

Pricing Reform Working Group Final Meeting

Date: Thursday, 9 May 2019 – 1.00pm to 3.30pm

Venue: TasNetworks Offices 1-7 Maria Street (Admin 2 – Gordon Meeting Room)

TasNetworks Representatives: Lance Balcombe, Wayne Tucker, Chantal Hopwood, Don Woodrow, Iain Meaney, Shannon Culic.

Attendees: Charles Scarafiotti (Nekon Pty Ltd); John Cooper (Hydro); Penny Cocker (Electric Vehicle Association); Jack Gilding (Tasmanian Renewable Energy Alliance); Margie Law (Anglicare).

Apologies: Mark White (University of Tasmania); Hayden Moore (Aurora Energy); Bernadette Jago (Tasmanian Council of Social Service); Robert Mallett (Tasmanian Small Business Council); Chris Ferguson (Department of Education); Georgia Palmer (Local Government Association of Tasmania); Nick Steel (Tasmanian Farmers & Graziers Association); Michael Bailey (Tasmania Chamber of Commerce and Industry); Rosalind Herbert (Council of the Aging Tasmania); Tom Kelleher (Aurora Energy); Liam Foden (1st Energy); Marc White (Goanna Energy); Nick Steel (Tasmanian Farmers & Graziers Association); Bruce Fyfe (Tassal); John Devereaux (Tasmanian Farmers & Graziers Association); Martin Bullen (Department Health & Human Services); Sara Chettle (TasWater).

1. Meeting Purpose

To provide an overview of the Australian Energy Regulator's Final Decision, TasNetworks Pricing Strategy for 2019-24 and a new direction for the Pricing Reform Working Group.

The purpose of the meeting was to:

- inform stakeholders of the Australian Energy Regulator's (AER) final regulatory decision (**Final Decision**) for 2019-2024;
- provide stakeholders with TasNetworks transmission and distribution forecast pricing outcomes for the 2019-24 period;
- update stakeholders on TasNetworks pricing strategy following the AER's Final Decision;
- seek stakeholder feedback on TasNetworks proposed operational process to implement the AER's pricing determination for 2019-24;
- provide an overview of TasNetworks Alternative Control Services; and
- seek stakeholder feedback on TasNetworks proposed new direction of the Pricing Reform Working Group (**PRWG**).

2. TasNetworks Presentations

The presentation slide pack has been attached for your information.

2.1 Introduction

Speaker: Lance Balcombe

- Lance Balcombe introduced the meeting and congratulated the group's success in contributing to developing TasNetworks pricing strategy over the past four years; and
- Discussed the progress of Marinus Link and a discussion on the cost / benefit analysis followed. Questions are outlined in section 3.1.

2.2 Australian Energy Regulator Final Decision

Speaker: Don Woodrow

- Don Woodrow gave an overview of the Regulatory Proposal Timeline; from the date of the initial proposal through to the Final Decision;
- A summary of the Final Decision was provided:
 - Contingent projects accepted;
 - Operating expenditure accepted for both transmission and distribution;
 - Capital expenditure reduced by 7%~ for both transmission and distribution;
 - Transmission rate of return 5.55 per cent for the first year of 2019-24; and
 - Distribution rate of return 5.28 per cent for the first year of the 2019-24 period.

2.3 Transmission Revenue Outcomes

Speaker: Iain Meaney

- Provided an update of the transmission forecast pricing outcomes for 2019-24.

2.4 Distribution Revenue Outcomes and Pricing Strategy

Speaker: Chantal Hopwood

- Provided an update of the distribution forecast pricing outcomes for 2019-24;
- Recapped TasNetworks Pricing Strategy and what we proposed in the Revised Tariff Structure Statement in November 2019. This included a transition towards more cost reflective network tariffs by:
 - Changing the assignment policy residential customers from an opt in to an opt out time of use consumption based network tariff for residential customers by default; and
 - Adopting an opt in approach for time of use consumption based network tariffs for small business customers.
- Shared the AER's Final Decision on our Pricing Strategy for 2019-24;
- Sought stakeholder feedback on TasNetworks proposed operational process to implement the AER's Final Decision; and
 - Stakeholders were in broad support of TasNetworks proposed process but requested further information on to understand the retailer process.

2.5 Terms of Reference and Close

Speaker: Don Woodrow

- Congratulated the group for contributing to TasNetworks 2019-24 pricing strategy;
- Introduced the new direction of the group, the 'TasNetworks' Policy and Regulatory Working Group' (**Working Group**) and noted its vision to widening the scope of collaboration to the direction of energy regulatory, policy and pricing outcomes and reform in Tasmania;
- Shared the several projects in the immediate future we're looking for collaboration on:
 - The North West strategy;
 - The forward works program;
 - Asset management plans; and
 - Our forward pricing plans.
- Following the meeting, the group was provided with the revised Terms of Reference of the Working Group and was asked to provide feedback.

3. Key Questions

Throughout the presentations stakeholders were engaged and asked diverse questions on a range of topics.

The major themes of the discussion are discussed below.

3.1 Project Marinus

- Lance Balcombe discussed ownership of Marinus Link and noted that we are working to ensure we have the correct pricing outcome.
- Chantal Hopwood discussed that one of the triggers of Marinus Link is the successful outcome of a Regulatory Investment Test – Transmission (**RIT-T**) and in this, the market benefit will need to be articulated.
- TasNetworks noted that Project Marinus is currently investigating the beneficiaries and are looking at the pricing arrangements to ensure those who benefit will bear the cost.

3.2 Contingent projects

- Don Woodrow noted that the trigger events associated with the contingent projects were revised following the AER's Draft Decision and this led to a successful outcome in the AER's Final Decision.

3.3 Pricing

- Chantal Hopwood noted that the transmission network tariffs have been finalised for 2019-20 and the distribution network tariffs will be submitted to the AER for approval in late May 2019. There is no timeframe stipulated in the National Electricity Rules for the AER's approval but we are preparing for a decision in mid-late June 2019.

3.4 Opt out process

- Stakeholders noted that more information is needed to understand how retailers intend to provide data to consumers and how in depth their consumer engagement will be to ensure households or small businesses are able to make an informed decision on their pricing arrangements.

3.5 Internal developments

- Lance Balcombe noted that the current internal development is focussing on building up the internal capability of the Project Marinus team.
- Noted that the company reorganisation of 2018 is complete.

- Wayne Tucker noted TasNetworks is focussing heavily on the core business, providing safe and reliable electricity to the Tasmanian community. Further noted that we are currently in the planning stage of the forward works program to implement the AER's Final Decision.

4. Further comments

Stakeholders suggested that TasNetworks provide electric vehicle car sellers an information package to share with consumers, to enable consumers to have a greater understanding of how electric vehicles impacts the Tasmanian electricity network.

5. Next steps

TasNetworks has heard feedback that group members are interested in better understanding the retail pricing outcomes for customers on consumption based time of use tariffs and will look to work with Aurora Energy to further the current analysis so that it includes retail impacts.

Members are encouraged to advise TasNetworks if they would like an additional PRWG meeting later in the year to discuss customer pricing outcomes in more detail.

6. Summary of Actions

The table below provides a summary of the actions captured during the meeting that have since been completed.

Action	Responsibility	Due date
• TasNetworks presentation to be circulated amongst the PRWG members.	Shannon Culic	10 May 2019
• TasNetworks information package including small business and residential analysis, fact sheets and frequently asked questions to be circulated amongst the PRWG members.	Shannon Culic	10 May 2019
• TasNetworks' Policy and Regulatory Working Group terms of reference to be circulated amongst the PRWG members.	Shannon Culic	10 May 2019
• PRWG minutes to be circulated amongst the PRWG members.	Shannon Culic	22 May 2019
• Forward engagement calendar circulated.	Shannon Culic	June 2019

Meeting closed at 3.30pm.

Next meeting: To be determined