

Consumer
Challenge
Panel

CCP27 Advice to the AER

**TasNetworks Combined Revenue Reset Revised Proposal
(Transmission and Distribution)**

19 January 2024

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Table of Contents

1 Focus of this advice..... 4

2 TasNetworks consumer engagement 5

2.1 Pre-lodgement engagement.....5

2.2 Post-lodgement engagement6

3 Assessment of consumer engagement activities 8

4 Other matters..... 15

4.1 Affordability.....15

4.2 Contingent projects15

4.3 Network resilience and reliability17

4.4 Opex.....17

4.5 Other issues for engagement18

4.5.1 Tariff options for electric vehicles 18

4.5.2 Allocation of costs for legacy metering..... 19

4.5.3 Price path 19

4.5.4 Future engagement plans 19

Acknowledgement of Country

The networks and facilities owned by TasNetworks traverse the lands of the palawa as the original owners and custodians of lutruwita (Tasmania). We recognise the traditional owners of these lands and honour their customs and traditions and special relationship with the land as well as those where this report is being prepared. We respect the elders of these nations, past, present and emerging.

Confidentiality

To the best of our knowledge this report does not present any confidential information.

CCP27 Advice to the AER – TasNetworks Revised Proposal

1 Focus of this advice

CCP27 was appointed in November 2021 to review the following resets:

- Power and Water Corporation (Northern Territory) electricity distribution (2024-29)
- TasNetworks (Tasmania) electricity distribution and transmission (2024-29)

TasNetworks submitted its *Combined Regulatory Proposal* (referred to by TasNetworks as its *Original Proposal*) for its transmission and distribution networks to the AER in January 2023. CCP27 provided Advice on that Proposal to the AER in May 2023.¹

This Advice relates to TasNetworks 2024-2029 *Revised Proposal*, which TasNetworks lodged with the Australian Energy Regulator (AER) on 30 November 2023 (hereafter we refer to this document as the *Revised Proposal*). TasNetworks lodged its *Revised Proposal* with the AER in response to the AER's *Draft Decision TasNetworks – 2024-29 Transmission and Distribution revenue proposal* (hereafter we refer to this document and its attachments as the *AER's Draft Decision*).

In line with our role agreed with the AER, and within the time and resources available, this Advice focuses on the following:

- An assessment of selected TasNetworks' consumer engagement activities since May 2023 and how this engagement has helped shape TasNetworks' *Revised Proposal* in accordance with the AER's expectations for consumer engagement as outlined in the *Better Resets Handbook*.
- Other key issues identified from the AER's *Draft Decision* and *TasNetworks' Revised Proposal*

In particular, in relation to the second bullet point, this Advice considers the following aspects of TasNetworks' *Revised Proposal*:

- Affordability
- Contingent projects (transmission)
- Network resilience and reliability
- Operating expenditure
- Other engagement issues

In our May 2023 Advice, we noted that TasNetworks needed to further engage with customers and stakeholders to gain their full support for its proposed new Customer Service Incentive Scheme (CSIS). In July 2023, TasNetworks gained this support through a collaborative engagement process and the AER accepted TasNetworks proposed new CSIS in its *Draft Decision*, so this item is no longer a point of concern for CCP27.

¹ CCP27, *CCP27 Advice to the AER – TasNetworks Combined Revenue Reset Proposal (Transmission and Distribution Electricity Distribution) (2024-29)*, May 2023

2 TasNetworks consumer engagement

2.1 Pre-lodgement engagement

In our May 2023 Advice to the AER on *TasNetworks Combined Revenue Reset Proposal (Transmission and Distribution)* we provided an overview of TasNetworks engagement in the lead up to TasNetworks lodging its *Regulatory Proposal*. At that point, and noting that CCP27 was appointed after TasNetworks early engagement had commenced, we made the following key observations:

- TasNetworks consumer engagement was well-structured around five clearly defined phases, with each phase having a distinct purpose, defined target audiences, topics for engagement, engagement activities and outcomes
- TasNetworks engagement has been both broad and deep – capturing the views of individual customers in each phase (breadth) and more deeply engaging with other stakeholders including groups especially formed to consider TasNetworks' proposals, such as its Reset Advisory Committee (RAC) and previously established groups such as its Customer Council (CC), and Policy and Regulatory Working Group (PRWG)
- TasNetworks engaged with individual customers in all phases, using face to face methods (at multiple locations across Tasmania) and online methods, as well as drawing on evidence of customer preferences through business as usual (BAU) engagement activities such as customer surveys
- TasNetworks engaged with other stakeholder groups in all phases, via online and face to face methods (including hybrid workshops, allowing stakeholders to attend online or face to face as they preferred)

We concluded that TasNetworks' engagement improved as it moved through the various phases. Regardless, overall TasNetworks predominantly appeared to *inform* and *consult* customer and stakeholder groups², who continued to emphasise the importance of affordability to TasNetworks, reflecting the impacts of broader cost of living influences across Tasmanian communities. TasNetworks responded to this theme and continued to highlight the need for affordability and value as it developed its *Regulatory Proposal*.

We also noted that whilst TasNetworks sought some opportunities to reduce costs and expenditure to help address affordability concerns, CCP27 considered TasNetworks could adopt a more aggressive approach to affordability and be more consistent with other networks' proposals.

The RAC also sought greater transparency from TasNetworks including deeper insights into its investment governance, any possible change in TasNetworks' risk position and any 'give and take' in delivering customer value. This included seeking greater transparency around the cost implications of contingent projects as TasNetworks' engagement on contingent projects was predominantly around *informing* customers and stakeholders at a high level.

² With informing and consulting being at the lower end of the IAP2 Public Participation Spectrum.

CCP27 Advice to the AER – TasNetworks Revised Proposal

In our May 2023 Advice to the AER we therefore encouraged TasNetworks to engage deeply with customers on the cost implications of contingent projects and consider customers' concerns, particularly potential bill impacts, when preparing its *Revised Proposal*.

2.2 Post-lodgement engagement

TasNetworks has undertaken the following customer and stakeholder engagement activities since May 2023, although we note that the focus of TasNetworks' post-lodgement engagement was to³:

'keep [stakeholders] **informed** of the process and our considerations for the Revised Proposal' (emphasis added)

CCP27 members observed those events shown in **blue bold**.

- **TasNetworks Policy and Regulatory Working Group (PRWG) and Customer Council (CC), combined meeting** (hybrid face-to-face and online) to further customer engagement on its proposed CSIS, and in particular incentive rates and targets for the CSIS, 19 July 2023 (10 RAC/PRWG/CC representatives)
- **TasNetworks PRWG and CC, combined meeting** (hybrid face-to-face and online) to provide key updates regarding the Government's renewable energy projects, TasNetworks' North-West Transmission Developments (NWTN) project, updated revenue forecasts, and the AER's Issues Paper and information requests, 23 August 2023 (10 RAC/PRWG/CC representatives, 4 business community representatives)
- TasNetworks' Annual Planning Report (hybrid face-to-face and online), including updates on North-West Transmission Developments, 3 November 2023 (29 stakeholders including 7 RAC/PRWG/CC representatives and 22 other interested stakeholders)
- TasNetworks PRWG and CC, combined meeting (hybrid face-to-face and online) to provide an overview of the AER's draft decision, contingent projects and price impacts, North-West Transmission update, and Marinus Link updated costs and benefits, 22 November 2023 (6 RAC members, 8 PRWG members, 2 CC members and 5 others excluding AER observers)
- **Online public and stakeholder forum an overview of TasNetworks' Revised Proposal** ahead of its submission to the Australian Energy Regulator by 30 November 2023, to explain changes since TasNetworks lodged its *Regulatory Proposal* with the AER in January 2023, 28 November 2023 (56 attendees)

CCP27 notes that the timing of the PRWG/CC meeting on 22 November 2023 is unlikely to have afforded time for TasNetworks to incorporate any meaningful changes to its *Revised Proposal* prior to lodgement on 30 November 2023.

Notably, TasNetworks has predominantly only engaged with 'informed' customers and stakeholders since May 2023, although TasNetworks' Annual Planning Report launch was open to the public.

³ TasNetworks *Revised Proposal 2024-29*, November 2023, p.10

CCP27 Advice to the AER – TasNetworks Revised Proposal

Hence, we are not confident that TasNetworks' has formally tested customer support for its *Revised Proposal* beyond informing customers and stakeholders.

CCP27 Advice to the AER – TasNetworks Proposal

3 Assessment of consumer engagement activities

Our May 2023 Advice included a detailed assessment of TasNetworks consumer engagement activities against the *Better Resets Handbook*. Rather than replicate that assessment, we focus on our observations and other evidence we have gathered from TasNetworks to address the concerns with TasNetworks engagement that we raised in our May 2023 Advice.

Table 3-1: TasNetworks’ actions to address engagement concerns raised in CCP27’s May 2023 Advice

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 Advice	CCP27 observations since May 2023
<p>Engage sincerely, openly and genuinely with consumers, such that consumers have confidence in the process</p>	<ul style="list-style-type: none"> While TasNetworks made a genuine effort to engage with its broader customer base at different stages, and in different ways (focus groups and surveys, face to face and online), in terms of quantitative evidence of customer preferences limited numbers of customers (around 130 customers) participated in activities directly related to its proposal. Hence evidence of customer expectations and preferences is largely qualitative or drawn from TasNetworks BAU survey. TasNetworks engagement on its contingent projects was limited despite persistent questioning from RAC members around the projects, customer benefits and cost impacts. 	<ul style="list-style-type: none"> TasNetworks post-lodgement engagement has largely been limited to key stakeholder groups RAC/PRWG/CC and any support for its <i>Revised Proposal</i> appears to be limited to feedback from these groups (i.e. we have not seen any evidence that TasNetworks has retested its <i>Revised Proposal</i> with its broader customer base). <ul style="list-style-type: none"> During these sessions TasNetworks predominantly informed stakeholders of its <i>Revised Proposal</i>. While TasNetworks fielded questions from participants, we are not confident TasNetworks always answered questions to stakeholders’ satisfaction. For example, despite RAC members continuing to ask TasNetworks to explain changes in the overall bill impact between the <i>Draft Plan</i>, the <i>Regulatory Proposal</i> and <i>Revised Proposal</i> RAC members do not feel TasNetworks has provided them with an adequate explanation.

CCP27 Advice to the AER – TasNetworks Proposal

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 Advice	CCP27 observations since May 2023
		<ul style="list-style-type: none"> • Further, it is not evident to us that the issues stakeholders raised led to any adjustments in TasNetworks' <i>Revised Proposal</i>. • TasNetworks has now engaged further (largely by informing stakeholders) on its contingent projects. Based on the meeting's summary report it received a considerable number of questions from stakeholders at its Annual Planning Report session on 3 November 2023 and subsequently at its 28 November 2023 session on the anticipated costs of its transmission projects and how they will be funded⁴. Again, we are not confident TasNetworks always answered questions to stakeholders' satisfaction. Significantly there was limited time between 22 November and 30 November 2023 for TasNetworks to consider customer feedback in finalising its <i>Revised Proposal</i>.
<p>Consider consumers as "partners", rather than simply being</p>	<ul style="list-style-type: none"> • While TasNetworks may consider members of the RAC as "partners", we question the extent those members genuinely felt like they were partners. 	<ul style="list-style-type: none"> • TasNetworks' post-lodgement engagement has largely been limited to key stakeholder groups RAC/PRWG/CC and as time has progressed we observed a greater appetite among these stakeholders to question and challenge TasNetworks.

⁴ Based on our review of TasNetworks, *R24 Engagement Activity Outcomes Summary*, Report from TasNetworks 30 November 2023 Annual Planning Report. Available from https://talkwith.tasnetworks.com.au/tasnetworks-r24/widgets/357907/key_dates#159477

CCP27 Advice to the AER – TasNetworks Proposal

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 Advice	CCP27 observations since May 2023
asked for feedback	<ul style="list-style-type: none"> • Based on RAC members’ reflections in our feedback session, we also question TasNetworks’ enthusiasm to genuinely and openly engage, as partners: <ul style="list-style-type: none"> ○ <i>“We were given the cards they wanted us to see”</i> ○ <i>“It was a really hard slog to get them to open up on contingent projects.”</i> 	<ul style="list-style-type: none"> ○ However we are not confident those members genuinely feel like ‘partners’.
Equip consumers with accurate and unbiased information so they can engage effectively	<ul style="list-style-type: none"> • RAC members acknowledged they received accurate and timely information, but also queried aspects of the information: <ul style="list-style-type: none"> ○ <i>“They tell us what they know and what [they think] we want to know”</i> ○ <i>“Information asymmetry is difficult for them to manage and for us to establish – where do they start, who explains and how they give details.”</i> ○ <i>“We got the detail but not always the thinking, context and background.”</i> ○ <i>“Understanding customer impact and dollar value has taken a lot to get to this point – even indicative [information on] the scale and impact on a customer bill.”</i> 	<ul style="list-style-type: none"> • TasNetworks appears to be continuing to provide RAC/PRWG/CC with accurate and timely information, but we are not confident RAC members’ perceptions have shifted significantly since our observations in our May 2023 Advice.

CCP27 Advice to the AER – TasNetworks Proposal

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 Advice	CCP27 observations since May 2023
<p>Be accountable to consumers</p>	<ul style="list-style-type: none"> • RAC members were concerned that TasNetworks was “network focused” rather than consumer oriented: <ul style="list-style-type: none"> ○ <i>“They very much have a network focus, even the name ‘TasNetworks’, building networks should be a last resort, they should be renamed to become TasDistribution.”</i> ○ <i>“We want a customer focus, rather than network solution.”</i> • TasNetworks appeared reluctant to address RAC members’ questions around contingent projects, although RAC members acknowledge the political constraints and sensitivities: <ul style="list-style-type: none"> ○ <i>“They [TasNetworks] are in a unique situation with many contingent projects. There is a reluctance to consider the scenarios. We can’t consider the answers until they are known – we only got traction yesterday [i.e. at the previous day’s RAC meeting].”</i> • RAC members were concerned that the “right” person or people were not always “in the room”; <i>“the engagement people are excellent but are they the influencers?”</i> • RAC members were also concerned when capital expenditure people were present that <i>“it was just to defend their projects”</i> 	<ul style="list-style-type: none"> • Since May 2023, TasNetworks has ‘consulted’ with RAC members and other stakeholders on its proposals. • Affordability remains a concern – the RAC in particular remains concerned about TasNetworks’ (lack of) transparency regarding the cost of contingent project especially in the context of “being promised lower energy prices” particularly in relation to Marinus Link.

CCP27 Advice to the AER – TasNetworks Proposal

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 Advice	CCP27 observations since May 2023
<p>Engage broadly and deeply with consumers, including defining their expected level of participation and influence</p> <p>Allow consumers to guide the development of network proposals, based on consumers' desired outcomes</p>	<p>As noted above, RAC concerns related to:</p> <ul style="list-style-type: none"> • Network focus rather than customer focus • RAC members at most felt “involved” <p>We are unclear about the extent TasNetworks intends to continue to engage broadly with consumers, on matters specific to its proposal, noting we anticipate its BAU research will continue</p>	<ul style="list-style-type: none"> • We have not seen any evidence that TasNetworks has continued to engage broadly with consumers on matters specific to its proposal outside the RAC/PRWG/CC groups.
<p>Use a variety of engagement methods</p>	<p>Nil</p>	<p>N/A</p>
<p>Provide evidence of consumer impacts on their</p>	<ul style="list-style-type: none"> • It is not entirely clear to CCP27 how TasNetworks <i>balanced</i> customer and stakeholder views to shape its <i>Proposal</i>. CCP27 questioned TasNetworks on this issue in the April 2022 Stakeholder Forum. In its response, TasNetworks emphasised its consistent affordability theme and referenced scenario 	<ul style="list-style-type: none"> • No change since May 2023.

CCP27 Advice to the AER – TasNetworks Proposal

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 Advice	CCP27 observations since May 2023
regulatory proposal	testing around customers’ willingness to pay for reliability and network resilience. However neither TasNetworks’ response nor its <i>Proposal</i> specifically explain <i>how</i> the balanced was achieved	
Demonstrate independent consumer support for the proposal	<p>Key findings from the RPS <i>Final Engagement Report</i>⁵ (after phase 5) include customer and stakeholder concerns or expectation around:</p> <ul style="list-style-type: none"> • Increased transparency about the TasNetworks’ proposals and stakeholder influence, including cost implications of different R24 scenarios • Continued engagement on contingent projects, especially those related to Marinus Link as well as other issues including hydrogen, the Marinus Link rule change, Tasmanian Renewable energy Zones and System strength <p>The RAC indicated it is “<i>hopeful it had influence</i>” and thinks it “<i>represented the customers as best we could</i>”</p> <p>The RAC’s <i>Independent Engagement Report</i> is not entirely supportive of TasNetworks with members noting concerns around:</p> <ul style="list-style-type: none"> • Limited background information provided to them • Insufficient focus on affordability and a late explanation on the pricing impacts on customers of TasNetworks’ proposal 	<ul style="list-style-type: none"> • RAC members remain concerned about TasNetworks’ limited transparency around the cost implications of its contingent projects and how they can be justified against promises of lower energy prices. • Given TasNetworks has not undertaken any further broad engagement with consumers to gain support for its <i>Revised Proposal</i> and RAC concerns remain, we are not confident that TasNetworks has the necessary independent consumer support for its <i>Revised Proposal</i>.

⁵ RPS, R24 Phase Five Engagement Report, March 2023

CCP27 Advice to the AER – TasNetworks Proposal

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 Advice	CCP27 observations since May 2023
	<ul style="list-style-type: none"> • Greater emphasis by TasNetworks on opex and capex costs than benefits to customers • A perceived lack of willingness by TasNetworks to advocate for rule changes to account for contemporary network issues such as climate change, and demand reduction • Limited information provided to the RAC on TasNetworks' contingent projects, especially as they have potential to significantly impact customers' bills <p>Overall, the RAC is uncertain about the difference it made to TasNetworks' proposal</p>	

4 Other matters

In this section we provide some brief comments on key issues referenced in the AER's *Draft Determination*, and TasNetworks *Revised Proposal*, and considerations for the AER in the context of TasNetworks customer and stakeholder interests.

4.1 Affordability

TasNetworks' combined transmission and distribution charges account for around 35% of residential consumers' electricity bills.

The AER's *Draft Decision* acknowledges the cost of living pressures and energy affordability concerns facing consumers. TasNetworks in its *Revised Proposal* also acknowledges that affordability was a key concern for customers.

However, under the AER's *Draft Decision*, combining transmission and distribution charges, Tasmanian customers' bills are expected to increase as follows:

- Residential customers: an average of \$47 per annum (an overall increase of 10.8% in nominal terms)
- Small business customers: an average of \$46 per annum (an overall increase of 11.5% in nominal terms)

CCP27 acknowledges higher regulatory depreciation, return on capital and cost of corporate income tax building blocks have contributed to these increases, and these factors are outside TasNetworks' control.

However, CCP27 remains concerned that TasNetworks is inconsistent with other networks⁶, and has not continued to broadly engage with customers to re-test customer support for the elements of its proposals that it can control.

In its *Draft Decision*, the AER accepted the capex and opex forecasts in TasNetworks' Regulatory Proposal, and TasNetworks did not propose any changes in its *Revised Proposal*. Given the limited consumer engagement on affordability in TasNetworks' post-lodgement engagement, CCP27 challenges the AER to demonstrate in the Final Decision how customer preferences in relation to overall affordability of the Proposal have been taken into account.

4.2 Contingent projects

Contingent projects have remained a major topic of discussion throughout TasNetworks' engagement program. TasNetworks proposed seven contingent projects in its *Regulatory Proposal*. However the AER did not accept the triggers for these projects in its *Draft Decision*. Subsequently in

⁶ See for example Essential Energy Customer Webinar and Survey- Essential Energy Revised Regulatory Proposal: Woolcott Research & Engagement, *Customer and Stakeholder Engagement for the 2024-29 Regulatory Proposal – Phase 5*, November 2023

its *Revised Proposal*, TasNetworks proposed revised triggers and versions of these contingent projects.

Before preparing its *Regulatory Proposal*, TasNetworks shared details of nominated contingent projects with its PRWG/CC/RAC, and customer panels and in one-on-one meetings with transmission customers.⁷ In our May 2023 Advice we acknowledged the main areas of interest for customers and stakeholders were:

- Who pays; and
- What is the potential bill impact?

At that time, we had not observed nor were we aware of any *detailed* customer engagement on the need for the proposed contingent projects or the *definition of the triggers* for them to be implemented. Further, despite ongoing requests from RAC members and others they did not receive any indicative information on the potential bill impacts if the contingent projects were to proceed prior to lodgement of the *Regulatory Proposal*.

Since May 2023, CCP27 members have observed two meetings attended by combinations of RAC, PRWG and CC representatives, as well as observing TasNetworks' public forum to explain its *Revised Proposal*. A range of stakeholders attended these sessions. Despite participant questions in all sessions regarding the costs and benefits of the contingent projects, especially around Marinus, TasNetworks did not appear to address the questions around bill impacts to participants' satisfaction. Rather, they committed to 'someone getting back to you to discuss'. Hence at best we consider these sessions attempted to *inform* rather than genuinely engage with participants on their concerns.

TasNetworks' *Revised Proposal* elaborates on the revised contingent projects and provides greater detail of the triggers for these contingent projects to proceed. We note that the *Revised Proposal* provides forecasts of indicative price impacts of contingent projects for residential and small business customers⁸ which indicates a positive outcome for these cohorts due to the regulated network charges attributable to the additional load being forecast to be greater than the additional revenue associated with the contingent projects. We are not aware of forecast price impacts for larger customers.

However, there is no indication in TasNetworks' *Revised Proposal* to demonstrate customer support or even engagement beyond informing customers of the triggers.

From CCP27's perspective we consider customers remain both uncertain (and unengaged) as to:

- The triggers for the contingent projects and their appropriateness from a customer perspective
- The bill implications of the contingent projects for large customers
- The benefits of the projects for Tasmanians

⁷ TasNetworks, Combined Proposal, Attachment 7, p5

⁸ TasNetworks, *Revised Proposal*, p. 45

- Opportunities for risk/cost trade-offs between contingent projects and other projects in the forward plan to manage overall cost impacts.

Recent informal feedback from one RAC member to CCP27 highlights these concerns:

“What is the cost of Marinus, we were promised lower energy prices, where is the modelling?”

Accordingly, CCP27 advises the AER to take into account these concerns when making its determination and to emphasise to TasNetworks that it expects TasNetworks to undertake a comprehensive customer engagement program should any of these contingent projects be triggered.

4.3 Network resilience and reliability

In our May 2023 Advice, we noted that during May and June 2022 TasNetworks had engaged with members of its customer panels to seek their support or otherwise for a range of approaches to address network reliability and resilience. At the time, customers expressed support for TasNetworks to invest in renewable energy and commit to sustainability. Consequently, TasNetworks proposed targeted improvements to poor performing parts of the network and initiatives to improve network resilience, such as reinforcing or replacing wooden poles in high risk areas.

Given, economic conditions in Australia have declined since TasNetworks originally engaged with customers on network reliability and resilience and given the forecast increase in network prices for customers CCP27 remains concerned that customers may not express the same reliability and resilience preferences that result in bill increases.

In our May 2023 Advice we encouraged TasNetworks to re-test customers’ preferences prior to TasNetworks’ lodging its *Revised Proposal*. However, unlike other networks, we have not seen any evidence to indicate TasNetworks has retested customer preferences.

Accordingly, CCP27 encourages the AER to take into account these concerns when making its determination and to emphasise to TasNetworks the importance of ongoing engagement with customers in relation to network reliability/resilience projects.

4.4 Opex

In our May 2023 Advice we noted that we had not observed or were aware of any in-depth engagement by TasNetworks with consumers or other consumer representatives on opex forecasts, including opex step changes totalling \$22.1 million for transmission and \$23.0 million for distribution.

Significantly, the August 2023 minutes of the combined PRWG/CC/RAC Workshop record that:

‘there were also several enquiries around understanding the inputs and assumptions that went into TasNetworks’ operating expenditure (opex) and capital expenditure (capex) forecasts.’⁹

Such questions from consumer representatives clearly indicate their interest in opex and capex, but despite this interest we cannot find any record that indicates TasNetworks responded to these queries (no response or note to follow up is noted in the August minutes).

The AER made a similar observation in its *Draft Decision*, referencing the *Better Resets Handbook*. In particular, the *Better Resets Handbook* expects networks to engage with customers on opex proposals and demonstrate how they are consistent with consumer preferences.

Despite TasNetworks’ lack of consumer engagement, the AER accepted TasNetworks opex proposal including insurance and cyber security step changes in its *Draft Decision* as TasNetworks’ opex proposal was not materially different to the AER’s alternative estimate. Consequently, TasNetworks accepted the AER’s *Draft Decision* on total opex and makes no further reference to consumer engagement on opex in its *Revised Proposal*.

CCP27 remains both concerned and disappointed that TasNetworks did not engage with consumers beyond providing basic information on approaches to developing proposals when questioned by customers.

4.5 Other issues for engagement

The AER suggested in its *Draft Decision* two other topics for engagement with TasNetworks customers:

- In relation to electric vehicle charging, further tariff options targeting flexible load, for example an opt-in controlled load tariff for flexible load¹⁰
- Allocation of costs for legacy metering.¹¹

4.5.1 Tariff options for electric vehicles

TasNetworks did not consult with customers on this topic. Instead, it presented a rationale for not using a controlled load tariff for this purpose.¹² TasNetworks explained that:

TasNetworks does not, however, consider that a controlled load tariff for EV charging represents a better solution than uncontrolled time of use network tariffs. The use of controlled load arrangements and their reliance on separate circuits and metering may result in additional costs for the customer, including increased charger installation costs and additional supply charges and metering costs. Controlled load tariffs also prevent customers from using energy at certain times of the day. This means customers may not be able to

⁹ TasNetworks, *R24 Engagement activity outcome summary – PRWG+CC+RAC Workshop – 23 August 2023*, p. 4

¹⁰ AER, *Draft Decision, Attachment 19, Tariff Structure Statement*, September 2023, p. 7

¹¹ AER, *Draft Decision, Attachment 20, Metering Services*, p. 8

¹² TasNetworks, *Revised proposal Tariff Structure Explanatory Statement*, p. 52

charge their EVs at times that suit them more than the charging periods offered under a controlled load arrangement or to charge their vehicle for unplanned or urgent trips.

Although TasNetworks did not consult with customers on this decision, the sentiment expressed is similar to that expressed by other networks' customer groups, for example Evoenergy.¹³

4.5.2 Allocation of costs for legacy metering

The AER's *Draft Decision* encouraged TasNetworks to consult with its customers on the cost recovery of legacy metering services.¹⁴ TasNetworks did not consult on this issue.

Instead, TasNetworks explained that it proposes to maintain an ACS classification for metering services in Tasmania for the 2024-2029 regulatory control period for the following reasons:

- The Tasmanian Government has committed to the installation of advanced meters across Tasmania by the end of 2026, and TasNetworks forecasts limited legacy meters to remain in service out to the end of the 2024-2029 regulatory control period
- Metering costs are currently socialised at the retailer level in Tasmania under the Office of the Tasmanian Economic Regulator's 2022 Standing Offer Price Determination, resulting in Tasmanian customers paying the same for metering services irrespective of their metering type (legacy or advanced)¹⁵.

CCP27 supports TasNetworks' decision not to engage with customers on this issue.

4.5.3 Price path

TasNetworks states that they engaged with customers on 22 November 2023 on the preferred price path for distribution customers¹⁶. CCP27 was not able to observe this session. TasNetworks reports that stakeholder consultation showed overwhelming support for the alternate smoothing approach, which is a non-standard approach to revenue smoothing over the 5 year period.

4.5.4 Future engagement plans

The *Better Resets Handbook* expects networks to engage with consumers as an ongoing business-as-usual activity, rather than a one-off process only undertaken in preparing for regulatory proposals. Over the last two and a half years TasNetworks' PRWG, CC and RAC have developed a sound knowledge of TasNetworks operations and have grown in confidence to challenge the network and even question the regulatory framework.

CCP27 challenges TasNetworks to consider how to harness that knowledge, insights and interest built up through the various customer and stakeholder groups to establish a deeper ongoing customer engagement program.

¹³ Evoenergy – Communication Link, Appendix C Phase 3 Consultation Report, November 2023, p. 18

¹⁴ AER, *Draft Decision*, Attachment 20 Metering Services, p. 3

¹⁵ TasNetworks, Revised Proposal, p. 53

¹⁶ TasNetworks, Revised Proposal, p. 15

We also challenge TasNetworks to engage more broadly with customers in future resets on subject matter, as referenced in the *Better Resets Handbook* and to test and retest proposals with customers to ensure their preferences are genuinely considered at all stages.