

AUSNET EDPB 2026-2031 COORDINATION GROUP MEETING #18 MINUTES

Location: AusNet Office/Microsoft Teams

Date: 6 December, 2024

Time: 12:00 pm – 2:00 pm

Coordination Group (CG):

Peter Eben (Chair of CG) (online until 1:30 pm)

Helen Bartley (Research and Engagement Panel Lead) (meeting secretary)

Kieran Donoghue (Availability Panel Lead, Acting Chair for this meeting)

Gavin Dufty (Tariffs and Pricing Panel Lead) (online)

Mark Grenning (Benchmarking and Opex Lead) (online)

Dean Lombard (Future Networks Panel Lead)

Emily Peel (Customer Experience Lead) (online)

Attendees (in person unless otherwise stated):

AusNet:

Charlotte Eddy

Rob Ball

Lucy Holder

AER observers

Lynley Jorgensen (online)

Gus Mandigora (online)

AER CCP observers

David Prins (online)

Mark Henley (online)

Apologies: Peter Eben (After 1:30 pm)

I. WELCOME AND CONFLICTS OF INTEREST

Acknowledgement of Country (HB)

Minutes from the last meeting were accepted.

No conflicts of interest declared.

All action items from last meeting have been finalised

II. PANEL LEAD UPDATES

All reports were circulated prior to the meeting and were taken as read. There were no questions.

A. Availability Panel update (Kieran)

- i. Availability met with AusNet on 7 November 2024
- ii. AusNet presented on various movements in their proposal related to the Panel's work as they have refined their analysis and responded to external factors such as Network Outage Review, VCR/VNR reviews as well as considering affordability further:
- iii. Network hardening \$P (uneconomic undergrounding)
- iv. SAPS \$P (removed marginal projects)
- v. Worst served customers (WSC) \$P (refined analysis and also expect some to become mandatory if government implements NOR recommendation on minimum reliability standards)
- vi. Regional Reliability fund (RRA) – \$P, AusNet's premise is that WSCs +RRAs = \$100m
- vii. Opex – Hazard trees \$P
- viii. The Panel discussed the hazard trees program, the changes to resilience and worst served customer capex projections and AusNet explained their approach to adjusting STPIS and GSLs for the impacts of their capex programs.
- ix. On the Regional Reliability Allowance, AusNet will include an \$80m allowance in the proposal, underpinned by the criteria in the pack plus add an extra layer of detail down that is open for evolution through the regulatory period but provides clearer direction. AusNet will also clearly stipulate the Customer Consultative Committee will be engaged at the Collaborate level.
- x. On hazard tree opex, AusNet will complete the business case and more detailed assessment of opex vs capex prior to finalising this business case, noting feedback from Panel members on the importance of getting this balance right.
- xi. AusNet have refined their analysis of impacts of reliability and resilience programs on STPIS targets and GSL forecasts. While they seem overly conservative to me, I appreciate that AusNet has accepted the principle and made some adjustments.

B. Customer Experience panel update (Emily)

- i. Customer Experience Panel met with AusNet on 8 November 2024
- ii. We spent the majority of the meeting discussing the feedback from the customer workshops.
- iii. AusNet presented their feedback from the workshops which stated that they felt they had generally strong support for the affordability of the draft plan – not 100% but high.
- iv. Panel members didn't necessarily agree with AusNet and had concerns about whether the draft workshop report would accurately reflect what they observed.
- v. AusNet informed us that they were still in consultation with the research and engagement panel on the methodology design for CSAT, we also discussed CSIS next steps.
- vi. AusNet provided more information regarding the CRM functionality and the panel provided suggestions for what good, re the CRM, should look like and features it should include.

C. Tariffs and Pricing Panel(Gavin)

- i. The tariffs and pricing group met with AusNet on 14 November 2024
- ii. AusNet gave an overview of what they heard and summaries of what they heard from the CG, submissions and customer workshops
- iii. AusNet provided an overview on the impact that the panel have had on the pricing and working group, noting the limitations given the government intervention in this area
- iv. AusNet summarised some changes from the draft proposal to the final – with not much change since the draft.
- v. Overall, the pricing and working group were satisfied with the outcome and generally agree that AusNet and the other DBs had been really helpful with the analysis, which was useful particularly in regard to letters to the minister and other parties.
- vi. The panel noted it was probably the last meeting of the tariff and pricing working group

D. Future Networks Panel (Dean)

- i. FN panel met with AusNet on 12 November. Dean noted he was unable to attend, but reviewed the slides and gave his own feedback direct to AusNet.
- ii. Feedback from customers on Future Network proposals
 1. Solar customers supported 'fairness' in general but were unhappy with what some saw as being penalised (despite 'doing the right thing') by proposals designed to increase fairness and prevent further inequity and adverse network impacts of solar exports.
 2. Customers supported the proposal to invest to facilitate connection of large generators, but wanted to see more tangible indication of the value.
 3. Customers supported the innovation fund

4. Some great suggestions from customers that AusNet is considering, such as monitoring curtailed solar exports to identify where neighbourhood batteries may be economic
- iii. Addressing outstanding issues
 1. LV augmentation:
 - a) bringing forward some substation upgrades into the current period (needed to address current demand growth)
 - b) reducing EV uptake forecast based on AEMO's latest ESOO data
 - c) Impact is a modest reduction of capex for 2026-31 (\$14m)
 2. Large renewables enablement: deferring some current period investment to the next to wait for AER decision on this
 3. Impact is a modest increase in capex (\$22m)
 4. FN panel was comfortable with these change
- E. Opex and Benchmarking Panel update (Mark G and Kieran)
- i.
- F. R&E Panel update (Helen)
- vii. The R&E Panel met with AusNet on 12 November 2024
 - viii. As with other panels AusNet provided an overview of what it heard and how what it heard informed its draft proposal, concluding that overall, they believe they have the "right balance" between cost and service level from both "a value and affordability perspective."
 - ix. AusNet also emphasised the influence of the R&E Panel on its research and engagement; the panel considers it has worked effectively and productively with AusNet adding value to its engagement and research
 - x. The latter part of the session involved a discussion around AusNet's C-Sat program redesign, beyond the initial discussions at the last offsite. In summary, and supported by the panel (and more broadly at the offsite) AusNet intends to bring its C-Sat program in house which will result in a much larger and more representative sample of customers likely to be surveyed (introducing online surveying and looking at a phone option pending interest) and in real time. The R&E Panel provided AusNet with a number of suggestions around the questions, which are with AusNet to consider.
 - xi. To give greater confidence around the data collection, AusNet is considering ISO certification (ISO20252) for its research data collection, and the panel has provided some suggestions around this.

III. AUSNET ITEMS

- A. Affordability discussion (Charlotte)
- i. Charlotte noted that:
 - a) AusNet has received lots of feedback from customers in the last two years which has shaped the proposal. AusNet acknowledges affordability is a key

issue for customers, but customers are also seeking service level uplifts which was not expected. AusNet has looked at its proposal holistically.

2. AusNet is proposing a flat price path – it has not heard strong evidence to reduce service levels to lower prices further but has now included “affordability measures” of over \$200m before reducing service outcomes
3. Diverse feedback received in Workshops Round 4 – Wangaratta and Morwell customers were most positive (face to face session). Proposal listened to regional customers
4. Acknowledgement that affordability discussion at end of workshop did not work well. The first person to speak shaped the discussions and limited people's willingness to offer alternative views.

ii. Discussion

1. CG members agreed that AusNet takes affordability seriously and that it is hard work to engage on balance of services and affordability. However, the language used in slide packs seems to diminish the importance of the issue and the CG emphasised the importance of being clear that affordability is the highest priority for customers
2. The CG also expressed concern that the consultant's report did not reflect what 3 panel members heard in the three sessions (of 20 total break-out groups) they observed both around affordability and support for sub-transmission investment. Charlotte emphasised AusNet wants the report to be balanced and our proposal didn't rely on that report alone.
3. One CCP member commented that their observations were similar to those of the 3 panel members.
4. The CG suggested there is considerable value in a research or engagement report acknowledging the limitations and challenges and encouraged the Senate report to be balanced (softer language around what was supported), be clear about the interpretation of a neutral position and acknowledge the limitations
5. The CG also discussed the importance of the narrative in AusNet's proposal, noting the challenge in writing up the subject of affordability and given the challenge in asking about affordability in a temporal context when it's about the future and AusNet cannot control affordability – it can only control the value it delivers.
6. The CG had no objections around a conclusion in AusNet's proposal around value for money, and stressed the need for AusNet to be open about the diversity of feedback received in its proposal

iii. Price path and affordability measures (Rob) (slide 10)

1. Rob spoke to AusNet's proposed \$220m affordability measures and explained they have undertaken a top-down assessment to reduce capex/opex amounts
2. The CG emphasised
 - a) Amounts in real\$ need to be made clear
 - b) Some measures look more like a review and refinement of cost estimates and were they really affordability measures? Charlotte indicated that AusNet

believed they had gone further in carrying out updated analysis to see where estimates could be reduced than was typical for this stage of a reset. CG noted the importance of AER ensuring all networks carried out this type of due diligence so stakeholders could be confident estimates were robust and the lowest they could be to deliver the outcomes, given the available information.

- c) CG queried why large business prices rising while residential prices were falling over period (albeit very slightly in both cases) Charlotte explained this was likely due to residential customer numbers increasing, so there are more customers to share the LV costs, while not forecasting a similar increase in large customers. Also noted that price paths are indicative only at this stage.
3. Insurance (Rob – inform item, slide 19)
- a) AusNet highlighted recent bushfire liability insurance market trends of increasing premium rates and falling coverage due to drop in number of suppliers since 2018
 - b) Insurance step change \$10m over 5 years – assuming continue to use AusNet captive insurer which helps keep premium costs down
 - c) Current insurance allowance is underspent on current period. Despite the step change, this will flow through to next period opex forecast via a lower base year than if the allowance had been spent
 - d) AusNet will commit to reviewing the step change in revised proposal in 2025 to account for changes in market conditions and the next annual renewal process in October
4. Service provider change (slides to be shared in the meeting)
- a) Rob talked to change in service provider to ultimately improve performance and outcomes for customers,
 - i) Proposal to incorporate Zinfra rates not Downer historical, (which had been used as placeholder in initial proposal, but were no longer reflective of market rates)
 - ii) AusNet taking back control of fleet - currently assessing own versus lease models
 - iii) Substantial transition costs (higher capex this period) but will lead to lower costs going forward
 - b) CG sought clarification around the arrangements and timing (Aug 2025) and CESS exclusion for implementation of new contract and not being unfairly penalized
5. Property and depot strategy (Greg H, inform)
- a) Aim to improve customer outcomes – slides otherwise taken as read
6. Innovation allowance (Charlotte)
- a) Assumed \$7.5 capex+ opex – use it or lose it; spent more on opex and less on capex, assess projects on merits neutral whether ox or capex – (slide 29) . Hand back \$160k Agreed makes sense
7. CESS update (Rob)
- a) AusNet considers no adjustment due to deferred capex warranted (slide 31)

- b) Lynley confirmed deferral adjustments are considered only when underspend occurred, which appears unlikely at current expenditure rates (AusNet is forecasting a material capex overspend)
- B. Referencing CG report positions (Charlotte)
- i. AusNet wants to make sure AusNet revenue proposal drafting reflects CG views and wants to email panels and CC Peter to ensure alignment of views – suggest use quotes as far as possible – CG agrees

IV. OTHER BUSINESS

A. CCP update (David)

- i. No update

B. AER update (Gus)

- i. No update

C. Open discussion

1. Mark: anything new in the proposal re opex vs capex for resilience? Charlotte indicated both important and AusNet has balanced the two
2. AusNet indicated it will provide the CG its Proposal on 31 January, when it is submitted to the AER
3. ENA is looking at uncertainty mechanisms, ENA would be happy to present to the CG on its thinking. The CG indicated it would be amenable to meeting with the ENA and AusNet agreed to look into setting up a meeting in January or early February
4. Peter suggested the CG meet with AusNet in February to receive an overview and discuss AusNet's revenue proposal after AusNet has submitted it
5. Peter will canvass CG for a brief in camera meeting w/c 9 December to start preparations for the CG's Engagement Report in association with AusNet's proposal.

V. ACTIONS AND NEXT STEPS

Action item:

- CG members to inform AusNet of any periods of unavailability before end of January in case AusNet needed to seek clarification of CG views when finalising its proposal
- AusNet to set up a meeting between ENA and the CG on uncertainty mechanisms
- Peter to arrange a CG meeting (pre end of 2024) to discuss the CGs next engagement report

Next meeting

Today was the final meeting of the CG with AusNet before AusNet lodges its Proposal with the AER. Next meeting to be determined after lodgment.