

AER PUBLIC FORUM TRANSGRID REVENUE PROPOSAL

EUAA
Energy Users Association of Australia

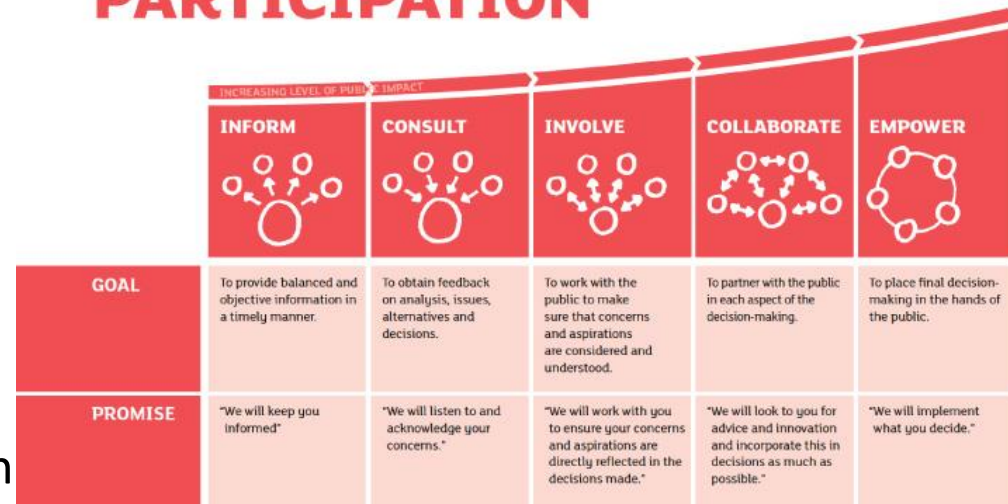
Andrew Richards
Chief Executive Officer
4 April 2022



- Transgrid Advisory Council (TAC)
 - Transgrid have a well established TAC that meets on a regular basis, both as part of the revenue determination process and as an ongoing engagement forum.
 - EUAA and other consumer/business representatives are long-term members of the TAC. We have generally found it to be a very worthwhile and informative experience while Transgrid have traditionally been reasonably open and transparent.
 - As part of the revenue determination, Transgrid expanded membership of the TAC to include a number of non-consumer representatives, which raised questions about the independence of advice given and the potential for certain agendas to be pushed.
- Energy Transition
 - More than any other TNSP, Transgrid are in the eye of the energy transition storm (i.e. AEMO ISP and NSW Energy Infrastructure Road Map) which is creating unique challenges for them and the TAC. Potential areas of disagreement are now emerging.
 - While some of these issues impact the current revenue determination (PEC), most of the material impacts are beyond the current 5 year regulatory horizon, further complicating the discussion.

- The engagement process was largely at the inform/consult end of the IAP2 spectrum. Traditionally, not an uncommon approach, but progressively not best practice which now revolves around a co-design (empower) process.
- Contrast this to the Powering Sydney’s Future (PSF) process which was more collaborative.
- Observed some gaps in continuity in engagement (COVID/staff turnover/resource constraints) which may explain why the engagement approach “regressed” after such a positive PSF experience.

IAP2 SPECTRUM OF PUBLIC PARTICIPATION



- General observations of the Revenue Proposal (31 Jan) are as follows:
 - The proposal aims to deliver lower prices for NSW energy users, however we note that much of this comes from a lower cost of capital. This is consistent with other revenue proposals we have seen. The question remains, what to do when the interest rate cycle starts to turn? This question remains unanswered by all NSP's.
 - The AER building block approach requires a fairly standardized approach by regulated networks. This does make it easier to benchmark performance and for advocates to understand the main elements of the proposal. The Better Resets handbook is also a useful resource.
 - While we have not conducted detailed economic analysis of the proposal, nothing jumps out as being significantly divergent from other revenue proposals we have seen. We will leave it to the AER to determine if costs are prudent and efficient.
 - The Energy Vision process that has helped inform this proposal was viewed positively by many TAC members as it provided added context and clarity of future scenarios.
 - The customer research was not viewed as positively. Research of this nature is becoming common and NSP's need to be wary of framing research so that it does not appear to be self serving or used to justify a desired outcome.

- The revenue proposal identifies an opening RAB of \$8.7B and future cap-ex of ISP projects to be \$8.9B. We can also see the NSW Energy Infrastructure Road Map adding substantially more cap-ex in coming years. It is not inconceivable to envisage the Transgrid RAB increasing 3 fold in the coming 10-15 years.
- Therefore, we view the 2023-28 revenue proposal as something of the calm before the approaching storm.
- TAC members have been expressing a desire to engage more fully on this, with limited success. Many TAC members have been left underwhelmed by the engagement on key projects such as PEC and more recently Humelink.
- A genuine co-design process for stakeholder engagement would have revealed that consumers have a strong desire to better understand the impacts of what is coming and how it relates to the current and future revenue proposals. We understand this is difficult in such a dynamic environment but the journey to gain joint understanding, even if there is disagreement, is worthy in itself.
- We encourage the AER to also adjust their approach to include greater consideration of the issues that are keeping consumers awake at night.

THANKYOU

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