2023-27
POWERLINK QUEENSLAND REVENUE PROPOSAL

Supporting Document – PUBLIC

Co Design Workshop Summary Report

Powerlink's Engagement Co-Design Workshop for the 2023-27 Revenue Determination Process

Key discussion points

Overview

Powerlink is committed to facilitating meaningful engagement to guide development of our Revenue Proposal for the 2023-2027 regulatory period. As part of this commitment, in May 2019 we held an interactive workshop with our customers and stakeholders to co-design our engagement approach.

This session provided the opportunity to explore a range of topics. This included:

- identifying which aspects of our upcoming Revenue Proposal present the most meaningful engagement opportunity to customers;
- how we can reasonably present information to enable engagement; and
- what techniques and measures could be used to track the effectiveness of our engagement approach.

The workshop comprised approximately 40 attendees across our Customer Panel, industry, government, directly connected customers, consumer advocates, Powerlink Subject Matter Experts, and Powerlink Executive Team and Board representatives.

Workshop insights will guide the preparation of Powerlink's Engagement Plan for the revenue determination process. This plan will be circulated in draft format for review by attendees to ensure it reflects the group's views on the day.

Key insights

Several collaborative activities were held throughout the workshop, with key themes outlined below.

a. Aspects to consider for our engagement approach to meet customer, stakeholder and Australian Energy Regulator (AER) expectations

- Plan engagement activities well in advance and provide opportunities for targeted engagement. Communicate the consultation timetable as early as possible.
- Establish engagement protocols regarding confidentiality, governance and conflict-of-interest.
- Understand and convey the broad business narrative for Powerlink before getting into the details. Communicate what the future looks like for transmission network service providers and how this aligns with Powerlink's potential revenue requirements. Consider how the next five year regulatory period sits in the context of past spending requirements as well as the next 10 to 20 years.
- Ensure early engagement with the AER to clarify its role in the process moving forward and set expectations. Sharing relevant information early and having a 'no surprises' approach with the AER and customers is imperative. This will help build trust and increase the likelihood of a Revenue Proposal capable of acceptance by Powerlink, the AER and customers.

- Preference was for implementation of a fit-for-purpose engagement approach, with any separate negotiating panel to be used only if required on relevant aspects of the Revenue Proposal. This could comprise a subset of our existing Customer Panel members.
- The existing Customer Panel has considerable expertise and should play a primary role but there may be some additional skills required. Conduct a gap analysis to determine whether any supplementary skills are needed (e.g. regulatory expertise, regional focus). There is potential for the Customer Panel to 'self-select' key areas of interest, as well as engaging external expertise to provide technical insights. Consider resourcing required to underpin the panel's involvement.
- Acknowledge and tackle 'elephants in the room' e.g. benchmarking performance and Regulatory Asset Base (RAB) considerations.
- Clarify the impact of cost reductions within our direct control versus those outside our control e.g. weighted average cost of capital (WACC).
- Many of our customers and stakeholders are time poor and may be experiencing 'engagement fatigue'. We need to be efficient and targeted in our approach.
- Ensure adequate engagement with regional stakeholders across Queensland.
- Offer a clear line of sight on how input and feedback has been taken into account.

b. Aspects of our upcoming Revenue Proposal that have the greatest opportunity to be influenced through meaningful engagement

- Groups were asked to plot the relationship between 'ability to influence as part of the revenue determination process' and 'impact on maximum allowable revenue (MAR)'.
- Some similar themes were identified:
    - There was a strong interest from customers on understanding and having the opportunity to influence the initial inputs, assumptions and methodologies (e.g. for capital and operational expenditure forecasts) used in the Revenue Proposal.
    - Rate of return and incentive schemes have a high impact on MAR but potentially low ability to be influenced through engagement via the revenue determination process (e.g. the AER has already consulted and come to a landing on the rate of return through its new Guideline published in late 2018).
    - Capex categories generally have a longer term impact on MAR and can be influenced, in particular reinvestments/replacements, augmentations, key inputs and assumptions, and forecasting methodologies.
    - Opex categories have a shorter term impact on MAR than capex, with varying degrees of ability to be influenced.
    - Pricing methodologies were a consistent aspect that customers and stakeholders felt had little impact on MAR, but could be strongly influenced through engagement. It was noted that Powerlink had already started engagement on its pricing arrangements.
- Groups had various perspectives on the best way to sequence engagement, but they commonly noted the importance of:
    - Starting the process by explaining the operating environment;
    - Examining key inputs and assumptions for methodologies (e.g. capex, opex and transmission pricing); and

- Being flexible with the engagement approach by adjusting the engagement plan, in collaboration with customers, to ensure ongoing focus on items which have a meaningful impact on MAR and high potential to be influenced.

c. Engagement techniques we should use to strongly align with key focus areas

- One-on-one engagement with directly connected customers and target stakeholder groups.
- Increase awareness/education on emerging or less widely understood elements.
- Conduct workshops/deliberative forums/deep dives on large, complex or contentious topics to thoroughly explore these e.g. potentially Information and Communications Technology, and capex and opex forecasting methodologies. These should pick up issues that are relevant to transmission and not just carryovers from distribution reviews.
- Investigate engagement forums in regional locations.
- Webinars to make information easily accessible despite geographic location.
- Site tours to invite customers and stakeholders to see Powerlink infrastructure in the ‘real world’.

d. Presenting information to facilitate meaningful engagement and evaluation techniques to measure the effectiveness of our engagement approach

- Establish very clear engagement objectives at the outset.
- Be specific about the focus and input we need. Set and manage realistic expectations with our customers and stakeholders for how the process will roll-out.
- Avoid jargon. Keep information targeted and simple where possible.
- Use videos, animations and infographics to break down complex issues.
- Establish an online portal for all resources in one area e.g. microsite.
- Conduct periodic ‘health checks’/‘pulse surveys’ along the way to gauge feedback from customers and stakeholders.
- Informal feedback from customers and stakeholders to track progress.
- Close the loop on feedback received. Throughout the process (not just at the end), demonstrate this is what we heard, this is what we did, and this is the next step. Be prepared to change direction where necessary – embrace flexibility.

Thank you again to our Co-Design Workshop participants. We greatly appreciated your time, honesty and diverse perspectives for planning our engagement approach for our next regulatory period.