AusNet Transmission Revenue Reset
Post-Lodgement Engagement
Collaborative Workshop #5 Report| Friday 23 July 2021

Background

This workshop is #5 in a series of collaborative workshops to inform AusNet's Revised Revenue Proposal for its Transmission Revenue Reset.

The objectives of Collaborative Workshop #5 were to:
- provide an overview of the key points from the AER's Draft Determination on AusNet's Initial Proposal
- collaborate with stakeholders on the application of the Market Impact Component (MIC) Incentive Scheme in the 2022-27 period
- ascertain level of stakeholder support for the proposed Real Time System Restoration Manager (RTSRM) project
- collaborate with stakeholders around how to forecast and manage new opex costs that were not included in our Initial Proposal.

AusNet facilitated this workshop. The workshop was held on Microsoft Teams.

Participants

Chair		
Tom Hallam – General Manager Regulation, AusNet Services		
Stakeholder Name	**Organisation**	**Attendance**
Aesop Ahn	ACCC	Attended
Joseph Shomali	ACCC	Attended
Meg Zerafa	ACCC	Attended
Lynley Jorgensen	AER	Attended
Vu Lam	AER	Attended
Bev Hughson	AER CCP	Attended
David Prins	AER CCP	Attended
Mark Henley	AER CCP	Attended
Tennant Reed	AI Group	Attended
Nick Eaton	Alcoa	Attended
Tom Hallam	AusNet	Attended
Charlotte Eddy	AusNet	Attended
Stephanie Judd	AusNet	Attended
Robert Ball	AusNet	Attended
Herman De Beer	AusNet	Attended
James Bleed	AusNet	Attended
Lucy Holder	AusNet	Attended
Martin Cavanagh	AusNet	Attended
Bridgette Carter	BlueScope Steel	Attended
Elizabeth Carlile	CitiPower / Powercor	Attended

Ben Ferguson	DELWP	Attended
Steve D Foster	DELWP	Attended
Andrew Richards	EUAA	Attended
Rudi Strobel	Jemena	Attended
Thanh Bui	Jemena	Attended
Grace Smith	KPMG	Attended
Gavin Dufty	St Vincent de Paul	Attended
Roshanth Sivanathan	United Energy	Attended
Andrew Chow	ACCC	Apology
David Markham	AEC	Apology
Joe Spurio	AEMO	Apology
Adam Peterson	AER	Apology
Belinda Sheldrick	AER	Apology
Craig Oakeshott	AER	Apology
David Monk	AER	Apology
Evan Lutton	AER	Apology
Jane Kelly	AER	Apology
Aaron Tan	Air Liquide	Apology
Simon Elias	Air Liquide	Apology
David Markham	Australian Energy Council	Apology
Tom Parkinson	Clean Energy Council	Apology
Jess Young	DELWP	Apology
Mark Grenning	EUAA	Apology
Prajit Parameswar	Hydro Tas	Apology
David Headberry	Major Energy Users	Apology
Inushka Dassanayake	Total Eren	Apology
Trevor Lim	Total Eren	Apology
Rodney Bray	United Energy	Apology

Agenda:

Time	Duration	Topic	Lead
10:00 am	5 min	Welcome and introductions	Tom Hallam
10.05 am	5 min	Stakeholder Engagement Approach	Dr Stephanie Judd & Tom Hallam
10:10 am	10 min	Overview of Draft Determination	Robert Ball
10:20 am	30 min	**Collaborate:** Market Incentive Scheme	Charlotte Eddy
10:50 am	10 min	**Collaborate:** NCIPAP	Monico Aquino
11:00	55 min	**Inform & Collaborate**: Operating Expenditures	Robert Ball
11:55	5 min	Close and next steps	Tom Hallam

Minutes

Topic	What Stakeholders Said	How AusNet Responded
Welcome and Introductions	N/A	N/A
Stakeholder Engagement Approach AusNet provided an overview of the engagement activities to date.	N/A	N/A
Overview of Draft Determination AusNet provided a high-level overview of the regulatory building blocks, AusNet's proposal and the AER's Draft Decision. AusNet noted that the AER put some placeholders of $0 for material capex step changes where it is awaiting further information from AusNet.	• Stakeholders commented that the draft decision looks like a positive outcome for AusNet, with the AER largely accepting what was put forward. Stakeholders said they expect the AER to put at least $104m back into the revenue cap once AusNet has provided further information on the requested opex items.	• AusNet is working to determine more accurate assessments of the costs for the $0 placeholders for opex items and will include this information in its Revised Proposal.
Market Incentive Scheme – Market Impact Component (MIC) AusNet provided an overview of the MIC, which incentives AusNet to undertake planned outages at times where there is least impact on the market. AusNet shared its historical performance under the scheme and presented 3 options for applying the MIC in the current period, and the impacts (positive, negative and neutral) for each one. AusNet explained that it is finding a number of issues with the current scheme, noting AusNet is proposing that the MIC is no longer fit for purpose due to the number of exclusions. Some reasons for exclusions include system strength constraints applied by AEMO and the fact that generators can bid into the market even when they'll be constrained. AusNet is finding very few windows in which to undertake planned outages due to system and market issues outside AusNet's control. The AER has rejected a request to review the MIC scheme so AusNet needs to	• Stakeholders supported AusNet's preferred option – being the AER outlining a pragmatic interpretation of the exclusions in the TRR determination. Stakeholders felt that the current MIC scheme is not fit-for-purpose and should be used as a "transitionary arrangement" while the scheme is revised to avoid or drastically reduce the need for exclusions (which they felt shouldn't be needed if they are part of the normal operating environment). • Stakeholders suggested that AusNet seek a "statement of joint understanding" with the AER, classifying the MIC as a transitional arrangement with a view to working with the AER on updating the scheme. AusNet noted that it supported a request from the ENA to revise this scheme which the AER rejected. Participants asked AusNet to share this submission and the AER's response. • Stakeholders asked questions on whether incentives need to be revised up (as it seems a relatively small dollar value of the incentives compared to the market impacts of planned outage scheduling), whether batteries would reduce the number of exclusions under the	• AusNet agreed that a statement of joining understanding with customers and stakeholders would be helpful to further engagement with the AER and committed to working with its Customer Advisory Panel to develop this. • AusNet agreed to circulate copies of correspondence between ENA and the AER regarding the former's request for a review of the scheme. • AusNet recognised the stakeholder concern regarding live line work and emphasised that the safety of its employees, contractors and the community is its number one priority when maintaining and replacing assets on its network.

ensure the exclusions framework is appropriate for the next regulatory period. AusNet has a number of options Charlotte spoke through the 3 options for applying the MIC in the next regulatory period. AusNet's suggestion is for Option 3.	current scheme, why the AER might be reluctant to review the scheme, whether the MIC incentivised or forced AusNet to do live-line work (and that there are safety concerns with this)	
NCIPAP / RTSRM Project Since AusNet's initial proposal, a suitable low cost / high benefit project has been identified – the *Real-Time System Restoration Manager (RTSRM)*. AusNet provided an overview of the proposed RTSRM project that it would like to propose under the NCC of the STPIS, and asked stakeholders for their feedback. AusNet explained that it did not include a NCIPAP project under its initial revenue proposal so this is the only NCIPAP project being proposed.	• Stakeholders were broadly supportive of the proposed NCIPAP/RTSRM project. • A stakeholder questioned whether the cost of the proposed project should be passed on or borne by AusNet in full, but was accepting of the proposed approach when AusNet explained the limited options for funding such initiatives under current structures. • Stakeholders commented that AusNet should seek to extract as much value from the RTSRM investment as possible (if approved by the AER), including using it for the distribution network if possible. • Stakeholders asked whether AusNet has quantified the benefits. AusNet explained that this assessment is underway and will be provided to the group once it is complete.	• AusNet confirmed that it is not allowed to propose augmentation expenditure to fund this project as it is not responsible for network planning in Victoria. This leaves the NCIPAP as the only available mechanism to fund this project (which is subject to AEMO sign-off). • AusNet stated that it intends to explore the distribution network applications for this technology once it has been deployed on transmission and learnings are available.
Operating Expenditures AusNet provided an overview of its proposed operating expenditure, highlighting: • the AER's draft decision cut AusNet's opex by around 7%, largely due to the AER's $0 placeholders • that AusNet is proposing an offset in total base year opex of $36m • some costs that weren't known or were estimated in AusNet's initial proposal.	• Regarding the bushfire insurance pass-through, stakeholders sought clarification on why bushfire insurance receives so much attention, the potential impacts of a transmission network being "uninsurable" (including preventative de-energisation of the network and self-insurance), the likelihood of this happening and how insurers determine premiums, and what AusNet does to reduce premiums and obtain competitive quotes. There was no opposition from stakeholders to the approach AusNet took to determining the proposed bushfire insurance pass-through. • Stakeholders asked for clarification on a number of other topics including the AER's questions about AusNet's cybersecurity component,	• AusNet agreed to share evidence that it seeks competitive quotes for bushfire insurance and actively works to mitigate the bushfire risk held by its electricity networks (in the form of a sample presentation given to insurers/underwriters on its asset management practices and bushfire mitigation measures, subject to confidentiality constraints). • AusNet clarified that while its cyber security costs are generally allocated across its three networks because they all share in the benefits, the opex costs of reaching MIL3 have been allocated to transmission as it is the driver of the new obligations.

	whether cybersecurity benefits in this proposal are limited to the transmission network (or also positively impact distribution businesses), AEMO's participant fees and ensuring they represent value-for-money,	
Close & Next Steps AusNet asked for feedback on its post-lodgement engagement program to date (particularly the collaborative workshops), which is detailed at right. AusNet thanked participants for their input and time. AusNet reminded participants that there is one workshop left in the series, in which AusNet will share a detailed overview of how it has implemented feedback heard via the engagement process. AusNet reiterated that it welcomes stakeholder input and feedback at any time as it prepares it Revised Proposal. Once AusNet has submitted its Revised Proposal, there will be an opportunity to provide further input during the AER's engagement process.	**Stakeholder Feedback** Stakeholders were very complimentary of AusNet's post-lodgement engagement program. Stakeholders praised: • AusNet's willingness to adapt the program and add additional sessions as required • the engaging format (being regular 2-hour workshops on specific topics, with agendas shared in advance) • the respect for stakeholders' time that AusNet displayed and for not overburdening them with overly long meetings or on topics they are not interested in • AusNet's willingness to discuss difficult topics and its openness and honesty during these conversations • the workshops striking the right balance between being informative and collaborative • AusNet providing participants with the background knowledge needed to participate effectively • AusNet's iterative approach and genuine commitment to responding to feedback and reflecting stakeholder input in its proposal. Stakeholders requested that in the future, AusNet send out slide packs earlier to allow those who want to prepare time to do so.	AusNet appreciates the positive and constructive feedback provided by stakeholders – particularly as this was a new style of engagement program for AusNet. AusNet will apply these lessons learnt during this post-lodgement engagement program when developing future engagement activities.

Actions

AusNet committed to the following actions during the workshop.

Action
AST to circulate more detail on what pragmatic interpretation of exclusions looks like, including breakdown of historical DIs/exclusions, and revisit this issue at the next workshop
AusNet will consider seeking a "statement of joint understanding" with customers and stakeholders around MIC exclusions
AusNet will circulate the ENA's request for a review of the MIC (which AusNet supported) and the AER's response to this application.
AusNet to share the estimated benefit of the NCIPAP/RTSRM project with participants once this assessment is complete (this information will also be included in the Revised Proposal).
AusNet will share a sample presentation given to insurers/underwriters on its asset management practices and bushfire mitigation measures (subject to confidentiality constraints)