



AusNet Electricity Services Pty Ltd

Electricity Distribution Price Review 2022-26

Revised Regulatory Proposal

Appendix 3A - Customer Forum Memo

Submitted: 3 December 2020

PUBLIC



CUSTOMER FORUM MEMO RE AMENDED EDPR SUBMISSION

To: AusNet Services
From: AusNet Services Customer Forum
Subject: Customer Forum views on amended AusNet Services EDPR submission
Date: 26 November 2020

Background

The AusNet Services Customer Forum commenced an engagement with AusNet Services in early-2018 as part of its EDPR submission preparation. To assist the Customer Forum in its role of negotiating on behalf of AusNet Services customers the Customer Forum undertook an extensive range of customer research and engagement activity over more than two years. The Interim and Final Engagement Reports reference this research which, the Customer Forum believes, is the most thorough work ever undertaken into the attitudes, needs and expectations of AusNet Services customers. This primary evidence from customers was central to the Customer Forum's negotiations.

Following the late-September 2020 AER draft determination, AusNet Services invited the Customer Forum to contribute its views on AusNet Services' proposed amended EDPR submission. Although the amended submission includes some matters not considered by the Customer Forum as part of its agreed scope, the views expressed in this memorandum are confined to matters the Customer Forum has previously examined and commented on.

To inform this Memorandum the Customer Forum:

- Reviewed the AER draft determination issued on 30 September 2020;
- Participated in the online AER public forum on 15 October 2020;
- Participated in a preliminary meeting with AusNet Services on 22 October 2020;
- Participated in a review and discussion with AusNet Services of its amended EDPR submission on 27 October 2020;
- Participated in a full day discussion with AusNet Services on 30 October 2020;
- Participated in discussion with the AusNet Services Customer Consultative Committee on 5 November 2020, noting refinements to the amended submission;
- Held a private Customer Forum meeting to discuss the amended AusNet Services submission and agree on a position on 10 November 2020;
- Sought additional information from AusNet Services regarding its amended submission;
- Held a private Customer Forum meeting to finalise this memorandum on 12 November 2020.

The Customer Forum's positions in the Memorandum draw on research-based conclusions noted in the Customer Forum's two earlier engagement reports.

Impact of COVID-19

While the AER's draft determination notes the impact of COVID-19 on Australia the Customer Forum believes that a more focussed consideration of its impact on AusNet Services customers is warranted. Victorians living in metropolitan Melbourne make up around half of all AusNet Services customers and have been impacted more severely and for longer in terms of social movement and work restrictions than most other Australians. A significant effect of the restrictions has been a massive shift of workplace activity to the residential sector. The Customer Forum believes any ongoing changes in behaviour are most likely to arise amongst AusNet Services customers, including the possibility that more of them will choose or be required to continue working from home into the next EDPR period. Based on what it learnt of AusNet Services customer needs and expectations and its understanding of the impacts of COVID-19, the Customer Forum believes that if more customers do work from home in future their expectations of customer support will grow.

The possibility of more AusNet Services customers working from home in future brings with it a more profound challenge for AusNet Services and the AER, namely the need to recalculate the VCR accorded to residential customers. This is particularly the case with computer based work which is sensitive to momentary electricity supply interruptions.

Bushfire liability costs (insurance)

The Customer Forum notes AusNet Services' amended position regarding insurance coverage insofar as it impacts customers. The Customer Forum is unable to comment on the level of cover that AusNet Services has secured because of the confidentiality of that information and cannot draw upon any specific research into customer preferences about the structure of insurance coverage. However, the Customer Forum believes customers would prefer to fund a deductible amount in the event that insurance is payable rather than be forced to carry a higher insurance cost that may not be activated because of a fire event.

ICT step change (IT cloud transition & CRM)

As noted in our Final Engagement Report the Customer Forum supports in principle the \$2.6 million opex step change that allows for a new CRM and Outage Management system. The Customer Forum negotiated this outcome with AusNet Services on the understanding that it would, when fully implemented, result in customers receiving a higher level of customer support, particularly when experiencing supply interruptions, something customers value highly.¹ The Customer Forum further believes that if more AusNet Services customers choose to, or are required to, work from home in future the demand and need for enhanced CRM and Outage Management systems will grow.

Metering re-allocation

In its *Interim Engagement Report* the Customer Forum noted a key finding of the Quantum Market Research customer survey, namely that *few AusNet Services customers are aware of the benefits available from smart meters.*² This finding helped shape the Customer Forum's negotiating position in relation to the metering charge; as far as a specific metering charge is concerned customers would prefer to pay less as this accords with the limited value they believe they receive from meters.

AusNet Services acknowledged this perspective by reducing the metering charge through the latter negotiations by 32 per cent compared to the current EDPR average. In its revised submission AusNet

¹ Customer Forum *Interim Engagement Report* Section 9.2.

² *Ibid*, Section 13.2.

Services proposes a further modest reduction in the metering charge of around \$2 per customer. While the Customer Forum is not able to offer a view on the amount of meter sourced power quality data required to provide adequate insights to network operation, it is confident that AusNet Services customers expect their supply will be supported by as much meter-sourced data as is required to maintain system safety. Further, the Customer Forum believes AusNet Services customers would welcome the additional modest reduction in the metering charge that AusNet Services is proposing.

Expenditure allocated to metering is currently only paid for by customers with smart meters, rather than commercial and industrial customers who have their own metering arrangements. The Customer Forum understands the reallocation of costs proposed by AusNet Services would benefit small residential customers through a modest reduction in metering charges. While they will see a small increase in distribution charges, they will experience a small net reduction overall. Commercial and industrial customers currently benefit under the current arrangements, but do not contribute to the cost while it is assigned to metering. The proposed reallocation of expenditure, will ensure commercial and industrial customers fairly contribute to the cost. The Customer Forum believes the proposed change to metering charges are fairer overall and would be supported by the majority of AusNet Services customers.

DER

As noted in the Customer Forum's *Final Engagement Report* AusNet Services customers strongly support and value rooftop solar.³ Customers are generally unaware of the constraints that distribution systems experience in managing solar uptake but are, as the Newgate Research found in 2018, 'genuinely excited' about the opportunity.⁴ The Customer Forum considered the Newgate Research findings, and other customer research to argue for additional DER expenditure in the negotiations with AusNet Services, and reached an agreement that met customers' expectations. The agreement included a revenue figure predicated on an appropriate economic value at the time of the negotiations. Intrinsic to the negotiation was the number of customers the Customer Forum understood would benefit from the agreed expenditure.

The Customer Forum makes two observations following the AER draft determination:

- The Customer Forum did not shape the position it advanced on behalf of customers with any specific consideration of the VaDER study which was only released in August 2020, six months after the *Final Engagement Report* was completed.
- Any reduction in the DER revenue agreed to as part of the original AusNet Services EDPR submission will lead to a reduction in the number of AusNet Services customers being able to install solar and export electricity to the grid. Research undertaken by the Customer Forum provided clear evidence of customer sentiment regarding DER. To this end, the Customer Forum refers the AER to its *Final Engagement Report*, page 41 and the numerous reports it reviewed which AusNet Services has published on its website.⁵

³ Ibid, Section 10.3.

⁴ Ibid, p. 41.

⁵ See <https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Charges-and-revenues/Electricity-distribution-network/Customer-Forum>