.
- It was questioned how AusNet should invest effort in maintaining relationships with multiple service providers, upskilling them to ensure a competitive market for their contractors

4. Asset investment drivers and volumes

Panel members were focused on the future of the repex program, they considered the effects of a changing environment, innovation, economies of scale and demand of replacements. Discussion focused on the consistent need for replacements and the circumstances where like-for-like replacements are not suitable.

AusNet's John Paul spoke in detail about the 5 largest repex programs, which accounts for 79% of all repex. He also highlighted the relatively high average age of AusNet's poles.

- Panel member posed whether AusNet is replacing poles like-for-like or have they considered changing material to improve resilience. AusNet confirmed we are replacing a wood pole with concrete material or staking them in certain circumstances, e.g. if it's been damaged by termites.
- Discussion about AusNet look for efficiencies, for example, bundling works together to reduce the number of site visits.
- It is unlikely AusNet will ever get to a true "steady state" pole replacement rate, as this will fluctuates overtime, especially as different materials have different deterioration characteristics
- In terms of economies of scale, there are cost opportunities for volume efficiencies from the fixed manufacturer as determined through occasional market testing.
- Risk that assets might be made redundant faster due to electrification and uncertainties in demand forecast. It was highlighted that augex and repex teams coordinate to align on whether to replace like-for-like or upgrade capacity.

5. Customer impacts of different repex investment levels and comparison to AER Model

The panel members questioned AusNet about the deliverability of the repex program. They recommended incorporating innovative approaches to enhance resilience during asset replacement. They also highlighted the positive outcomes for customers regarding improved resilience and the resulting capital gains. Additionally, they proposed that VCR values be uniformly applied across all testing, as this approach has been seen to consistently yielded more robust evidence.

Discussion surrounded customer outcomes of different levels of investment in repex, as options were posed to the group.

Discussion covered:

- Confidence in deliverability, and the work AusNet's doing to ensure it has the resources available to ensure programs can be delivered. AusNet emphasised it's a big priority and work is already underway to ensure a strong workforce going forward that can support the energy transition.
- It was confirmed that AusNet will undertake detailed assessment regarding overlap through different areas in the proposal. It will likely be available after the upcoming August offsite.
- The degree in which AusNet could utilise innovation in terms of resilience. Furthermore, to ensure communities that are better placed to advocate for themselves do not benefit at the expense of less strong communities. AusNet highlighted their immense resilience engagement that is geared to avoid the bias mentioned.
- In building resilience, there is great value for homeowners as their capital value increases. This should be taken into consideration and affect the socialisation of costs.
- Some panel members expressed they do not believe AusNet should pick and choose when QCV values or VCR are applied. They deem consistency across the proposal important and a member noted they think the QCV values are more accurate of the two values for AusNet's customers. AusNet said it will take the use of the QCV vs AER VCR values to the August Offsite, where the price impact of the whole proposal will be made clear.
- AusNet confirmed that benefits are more certain for reliability investments and repex than resilience investments as more data is available on asset performance.

6. Close, actions and next steps

Charlotte Eddy thanked the group for their contributions and feedback and noted that agreed actions would be circulated following the meeting. She also confirmed that reliability and equity will be discussed at the next Electricity Availability panel.

Action items

Action	Assigned to	Status
Broader narrative around AusNet's repex and assessment management compared to others to help stakeholders understand	AusNet Reg Team	Open
AusNet to consider a whole-day forum on the repex approach	AusNet Reg Team	Open

More consideration on how the proposal can be optimised to reduce overlap across expenditure categories	AusNet Reg Team	Open
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