

# Stakeholder Engagement Report

**Transgrid 2023-28 Revenue Proposal  
Phase 2 (Post-Lodgement) Engagement Activities**

**Deep Dive Workshop 3  
6 September 2022**

**2 November 2022**

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## **Inherent Limitations Disclaimer**

This report has been prepared as outlined with The Trustee For The NSW Electricity Networks Operations Trust (Transgrid) in the Scope Section of the engagement letter/contract 28 June 2022. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

The findings in this report are based on a qualitative study and the reported results reflect a perception of Transgrid but only to the extent of the sample surveyed, being Transgrid's approved representative sample of stakeholders. Any projection to the wider stakeholder group is subject to the level of bias in the method of sample selection.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, stakeholders consulted as part of the process.

No reliance should be placed by Transgrid on additional oral remarks provided during the presentation, unless these are confirmed in writing by KPMG. KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

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# Introduction

## Background

Transgrid operates and manages the high voltage electricity transmission network in New South Wales (NSW) and the Australian Capital Territory (ACT), connecting generators, distributors and major end users. Every five years, the Australian Energy Regulator (AER) undertakes a Revenue Determination to assess the revenue that Transgrid can recover from its customers for the transmission services it provides. This process is also known as a Revenue Reset. Transgrid's next regulatory period will occur from 1 July 2023 to 30 June 2028. The Revenue Reset for this period involves a comprehensive assessment of Transgrid's plans and forecast expenditure, and consideration of customer preferences.

On 31 January 2022, Transgrid lodged its initial Revenue Proposal, which outlined the revenue that Transgrid proposes to recover from electricity consumers through transmission network prices across the 2023-28 regulatory period. Prior to lodging its initial Revenue Proposal, Transgrid undertook consultation and engagement activities with its customers and stakeholders. These formed 'Phase 1' of Transgrid's engagement approach.

Since Transgrid lodged its initial Revenue Proposal, there have been a number of changes which may impact its Revised Revenue Proposal. Transgrid will lodge its Revised Revenue Proposal with the AER on 2 December 2022.

Transgrid has commenced a second phase of engagement (Phase 2) with customers and stakeholders in order to inform its Revised Revenue Proposal. Phase 2 engagement includes, among other activities, a series of 'Deep Dive' workshops with the Transgrid Advisory Council (TAC). The role of the TAC is to provide advice on strategic policy topics and Transgrid's business plans.

The TAC consists of Customer Advocates, Direct Connect Customers, Market Bodies, Industry Advocates, a Financial Investor and Expert Advisors. The AER and its Consumer Challenge Panel (CCP) are also invited to attend TAC meetings as observers. Transgrid facilitates 'business as usual' TAC meetings on a quarterly basis, with the Phase 2 Deep Dive workshops being scheduled in addition to these standing meetings.

## Stakeholder engagement approach

Transgrid's approach to its Phase 2 engagement is detailed in its 2023-28 Revenue Proposal – Phase 2 (post-lodgement) Stakeholder Engagement Plan. This Plan outlines Transgrid's engagement objectives and principles, which seek to demonstrate Transgrid's commitment to responding to feedback received from stakeholders after Phase 1 engagement.

Transgrid has stated that it seeks to demonstrate stakeholder engagement at the 'involve' and 'collaborate' level of the IAP2 Spectrum of Public Participation. Where appropriate, some topics of engagement may be targeted at the 'inform' and 'consult' levels of engagement. Transgrid will work with stakeholders to define appropriate levels of engagement for the specific topics considered.

Transgrid will co-design agendas for all Deep Dive workshops with TAC stakeholders based on feedback from attendees about the topics of most interest and importance to stakeholders.

	Inform	Consult	Involve	Collaborate	Empower
Public participation goal	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
Promise to the public	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

Source: IAP2's Public Participation Spectrum

# Introduction

## Stakeholder engagement approach (cont.)

The Deep Dive workshops form part of a wider stakeholder engagement strategy which includes several different forums. Each forum has a different purpose:

- Quarterly TAC Meetings – act as a key stakeholder advisor to Transgrid, offering consumer and industry insights and advice on strategic policy topics and Transgrid’s business plans.
- TAC Reset Deep Dives – the purpose of these workshops is for the TAC to actively participate in the design of Transgrid’s positions and proposal in its Revised Revenue Proposal.
- System Security Roadmap Workshops – to define the network infrastructure needs and operational capabilities necessary to manage evolving risk, focused on technical aspects of the investment including needs and drivers.
- Energy Transition Working Group – discusses issues arising from the transition of the energy market, including discussion on ISP projects being delivered by Transgrid.

The agendas for TAC Reset Deep Dive workshops have been based on stakeholder feedback regarding the topics most valuable to explore.

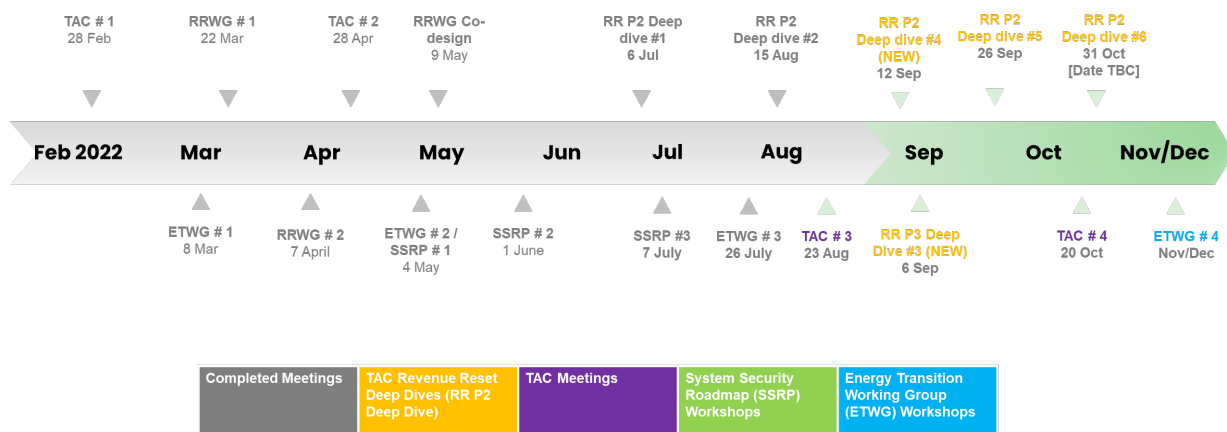
## Co-designing topics and engagement approach

Transgrid sought feedback from stakeholders directly in the Deep Dive 1 workshop and for a period following the workshop, as part of the co-design of the forward agendas for Deep Dive workshops 2 to 4. Stakeholders were asked to prioritise proposed topics for Deep Dive workshops through an online voting tool. Stakeholders were also asked to identify any additional topics to be addressed in the workshops that may not have been captured in the proposed list.

To ensure a wide representation of views, stakeholders who were unable to attend Deep Dive 1 workshop were given the opportunity to vote and provide input via email communication following the workshop over a period of six business days. In total, seven TAC members provided input and the outcome of the stakeholder prioritisation has been detailed in the Deep Dive 2 Stakeholder Engagement Report.

Stakeholders provided feedback in Deep Dive 2 workshop that additional time was needed to engage on some of the topics discussed in the workshop in further detail. Transgrid took this on notice and following the Deep Dive 2 workshop Transgrid proposed two additional workshops to the schedule, consulting the TAC to maximise availability, particularly for Customer Advocates. This was positively received by stakeholders and two additional Deep Dive workshops were scheduled (Deep Dive 3 and 4).

The figure below outlines the planned stakeholder engagement at the commencement of Deep Dive 3, which was shared with stakeholders, including the addition of two new workshops: Deep Dive 3 on 6 September 2022 and Deep Dive 4 on 12 September 2022.



Source: Transgrid (presented to stakeholders in Deep Dive 3)

# Introduction

## Role of KPMG

KPMG was engaged by Transgrid to support its Phase 2 engagement. KPMG will:

- Support the design of appropriate stakeholder engagement activities
- Facilitate co-design workshops between Transgrid and its TAC
- Document stakeholder views to ensure commentary is accurately and fairly reflected for consideration.

Transgrid remains responsible for workshop content including information specific to its Revenue Proposal.

## Purpose of this report

This report summarises key discussions in the Deep Dive 3 workshop, including the views expressed by and questions raised by stakeholders, and Transgrid's response during the workshop.

The purpose of the TAC Reset Deep Dive 3 workshop was to:

- Recap the feedback from Deep Dive 2 workshop and share how Transgrid is responding
- Share information with stakeholders on the Revenue Proposal topics and involve and collaborate with stakeholders on how these should be addressed in its Revised Revenue Proposal.

## Deep Dive 3 workshop details

<b>Date</b>	6 September 2022
<b>Time</b>	1:30pm – 3:30pm (AEST)
<b>Location</b>	Webex (video conference) hosted by Transgrid

Prior to the Deep Dive 3 workshop, stakeholders were provided with the proposed agenda, workshop pack and briefing notes, which provided context on the content to be presented by Transgrid. This allowed stakeholders time to prepare and help to establish a baseline of knowledge on each topic.

Detailed information on the topics discussed within the workshop, including the material presented by Transgrid, can be found in the workshop materials. A full list of attendees has been provided in the Appendix.

# Deep Dive 2 Feedback

## Feedback from Deep Dive 2

During Deep Dive 3, Transgrid presented the feedback that it heard from stakeholders in Deep Dive 2, and outlined to stakeholders how it has considered and is responding to that feedback.

Stakeholder Feedback	Response by Transgrid
Stakeholders wanted to ensure future agendas are flexible and Transgrid remained open to address any topics as they arise.	Transgrid explained that it will check-in with stakeholders at the end of each Deep Dive on any additional or new topics for Transgrid to consider.
Stakeholders requested the 'genuine' engagement principle to be updated to state the Revenue Proposal will reflect consumer preferences and interests.	Transgrid explained the wording for the 'genuine' engagement principle has been updated.
One Customer Advocate requested the cost estimates for projects such as QNI and PSF to assess the accuracy of early cost estimates.	Transgrid explained it has provided details of QNI (minor) and PSF project outturn costs and AER approved costs in an email to TAC on 16 August 2022 following the Deep Dive 2 workshop.
One Customer Advocate sought transparency on AER's assessment of confidential demand forecasts	Transgrid explained it has invited the AER to present at a future Deep Dive workshop.
Stakeholder feedback sought transparency on development of confidential demand forecast scenarios.	Transgrid explained it has engaged GHD to conduct an independent assessment.
One Customer Advocate outlined that other RIT-T components that are subject to scenarios need to be covered in another session, particularly new renewable energy and wholesale market benefits.	Transgrid explained it will address wholesale market benefits and new renewable energy in future ETWG meetings.
There were a number of points of feedback shared in relation to RIT-T assumptions, inputs and forecast expenditure.	Transgrid explained the feedback will be addressed as part of today's workshop.
Feedback relating to Systems Security Roadmap: <ul style="list-style-type: none"><li>• Sensitivity check of the probability of system events</li><li>• Further information around the black start event likelihood, as stakeholders noted they seemed too high.</li></ul>	Transgrid explained it will address the feedback in the upcoming Deep Dive 5 workshop.

# Key discussion items

## Key outcomes

There were three deep dive topics planned for discussion as part of the Deep Dive 3 workshop:

1. Major non-Integrated System Plan (ISP) projects for which a Regulatory Investment Test for Transmission (RIT-T) has been completed: assumptions, inputs and forecast expenditure.
2. Implications of the default approach for Bathurst Orange Parks (BOP) and North West (NW) Slopes projects.
3. Briefing and stakeholder views on the Improving stability in South-Western NSW RIT-T.

Transgrid also sought stakeholder views on its proposed post-lodgement survey with end consumers, outlining the topics for engagement with consumers and the target audience, both of which were aligned with Transgrid's pre-lodgement engagement.

The key outcomes from discussions on these topics were:

- **Refinement of the end-consumer engagement approach** - Stakeholders shared insights around better practice end customer engagement and provided guidance on engagement with end-consumers. Specifically, stakeholders provided input in relation to:
  - The potential to leverage existing end-consumer engagement that has been conducted by other Network Service Provider (NSPs)
  - Opportunities to leverage engagement Transgrid has conducted across the business with direct connect customers through its relationship managers and Major Projects teams
  - Sharing the draft survey with the TAC for feedback on the questions and topics for consultation.
- **Development of a RIT-T inputs and assumptions Term Sheet** – Transgrid engaged extensively with the TAC across Deep Dive 2 and Deep Dive 3 in order to develop and agree on a RIT-T 'term sheet' setting out the default approach to developing scenarios for non-ISP RIT-Ts. Where commitments have been made in relation to Transgrid's approach to RIT-T inputs and assumptions, this will be captured in the term sheet and will be used as the 'default' approach by Transgrid to non-ISP RIT-Ts where wholesale market benefits are not expected to be material.

# Key discussion items

Outlined below are the key discussions from Deep Dive Workshop 3, detailing the topics presented, stakeholders' feedback and Transgrid's response.

Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><b>Engagement Approach</b></p> <ul style="list-style-type: none"> <li>Transgrid provided an overview of stakeholder engagement activities undertaken as part of its post-lodgement process.</li> <li>Transgrid presented the updated engagement principles based on stakeholder feedback. The 'genuine' engagement principle was updated to reflect feedback that being 'genuine' was about the degree of change stakeholders see in the Revised Revenue Proposal, noting that Transgrid is genuinely considering all views.</li> <li>Transgrid outlined the purpose of the workshop, which was to:               <ul style="list-style-type: none"> <li>Share feedback from Deep Dive workshop 2 and outline how Transgrid is responding</li> <li>Share information with stakeholders on the Revenue Proposal topics and involve and collaborate with stakeholders on how these impacts should be addressed in Transgrid's Revised Revenue Proposal.</li> </ul> </li> <li>Transgrid outlined the future agendas for the Deep Dive workshops and asked if stakeholders had any additional topics they would like to discuss.</li> </ul>	<p>Stakeholders did not raise any additional topics to be included in future agendas.</p>	<p>This was acknowledged by Transgrid.</p>



# Key discussion items

Outlined below are the key discussions from Deep Dive Workshop 3, detailing the topics presented, stakeholders' feedback and Transgrid's response.

Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><b>End consumer survey</b></p> <ul style="list-style-type: none"> <li>Transgrid provided a recap of its Phase 1 end consumer engagement. This included:           <ul style="list-style-type: none"> <li>Online discussion board with 32 consumers</li> <li>Online survey with 1,505 consumers</li> <li>Online focus groups with 36 consumers (six groups of six consumers).</li> </ul> </li> </ul>	<p>One Customer Advocate acknowledged the five key focus areas that Transgrid is seeking to explore with consumers through its pulse survey aligned to the areas they believe are important to consumers. The Customer Advocate noted that affordability is typically the main priority for consumers, but also noted that reliability was important. The Customer Advocate suggested Transgrid consider including wording around resilience in addition to reliability.</p>	<p>This was acknowledged by Transgrid.</p>
<ul style="list-style-type: none"> <li>Transgrid explained that the Phase 1 research identified five key focus areas of priority for consumers, which informed Transgrid's initial Revenue Proposal. The key focus areas were:           <ul style="list-style-type: none"> <li>affordability</li> <li>safety, security and reliability</li> <li>servicing rapid localised demand growth</li> <li>supporting the energy transition</li> <li>supporting technology and innovation.</li> </ul> </li> </ul>	<p>One Customer Advocate asked if Transgrid's survey would ask consumers to rank these focus areas against each other, noting that it may be better to understand the value of these focus areas to consumers and the trade-offs they are prepared to make or accept.</p>	<p>KPMG, who will be conducting the survey on behalf of Transgrid, clarified that the survey will not ask consumers to rank each of the focus areas against each other. It will ask consumers to outline the importance of each area independently, and the contributing factors that shape the attribution of importance.</p>
<ul style="list-style-type: none"> <li>Transgrid outlined that given the extensive changes in the economic and social context, it is proposing to conduct a short pulse check survey, in September 2022, to check if there are any changes in consumer preferences and priorities across the five key focus areas above.</li> <li>The survey will be conducted by KPMG on behalf of Transgrid. It will seek to target a total of 1,200 residential and small-medium business consumers across geographic and demographic indicators.</li> </ul>	<p>Two Customer Advocates agreed that separating topics may be required, and that at a minimum, safety should be separated out.</p>	<p>This was acknowledged by Transgrid.</p>
	<p>One Financial Investor commented that consumers are valuing the social imperative of sourcing energy from green generation sources. The Customer Advocate noted that they were interested to see how these values may influence customer preferences going forward and whether this will be a topic of discussion for Transgrid's survey.</p>	

# Key discussion items

Outlined below are the key discussions from Deep Dive Workshop 3, detailing the topics presented, stakeholders' feedback and Transgrid's response.

Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<b>End consumer survey (cont.)</b>	One Customer Advocate asked why Transgrid had not proposed to engage with large directly connected customers through its survey, stating that it would be beneficial to see if there were differences in priorities and preferences between groups.	Transgrid responded that groups within the organisation have day-to-day relationships with direct connect customers and it would be possible to seek the views and preference from these customers through these relationships.
	The Customer Advocate asked if Transgrid could share feedback from large directly connected customer engagement through the same process.	Transgrid agreed to sharing any feedback from large directly connected customers with the TAC this forum.
	One Customer Advocate commented that many large commercial and industrial customers are also facing changes to the safeguard mechanism, and outlined it would be important to separate network related issues from abatement issues.	
	One Customer Advocate outlined that best practice for customer engagement is to 'check and recheck' with a group of participants to ensure insights are accurately captured and understood, and to ensure that Transgrid can develop a more granular understanding of consumer preferences.	This was acknowledged by Transgrid.
	The CCP commented that Transgrid had previously acknowledged that NSW distribution utilities companies are currently undertaking customer engagement for their revenue resets. The CCP sought to understand how Transgrid will work in conjunction with distributors to ensure consistency and also provide a broader scope to their customer engagement, including considering how Transgrid can leverage the customer research already undertaken.	Transgrid has engaged with these distributors and acknowledged that while it is seeking to collaborate with them, the distributors are on a different timeframe and not submitting their proposals until January 2023, which is after Transgrid's submission on 2 December 2022. Transgrid is considering what would be feasible and how they might collaborate with distributors, however acknowledged there may be limitations due to timing.
	The CCP asked whether the survey for customers will be circulated to the TAC for comment.	KPMG commented that this will be considered by Transgrid.  Transgrid subsequently circulated the draft survey to TAC members for comment.

# Key discussion items

Outlined below are the key discussions from Deep Dive Workshop 3, detailing the topics presented, stakeholders' feedback and Transgrid's response.

Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><b>End consumer survey (cont.)</b></p> <ul style="list-style-type: none"> <li>Transgrid sought stakeholder views on their proposed end-consumer engagement approach via a live online poll.</li> <li>Stakeholders were asked to respond to the following questions:               <ul style="list-style-type: none"> <li>To what extent do you support Transgrid's proposed process for end-consumer engagement?</li> <li>Please tell us why you answered this way?</li> </ul> </li> </ul>	<p>One Customer Advocate noted that they would not participate in the live online poll, saying that they weren't sure if it added value to the nuance of a discussion that they believed could be better captured through discussion.</p>	<p>KPMG responded that it is important a variety of mediums are used to collect stakeholder views, and noted that the Customer Advocate can share any comments via the chat or as part of the discussion and their views will also be captured.</p>
	<p>In response to the poll, one Customer Advocate noted that they were supportive of the survey and commented that they believe it seemed like a sound approach to testing relevant issues by a substantive cohort of the community. The Customer Advocate noted that the challenge was to determine consumer priorities, while ensuring consumers are not made to rank items without having a firm understanding.</p>	
	<p>In response to the poll, one Customer Advocate outlined that they were neutral or had no major objections towards the survey and commented that they wanted to understand more about the scope.</p>	
	<p>In response to the poll, one Direct Connect Customer outlined that they were supportive of the survey and noted that it provided more opportunities for feedback than before.</p>	
	<p>In response to the poll, one Industry Advocate outlined that they were supportive of the survey as it provides context, which otherwise may have been missed in business to business engagement.</p>	
	<p>In response to the poll, one Customer Advocate outlined that they were neutral or had no major objections towards the survey, however noted that while the trajectory/intent of engagement is positive, it is not best practice.</p>	<p>Transgrid sought to understand from the stakeholder if there were any organisations that were currently conducting best practice that it could learn from.</p>

# Key discussion items

Outlined below are the key discussions from Deep Dive Workshop 3, detailing the topics presented, stakeholders' feedback and Transgrid's response.

Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<b>End consumer survey (cont.)</b>	The Customer Advocate explained that they believed the previous quality of Transgrid's customer engagement had been lacking due to the pace of change and workload experienced by Transgrid.	This was acknowledged by Transgrid, who noted the need to deliver a robust process throughout customer and stakeholder engagement.
	The Customer Advocate noted that Powerlink was a transmission business that is near best practice and has been industry-leading for a number of years in terms of customer and stakeholder engagement. The Customer Advocate noted that Powerlink undertakes co-design sessions with their stakeholders, to enable in-depth engagement on key topics, including through Deep Dives.	
	The Customer Advocate also provided Essential Energy as an example of an organisation with a good customer engagement program, particularly in terms of how it revalidated and interrogated its understanding to ensure alignment with customer views.	
	Another Customer Advocate noted that the structure of Essential Energy's engagement was effective, explaining that it was more consumer focused and included deliberative town halls. The Customer Advocate suggested that Transgrid could use broader social licence and development issues to engage with communities where it will have more of a presence.	
	One Customer Advocate also suggested looking at the shortlisted projects for the Energy Networks Australia (ENA) / Energy Consumers Australia (ECA) Engagement Awards for examples of good engagement.	
	One Customer Advocate noted that many commercial and industrial customers are facing similar issues to Transgrid around workforce and capex, and suggested that there could be value in collaborating with these customers in relation to some of the issues they are facing.	<p>Transgrid clarified that the engagement outlined is specific to the Revenue Reset. However, there is broader engagement that is being conducted across the business working with the communities on issues such as social licence, which is a key focus of Transgrid's Major Projects team.</p> <p>Transgrid noted that while it is undertaking significant community engagement, this isn't always visible to the TAC as it involves activity related to major projects, which is outside the scope of the Revenue Reset.</p>

# Key discussion items

Outlined below are the key discussions from Deep Dive Workshop 3, detailing the topics presented, stakeholders' feedback and Transgrid's response.

Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<b>End consumer survey (cont.)</b>	One Customer Advocate asked Transgrid to clearly communicate the activities that are considered community consultation versus stakeholder management, and clearly outline what impact consumers can have.	This was acknowledged by Transgrid.
	One Customer Advocate noted that one aspect of good engagement is involving executives and board members, stating that Transgrid was doing well in this area.	
<b>Deep Dive workshop 2 feedback and how Transgrid has responded</b>	One Customer Advocate asked about the difference between a Customer Advocate and a stakeholder and asked Transgrid to provide clarification of what the different groups are and what this means.	KPMG clarified that this is a categorisation of TAC membership, as there are a number of different categories including: Customer Advocates, Direct Connect Customers, Industry Advocates and Financial Investors that form part of the TAC.

# Key discussion items

Outlined below are the key discussions from Deep Dive workshop 3, detailing the topics presented, stakeholders' feedback and Transgrid's response. Transgrid's consultant HoustonKemp presented on two topics (approach to non-ISP RIT-T scenario assumptions, and the implications for the BOP and NW Slopes RIT-T assessments) on behalf of Transgrid. Where a response was provided by HoustonKemp rather than Transgrid, this has been noted.

Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><b>Deep Dive Topic: non-ISP RIT-Ts – Recap on Deep Dive 2</b></p> <p><u>High and low scenario 'bookends'</u></p> <ul style="list-style-type: none"> <li>HoustonKemp presented an overview of the approach to test with stakeholders whether they agreed that the outcome of the last workshop was to adopt high and low scenarios as 'bookends'.</li> <li>HoustonKemp recommended that where wholesale market benefits are not a major driver of benefits, the high and low scenario approach should continue to be adopted.</li> <li>HoustonKemp noted that under this approach to scenarios, varying several parameters together at a time provides a stronger test of the robustness of the RIT-T outcome than one-at-a-time sensitivity analysis.</li> <li>HoustonKemp stated the parameter values reflected in the scenarios should be consistent with the high and low scenarios being 'bookends'. <ul style="list-style-type: none"> <li>In such instances the central scenario should reflect the TNSP's best estimate for each of the variables (including capital costs)</li> </ul> </li> <li>HoustonKemp stated the scenario weightings should be consistent with the high and low scenarios being 'bookends'. They noted that this could be captured by: <ul style="list-style-type: none"> <li>adopting 5:90:5 as the default weighting (rather than 25:50:25 or ISP scenario weightings); and</li> <li>testing the sensitivity of the scenario weightings and identifying the threshold value (if any) for the weightings that could change the RIT-T outcome.</li> </ul> </li> <li>HoustonKemp stated that the assessment should also consider of the outcome under each scenario, rather than just the weighted NPV outcome.</li> <li>HoustonKemp recommended that sensitivity analysis is also conducted using the central scenario (for example, different discount rates, +/-25% capital costs)</li> </ul>	<p>One Customer Advocate agreed that the methodology outlined did reflect the previous discussion in Deep Dive 2, particularly in relation to 5:90:5 or 10:80:10 weightings.</p> <p>The Customer Advocate further noted that the values used in Bathurst, Orange and Parkes (BOP) and North West (NW) Slopes projects, were 'extremes' or 'bookends' and the weightings used previously did not reflect 'extremes' as they were 30% and 18%.</p> <p>The Customer Advocate noted that both approaches had merits – either having higher weightings at each end with less extreme scenarios or having extreme scenarios with lower weightings.</p> <p>The Customer Advocate further stated that the priority should be to have consistency between scenario parameter probability and weightings. For example, the Customer Advocate said it would not be methodologically sound to use a 5% weighting for a 50% probability of occurrence, nor a 30% weighting for a 5% probability of occurrence.</p> <p>The Customer Advocate confirmed that what HoustonKemp presented did align to the discussion in Deep Dive 2.</p>	

# Key discussion items

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Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><u>High and low scenario 'bookends'</u></p> <p>(cont.)</p>	<p>One Customer Advocate questioned the approach that varying several parameters at a time, versus one-at-a-time sensitivity analysis, provides a stronger test of robustness, asking if this depends on the degree of confidence in the numbers that are being used.</p> <p>The Customer Advocate stated that the suitability of the appropriate approach depended on the level of confidence in the variables being used. For example, when there was a degree of confidence about a parameter or a set of parameters changing values over a period of time, then the Customer Advocate noted that changing several parameters at a time would be an appropriate methodology to adopt. However, if there is a high degree of uncertainty about the value of a parameter, then adopting a one-at-a-time sensitivity analysis was considered a better methodology.</p> <p>Therefore, the Customer Advocate noted that they do not completely agree that it is always inherently better to conduct sensitivity analysis on several parameters at the same time.</p>	<p>HoustonKemp acknowledged the feedback, advising that it is methodologically sound to 'group' variables subject to uncertainty; for example, capex and discount rates. HoustonKemp noted that the key consideration is to test the robustness of outcomes, which is the ranking of the options.</p>
	<p>The Customer Advocate noted that it was important to identify the need, timing, and sequencing of investment options, not just the ranking of investment options. The Customer Advocate noted that if it is optimal to do nothing, then this should also be reflected.</p>	<p>HoustonKemp clarified that when considering other options, it does need to be better than doing nothing, and that this is always considered.</p> <p>HoustonKemp advised that options are about sequencing a series of investments and that the timing of investments can vary with the underlying assumptions.</p>
	<p>A Financial Investor noted that the point raised by the Customer Advocate regarding consideration being given to the correlation between independent variables was an important point.</p>	
	<p>A Financial Investor agreed with the discussed approach to scenario testing and noted that the current discussion around sensitivity analysis was in line with the earlier deep dive discussions. The Financial Investor further noted that some revisions to the sensitivity analysis framework may be warranted once RIT-T outcomes have been released.</p>	<p>This was noted by Transgrid.</p>

# Key discussion items

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Topic presented by Transgrid	Stakeholder input	How Transgrid responded
High and low scenario 'bookends' (cont.)	<p>One Customer Advocate noted that the 'bookends' are often presented when the option has been justified and asked what it looks like when an investment is not justified, and if this is covered by the bookends.</p>	<p>HoustonKemp explained that the process for developing the bookend high and low scenarios is that variables are changed concurrently to increase net benefits (high scenario), and the same variables are changed to decrease net benefits (low scenario), and the results analysed to see whether the option identified as passing the RIT-T varies across these scenarios. HoustonKemp explained that since the low scenario changes parameters in a way that lowers the net benefits, this would indicate whether the project is no longer justified.</p> <p>HoustonKemp explained that once this analysis is conducted, and if the option is still justified at the low end, 'threshold' analysis is generally conducted in the RIT-T assessment to identify the extent of change to key parameters that would lead to the investment no longer being justified. For example, how high capex would need to be in order for the preferred option to no longer satisfy the RIT-T.</p>
	<p>One Customer Advocate inquired about sensitivity testing and identifying threshold values, seeking further guidance on these issues.</p> <p>The Customer Advocate noted that it appeared to be a good approach but explained that there needed to be some symmetry in the sensitivity testing methodology, placing equal emphasis on upside and downside risk. The Customer Advocate acknowledged that in certain instances only downside risk would merit analysis, reflecting commercial realities.</p> <p>One Customer Advocate suggested it would be useful to undertake a threshold test for each key variable where possible. For example, what is the discount rate or increase in capex where a network solution was not the preferred option or alternatively doing nothing was preferable to undertaking an investment.</p>	<p>HoustonKemp advised that the general approach is to undertake sensitivity testing on a 'symmetric' basis, except in those instances where reality does not warrant it. HoustonKemp further advised that a symmetric test would not be applicable in those instances where the sensitivity testing was undertaken to determine the threshold value of a parameter, above which the project was no longer preferred under the RIT-T.</p> <p>HoustonKemp advised that the key objective was to reach a robust outcome and for consumers to have confidence in the decision taken. HoustonKemp advised that 'symmetrical' testing was the default option for RIT-Ts. In those instances where an asymmetrical sensitivity is adopted, it was important to explain the context and purpose of adopting this approach to stakeholders.</p> <p>Houston Kemp further advised that the RIT-Ts had undertaken threshold tests for discount rates and capex, and that this was consistent with the AER's guidance. HoustonKemp also suggested that part of the issue may be that this information is not readily visible within lengthy documentation, and reflected that further visibility on sensitivity and threshold tests would be useful given consumer interest.</p>



# Key discussion items

Outlined below are the key discussions from Deep Dive workshop 3, detailing the topics presented, stakeholders' feedback and Transgrid's response. Transgrid's consultant HoustonKemp presented on two topics (approach to non-ISP RIT-T scenario assumptions, and the implications for the BOP and NW Slopes RIT-T assessments) on behalf of Transgrid. Where a response was provided by HoustonKemp rather than Transgrid, this has been noted.

Topic presented by Transgrid	Stakeholder input	How Transgrid responded
High and low scenario 'bookends' (cont.)	<p>One Customer Advocate agreed with the analytical approach put forward by HoustonKemp that both the outcome under each scenario and the weighted NPV outcome needed to be considered, particularly if there was a 5:90:5 weighting.</p> <p>The Customer Advocate further stated that, in such instances the weighted NPV would be positive without revealing the potential for adverse outcomes.</p> <p>The Customer Advocate inquired about the assessment outcome produced should the bookend scenarios be adverse, but the overall NPV was positive.</p>	<p>HoustonKemp advised that, in the interests of transparency, the general practice for Transgrid RIT-Ts is to provide the results of each scenario to illustrate how the project would rank both under the central scenario, the high and low scenarios and the weighted NPV scenario.</p> <p>HoustonKemp provided an example of the methodology, explaining that in a scenario where the low scenario was weighted at 5% it would undertake a threshold analysis of what weighting this adverse scenario would need to have to make the project no longer preferred under the RIT-T.</p> <p>HoustonKemp advised that analysis for the recent RIT-Ts had shown that the weighting for the low scenario would need to rise to 80% to make the project unviable.</p>
	<p>One Customer Advocate commented that customers viewed investment in transmission networks from a portfolio perspective, since they would be funding other infrastructure investments as well. The Customer Advocate noted this had a bearing on overall costs for consumers if multiple projects would take place at the same time, potentially driving up costs.</p> <p>The Customer Advocate inquired if the methodology considered the timing, sequencing and interrelationships between various investments and its impact on consumer costs.</p>	<p>HoustonKemp advised that RIT-Ts did take into consideration what was happening in the background, including if there were other investments taking place at the same time.</p> <p>HoustonKemp further advised that the RIT-T framework considers the incremental benefit of undertaking a particular investment, or conversely consider the investment in the context of deferring the timing of another investment.</p>

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Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><u>High and low scenario 'bookends'</u> (cont.)</p>	<p>The Customer Advocate reiterated that against a backdrop of an 'Energy Roadmap' with multiple investments occurring at the same time, there would be competition for the allocation of resources.</p> <p>The Customer Advocate inquired if sensitivities were undertaken to account for the broader investments taking place.</p> <p>The Customer Advocate noted that undertaking concurrent investments would essentially double the costs for consumers.</p> <p>The Customer Advocate further commented that the context for investments did matter and could optimise or sub-optimize investment in generation.</p>	<p>HoustonKemp confirmed that the stakeholder was asking whether HoustonKemp considered if Transgrid was to defer a project, would it be able to do it at a different time at a lower cost. HoustonKemp advised that this may be considered by Transgrid from a portfolio planning perspective, however the RIT-T framework could also consider the potential for savings from deferring the timing of another investment due to these considerations(although to date has not done so routinely).</p> <p>Transgrid explained that from a planning perspective, and in relation to the impact on RIT-T costs, it did take other market activity and concurrent investment into consideration to ensure that it optimised resources, for a more efficient investment outcome.</p> <p>Transgrid explained that HoustonKemp did include capex and time as considerations in its sensitivity analysis. Transgrid further noted that its portfolio of investments was sequenced as part of investment program.</p> <p>Transgrid explained that it needed to ensure that in the sequencing of investment, its projects are provided in a timeframe that reflects customer needs. This needed to factor in the pace of retirement of legacy systems and investment in renewables.</p> <p>Transgrid noted that it was operating in a hyper-inflation environment and needed to ensure a cost effective and efficient transition towards renewables.</p>
	<p>One Customer Advocate requested that sensitivities be undertaken on competition for resources with other infrastructure investment, as the Customer Advocate noted that it sounded like this was considered by Transgrid.</p> <p>The Customer Advocate noted that with the 'Energy Roadmap' there was a lot of investment taking place in this sector and that consumers were ultimately paying for all these investments, and that this was an important aspect of the conversation.</p>	<p>Transgrid outlined that it faces a challenge in that it is not just competing for resources in the energy sector but also with inland rail and the defence sector.</p> <p>Transgrid acknowledged that it was conscious consumers were facing the price impacts of investments across a number of sectors. Transgrid noted that a lot of the technology utilised for building transmission interconnectors was different to that required for generation, particularly renewable generation.</p>

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Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><u>Spot loads and demand forecasts</u></p> <ul style="list-style-type: none"> <li>HoustonKemp recapped and tested stakeholder feedback from Deep Dive 2 including:           <ul style="list-style-type: none"> <li>Uncertainty around key spot loads should be reflected in scenarios</li> <li>As much transparency as possible should be provided around demand forecasts</li> </ul> </li> <li>HoustonKemp noted that Transgrid has committed to commissioning an independent review of demand forecasts where spot loads were key to the assessment. This would occur when, for example:           <ul style="list-style-type: none"> <li>The standard TAPR or IASR demand forecasts are not used; and</li> <li>Where confidentiality considerations restricted information from being able to be provided in public reports.</li> </ul> </li> <li>HoustonKemp stated the full set of information/assumptions regarding demand forecasts will continue to be provided by Transgrid to the AER. HoustonKemp further noted this would enable the demand forecasts to be assessed by the AER as part of the revenue proposal/CPA process.</li> <li>HoustonKemp noted the AER has committed to discussing its approach to reviewing demand forecasts with the TAC in the next Deep Dive workshop on 12 September</li> </ul>	<p>A Customer Advocate asked how a 'firm commencement' date was determined for spot load and the evidence provided by proponents.</p> <p>The Customer Advocate asked further inquired what type of evidence is used to show a 'firm commencement' date that would be different to other evidence that may be provided for other criteria. The Customer Advocate clarified that it was a general question and not specific to the BOP and NW Slopes projects.</p> <p>The Customer Advocate asked if this information could be provided in the RIT-T so that stakeholders could see this information, as some elements may be open to interpretation.</p> <p>The Customer Advocate noted that it was their understanding that the AER did not assess this information in detail unless it was disputed, and was interested to know how confidential elements are reviewed to give stakeholders confidence.</p>	<p>HoustonKemp responded that Transgrid provided a questionnaire to the various proponents asking if they had started construction or have evidence that they would be starting construction on a particular date.</p> <p>Transgrid clarified that it:</p> <ul style="list-style-type: none"> <li>Approaches each of the proponents in relation to the spot loads</li> <li>Requests information under each category</li> <li>Looks at what information is provided to make an assessment against the information to determine if they have met the requirement under the outlined criteria</li> <li>Assesses how close the 'firm commencement' date is to determine if it would be realistic.</li> </ul> <p>Transgrid responded that, subject to confidentiality constraints, this information is provided to the AER as part of the RIT-T assessment.</p>

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Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><u>Spot loads and demand forecasts (cont.)</u></p>	<p>The Customer Advocate confirmed that the AER does look at this information as part of the regulatory proposal process but not as part of the RIT-T process, and expressed concern, as the RIT-Ts are going ahead on the basis of this information.</p> <p>The Customer Advocate suggested that the default should be for the information to be made public, with the proponents required to make a case for why it should be treated as confidential.</p> <p>The Customer Advocate further explained that they were interested to understand specifically:</p> <ul style="list-style-type: none"> <li>• Why are demand forecasts not published?</li> <li>• Who decides confidentiality?</li> <li>• Who tests validity and robustness of demand spot loads?</li> </ul>	<p>HoustonKemp noted that this could be discussed with the AER in the next Deep Dive, and acknowledged that Transgrid could test with the proponents whether more of the information could be made public.</p> <p>Transgrid reaffirmed that it does ask rigorous questions of the proponents around the demand forecasts.</p> <p>Transgrid noted that it would hear from the AER in the next Deep Dive, and that it would also commit to reviewing the confidentiality process and confidentiality requirements. Transgrid advised that where information is not confidential, it will be released publicly.</p>

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<p><u>Timing of investment</u></p> <ul style="list-style-type: none"> <li>HoustonKemp reflected on stakeholder feedback (in the last Deep Dive workshop) for increased transparency on drivers for the timing of investment.</li> <li>HoustonKemp noted that impacts on timing are taken into account, but proposed that future RIT-T documents be clearer regarding what determined the timing of investment for options and to comment more explicitly on the timings modelled and the relevant drivers.</li> <li>HoustonKemp further proposed that RIT-T documents should include more commentary on the sensitivity analysis and threshold testing undertaken, particularly where the variables tested could be expected to impact the timing of investment.</li> <li>HoustonKemp noted that for some non-ISP RIT-Ts timing would be determined by when external standards were expected to be breached (e.g. BOP and NW Slopes).</li> <li>HoustonKemp further noted that for other non-ISP RIT-Ts, (e.g. Repex RIT-Ts) the timing would be determined by an optimal timing assessment.</li> </ul>	<p>One Customer Advocate agreed that RIT-T documents need to be more transparent about determinants/ variables for timing of investments.</p> <hr/> <p>One Customer Advocate suggested the use of graphs and tables to visually represent proposed investments will enable better understanding of the information presented.</p>	<p>This was noted by Transgrid.</p> <hr/> <p>This was noted by HoustonKemp.</p>
<p><u>Transparency around VCR calculation</u></p> <ul style="list-style-type: none"> <li>HoustonKemp outlined that it understood stakeholders sought increased transparency in relation to the VCR calculation.</li> <li>HoustonKemp proposed the following measures to increase transparency for VCR calculations in RIT-T documents: <ul style="list-style-type: none"> <li>RIT-T documents are to include the details of the calculation of the load-weighted VCR</li> <li>VCR breakdowns across residential, commercial and industrial loads are to be provided. As there are a wide range of VCR's, the RIT-T documents, where possible, need to include commentary that maps the types of commercial/industrial load (e.g. mines) to the VCR estimates for these customers</li> <li>Sensitivity on VCR values are to be conducted at +/-30% as per the AER RIT-T Guidelines.</li> </ul> </li> </ul>	<p>Customer Advocates agreed that RIT-T documents should include details regarding:</p> <ul style="list-style-type: none"> <li>Load weighted VCR calculations</li> <li>Assumptions for commercial/ residential/ industrial loads</li> <li>+/-30% sensitivities on VCR values</li> </ul> <p>One Customer Advocate outlined that they would appreciate the opportunity to hear from the AER in the next Deep Dive workshop as to why it has provided instruction on the +/-30% sensitivity in its guidelines.</p> <p>However, the Customer Advocate confirmed that where the bookends have a 5% weighting on either side, they are comfortable with the +/-30% variation on VCR values.</p> <p>A Customer Advocate queried how Distribution System Operators (DSOs), DOEs, the VCR value and the amount of unserved energy impact Transgrid / transmission.</p> <p>The Customer Advocate clarified their question is on the impact of transmission on distribution, or vice versa, as consumers do not want to "pay twice" for resilience or other measures.</p>	<p>This was acknowledged by Transgrid</p> <hr/> <p>Transgrid acknowledged that it has provided a top-down calculation and it advised it would discuss this internally and revert to the stakeholder.</p>

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Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><u>Discount Rate</u></p> <ul style="list-style-type: none"> <li>HoustonKemp stated that discount rates need to be included in the high, medium and low scenarios, in the manner they have been applied to date.</li> <li>HoustonKemp noted that low rates were based on the latest regulated rate determination for TNSPs, while medium and high discount rates aligned with the latest IASR assumptions.</li> <li>HoustonKemp proposed that sensitivity tests should be undertaken for the central scenario, using the high and low discount rates, since stakeholders had a general interest in the effect of the assumed discount rate on investment.</li> </ul>	<p>A Customer Advocate inquired about the latest TNSP rate of return determination by the AER being used as the low discount rate.</p> <p>The Customer Advocate further inquired whether the latest TSNP determination should be used as the low discount rate even if it was 5%.</p> <p>The Customer Advocate inquired if the AER's determination was different to the Regulated Rate of Return.</p> <p>The Customer Advocate questioned whether the medium and high rates were intended to reflect the rate applicable to different entities, rather than changes over time.</p> <p>The Customer Advocate noted that they were not comfortable with the idea of the low rate being a constant when discount rates varied over time. In recent years discount rates had varied downward, whereas in earlier years they had varied upwards. The Customer Advocate did not consider this to be a robust methodology, however noted that this was a question for the AER.</p> <p>The Customer Advocate asked if the AEMO IASR rates go up and down with common influences, and what would drive the low rate up and down.</p>	<p>HoustonKemp confirmed that the AER Guidelines require sensitivity analysis to be undertaken with the low discount rate set as the latest TNSP determination.</p> <p>HoustonKemp noted that this was the current practice.</p> <p>HoustonKemp advised that the Regulated Rate of Return and the rate of return in the AER Determination were the same. HoustonKemp noted that this reflected the AER's latest determination for the regulated rate of return allowed for a regulated transmission business.</p> <p>HoustonKemp advised that the discount rate is the commercial rate of return applicable to different parties in the electricity system.</p> <p>HoustonKemp advised that the current practice was to discount cashflow streams at the low, medium and high discount rates.</p> <p>HoustonKemp outlined that the same process would apply whether the RIT-T adopts the AER or AEMO discount rates; if the values vary, then the most recent ones would be adopted for a RIT-T assessment.</p>

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Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><u>Discount Rate (cont.)</u></p>	<p>One Customer Advocate asked if there were sensitivities around potential delays in generation.</p> <p>The Customer Advocate clarified whether this meant the ISP was run with 'optimistic assumptions'.</p>	<p>HoustonKemp outlined that where the investment might have an impact on the wholesale market there is market modelling around the pattern of generation investment, which draws on ISP inputs, and is modelled in terms of what are the implied generation timings under each of the ISP scenarios.</p> <p>HoustonKemp clarified that Transgrid's RIT-Ts adopt the range of ISP scenarios where it is appropriate.</p>
	<p>One Financial Investor asked if the assumed discount rate reflects the cost associated with incremental capital. For example, the capacity of sponsors to raise debt at the rates charged by the market yesterday may not be a reality, where markets are volatile.</p> <p>The Financial Investor noted that this had been previously discussed, however wanted to note it given the cost of capital has dramatically changed in markets over the last 6 months.</p>	
	<p>One Customer Advocate asked why the TNSP regulated rate is not used for network cost in the central scenario.</p>	<p>HoustonKemp responded that it is the AER's guidance that the commercial rate of return rather than the regulated rate of return should be used. HoustonKemp noted that there had been concerns in the past that using the regulated rate of return would favour regulated investment over non-network solutions, which required a commercial rate of return to be viable.</p>
<p><u>Additional Matters</u></p> <p>HoustonKemp noted the following two additional issues:</p> <ul style="list-style-type: none"> <li>• Transgrid would meet with PADR submitters individually, going forward, to explain and discuss how the points raised had been, or would be, addressed in the PACR; and</li> <li>• Wholesale market benefit modelling and inclusion in non-ISP RIT-Ts.</li> </ul>	<p>Stakeholders did not provide input for further discussion</p>	
<p><b>Deep Dive Topic: non-ISP RIT-Ts</b> <u>BOP/NW Slopes projects</u></p> <p>HoustonKemp outlined the implications of the non-ISP RIT-T framework on the BOP and NW Slopes projects.</p> <ul style="list-style-type: none"> <li>• HoustonKemp outlined that the BOP and NW Slopes projects had adopted the high, medium and low scenario approach.</li> <li>• HoustonKemp outlined that while the core assessment applied the ISP weightings, the PACRs included a sensitivity that applied a 90 per cent weighting to the central scenario and 5 per cent each to the high and low 'bookend' scenarios (as well as a 25:50:25 weighting).</li> </ul>	<p>Stakeholders did not provide input for further discussion</p>	

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Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><u>Demand forecasts for BOP and NW Slopes</u></p> <ul style="list-style-type: none"> <li>HoustonKemp stated that PIAC had raised concerns for the NW Slopes project; specifically, that the Narrabri SAPS was too speculative to include. HoustonKemp further stated that the PACR noted this load was not included.</li> <li>HoustonKemp noted that Transgrid has commissioned an independent review of the demand forecasts used in these RIT-Ts by an independent consultant, in response to stakeholder concerns. The outcome of this review will be provided to the TAC.</li> </ul>	Stakeholders did not provide input for further discussion	
<p><u>The timing of option elements</u></p> <ul style="list-style-type: none"> <li>HoustonKemp outlined that the BOP and NW Slopes RIT-T had re-estimated the timing of each option element under the different scenarios.</li> <li>HoustonKemp further outlined that for these RIT-Ts, the timing is determined by when external standards are expected to be breached, which in turn is driven by the demand forecast.</li> <li>HoustonKemp outlined that the PADR and PACR included tables summarising the assumed timing for each option component under each. It noted that in future, more commentary will be provided on timing to provide more transparency on how this has been taken into account.</li> </ul>	Stakeholders did not provide input for further discussion	
<p><u>VCR values are based on the latest AER VCR estimates</u></p> <ul style="list-style-type: none"> <li>HoustonKemp outlined that the load-weighted VCR estimate used for the central scenario has been calculated using the AER VCR values for the customer groups relevant to the region, consistent with AER guidance.</li> <li>HoustonKemp further outlined that in future, this calculation will be provided in the RIT-T reports.</li> <li>HoustonKemp outlined that the high and low scenarios for the VCR are based on a central value of +/- 30%. It outlined that this is in line with the AER's recommendation that a +/- 30% range used to calculate high and low VCR estimates.</li> </ul>	Stakeholders did not provide input for further discussion	



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<p><u>Discount rate used is based on AER guidance</u></p> <ul style="list-style-type: none"> <li>HoustonKemp outlined that the AER Guidelines require that the central discount rate is the same as in the ISP, unless Transgrid has a reason to depart from this assumption. Both the 5.50% (central) discount rate and the 7.5% (upper bound) used in BOP and NW Slopes RIT-Ts reflect the 2022 ISP assumptions.</li> <li>HoustonKemp outlined that the lower bound discount rate reflects the latest regulated rate (as required by the RIT-T):               <ul style="list-style-type: none"> <li>BOP and NW Slopes PACR used 1.96% which was taken from the AusNet Final Determination decision.</li> <li>HoustonKemp further outlined that the latest discount rate is 2.30%. This discount rate was taken from the Powerlink Final Determination.</li> <li>HoustonKemp noted that adopting the 2.30% Discount Rate does not change the RIT-T outcomes.</li> </ul> </li> </ul>	<p>A Customer Advocate thanked HoustonKemp for the analysis provided on BOP and NW Slopes, noting that it is important the inputs are robust, and not based on how they impact the RIT-T outcome.</p>	

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<p><b>Deep Dive Topic: non-ISP RIT-Ts</b></p> <ul style="list-style-type: none"> <li>Following detailed discussion on non-ISP RIT-Ts, Transgrid sought to understand stakeholder support for the determined process and assumptions for non-ISP RIT-Ts.</li> <li>Stakeholders were asked to respond to the following questions:               <ul style="list-style-type: none"> <li>To what extent do you support Transgrid's <i>process</i> of defining RIT-T assumptions and inputs?</li> <li>Please tell us why you answered this way?</li> <li>To what extent do you <i>support the assumptions and inputs</i> Transgrid is using for its RIT-T projects?</li> <li>Please tell us why you answered this way?</li> </ul> </li> </ul>	<p>Stakeholders' response to the poll or the chat on their support for the <i>process</i> of defining RIT-T assumptions and inputs, were:</p> <ul style="list-style-type: none"> <li>One Customer Advocate was supportive of the process, stating that it was a transparent process and responsive to stakeholder feedback.</li> <li>Another Customer Advocate noted that they were neutral towards, or had no major objections towards, the process and noted that Transgrid was still "on a journey".</li> </ul> <p>When asked via a poll or chat about their support for the <i>assumptions and inputs</i> for the RIT-T projects:</p> <ul style="list-style-type: none"> <li>One Customer Advocate was neutral towards, or had no major objections towards this, explaining that they were satisfied that a reasonable and transparent process produces these assumptions. However, they expressed that they were conscious that reality may differ, therefore they expressed no objections, but were not "wedded" to the numbers.</li> </ul> <p>One Customer Advocate noted that it was important to outline the distinction between ISP RIT-Ts and non-ISP RIT-Ts. The Customer Advocate noted that ISP RIT-Ts were more prescriptive, and they are concerned around some of the assumptions adopted for ISP RIT-Ts.</p> <p>The Customer Advocate noted that they do not believe it is prudent to copy the assumptions from ISP RIT-Ts for non-ISP RIT-Ts. Having a specific approach that is different to the ISP assumptions may be an important way of getting stakeholder support on the non-ISP projects.</p> <p>The Customer Advocate noted this process was a good step at moving in this direction, particularly looking at particular elements based on merit.</p> <p>A Customer Advocate noted that this is an important role for Transgrid to play. If the process is subject to following the AER Guidelines, then Transgrid should provide insight into the externalities that may impact the process. The Customer Advocate noted that these may not be areas that Transgrid can resolve, but it is important that they acknowledge it to provide stakeholders comfort that their concerns are being registered for future.</p>	<p>HoustonKemp acknowledged this, and outlined that the AER guidelines are prescriptive, even for non-ISP RIT-Ts and there is an expectation around the default position being to adopt the ISP assumptions. HoustonKemp explained that TNSPs were able to move away from the default position where there are particular circumstances, however they need to explain why.</p>

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Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><b>Improving stability in south-western NSW</b></p> <ul style="list-style-type: none"> <li>Transgrid outlined that market benefits to the NEM and not demand growth is the primary driver, for this project, using the ISP scenarios.</li> <li>Transgrid highlighted that in May 2022 AEMO introduced a NEM Dispatch Engine constraint to limit power flows. This provided an opportunity for commercial benefits that alleviated constraints on low-cost renewable generation.</li> <li>Transgrid noted that it had responded to the AER's detailed information requests and presented to the AER and their consultants in May 2022.</li> <li>Transgrid outlined that a network solution combined with interim non-network support will deliver net benefits.</li> <li>Transgrid noted that the PACR found the preferred solution to be a new Darlington Point to Dinawan 330 kV transmission line, coupled with an interim 3-year network support contract with a battery energy storage system.</li> <li>Transgrid outlined that the project had a total cost of \$191.1 million (\$Real, 2022-23) for the transmission line, of which \$186.2 million would be include this in the 2023-28 regulatory period.</li> <li>Transgrid noted that the project would deliver \$91 million in net benefits by relieving existing and forecast constraints on generators.</li> <li>Transgrid further noted that the benefits will recover the costs of the project within 5 years of commissioning the new transmission line in the step-change scenario.</li> </ul>	<p>Customer Advocates commented that they needed further information regarding this project to provide meaningful feedback.</p> <p>One Customer Advocate explained that many stakeholders on the TAC don't have the time to review each stage of the RIT-T and rely on forums from Transgrid to provide the input where they can. However if they are being asked to provide an opinion, then they need to investigate at a deeper level.</p> <p>A Customer Advocate explained that it would be helpful to understand the AER's expectation of consumer representatives in this process.</p> <p>The Customer Advocate noted that it was agnostic in relation to expressing support for the project, noting that the AER would play its role in the process.</p>	<p>Transgrid outlined that there has been a long and public consultation process on this project through the RIT-T process, which has been finalised with no dispute.</p> <p>Transgrid acknowledge this and explained that it did appreciate this point.</p> <p>Transgrid noted that the AER is scrutinising the process and acknowledged the breadth of TAC's role.</p>

# Key discussion items

Outlined below are the key discussions from Deep Dive workshop 3, detailing the topics presented, stakeholders' feedback and Transgrid's response. Transgrid's consultant HoustonKemp presented on two topics (approach to non-ISP RIT-T scenario assumptions, and the implications for the BOP and NW Slopes RIT-T assessments) on behalf of Transgrid. Where a response was provided by HoustonKemp rather than Transgrid, this has been noted.

Topic presented by Transgrid	Stakeholder input	How Transgrid responded
<p><b>Summary and next steps</b></p> <p>Transgrid recapped the content presented in the Deep Dive 3 workshop:</p> <ul style="list-style-type: none"> <li>Recap on Deep Dive 2 workshop feedback and how Transgrid has responded</li> <li>Discussion and engagement on major non-ISP projects undergoing a RIT-T.</li> </ul> <p>Transgrid outlined the next steps:</p> <ul style="list-style-type: none"> <li>Transgrid would share collateral from the Deep Dive 3 workshop</li> <li>Transgrid would consider and address feedback from the Deep Dive 3 workshop</li> <li>Transgrid would share the KPMG Deep Dive 3 report once finalised.</li> </ul> <p>Transgrid noted that it will use the discussion in the workshop to develop a 'term sheet' which would be used going forward as the default approach towards non-ISP RIT-Ts and if there are any departures from that, Transgrid would explain the reasoning.</p>	<p>One Customer Advocate thanked Transgrid for taking the step to engage the TAC on the RIT-T assumptions and inputs. The Customer Advocate noted that it was a positive move towards transparency and accessibility, which they said was important for those representing household energy users.</p> <p>The Customer Advocate commented that there was better overall engagement with stakeholders throughout this process.</p>	<p>This was acknowledged by Transgrid.</p>

# Appendix: Attendance

## Participants

Stakeholder Name	Organisation	Stakeholder Type	Attendance
Andrew Richards	Energy Users Association Australia	Customer Advocate	Attended
Gavin Dufty	St Vincent de Paul	Customer Advocate	Attended
Craig Memery	Public Interest Advocacy Centre	Customer Advocate	Attended
Tennant Reed	Australian Industry Group	Customer Advocate	Attended
Scott Young	Commonwealth Bank Australia	Financial Investor	Attended
Kim Woodbury	City of Sydney	Direct Connect Customer	Attended
Richard McGill	AER	Observer	Attended
Slavko Jovanoski	AER	Observer	Attended
Elissa Freeman	CCP	Observer	Attended
Mike Swanston	CCP	Observer	Attended
Panos Priftakis	Snowy Hydro	Direct Connect Customer	Apology
Nick Savage	NSW Farmers	Customer Advocate	Apology
Brian Spak	Energy Consumers Australia	Customer Advocate	Apology
Sam Fyfield	Goldwind	Direct Connect Customer	Apology
Iain Maitland	Ethnic Communities Council NSW	Customer Advocate	Apology
Maria Cahir	Tesla	Direct Connect Customer	Apology
Dev Tayal	Tesla	Direct Connect Customer	Apology
Luke Rankovich	Tomago Aluminium	Direct Connect Customer	Apology
Nicola Falcon	AEMO	Market Body	Apology
Michael Ottaviano	ERM Advisory	Expert Advisor	Apology
Christiaan Zuur	Clean Energy Council	Industry Advocate	Apology
Chloe Bennett	Aboriginal Affairs NSW	Customer Advocate	Apology
Warwick Anderson	AER	Observer	Apology
Roselle Mailvaganam	AER/ACCC	Observer	Apology
Daniel Wotherspoon	AER	Observer	Apology
Kevin Cheung	AER	Observer	Apology
Robert Nicholls	CCP	Observer	Apology
Albert Tong	AER	Observer	Apology
Andrew McGill	AER	Observer	Apology
Daniel Feng	AER	Observer	Apology
Christine Xue	AER	Observer	Apology

# Appendix: Attendance

## Facilitators and Observers

Stakeholder Name	Organisation	Attendance
Craig Stallan	Transgrid ELT	Attended
Marie Jordan	Transgrid ELT	Attended
Stephanie McDougall	Transgrid	Attended
Robert Alcaro	Transgrid	Attended
Sarah Lim	Transgrid	Attended
Cassie Farrell	Transgrid	Attended
Deyi Wu	Transgrid	Attended
Stasha Prnjatovic	Transgrid Board	Attended
Dr Warren Mundy	Transgrid Board	Attended
Charles-Edouard Mariolle	Transgrid Board	Attended
Gerard Reiter	Transgrid Board	Attended
Eric Dubreuil	Transgrid Board	Attended
Matt Pearce	KPMG	Attended
Louise Pogmore	KPMG	Attended
Hannah Lock	KPMG	Attended
Ann Whitfield	HoustonKemp	Attended



## Contacts in relation to this document:

### **Matthew Pearce**

Partner | Energy & Utilities sector leader

### **Louise Pogmore**

Partner | KPMG Customer

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