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General Manager
AER

By email: AERresets2024-29@aer.gov.au

Dear Arek,

In the Reset Customer Panel's Final Report on Ausgrid's Revised Revenue Proposal¹ (RCP Fourth Report) we foreshadowed the preparation of this submission to set out the progress report on commitments given by Ausgrid as part of its 2019-24 Revised proposal as well as the final list of commitments from Ausgrid to support the implementation of its 2024-29 Revenue Proposal. We had previously indicated that as part of finalising our role the RCP would prepare some final handover guidance to the Customer Consultative Committee (CCC). We have taken the opportunity to include all of this material in this one submission. We hope this will provide the AER, the CCC and Ausgrid's customers with confidence that Ausgrid is committed to their delivery and maintenance of a strong customer focus.

This submission has 5 Parts:

Part 1 – commentary on the importance of the DNSP commitments

Part 2 – progress report on Ausgrid's compliance with its 2019-24 commitments

Part 3 – important initiatives from Ausgrid's 2024-29 revenue reset

Part 4 – list of commitments from Ausgrid to support its 2024-29 Revised Proposal

Part 5 – matters for Ausgrid's CCC to consider as part of planning for the 2029-34 reset

Part 1 Nature and recognition of non-cost commitments

In the RCP Fourth Report we included commentary around the bargaining process that NewReg and the Better Resets Handbook (Handbook) have given rise to on the currency of non-cost and low-cost elements in distributor revenue proposals². Prior to NewReg, revenue determinations were based on evaluations of building block components undertaken by or on behalf of the AER. While that still remains a primary task of the AER the incorporation of customer input into proposals stimulates discussion of customer service.

In the NewReg trial involving AusNet's Customer Forum a question was posed to the AER as to how customer service was recognised in the NEO. The question arose from the Customer Forum's recognition that customers frequently expressed their disappointment when the customer service they expected from their distributor, usually in the aftermath of an outage, fell short of their expectations. It follows that revenue proposals shaped by customer input will often seek to promote changed customer service practices. Because they are customer driven rather than distributor driven, it is not always readily apparent as to whether the initiative has an additional 'cost' that should be requested in the network's proposal. In some instances the distributor may agree to a changed service standard without that being

¹ See [RCP Report 29 November 2023](#) at p. 45 at Attachment 3.2 to Ausgrid's Revised Proposal

² Ibid. at pp. 49-50

recognised by the AER for the reason that it does not involve additional expenditure or does not fall into an existing incentive scheme.

Customer service is formally recognised in Ausgrid's Revised Proposal in the AER's approval of its application for an expanded Customer Service Incentive Scheme (CSIS). Securing this approval entailed a lengthy process of consultation with customers and negotiation between Ausgrid and the AER about the parameters of new performance metrics. The RCP supported the expanded CSIS because we recognised, as did customers involved in the engagement, that the existing single telephone answering metric did not fulfil some of their expectations as to what a distributor should be offering customers.

In contrast to the CSIS, AusNet's agreement in its last revenue proposal to amend its High Voltage Injection (HVI) response to customers was not subject to any scrutiny by the AER. Nonetheless the Customer Forum and AusNet both recognised that an amended practice involving a quicker response and more equitable compensation procedure was necessary following the Customer Forum's meeting with distressed customers after a HVI event. The RCP believes that the contrast between customer service improvements that are formally recognised by the AER and those that are not presents at least two challenges in the NewReg era. First, how does the regulator satisfy itself that customers will continue to benefit from an improved service standard that they clearly value when that standard is not governed by any incentive scheme or other mechanism that forms part of the regulatory decision making process? In the absence of any regulatory oversight, individual customer service initiatives will continue only through the good will of the distributor. We have no reason to believe that any distributor will seek to back track on agreed customer service improvements but where there is nothing to lock that improvement in, the risk that a distributor in future *might* unwind it cannot be dismissed.

The second challenge is whether improved customer service practice is socialised across the distributors that form part of the National Electricity Market. It makes sense to us that useful initiatives that benefit one distributor's customers will usually be of benefit to all customers. Where little or no cost is involved in adopting an improved practice that benefits customers, the logic of having it implemented more broadly is irresistible. Yet there is no means by which that can currently happen. Because no two distributors are likely in the NewReg era to incorporate customer views into their revenue proposals in the same way, and because the experience of independent participants assisting them in this process will vary, customers risk missing out on helpful and often low or no-cost service improvements. Currently there is a cross over between members of the RCP and some of the customer panels for other networks. Those members are leveraging their experience with the RCP and familiarity with Ausgrid's commitments and seeking similar commitments from other networks e.g. the 0.5% capitalised overheads productivity and ICT governance principles. However this seems an ad hoc approach as not all networks will choose to make the very significant investment Ausgrid has made in the RCP and that other networks are making in their customer advisory panels.

The RCP doesn't pretend there is an easy response to the above challenges. But we do think the AER can play a more active role in stimulating consideration of previous customer service improvements by distributors, regardless of whether they have been the subject of

formal deliberation by the regulator. One means by which this might be achieved is by the AER incorporating into the Final Determination provided at the end of every reset process, a list of customer service initiatives agreed to by the distributor along with an expectation that all distributors will consider these initiatives ahead of preparing their next revenue proposal. We believe this approach would be consistent with the priorities in the AER's Strategic Plan 2020-2025³.

To that end, the RCP notes that in Ausgrid's Initial Proposal a number of useful initiatives were agreed to which are of benefit to all customers. These are set out in Part 4 below.

Examples include:

- a commitment to audit commitments given to customers in the 2019-24 revenue proposal;
- a suite of affordability initiatives including longer depreciation of ICT investment, disposal of surplus property assets, productivity factors being applied to capitalisation of overheads and a commitment to not seek additional investment for foreseeable overruns in the planned ERP investment;
- MoUs with other resilience actors that will lay the groundwork for a proper sharing of responsibility and future costs associated with resilience investment;
- PIRs of significant programs;
- knowledge sharing of innovation trials; and
- updating of the CCC around cyber maturity progress and progress against CSIS metrics.

Ausgrid has also included additional affordability initiatives in its Revised Proposal that may also benefit customers of other networks, e.g. the SaaS accounting treatment and the 90/10 customer/Ausgrid shared funding model for the innovation program

Ausgrid has confirmed the final list of commitments to support its 2024-29 Proposal and we have set these out in Part 4 below. We would encourage the AER to publish that list as part of the Final Decision for the benefit of other networks and customer advocates.

Part 2 Ausgrid's progress on compliance with its 2019-24 commitments

The commitments given by Ausgrid in the following table were fundamental to customer advocate support for Ausgrid's revised revenue proposal for 2019-24. Appendix A is a report Ausgrid has prepared, at our request, on its progress in meeting the ongoing agreed commitments. The RCP commends Ausgrid for the transparency around its progress in meeting these commitments to underpin accountability to customers. As noted in Appendix A several of the 2019-24 commitments will be ongoing in 2024-29.

³ See for example the Handbook at p. 1 which sets out the following tilt priority from p. 18 of the [AER's Strategic Plan](#): "Incentivise proposals that reflect consumer preferences and are capable of acceptance, including through: – establishing a Statement of Expectations for networks that aligns with the National Energy Objectives/National Gas Objectives – enhanced consumer engagement (e.g. NewReg)."

Review of commitments to customers		
CORE VALUE ITEMS		
Capex	\$2.69 billion Breakdown table 5.1 p.69	Executive Summary Chapter 5
Opex	1% FY21 Narrative linked to business specific and ENA legislation	Executive Summary Chapter 6
Tax	\$44m (SL-DV) + \$26m (Refurb) Narrative on \$44m in Executive Summary, \$44m and mention of \$26m in Chapter 4 p.59	Executive Summary Chapter 4
Rate of Return	Accepted - Narrative in light of decision and consistent with customer expectations	Executive Summary Chapter 7 P.32
Revenue	Consistent with Draft Determination, although slightly above waterfall given tax note included in building block revenues	Chapter 4
CESS exclusions	Innovation, ADMS and Cyber (total \$123m) Financial amount not defined (option value)	Chapter 9 p.168
Innovation	Allocated \$42m to NIAC GHD reviewed CBAs to ensure consistency with NER	Executive Summary Chapter 2 + 3
Tariffs	Implementing Demand Tariff + continuing Pricing Working Group	Executive Summary Chapter 10 + TSS
OTHER STATED AND AGREED COMMITMENTS		
DEVELOP Our business & shared understanding	Develop a Revised Proposal capable of acceptance	See above core financial parameters
	Sharing and improving internal forecasting approach and cost benefit analysis	Customer Consultative Committee, Chapter 2
	Explore option analysis to make long term asset decisions in an uncertain environment	Chapter 5 p. 72
	Share further granularity of customer benefits derived from IT expenditure	Technical Review Committee, Chpt 2 p.23
	Support an industry wide review into IT forecasting to improve expenditure assessment	Technical Review Committee, Chapter 2
	Engage with customer representatives on cyber expenditure and maturity levels	Technical Review Committee, Chapter 2
DRIVE Industry Development	Pricing Working Group – Co-design tariffs, information and complementary measures	Chapter 2 + 10
	Jointly develop policy and regulatory framework submissions	Chapter 2 - All Committees
	Collaboration with AER to improve repex model and drive greater confidence in tool	Chapter 5, p.78
DELIVER Better outcomes	Sign up to the Energy Charter (NB: CEO letter sent to Chair of Energy Charter 8 Jan)	Chapter 2, p.23
	Propose productivity in period from FY21 and long term commitment to achieving and sharing future productivity gains with customers	Executive Summary Chapter 6
	Deeper engagement in customer strategy and business planning not just regulatory planning	Chapter 2 + 3
	Network Innovation Advisory Committee to drive direction of innovation portfolio	Chapter 2 + 3 - NIAC Governance framework
	Capital Expenditure Sharing Scheme exclusions, innovation portfolio, cyber and expenditure.	Chapter 9, p. 167 + 168
	Greater focus on non-network solutions, including demand management + work with customers on demand response rule change	Chapter 2, 3 + 5
	Deliver improvements in every area of our business with our customers help.	All committees and Customer Strategy

Figure 3: Commitments to Customers – Ausgrid (Source, Ausgrid)

Part 3 Important Initiatives from the 2024-29 Revenue Proposal

As we noted in our previous RCP reports there are many aspects of this reset where the Panel believes Ausgrid has lifted the bar for best practice in its reset engagement and in

several cases set new industry standards. In this Part we have summarised some of those important initiatives as this may be of assistance to other networks and customer advocates to ensure that the cycle of continuous improvement by DNSPs continues⁴.

Important initiatives in the 2024-29 engagement program

- Integration of the BAU Voice of Community engagement program and multiple data points with the revenue reset specific engagement program
- The engagement program was co-designed between Ausgrid and the RCP
- A deliberative residential customer engagement process spread over 8 sessions
- Bespoke LGA engagement on localised resilience solutions
- Deliberative engagement to collect qualitative and quantitative evidence of customers' willingness to pay for localised resilience investments
- In language engagement in multiple languages across both residential and small business consumers
- First Nations engagement
- Bespoke C&I interview program
- Development of a bill impact tool
- Engagement on potential supply chain bill impacts
- Presentation of Ausgrid's costs in 2 parts: those that customers can influence (controllable) and those outside Ausgrid's control (uncontrollable)
- Retesting of affordability sentiment after lodgement of the Initial Proposal including after the AER Draft Decision
- Testing of innovation principles and weighting with all customers (in addition to engagement with the Network Innovation Advisory Committee (NIAC))
- Collaboration between the NSW DNSPs on engagement issues on the F&A, tariffs, resilience, CALD engagement and DNSP calendar synchronisation
- Development of a MOU for co-operation between NSW distributors during major outages
- First application of the Handbook to the three NSW distributors

Important initiatives in the 2024-29 Revenue reset engagement

- Independent RCP established with membership drawn from CCC members (with an independent chair) given full scope and funding to challenge the development of the revenue Proposal with Board and senior executive support and involvement
- Publication of a Draft Plan structured around customer priorities
- RCP given access to revenue proposal attachments prior to lodgement with the AER
- Resilience business case developed under the co-designed Climate Resilience Framework being the first application of the AER's Resilience Guidance note
- New holistic approach to productivity which recognises the interdependencies between capex and opex, particularly in the increased risk and uncertainty around extreme weather events and cyber security events.
- Development of a template for the presentation of trends in ICT/OTI recurring and nonrecurring investment across both the 2019-24 and 2024-29 regulatory periods
- Development of ICT Governance principles

⁴ There is detailed commentary on each of these initiatives in our 4 RCP reports

- Development of first CSIS
- Development of cost benefit analysis for proposed cyber security investment and engagement with customers on cyber security maturity levels
- RCP sought information from 3rd parties beyond Ausgrid. For example RCP inquiries to DEPI about Roadmap costs

Novel affordability initiatives to support the 2024-29 revenue proposal

- retaining the current weighted average remaining life depreciation method instead of moving to year by year tracking
- extending the ERP asset life beyond 5 years to 15 years
- adding in 0.5% productivity to capitalised overheads
- accelerating rationalisation of Ausgrid's property portfolio
- Adopting VPN tax decision
- Treating SaaS investment as capex in 2024-29 rather than opex
- Resilience expenditure smoothed over 4 regulatory periods
- 90/10 customer/Ausgrid shared funding model for the innovation program

Part 4 Ausgrid commitments to support its 2024-29 Revised Proposal

2024-29 BAU Engagement

- Ausgrid to continue to seek access to customer mobile numbers to enable greater text messaging to customers during outages
- Maintain the BAU Voice of Community program and document improvements in customer outcomes between regulatory resets
- Maintain a continuous improvement focus on customer outcomes supported by appropriate personnel and governance
- Continue First Nations engagement
- CALD commitments to build CALD BAU engagement and CALD customer service to enable collection of data to support a metric relating to the quality of service given to CALD customers for CSIS 2029-34
- Increase access to in language assistance in Ausgrid call centres

Macquarie Park Contingent Project

Consult with CCC on customer protection issues prior to submitting application with the AER

Resilience

- Invest in the latest specific climate modelling for Ausgrid's network
- Develop local mechanisms to support the investment in the 3 LGAs and meet the assurance and governance expectations in Chapter 10 of the Climate Resilience Framework
- Create and support NIAC style oversight body for the resilience program
- Before 2029 Ausgrid and the CCC will do a full post implementation review (PIR) on the effectiveness of the Climate Resilience Framework as well as of the program of resilience activities and investment funded as part of the 2024-29 reset
- Continue to work with the AER on the network impact model and ensure its ongoing transparency

- Maintain post-significant event outage surveys of customers to ascertain their satisfaction levels with the management of those outages
- Pursue resilience partnering initiatives with other resilience actors acknowledging that community resilience is a shared responsibility
- Subject to approval by the AER in the Final decision, implement governance arrangements for the ABC trial including researching effectiveness of the trial

Customer committees

- Continue collaborative relationship with the CCC
- Maintain and support the Pricing Working group (PWG) and NIAC with regular reporting to the CCC

CER and tariffs

- Work with customers and retailers to develop communications to inform the community about how to optimise their CER to explain the opportunities for customers to extract value and to explain the rationale of the changes and the opportunities created, ideally with consistent messages between the NSW DNSPs
- Post DER ICT investment publication of localised constraint maps so that customers might understand what capacity different parts of the network can host
- Ausgrid to develop a fair and consistent procedure for when it finds itself unable to agree to a customer's CER request. RCP believes that customers should be entitled to a detailed explanation as to why the application was declined, a right of internal review of that decision, and an explanation as to when Ausgrid anticipates that the constraint will be addressed
- Continue to work with the AER on the CER Dynamic Services model
- No change to the CER Dynamic Services Business case modelling (based on \$30 per tonne of CO₂e) for the 2024-29 reset unless the final formal guidance results in a materially higher value per tonne of CO₂e
- Regular briefings to PWG on CER take up and effectiveness of Ausgrid's CER integration plans including tariff take up
- Consult with the PWG on public communication of any variation to the peak charging windows from 3-9pm to 4-10pm (following a network system demand peak after 9pm before 1 March 2027)
- Engaging with Endeavour and Essential on a common approach to recovery of Roadmap costs
- Further consultation with the PWG on NSW Roadmap recovery methodology and customer impact of cost allocations on customer segments
- Undertake a PIR of the 2024-29 CER integration investments and pricing initiatives, the timing to be agreed between Ausgrid and the CCC

EV Point of Sale material

- Develop information for EV owning customers that will enable them to access affordable charging in ways that place less demands on the network, and work with dealers/manufacturers to make this available to EV customers.
- Work with stakeholders to refine its approach to integrating flexible loads (such as EVs) into its controlled load tariffs and tariff trials (such as its Super Off-Peak trial).

Innovation

- Ausgrid will agree a funding mechanism with NIAC to confirm Ausgrid's self-funding of 10% of the NIP, via external funding or shareholders, is met
- Continue knowledge sharing activities

Legacy meter smart meter roll out plan

- Engagement with Endeavour and Essential for a common approach targeting key considerations, such as load only homes in constrained areas
- Develop education materials for load only households so that they are encouraged to request their retailer to supply them with a smart meter so that they have the opportunity to shift to the new tariffs with reduced rates during the middle of the day.

Plain English customer focussed document

Prepare a plain English document highlighting the opportunities for customers in Ausgrid's TSS and revenue Proposal, which can then be the basis for effective translated material for CALD customers

Incentive schemes

- No exclusions from CESS or EBSS
- Audited CSIS data to be provided to the CCC annually

ICT Governance principles

1. PIRs

- Focus on scope, schedule, costs, expected benefits and share learnings with CCC
- Perform PIRs on 2 largest investments ERP and ICT CER
- Measure ERP program against Ausgrid's key implementation milestones and good industry practice
- Demonstrate application of lessons learnt from PIRs in future business cases

2. Ongoing engagement with CCC

- Update CCC on cyber security maturity level achievement to date as required
- Share dynamic pricing benefits realisation progress with the PWG
- Share key non-recurrent projects for 2029-34, ideally 2 years before next period with CCC, when possible
- Share progress against ten year expenditure template with material deviations discussed with CCC
- Report qualitative benefits realisation progress during 2024-29 and quantify benefits and efficiencies in 2029-34

3. 2029-34 reg proposal commitment

- Commit to Ausgrid's 2029-34 reg proposal not including costs for the 2024-29 ERP program that were reasonably foreseeable at the time of the initial business case (this excludes the costs already forecast in the Revised Proposal for 2029-34)

Councils

Initiatives to improve Ausgrid's responsiveness to applications for tiger tails

Part 5 Additional issues for the CCC to consider in the 2029-34 revenue reset

- When considering the Macquarie Park contingent project application, the CCC should ensure Ausgrid includes protections for customers in the implementation of the contingent project. For example the timing of the expenditure being included in the RAB and the steps Ausgrid takes to ensure that the revenue recovered from the customers with major loads will offset the return on and return of capital costs for other customers once the expenditure is added to the RAB in the 2029-34 reset.
- Ausgrid to consult the CCC to establish the customer engagement approach early including the possibility of parallel dedicated language and culture deliberative approaches in 2029-34
- As part of early discussions on the engagement approach for 2029-34 RCP recommends that the CCC consider:
 - what a 'good' reset engagement looks like, and
 - how annual corporate strategic planning dovetails seamlessly into a regulatory reset process
- As part of its intended 2029-34 climate resilience program the RCP believes Ausgrid should retest both the program objective and customers' preferences for investments to maintain current network performance. This exercise should be underpinned by consumer risk preferences on high impact low probability events. Over the next few years community attitudes may change in the face of greater individual resilience due to greater CER and in the face of revised climate modelling. Considering risks will evolve, Ausgrid's focus should accordingly shift to address inequities and areas that stand to experience greater vulnerability - so a reassessment of vulnerability and inequities will need to be informed by more than just updated climate modelling in future.
- Ausgrid should start localised resilience engagement and engagement co-design earlier in the reset engagement program. Face to face engagement in local areas should be prioritised over online workshops.
- The 100% weighting in 2024-29 to the mid-range climate scenario (RCP4.5) to align with other DNSPs is inconsistent with the advice of climate modellers and is conservative as it underestimates the likelihood of RCP8.5. This weighting is an aspect of the model RCP believes should be retested as part of the climate modelling at the beginning of the next reset period.
- CCC to consider potential for additional opex efficiencies following the PIR of the implementation of the ERP.
- RCP recommends against engagement with end customers on cyber security maturity levels, insurance premiums and careful consideration needs to be given to any CSIS metric engagement with end customers.
- Review any claims Ausgrid intends to make for CESS and EBSS rewards for any underspend in resilience and innovation programs.
- Despite the RCP not needing to access the customer research funding for our commentary on the preparation of the 2024-29 proposal, we believe that it is imperative Ausgrid retain this funding resource as a feature in future resets. This will enable additional independent customer research, if the CCC/RCP consider it necessary.
- Remain aware of the increasing impact on customers from jurisdictional cost pass through schemes.

- Ausgrid to report on its fulfillment of its commitments for 2024-29 as part of the 2029-34 Revenue reset.

This submission is the final contribution by the Reset Customer Panel to Ausgrid's 2024-29 Revenue Proposal. On behalf of the members of the Panel I would like to thank the AER for the support and guidance provided to us. Should further advice be required from us, please do not hesitate to contact me.

Tony Robinson

Chair, Reset Customer Panel (RCP)

30 January 2024

Appendix A

Background

The Reset Customer Panel (RCP) has requested an update on our progress towards meeting the commitments we made as part of the 2019-24 regulatory proposal. The commitments are listed below, with our assessment of progress to feed into the report the RCP submits on our 2024-29 revised proposal.

Commitment	Progress update	Status
Develop a 2019-24 Revised Proposal that is capable of acceptance	The AER accepted Ausgrid's 2019-24 Revised Proposal which was submitted after a period of extensive collaboration with customer advocates to better align the proposal to customer expectations.	Complete
Sharing an improving internal forecasting approach and cost benefit analysis	<p>Ausgrid's forecasting approach and tools have improved significantly. This reflects an ongoing evolution in our risk-based modelling techniques, to a level of maturity that resulted in the Asset Management Council awarding Ausgrid's modelling approach the 'Asset Management Cost, Risk and Performance Award' at the 2023 Asset Management Awards for Excellence.⁵ Other improvements include a standardised cost benefit analysis (CBA) model and the development of a Value Framework to consistently monetise investment benefits. This was further supported by improvements made in our approach to estimating unit rates so that cost benefit analysis can be consistently applied across the portfolio.</p> <p>Our refined modelling techniques allow us to reflect the needs of our network more accurately in meeting the National Electricity Objectives (NEO). The improved internal forecasting approach was shared with the AER during a full-day workshop on 12 October 2022 to demonstrate the maturity of our modelling and the greater level of accuracy it offers. This was important given that the added level of sophistication in our SAS based modelling could not be easily shared with the AER when lodging our regulatory proposal. Ausgrid also held a deep-</p>	Complete

⁵ <https://www.amcouncil.com.au/asset-management-excellence-awards-2022-2/>

	<p>dive session with the RCP on our standardised CBA model on 3 November and a follow up session on 16 November 2021.</p>	
<p>Explore option analysis to make long term asset decisions in an uncertain environment</p>	<p>Applying consistent approaches to support economic evaluation enables long-term analysis to be undertaken. In meeting the NEO while also considering customers concerns for affordability, we have been able to analyse investment needs over a longer period and have determined when to invest, in-light of potential future step changes.</p> <p>For example, we have recognised the long-term impacts of climate change on our network and have developed through modelling and customer engagement, a climate resilience strategy. In developing this program we undertook over 80 hours of engagement to understand the AER's and customers' preferences for how to deal with the growing risk of climate change.</p> <p>Local communities considered and prioritised options based on their local needs, with the Voice of Community Panel considering the resilience program as a whole and providing feedback on affordability. To select the option that incorporates customer feedback and unlocks the greatest net benefits, we plan to smooth our climate resilience investment over multiple regulatory periods. This will address incremental growth in climate risk over time while balancing customer bill impacts.</p> <p>Prudent deferrals are another way we deal with uncertainty when making long-term asset decisions. Our initial proposal for the 2024-29 period included \$47m for Customer Energy Resource (CER) augmentation. Through refinements to our options analysis, we have reduced this forecast to \$37m in our revised proposal by deferring \$10m of solar curtailment investment into the subsequent 2029-34 regulatory period.</p>	<p>Complete</p>

<p>Share further granularity of customer benefits derived from IT expenditure</p>	<p>Our standardised CBA approach allows Ausgrid to calculate customer benefits from IT expenditure to higher level of granularity. The benefits we expect from our IT program in the 2024-29 period were shared at multiple RCP sessions. This included a deep dive on the benefits associated with our ERP upgrade on 10 December 2021 and two more follow up sessions on 24 March 2022 and 2 August 2022.</p>	<p>Complete</p>
<p>Engage with customer representatives on our cyber expenditure maturity levels</p>	<p>Ausgrid began focused engagement with customer advocates on our cyber security requirements with a deep-dive session on 26 November 2019 and the presentation of a sample post-implementation review (cloud foundations) on 8 December 2020.</p> <p>Cyber was presented at multiple RCP meetings, including 24 February 2022, 19 May 2022, 16 August 2022. An out of session RCP meeting on cyber, with a particular focus on maturity levels, was also held on 10 August 2022.</p>	<p>Complete</p>
<p>Pricing Working Group – co-design tariffs, information and complementary measures</p>	<p>Ausgrid has met with our Pricing Working Group 15 times in the two years leading up to the submission of our revised Tariff Structure Statement (TSS). Key examples of genuine co-design with customer representatives include:</p> <ul style="list-style-type: none"> • Embedded network tariffs: we received 9 formal submissions on this topic as part of our Pricing Directions Paper consultation and held two dedicated PWG meetings • Export tariff and utility scale storage: we held a dedicated PWG meeting in November 2022 <p>We also tested our proposed pricing reforms with the Voice of Community Panel, particularly in relation to their expectations of fairness and value for money. Other engagement included large and medium business customer interviews via two forums in May 2022 and small business interviews in September 2022. In October 2023 we presented our export tariff factsheet to the Voice of Community Panel and received constructive feedback on its design and messaging.</p>	<p>Complete</p>

<p>Jointly develop policy and regulatory framework submissions</p>	<p>We regularly collaborate with customers on our policy and regulatory submissions. For example:</p> <ul style="list-style-type: none"> • Developing our ring fencing waiver application for our community battery trial with the Network Innovation Advisory Committee for an approach to revenue sharing and cost allocation; • Collaborating with the Public Interest Advocacy Centre and NSW Distribution Network Service Providers for a customer-led approach to smart meter roll out in the Australian Energy Market Commission Metering Framework Reviews; • Working with our Reset Customer Panel and Energy Users' Association of Australia to respond to various submissions to the NSW Governments' Energy Investment Infrastructure Roadmap. 	<p>On-going</p>
<p>Collaboration with AER to improve repex model and drive greater confidence in tool</p>	<p>Ausgrid made a submission in support of the AER's public engagement on the repex model in 2019. This submission acknowledged that the repex model is a useful tool for applying a top-down check of replacement capex requirements and included case studies identifying potential areas of improvement in the quality of data used to benchmark unit costs and asset lives.⁶ We followed this up with a subsequent submission to the AER in March 2023 with further case studies on opportunities to improve repex model data quality as part of the AER's most recent regulatory information requirements review.⁷</p>	<p>Complete</p>
<p>Sign up to the Energy Charter</p>	<p>Ausgrid signed up to The Energy Charter in January 2019 as one of the 15 founding members. Our latest 2023 Energy Charter Disclosure Report can be found here: FY23 Disclosure Report.</p>	<p>Complete</p>
<p>Propose productivity in period from FY21 and long-term commitment to achieving and sharing</p>	<p>Our revised proposal for the 2019-24 regulatory period proposed a 1% productivity factor from FY21.⁸ Our initial and revised regulatory proposals for the 2024-29 period apply the AER's standard opex productivity measure of 0.5% p.a. Ausgrid is</p>	<p>Complete</p>

⁶ [Ausgrid, Repex model submission, October 2019](#), p.3

⁷ [Ausgrid, AER information requirements review, 31 March 2023](#), Appendix C.

⁸ [AER, Ausgrid 2019-24 regulatory proposal, January 2019](#), p.111

future productivity gains with customers	the first electricity network to propose a 0.5% productivity factor to capitalised overheads.	
Deeper engagement in customer strategy and business planning not just regulatory planning	Our Customer Consultative Committee (CCC) has been a key forum for deeper engagement in customer strategy and business planning. The CCC has met 21 times since 2019 including deep dive workshops to codesign the Regulatory Reset Engagement Framework. CCC meetings have also covered a broad range of topics from Live Work Pause, COVID, disaster response and Business Strategy to climate resilience and affordability. The CCC were active participants in shaping our vision in 2022, and have engaged in strategy workshops in 2023 as we refine our strategy implementation.	On-going
Network Innovation Advisory Committee to drive direction of innovation program	The Network Innovation Advisory Committee (NIAC) has established formal arrangements to give customers a role in driving our innovation program and provide a forum for Ausgrid to collaborate with consumers in deciding the future direction of the network. The NIAC has met 19 times since July 2019 and provided feedback on over 20 projects that have commenced in the 2019-24 period, including funding for the award winning 'Project Edith'. Members of the committee also participated in a range of customer & community engagement activities for our community batteries and Merriwa microgrid projects.	On-going
Capital Expenditure Sharing Scheme exclusions – Innovation program, cyber and Advanced Distribution Management System expenditure	We maintain the view that ADMS, cyber security and innovation capex should be excluded from the CESS as a result of the forecasting uncertainty associated with these programs, and to minimise the risk of being rewarded with a CESS increment if we were to underspend the allowance for these programs. However, given the AER's Draft Decision for our 2024-29 regulatory period, ⁹ Ausgrid has not included these proposed exclusions from the CESS in our Revised Proposal.	Complete

⁹ [AER, Ausgrid Draft Decision for 2024-29 period, September 2023](#), p. 8.

<p>Greater focus on non-network solutions, including demand management and work with customers on demand response rule change</p>	<p>Demand management is an integral part of Ausgrid’s network investment planning process to identify and implement the right balance of network and non-network solutions to enable efficient network investment that lowers costs for our customers. In 2019-24, Ausgrid assessed network constraints for possible use of non-network solutions to defer or resolve part or all of the need. In the period to date, assessments were completed for both larger projects subject to RIT-D requirements and smaller projects typically related to 11kV augmentation. For one smaller project, an 11kV network constraint in the Gillieston Heights area, residential customer demand response was used to defer the network investment by 2 years.</p> <p>To aid in the development of emerging and innovative demand management options, we partnered with a range of market providers and researchers to explore and develop new solutions. These innovation projects included:</p> <ul style="list-style-type: none"> • Behavioural Demand Response: partnering with energy retailers to reward residential customers to voluntarily reduce their electricity usage at times of peak demand. As the approach required only a smart meter to participate, barriers to participation are low, and so offers promise of the high density of demand response required to influence local network constraints. • Battery Virtual Power Plant (VPP): partnering with VPP providers to encourage residential battery customers to participate in battery orchestration to provide demand reductions and voltage support services to defer network investment. • Community batteries: feasibility assessment and delivery of customer trials for three community batteries. • Power2U program: explore solution to encourage customers to adopt renewable 	<p>On-going</p>
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	<p>energy and efficiency measures to permanently reduce energy demand and help defer major capital replacement expenditure.</p> <ul style="list-style-type: none"> • Charge Together: development of an electricity planning and forecasting tool to assist in the efficient integration of electric vehicle charging into the grid. 	
<p>Deliver improvements in every area of business with customer help</p>	<p>We have delivered improvements in every area of our business with the help of our customers, including:</p> <ul style="list-style-type: none"> • As at FY22, we are ranked third in operating expenditure efficiency in the National Electricity Market (NEM), driven by a 40% reduction in our operating costs since 2015 • Our 2024-29 repex forecast, making up 43% of our total capex, is 36% below the AER's Repex Model efficiency threshold • Since FY17 our key safety metrics, known as Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate, have improved 55% and 71%, respectively • Ausgrid is now more trusted by customers with our reported confidence score lifting 67% since FY20. 	<p>On-going</p>