

Meeting Agenda

| | |
|--------------------------|---|
| Date: | 13 April 2026 |
| Meeting Purpose: | Revenue Reset Reference Group – meeting 7 |
| Meeting Location: | Volta Room, 99 Frome St, Adelaide SA 5000 and online via MS Teams |
| Attending | ENET – Bec Malhotra, Sonya Battersby, Senthil Arumugam, Hugo Klingenberg, Ed Heaton, Chris Ridings, Jeremy Tustin, Ryan Astley, Brent Gimpel, Alain Bouchard, Kymberley Lawrence (part only), Duncan Ramsay (part only), RRRG – Cathi Butterfield, Andrew Richards, Greg McCarron, Leanne Muffet AER – Kirk Zammit, David Monk, Mitchell Holt, Felix Karmel, Mondali |
| Apologies | RRRG – Vikram Kenjle, Georgina Morris |

| Item | Agenda | IAP2 | Responsible |
|------|--|-------------------|-------------------------------|
| 1 | Acknowledgement of Country and welcome | N/A | Leanne Muffet |
| 2 | Opex base and trend | Consult / Involve | Ed Heaton / Sonya Battersby |
| 3 | Opex step changes | Consult / Involve | Jeremy Tustin |
| 4 | Break | | All |
| 5 | ICT portfolio | Consult / Involve | Brent Gimpel / Alain Bouchard |
| 6 | Summary discussion and next steps | Open discussion | All |
| 7 | Close | | Leanne Muffet |

Next meeting – 26 May 2026 10.00am

Action items

| Agenda | Action | Who is to Resolve | Due Date |
|---|--|-------------------|----------------------|
| This year's engagement / meeting schedule | Report on current period drivers, performance and reprioritisation | Jeremy Tustin | TBC |
| | Report on project prioritisation/deferrals and implication for allowed revenue in previous periods | Jeremy Tustin | Incorporate in above |
| Capex | ElectraNet to present on unit cost increases | Jeremy Tustin | TBC |
| HIO and PEC | Provide explanation for how the new PEC interconnector may increase ElectraNet's exposure to high impact outages, and clarify the apparent counterintuitive effect | Jeremy Tustin | 28 May 2026 |

| Agenda | Action | Who is to Resolve | Due Date |
|------------|--|-------------------|----------------------------------|
| Field trip | ElectraNet to invite CAP members to tour ElectraNet's control room. | Jeremy Tustin | November CAP meeting? |
| Opex | Further detail on business cases for step changes | ElectraNet staff | In Preliminary Revenue Proposal? |
| Opex | ICT forecasts presented by reference to recurrent and non-recurrent categories | ElectraNet staff | In Preliminary Revenue Proposal? |

Questions taken on notice

1. How and why does Project EnergyConnect make ElectraNet *more* exposed to costs and disruption due to high impact outages? Wasn't the purpose of PEC to increase reliability? Isn't it counter intuitive that it would cause increased exposure?
2. How does the SA Government's Firm Energy Reliability Mechanism interact with the High Impact outages step change? If both go ahead would we be paying twice for the same service?
3. Regarding synchronous condensers:
 - a. What is their expected life?
 - b. Are they performing as anticipated from both operational and maintenance cost perspectives?
4. What impact does the current uncertainty in world fuel markets have on the revenue proposal? Is it another step change?

Summary of discussions

Welcome

Leanne facilitated an Acknowledgement of Country.

Formal sign off – minutes and actions

RRRG ran through Action Items. All items have been completed except some which are scheduled for after the end of financial year.

Action items and previous meeting's minutes were signed off.

Opex base and trend

ElectraNet said that the AER's preferred approach to Opex forecasting is the 'Base Step Trend' method

ElectraNet presented its current application of the base and trend elements, noting that some inputs are not yet known and have been estimated. .

RRRG noted:

- The use of the **base-step-trend methodology** for Opex assessment.
- ElectraNet's proposal to adopt **FY27 (regulatory year 4)** as the base year.

- Use of **Powerlink's productivity parameter** in current analysis.
- Forecast parameters as set out in the slides, including the role of **energy throughput growth**.

Discussion included:

- A question regarding the ability to absorb **wage inflation**, noting comparable experience at SA Power Networks and the limited scope for adjustment outside the regulatory framework.

In summary:

- RRRG raised **no further questions**.
- RRRG indicated it was **generally comfortable** that the proposed base year was reflective of the forward position.
- RRRG noted clearly that **step changes are the principal drivers** of future Opex outcomes.

Opex step changes – overview

ElectraNet outlined its internal process for identifying potential Opex step changes:

- An initial list of **23 potential items** identified internally.
- A screening and review process undertaken by the regulatory team.
- Identification of **six candidate step changes** to be progressed for engagement with the RRRG.
- The term 'step change' is currently being used generically to capture category specific forecasts, network support pass through allowance items and actual step changes. The distinction between the categories will follow.

Innovation fund – preliminary discussion

Some of the Step changes in the slide deck had 'amber lights' assigned to them. These initiatives may not be step changes, but rather might form part of a future innovation fund.

RRRG discussion highlighted:

- Concerns that an innovation fund could be **opaque or insufficiently defined** if not tightly bounded.
- The importance of **clear project discipline** if a fund-based approach were pursued.
- AER noted that prior innovation fund discussions in the **distribution context** had largely focused on enabling additional CER and DER integration, and that the equivalent rationale for transmission was **less clearly defined**.

Individual step changes

Step change 1 – Operational capability uplift

Hugo Klingenberg presented on proposed operational capability uplifts.

Key discussion points:

- RRRG member queried **what has already been delivered** versus what is proposed, and expressed support for AEMO's current work to formalise operational capability frameworks.
- strong interest in understanding how ElectraNet's approach is being **co-ordinated with AEMO**, with consensus that **doing nothing is not an option**.
- A request was made for a **field trip to ElectraNet's control room** to assist RRRG understanding.

- ElectraNet noted that while the organisation has managed within existing capability to date, **future system complexity means an uplift is required.**
- While there was **concern about the magnitude** of the proposed uplift, RRRG broadly acknowledged that **the work needs to be done.**

ElectraNet committed to arranging a control room visit at a future date.

Step change 2 – High impact outages (HIOs)

Senthil Arumugam presented on high impact outages, including:

- Definition of HIOs and the requirement for **AEMO permission.**
- Why HIOs are expected to become **more material in the next regulatory period.**

Discussion included:

- RRRG Member queried the interaction between HIO management costs and the **South Australian Government's Firm Energy Reliability Mechanism (FERM)**, including whether customers could be paying twice.
- RRRG Member queried whether greater **regulatory rigour** could be achieved via a **network support allowance** rather than a pre-forecast step change.
- A clear preference emerged from RRRG discussion for **pass-through treatment** rather than a fixed step change, given uncertainty and variability.
- Requests for further clarity on the interaction between **Project EnergyConnect (PEC)**, HIO exposure and FERM.
- AER staff noted that views in the room extended beyond a single perspective and queried:
 - why the costs could not be forecast, and
 - why ElectraNet should not bear the associated risk.

Step change 3 – Live substation works

Ryan Astley presented on live substation works.

Discussion points:

- Live work could reduce exposure to HIOs by limiting the need for outages.

Discussion included:

- RRRG Member queried whether costs were **Opex or Capex** in nature.
- RRRG Member emphasised the **human and safety dimension**, noting that regulatory and system pressures are pushing businesses toward live work and that the human impact must not be overlooked.
- Strong and explicit **safety concerns** were acknowledged.
- RRRG did not express reluctance in principle to the step change, subject to safety being paramount.

Step change 4 – Synchronous condenser maintenance

Ryan Astley presented on synchronous condenser maintenance.

Discussion included:

- Questions from RRRG Member (taken on notice) regarding:

- o expected **asset life**; and
 - o whether there is evidence of **performance degradation** over time.
- RRRG did not express reluctance in principle to the step change.
-

9. Step change 6 – AEMO participant fees (out of sequence)

Ed Heaton presented on AEMO participant fees:

- Noting the transition from pass-through treatment to regulated Opex under the Rules.
- Explanation of proposed treatment options.

Discussion included:

- No questions were raised.
-

10. Step change 5 – Insurance

Kymerley Lawrence presented on insurance costs.

Discussion included:

- Recognition across RRRG members that insurance cost pressures are being experienced broadly across sectors.
- RRRG Member queried whether live substation work would materially affect insurance costs; ElectraNet indicated it did not expect this to be significant.
- RRRG noted an implicit expectation that **downward pressure would flow through** if markets soften, consistent with EBSS.
- RRRG Member noted they were facing similar insurance challenges in their industry sector.

Summary discussion – step changes

In addition to specific comments noted above, RRRG reflected that:

- Judgements on **prudence and efficiency** ultimately rest with the AER.
- The list of **six step changes was reasonable** and not out of step with broader industry experience, though each raises specific questions.
- The session represented a **high-level pass**, with acknowledgement that some items (including amber-rated concepts) may require further examination later.
- Even if individual step changes are reasonable one at a time, or other individual components of the revenue proposal, the RRRG will also want to consider the whole proposal in total
- Further clarity would be useful on:
 - o the interaction between **PEC and outages**;
 - o possible **supply chain and fuel risks**.
- AER Staff noted the relevance of the **insurance cost pass-through event** mechanism within the framework.

ICT portfolio

Brent Gimpel and Alain Bouchard presented on the ICT portfolio.

Discussion included:

- Consideration of discretionary versus non-discretionary elements (e.g. mandatory carbon reporting).
- Focus on how end-consumers experience value, not just cost.
- Clarification that non-recurrent improvement projects are expected to deliver net consumer benefit.
- Calls for transparency on recurrent versus non-recurrent ICT expenditure.
- RRRG Member queried why sustain costs have increased and what customer-visible enhancements result.
- RRRG Member queried whether software-as-a-service inherently increases cost; discussion acknowledged complexity and that cost outcomes are context-specific.
- Broad recognition that:
 - vendor-driven change is affecting all sectors,
 - consumers often see costs more clearly than risk,
 - individual initiatives make sense but cumulative impacts matter.
- There can be significant value in avoiding **costly failure**,
- There is rising system complexity and vendor-imposed change,
- In the ICT space in particular it is important to articulate **ongoing customer benefit**.

Summary – ICT discussion

RRRG made various additional comments relating to the ICT proposal and the meeting generally.

- At various times the RRRG called for additional transparency and/ or information. ElectraNet queried how this could be delivered given the time RRRG members are able to make available to this process
- RRRG Member said that in some cases it is **not the volume of information**, but how it is presented in the proposal. Some of the comments from RRRG should be interpreted as suggestions as to how things can be better presented. For example:
 - Breaking the ICT forecast down into recurrent and non-recurrent, as had been discussed but was not shown
 - Clear linkage between **discretion, non-discretion**, and the traffic-light framework would assist.
 - Aspects of the potential innovation fund, such as reporting and auditing, could also be presented in this way.
- Provision of **draft slides in advance**, even if incomplete, was valuable and should continue.