

## Minutes of Meeting – Revenue Reset Reference Group – meeting 2

<b>Date:</b>	Tuesday 27 May 2025
<b>Meeting Location:</b>	99 Frome St, Adelaide SA 5000, Online
<b>Attending</b>	CAP WG – Andrew Richards, Cathi Buttfield, Georgina Morris, Greg McCarron, Leanne Muffet, Vikram Kenjle ENET – Bec Malhotra, Jeremy Tustin, Ed Heaton, Yolanda Sulser
<b>Apologies</b>	

Item	Agenda	Responsible
1.	Acknowledgement, Welcome and meeting minutes	Leanne Muffet
2.	Revenue Background plus Q+A	Bec Malhotra + Jeremy Tustin
3.	Spheres of Influence	Bec Malhotra + Jeremy Tustin + ALL
4.	AER Guest speaker includes Q+A	AER exec Gulbenkoglu + ALL
5.	Engagement Plan discussion	Leanne + ALL
6.	AOB, Wrap up, next meeting	Leanne Muffet

## Action items

Agenda	Action	Who is to Resolve	Due Date
All	Circulate slides & minutes	Leanne Muffet	13 June 2025
Revenue Background	Update data and insights slides pre-circulation	Bec Malhotra	13 June 2025
Revenue Background	ElectraNet to confirm actual asset useful life (5–50 years)	Bec Malhotra	13 June 2025
Revenue Background	Book a session with RRRG to run through transmission charges <sup>1</sup> .	Ed Heaton	13 June 2025
Revenue Background	Provide CAP with an update of current capex/opex performance.	Defer to CAP to action.	August 2025

<sup>1</sup> In the context of the impact to consumers – how these are divided between different customer groups. Also, ensure that we include the impact of major project investment and what this does to bills.

Agenda	Action	Who is to Resolve	Due Date
Spheres of Influence	Review the bubble diagram & respond to the questions	RRRG	25 June 2025
Spheres of influence	Book a session with the RRRG on the scoping and estimating process	Bec Malhotra	16 June 2025
Engagement Plan	Provide feedback on the draft engagement plan (targeted questions from Leanne)	RRRG	25 June 2025
Engagement Plan	Add & expand section for CCP & CAP roles & responsibilities for clarity	Bec Malhotra	16 June 2025
Engagement Plan	Add section for lessons learned/continuous improvement	Leanne Muffet	16 June 2025
AOB	RRRG to write letter to AER requesting CCP engagement & co-sign	RRRG (All – Leanne to oversee)	25 June 2025
AOB	ElectraNet to amend AER CCP letter based on feedback & alignment with RRRG letter	Bec Malhotra/Jeremy Tustin	27 June 2025
AOB	Implement feedback mechanism to evaluate engagement.	Leanne Muffet/Bec Malhotra	25 June 2025

## Questions on notice

Agenda	Action	Please respond to	Due Date
AOB	Would be keen to hear from Andrew about how engagement has operated elsewhere on other CAPs	Defer to CAP to action	August 2025 TBC

## Summary of discussion

### Revenue Background plus Q+A

ElectraNet presented the building blocks of the revenue determination, noting that the majority of the Maximum Allowed Revenue (MAR) (66%) comes from the Regulatory Asset Base (RAB), primarily past capex. Return On Capital is the largest contributor with opex second (33%). This is important as it is what flows into electricity bills.

#### Discussion Highlights

- RRRG queried how transmission charges flow to consumers and the impact of major project capex.
- RRRG queried the longest asset life, 50–55 years.
- Obsolete assets treatment was discussed, ElectraNet outlined in two-parts:

- fully depreciated assets no longer receive a return on or of capital, although minor ongoing maintenance costs may apply if still in use.
- Where assets are no longer required, treatment becomes more complex. If no new project are being undertaken, cost recovery (likely via opex) would need to be addressed with the regulator.
- ElectraNet has reservations about relinquishing easements, due to potential future need.
- There are no provisions for 'make-good' clauses regarding decommissioning lines.
- Discussion touched on accelerated depreciation with reference to gas networks.
- Consensus that no precedent exists for decommissioning prior to the end of economic life.

## Spheres of Influence

ElectraNet shared the conceptual "bubble diagram" designed to map various input areas according to their impact to Maximum Allowed Revenue (MAR) and (the RRRG) ability to influence. The purpose was to frame future discussions and prioritise focus areas for the RRRG. There was some general discussion on the items in each quadrant, discussion highlights:

- ElectraNet confirmed that they wanted to make sure they get the right input on how, where, and what to invest
- RRRG query regarding the position of *trade-offs optionality* and *price path impacts*. Considering that knowing the end price outcome would dictate some decisions.
- ElectraNet confirmed the conceptual nature of the diagram and encouraged the RRRG input to refine it.
- Three key questions for the CAP WG to reflect on

### **1. Are all the important things there?**

### **2. Are they in the right place?**

### **3. Is the boundary / sphere in the right place?**

- Discussion on bubble sizes – noted sizing is indicative & can be amended.
- Flexibility was confirmed to add new topics, split categories, or update the diagram based on feedback – general guide as to what the RRRG/CAP consider important to influence.
- ElectraNet confirmed once established, it will guide the sequence of topics presented to the RRRG. The chart is open to modification depending on RRRG preferences.

## Capital Expenditure

ElectraNet assumed capex would be on the list of topics of key interest to the RRRG.

ElectraNet provided an overview of capex criteria within the National Electricity Rules (NER) which is what the AER will assess, reinforcing the role of the RRRG in testing proposals against their expectations for reliability, service expectations and consumer value.

ElectraNet explained its forecasting approach: generally bottom-up by default with some top-down methods depending on category (e.g., network v non-network) and subcategory.

Discussion highlights

- RRRG requested a breakdown between replacement and new capex.
- ElectraNet reconfirmed the role of the RRRG in testing whether we are meeting community needs?
- RRRG noted that granularity and the inclusion of 'what-if' scenarios (e.g., delayed low load growth) would increase confidence in capex proposals.
- RRRG noted the National Energy Objective (NEO) amendment and there might be some new areas of large expenditure that didn't exist previously. These might be important areas to assess reasonableness.

Further discussion included:

- Align project planning and governance with strategy.
- RRRG to test the assumptions and outcomes.
- Benchmark current project performance against similar projects
- RRRG has reservations about the use of class 4 estimates (+/-50%) – noting a tendency towards cost overruns, and importance of this conversation to the RRRG. ElectraNet agreed that this warranted further discussion.

### **Non-BAU Capex**

ElectraNet presented on their recent 'ideation' session including – ideas for doing things differently to drive innovation or efficiency. This early stage process generated ideas, spanning capex and opex and will be refined before sharing with the RRRG. The process seeks to identify gaps, align with strategic initiatives/drivers, not create a wishlist.

- RRRG questioned if this was primarily augex, ElectraNet confirmed it's broader.
- Acknowledged that some ideas should be absorbed into our base year as BAU activities.
- RRRG expressed concern regarding SAPN's process being a wishlist and then engaged with people who had a vested interest.
- RRRG raised the issue of upcoming grid challenges – especially with increasing inverter based resources and declining synchronous generation – and what additional capex would be needed to manage this, noting that obligations for system strength sit with ElectraNet.
- ElectraNet responded that these are current operational challenges for ElectraNet, this list focuses on future challenges.
- RRRG confirmed that they would like to understand what ElectraNet have done in this space.
- Discussion on the potential applicability of SAPNs innovation allowance would be available to ElectraNet. ElectraNet believes it is relevant, but further work is required to understand what it looks like.

### **CAP/CAP WG vs CCP**

ElectraNet noted that the intent of their consumer engagement to bring everyone in early and build trust. What the RRRG bring (that engineers and economists can't), through lived experience is insights into community needs and judgement on trade-offs.

- RRRG held a broad discussion on its philosophical role, identifying key questions. What services matter most? What trade-offs are appropriate?

- Extensive discussion over the role of the CAP, the CAP WG, and the CCP.

There was an extended discussion about role clarity:

- RRRG advises the CAP, which ensures the regulatory proposal has a strong consumer lens. CAP protects consumer interests in a monopoly context.
- CCP advises the AER, evaluating how well the CAP has challenged and tested ElectraNet's proposal.
- RRRG noted that CCP are a 'watchdog' to ensure that consumer processes are happening and operating at the right level/quality.
- Consensus that clearer expectations are needed for deliverables from the CAP, CAP WG, and CCP. Some concern that without external expertise advising the CAP (distinct from the CCP), a gap may exist.
- Next steps discussed:
  - Improve information flow between CAP WG/CAP and CCP.
  - Understand how to access additional expert resources if needed.
  - Advocate to the AER for earlier CCP appointments, as late appointments have previously limited effectiveness.

## Guest Speaker – Arek Gulbenkoglou – General Manager, Network Expenditure at the AER

### Role and Value of the CAP

- The CAP adds value by clearly linking consumer preferences to the regulatory framework—particularly how these preferences translate into capex, opex, and revenue smoothing.
- CAPs should focus on influenceable areas, ensure consumer diversity is represented, and articulate how input has shaped outcomes.
- CAP feedback should be principled and consistent with the Better Resets Handbook, even if the handbook is now four years old.

### Engagement Expectations

- The AER expects meaningful, early consumer engagement aligned with the *Better Resets Handbook*—but notes that consumer preferences are just one factor among many in revenue determinations.
- CAPs should be aware that consumer views may not always be determinative, and transparency about why proposals are (or aren't) adopted is important.

### Capex and Opex Scrutiny

- CAPs are encouraged to test whether ElectraNet's expenditure proposals meet AER expectations for efficiency, need, and timing.
- Important areas include:
  - Outcomes from the current regulatory period (CESS, EBSS).
  - Deliverability and resourcing risks across the sector.
  - Affordability and whether investment can be staged across regulatory periods.

- The CAP should challenge the business to justify and prioritise its “shopping list” of investments.

### **The Role of the CCP**

- CCP’s role is evolving it observes and advises the AER on engagement effectiveness—not the business itself.
- CAP WG expressed dissatisfaction with late or minimal CCP input in other resets and advocated for earlier involvement and resourcing to overcome information asymmetry.
- CAP WG may write to the AER to outline expectations for CCP involvement and support.

### **Risk Allocation**

- In a high-uncertainty environment (e.g., energy transition), risk allocation between consumers and shareholders is a critical issue.
- CAPs should challenge how risk is managed and whether investment timing appropriately balances these interests.

### **Further Engagement**

- The AER executive welcomed ongoing engagement with the CAP WG and confirmed availability for further discussions.

### **Letter to AER**

- RRRG reviewed ElectraNet’s draft letter to the AER and suggested strengthening it with clearer, more persuasive examples—particularly around CCP engagement starting too late.
- RRRG agreed to send its own letter, noting alignment with ElectraNet on this issue and drawing on members’ prior CAP experience.

### **Engagement Plan**

- Confirmed the engagement plan is a living document and open to early input.
- ElectraNet will coordinate feedback via targeted questions to RRRG members.
- General support for the plan, though some areas need clarification.
- Suggestions included:
  - Incorporating lessons learned from past resets.
  - Using quick post-meeting surveys to gauge usefulness and relevance.
  - Incorporate a section outlining the responsibilities of the RRRG (CAP) and the CCP.
- Discussion on whether engagement should go beyond the CAP WG. Agreed this is a key decision that should be addressed early in the plan.

### **Meeting close**