

2.02

# Customer and stakeholder engagement prior to 30 December 2017

# Table of contents

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<b>1</b>	<b>INTRODUCTION</b>	<b>3</b>
1.1	Importance of customer engagement	3
1.2	Requirements under the National Electricity Rules	3
1.3	Previous approaches to customer engagement	4
1.4	Activities to improve our customer engagement	4
<b>2</b>	<b>OUR ENGAGEMENT APPROACH</b>	<b>5</b>
2.1	Review of our existing engagement practices	5
2.2	Stakeholder Perception study	5
2.3	Redesigning the way in which we engage	7
2.4	Improving our engagement with customer advocates	8
<b>3</b>	<b>UNDERSTANDING OUR CUSTOMER NEEDS AND PREFERENCES</b>	<b>11</b>
3.1	Designing a Customer Research program	11
3.2	The Customer at the Centre research and insights program	12
<b>4</b>	<b>ENGAGEMENT OUTCOMES</b>	<b>14</b>
4.1	CCC and RWG	14
4.2	Vulnerable Customers	16
4.3	Local councils	16
4.4	Retailers	19

# Introduction

This report covers the review of Ausgrid's consultation following the submission of the 2014–2019 Regulatory Proposal and consultation undertaken up to December 2017, when the Australian Energy Regulator approved an extension to the deadline for Ausgrid to submit its 2019–2024 Regulatory Proposal (the Proposal).

The detail of the Extended Stakeholder Consultation program, undertaken in early 2018, is found in Attachment 2.01.

These reports on stakeholder and customer engagement have been separated into two reports to clearly show the work undertaken and the input of stakeholders prior to, and following, Ausgrid being granted an extension.

## 1.1 Importance of customer engagement

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Ausgrid's core business is to manage the network on behalf of our customers to ensure a reliable, safe and secure supply of electricity at an efficient price. In doing so, it is critical that we understand our customers' needs and preferences so we can invest in the right assets, at the right time and place.

Consulting with our customers is becoming increasingly important as technology developments provide customers with more choice in the way they use and generate electricity. Good engagement with our customers will help us not only adapt to the changing needs of our customers and stakeholders, it will ultimately allow us to pre-empt their needs and be on the front foot when it comes to providing our customers with the services they want.

Recognising the importance of successful engagement, Ausgrid is striving to be a customer-centric business that meets the needs, expectations, preferences and priorities of our customers.

## 1.2 Requirements under the National Electricity Rules

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The National Electricity Rules set out requirements relating to engagement with customers and stakeholders in the development of the regulatory proposal and TSS. These include:

- In deciding whether to accept Ausgrid's opex forecast, the AER must have regard to the extent to which the opex forecast includes expenditure to address the concerns of electricity consumers as identified by the DNSP in the course of its engagement with electricity consumers;
- In deciding whether to accept Ausgrid's capex forecast, the AER must have regard to the extent to which the capex forecast includes expenditure to address the concerns of electricity consumers as identified by the DNSP in the course of its engagement with electricity consumers;
- Ausgrid's plain English overview paper must include a description of how the DNSP has engaged with electricity consumers in developing the regulatory proposal and has sought to address any relevant concerns identified as a result of that engagement; and
- The overview paper must also include a description of how the DNSP has engaged with retail customers and retailers in developing the proposed tariff structure statement and has sought to address any relevant concerns identified as a result of that engagement.

We note that these rules provide a minimum requirement for engagement. Our stakeholder and customer engagement programs have gone beyond these requirements as we seek to embed improved customer service into our everyday activities.

## 1.3 Previous approaches to customer engagement

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Feedback from consultation for the 2014–2019 Regulatory Proposal indicated that there was a lack of quality customer engagement on Ausgrid's behalf. Our stakeholders told us that we did not provide sufficient relevant information, did not equip consumers and their advocates to engage on highly complex issues, and that we had not engaged with customer advocacy groups on issues that were of key concern to them.

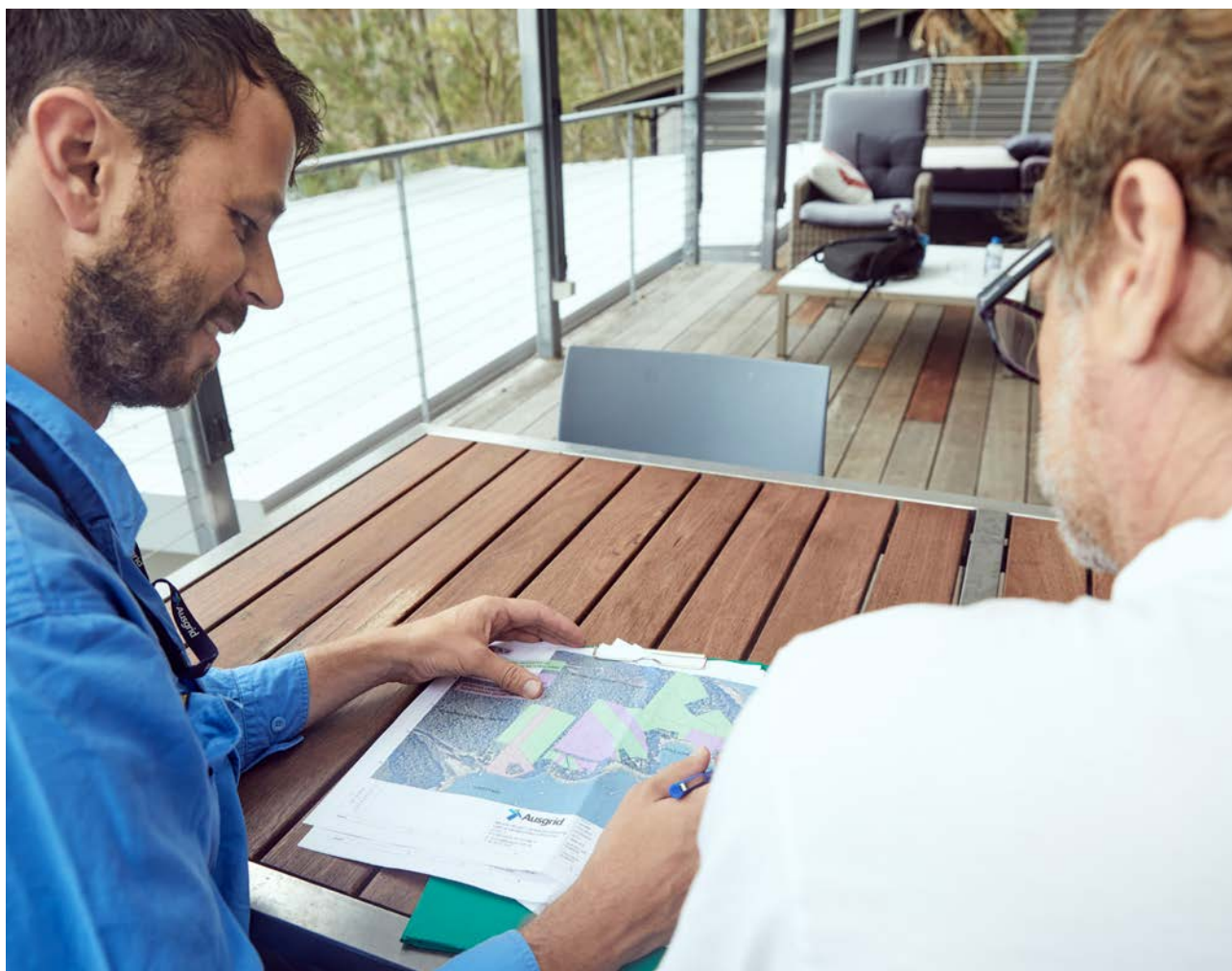
## 1.4 Activities to improve our customer engagement

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In response to this feedback Ausgrid undertook to renew its Customer and Stakeholder Consultation Program, this included:

- A review of our engagement practices
- Commissioning of Stakeholder Perceptions Research to understand how our customers and other stakeholders perceive Ausgrid
- Establishment of the 'Customers at the Centre' Research program to understand our customers' views and preferences
- Disbanding the previous Customer Council and forming the Customer Consultative Committee with a clear framework and charter to improve the way in which we engaged with our stakeholders going into our regulatory proposal.

Detail of the activities undertaken and key findings and outcomes of the engagement are presented in the following sections.



# Our engagement approach

## 2.1 Review of our existing engagement practices

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In response to stakeholder concerns following Ausgrid's submission of its 2014–2019 Regulatory Proposal, Ausgrid developed a strategy to not only meet the regulatory requirements, but to go beyond these minimum expectations in order to demonstrate commitment to customer centricity and innovative leadership in the energy sector.

To commence this process, Ausgrid commissioned an independent review of the way we engage by RPS. This would set the foundations for a new approach.

RPS was asked to:

- Review how Ausgrid engaged with customers and stakeholders
- Ask key stakeholders for their views on how Ausgrid engaged with them and their ideas for improvement
- Look at how other energy distribution companies in Australia and overseas engage with their customers, so that Ausgrid can learn from them
- Identify five key improvement areas for Ausgrid.

In response to the issues and recommendations raised in the RPS report, Ausgrid released a formal response with commitment to change. Both of these documents are available on our website.<sup>1</sup>

Ausgrid has taken on board the feedback we received from stakeholders and, drawing on this feedback and recommendations provided by RPS, Ausgrid commenced a staged approach to renew its understanding of customers through a comprehensive research program and a new way of engaging customers.

## 2.2 Stakeholder Perception study

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In late 2016, we commissioned research to benchmark stakeholder perceptions of Ausgrid so we could better understand how we were perceived by our stakeholders, and which attributes were driving Ausgrid's reputation. The purpose of the research was to provide actionable recommendations on how we could better communicate with, and listen to, our stakeholders and customers.

The research was conducted with 124 stakeholders across three key segments: Government and regulatory, customer and community and energy industry. Of these, 30 were in-depth interviews and 88 were online surveys. The fieldwork was conducted in November and December 2016.

<sup>1</sup> See: RPS, A review of Ausgrid's Customer and Stakeholder Engagement: Final Report, November 2015; and Ausgrid, Better engagement leads to better business: Response to Customer Engagement Review, March 2016.

### 2.2.1 Key Findings

The findings can be summarised as follows:

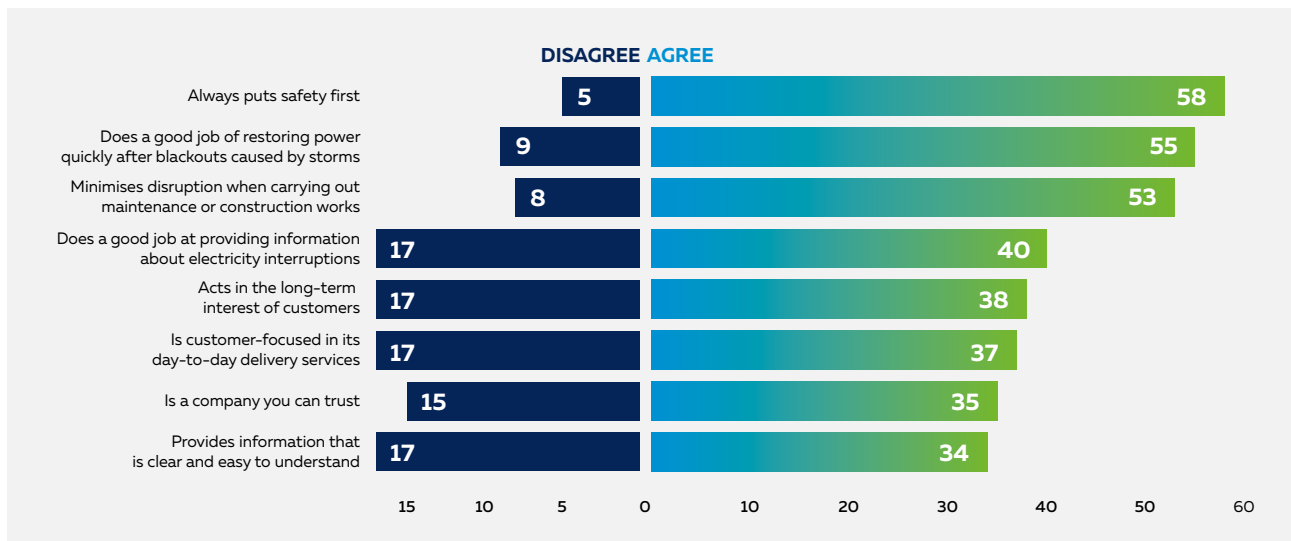
- Stakeholders understand that Ausgrid staff were focused on delivering a reliable and safe distribution network
- While they consider Ausgrid to be inwardly-focused, it is because they think the business relies too heavily on assumptions about what stakeholders and customers expect, rather than asking for their opinion directly.
- Ausgrid needs to shift to a culture where openness and transparency, genuine listening and responsiveness become and every day part of how it does business
- Ausgrid is heading in the right direction but there's a lot more to do. Success relies on everyone in the business playing a role in listening and responding to customer needs.

This feedback has helped shape our Reset Engagement and Empowerment Framework (outlined in the Section 4), particularly as it relates to the way in which we consult and involve our stakeholders at key stages in the development of our proposal, and the way in which we make and communicate our decisions.

The diagram below sets out our customers' overall opinion of Ausgrid. The results show that, while we are well recognised for performing our work safely and responding quickly to blackouts following storms, we can improve in several areas.

**Figure 1.**

### Our customers' overall opinion of Ausgrid in 2017



Source: Ausgrid analysis of Newgate Research, Customers at the Centre Phases three and four: Customer Survey and Advanced Analytics Research Report, p.33.

Overall, the feedback from our customers and stakeholders indicates that we can improve how we engage with customers to ensure that we:

- act in the long-term interest of customers,
- are customer-focused in our day-to-day activities,
- are a company that customers can trust, and
- provide information that is clear and easy to understand.

## 2.3 Redesigning the way in which we engage

Giving consideration to the findings from the Stakeholder Perceptions study Ausgrid undertook work to improve stakeholder engagement to ensure we had a robust program.

With our stakeholders, we developed a new approach to guide the way we work together. It was agreed to call this approach the Reset Engagement and Empowerment Framework, which is shown in the table below.

**Table 1.**

### Ausgrid Reset Engagement and Empowerment Framework

<b>Rules and regulation compliant</b>	Meets all legal and regulatory requirements and in line with professional/industry codes
<b>Ethical and responsible</b>	Safety never compromised, environmentally and socially responsible, responsible employer, always ethical
<b>Customer focused</b>	Primary focus on long-term interests of customers, with the best possible customer service we can deliver
<b>Optimal solution</b>	Delivering reliability and risk management with optimal revenue, investment levels and affordability. Incorporating market/policy trends, technology and innovation
<b>Fair and reasonable</b>	Proposals for reliability, investment levels, revenue and pricing seen as fair and reasonable by customers and stakeholders
<b>Accountable and transparent</b>	Key decisions supported by robust evidence, with an open and transparent process, and stakeholders' views clearly taken into account
<b>Respectful and collaborative</b>	Relevant stakeholders consulted and involved at each key stage in respectful two-way conversation, necessary information provided simply
<b>Stakeholder-supported</b>	Broad support from most stakeholders

This framework takes into account feedback from our core stakeholders about how we engage with them (as outlined in Section 3) as well as incorporating the lessons learnt from our last regulatory reset process.

The key features of the framework are:

- **Customer focused** – ensure that the primary focus is on the long-term interests of consumers
- **Accountable and transparent** – key decisions are supported by robust evidence, with an open and transparent process, and stakeholders' views clearly taken into account
- **Respectful and collaborative** – relevant stakeholders consulted and involved at each key stage in respectful two-way conversation, with information provided in a simple format.

## 2.4 Improving our engagement with customer advocates

### 2.4.1 Customer Consultative Committee

We identified a need to improve the functioning of our former Customer Council, and in mid-2016 we disbanded it and formed a new Customer Consultative Committee (CCC). As a group, the CCC developed a charter which outlined the purpose, objectives, responsibilities, membership criteria, meeting procedures, planning and reporting for the committee. Out of this process, the CCC developed the following statement of purpose:

To provide oversight and advice to assist Ausgrid in becoming a customer-centric business that is sensitive to the needs and views of its various stakeholders.

The CCC is the main consultative body that Ausgrid uses to provide customer and external stakeholder perspectives around:

- Ausgrid's plans, policies and service delivery
- Ausgrid's regulatory submissions and the regulatory framework
- ensuring appropriate and effective customer and stakeholder engagement.

In reforming the CCC, we identified a need to increase the diversity of membership to include a broader range of stakeholders. This is reflected in the current list of members and observers shown in box 1 below.

#### Box 1: CCC Members and observers

- Council on the Aging NSW
- Energy & Water Ombudsman NSW
- Energy Consumers Australia
- Ethnic Communities Council NSW
- Major Energy Users
- NSW Council of Social Services
- Public Interest Advocacy Centre
- St Vincent de Paul Society
- Total Environment Centre
- Consumer Challenge Panel (observer)

Ausgrid recognised that we needed to change the focus of the meetings to centre on what stakeholders want to talk about. In addition, we recognised that while we needed to build the committee members' capacity to engage with, collaborate and challenge Ausgrid on a number of issues, we also needed to listen to them more. This could only be achieved by being open and transparent with our decision making processes and allowing stakeholders to access and understand different parts of Ausgrid's business.

To build the capacity of the CCC to engage with and challenge us, we developed a series of materials throughout the reset process to explain, in plain English, the various components of the regulatory proposal. This included the tariff structure statement and how we reached the decisions within it. We worked with the CCC to remove unnecessary complexity and make the documents and explanations as informative and intuitive as possible, and amended the material in response to their feedback.

There were a number of ways in which we demonstrated our commitment to being open and transparent. For example, we ensured the CCC had access to our subject matter experts. That meant they were able to ask questions and gain answers directly from the people designing the pricing strategy, capital programs, and the opportunities for demand management.

We also shared an early draft of our proposal with the CCC. This included the 'headline numbers', such as our proposed capital and operating expenditure and the implied revenue and price impacts, as they stood in August 2017.

The CCC was also involved in developing the topics and questions that we used to engage with our customers directly.



The topics we discussed with the CCC are set out in the table below. Specific issues that were raised and considered during the development of our regulatory proposal and tariff strategy, are set out in Chapter 5 of the Extended Stakeholder Consultation Report.

**Table 2.**

## Summary of CCC meetings

DATE	TOPICS COVERED
27/09/16	<ul style="list-style-type: none"> <li>• Governance issues for the CCC</li> <li>• Key data, including a 'customer dashboard'</li> <li>• Understanding the value chain (cost drivers, pricing and value for customers)</li> <li>• Customer research and insights/stakeholder engagement and feedback (see Chapter 3 below for discussion on these)</li> </ul>
22/11/16	<ul style="list-style-type: none"> <li>• The view from the top – acting CEO briefing on current topical issues</li> <li>• Stakeholder engagement framework – showing Ausgrid's current customer &amp; stakeholder research &amp; engagement activity</li> <li>• 2019–24 Reset – Expenditure and investment trends, pricing trends and the next TSS</li> <li>• Customer research and insights</li> <li>• Stakeholder perceptions survey</li> <li>• The future here now</li> </ul>
28/02/17	<ul style="list-style-type: none"> <li>• 'The view from the top' – acting CEO briefing on current topical issues</li> <li>• Understanding customer and stakeholder needs and expectations</li> <li>• 2019–24 Reset – pricing data, Ausgrid's transformation process</li> <li>• Current customer &amp; stakeholder research &amp; engagement activity</li> </ul>
26/04/17	<ul style="list-style-type: none"> <li>• 'The view from the top' – CEO briefing on current topical issues</li> <li>• Customer and stakeholder engagement framework reviews</li> <li>• 2019–24 Reset – pricing proposal background paper, fixed charges, customer impact</li> <li>• Advocacy plans</li> </ul>
27/06/17	<ul style="list-style-type: none"> <li>• 'The view from the top' – EGM Strategy and Regulation briefing on current topical issues</li> <li>• Customers at the Centre research project</li> <li>• Customer dashboard</li> <li>• Energy literacy project</li> <li>• 2019–24 Reset/TSS – update on opex and capex</li> <li>• Engagement frameworks: reviews</li> </ul>
22/08/17	<ul style="list-style-type: none"> <li>• 'What's happening in your world'</li> <li>• Ausgrid 'view from the top'</li> <li>• 2019–24 Reset – provided a draft plan</li> <li>• Future focus</li> <li>• Energy literacy project</li> </ul>
28/11/17	<ul style="list-style-type: none"> <li>• 2019–24 Reset Update</li> <li>• Life Support Customer Survey Results</li> <li>• Energy Literacy Review Update</li> <li>• Connections Policy</li> <li>• Summer Readiness</li> <li>• Load Shedding Protocols</li> <li>• Ring Fencing and Power of Choice update</li> </ul>

We also provided opportunities for CCC members to delve into further detail on the regulatory proposal as part of our Reset Working Group, discussed in the next section.

### 2.4.4 CCC Reset working group

Recognising that the CCC had a broader role than merely advising on the regulatory proposal, we set up a Reset Working Group (RWG) to specifically consult on more detailed reset-related issues for those members that wanted to participate. The RWG allowed us to build higher levels of understanding that allowed us to test our proposals in more detail. The majority of CCC members attended at least some of the RWG workshops.

The table below sets out the topics that we discussed with the RWG.

**Table 3.**

### Summary of RWG meetings

DATE	TOPICS
15/12/16	Pricing and visioning workshop
20/03/17 (teleconference)	AER's preliminary framework and approach paper
4/04/17	Forecast capex and opex methods
25/07/17	Consulting on initial forecasts
12/09/17	Customer at the Centre research results
24/10/17	Proposed capital programs for 2019–24 proposal
15/12/17	Tariff structure statement

In addition, we had a number of 'deep-dive' sessions and/or working groups where we spoke to interested parties on specific issues, including on:

- Value of customer reliability
- Pricing design
- STPIS customer service metric
- Capex and opex discussions.



# Understanding our customer needs and preferences

## 3.1 Designing a Customer Research program

Ausgrid conducted two separate processes, an internal needs analysis and an external knowledge review, to identify what information was already available with respect to our customer preferences, and what information was required to input into and support our business practices for the development of the regulatory proposal.

### 3.1.1 Knowledge review

Ausgrid engaged Newgate Research to conduct a knowledge review relating to key insights and understanding of customers. This included: who our customers are; their needs; their experiences; their behaviour; their views and expectations; and their preferences and priorities. The purpose of the research was to provide a snapshot of what

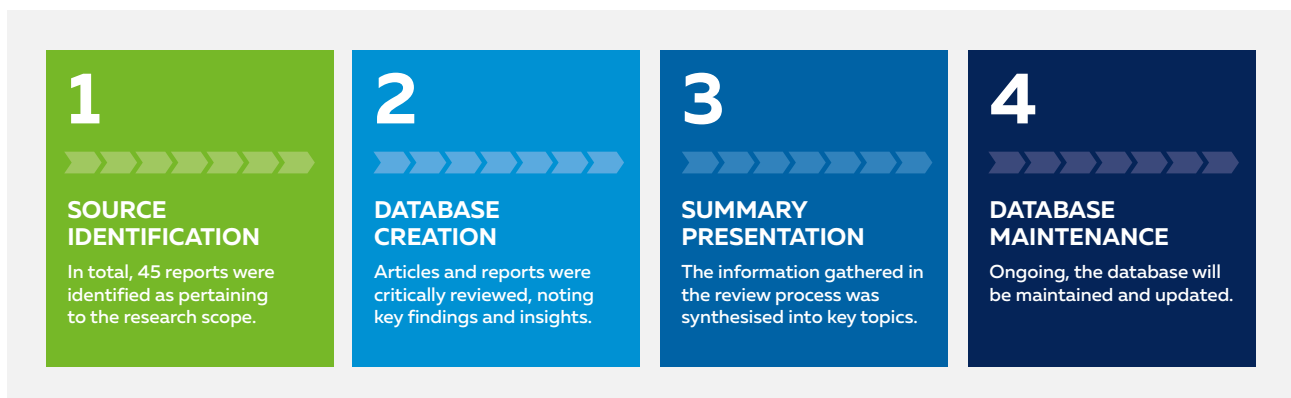
we know about our customers and, combined with the internal needs analysis, identify key gaps in our knowledge.

Newgate reviewed existing research carried out, or commissioned by, Ausgrid as well as by other relevant entities such as consumer advocacy groups, NSW Government, local councils and other NSW DNSPs. Research conducted in other jurisdictions, including internationally, was also considered where relevant. The resulting database of customer research will be maintained and updated to provide an ongoing source of information on the preferences of our customers from which we can draw when developing our plans.

The figure below sets out the process that was followed.

Figure 2.

### Developing a customer knowledge database



The knowledge review identified a wide range of research needs, from fairly basic qualitative insights into the customer experience, to complex trade-off research around subjects like price and reliability levels, including sophisticated analysis of what customers are prepared to pay.

Key findings from the knowledge review were:

- Customer awareness and understanding of network companies remains low
- Reliability, price and safety are top priorities for customers
- Whilst most customers make an effort to reduce their energy use, there is low understanding of how to save, and a lack of awareness of the technologies available to assist

- Confusion and lack of knowledge regarding price structures and types which indicates low energy literacy among most customers
- Vulnerable customers are less likely to engage in the market due to low energy-and-financial literacy, lack of time and outstanding debts
- Customers prefer targeted communications and engagement and when they do make contact they want a quick, responsive service
- While saving money is a main driver of new technology adoption, high set-up costs and low knowledge are key barriers, as are declining feed-in prices.

### 3.1.2 Internal needs analysis

Ausgrid also conducted an internal Needs Analysis to complement the Knowledge Review and identify our research requirements. Over 50 managers were interviewed across the business to identify what customer research and insights they were aware of, or were using in their planning and service delivery. They were also asked to identify what research and programs they considered necessary in order to meet the needs of their customers.

The Needs Analysis also included some interviews with external stakeholders with whom Ausgrid would need to collaborate on research.

There were two key insights from these interviews:

- There is much agreement on the issues that require further research, and a belief that more and better customer research is needed; and
- The tools and methodologies for conducting research is critical, and stakeholders should be included, as appropriate, in developing these.

From this process, a list of project requirements was developed.

## 3.2 The Customer at the Centre research and insights program

The Customer at the Centre program was a multi-phased project, designed specifically to support the 2019–24 regulatory reset. The program builds on the needs analysis and knowledge review. Key stakeholders, including the CCC and AER CCP members, were involved in developing this program, including prioritising topics.

We sought to answer a number of fundamental strategic questions that are central to our business planning and regulatory submissions, including:

- Beyond low prices, what are the long-term interests of customers? What are the long-term interests of customers specifically in relation to the way in which the distribution network is built, operated and maintained (separating out the retail service and retail price issues)?
- What are the key strategic issues for 'social licence to operate' and 'environmental responsibility'?

considerations as well as the pure economic and financial perspective?

- How do we reconcile delivering a reliability of supply that customers expect while keeping prices affordable?
- How do we design our prices to be fair while providing customers with signals about how their electricity use contributes to network costs? How do we design our prices to be fair while providing customers with opportunities to lower their bills by changing the way in which they use electricity?

The purpose of the research was to explore and understand customer expectations and preferences and seek their feedback.

The research program had four phases and is summarised in the diagram below. Each phase is discussed in more detail overleaf. The research was conducted between May and September 2017. Altogether we sought feedback from over 2,500 customers.

Figure 3.

### Customer at the Centre four research phases



### 3.2.1 Phase 1: Focus groups

Phase one involved a series of 14 focus groups held in locations across our network area. In total, 118 customers participated. The focus groups included a number of customer types, such as general community, early adopters, small to medium-sized enterprises, battery owners, vulnerable customers and people from culturally and linguistically diverse backgrounds.

The focus groups provided exploratory qualitative insight into what the 'typical' uninformed customer knows, what they think about Ausgrid, their experiences and their expectations of Ausgrid, their views on prices, an exploration of trade-offs and price elasticity, their views on solar and battery storage and views on information and advice. The latter included a range of topics from day-to-day service delivery to future sustainability options.

The specific objectives of these focus groups were to explore and understand customer expectations and preferences and seek their feedback in relation to:

- Knowledge, interest and attitudes towards electricity
- Knowledge and perceptions of Ausgrid
- Expectations and preferences for Ausgrid to become a customer-centric distribution company
- How Ausgrid can meet customer expectations at specific service touch points
- A series of initial regulatory proposal concepts
- Communication and engagement preferences.

Outcomes from these focus groups helped to inform the remainder of the research program.

### 3.2.2 Phase 2: Deliberative forums

Phase two comprised two deliberative forums, one in Sydney and one in Newcastle, conducted in June 2017.

In these forums we provided customers with briefings, panel discussions and a Q&A session to bring up their knowledge and understanding of electricity issues and what Ausgrid does. We used the sessions to explore the views of customers as they became more informed and empowered. Participants were also surveyed before and after to test what, if any, impact the information and discussion had on their views.

The main objectives of the deliberative forums were to:

- Identify customers' awareness of, and expectations about, Ausgrid's long term focus
- Understand customers' long-term needs and expectations
- Educate customers about Ausgrid's role, its current challenges and plans, e.g. the move toward cost reflective pricing
- Explore customers' overarching attitudes to cost-reflective pricing and price reform
- Understand customer attitudes towards changing the fixed versus usage proportions of the network component of their bills
- Deliberate on several different options for managing peaks in network demand.

A secondary aim of the deliberative forums was to understand customers' broader attitudes to Ausgrid including their perception of Ausgrid's overall reputation, and whether the engagement process – having given customers access to much more information than they would usually have – altered these perceptions.

One of the key areas we tested in the deliberative forums was customers' responses to various pricing design options. We provided participants with a description of a number of different price types and presented modelling to illustrate the effects of each of the proposed price designs on the average bill for a range of customers. Customers debated the pros and cons of different options and voted on the approaches they liked, and asked questions of our experts.

### 3.2.3 Phases 3 and 4: Customer survey and advanced analytics

The final steps in the program were to conduct a quantitative survey of 2,362 Ausgrid customers and perform advanced analytics on the results. Quotas were set to ensure the sample was representative in regards to age, gender and location. The survey covered residential as well as business customers.

The main objectives of these final phases were to understand:

- Attitudes to electricity in the context of other community issues;
- Awareness, knowledge and perceptions of Ausgrid;
- Ausgrid's performance on core services: reliable supply, restoring power after storm blackouts, tree trimming, street light maintenance;
- Ausgrid's role and performance in providing relevant information and advice to customers when they needed or wanted it;
- Attitudes and preferences to potential price options;
- Attitudes towards solar and new technologies including barriers to their uptake;
- Expectations for Ausgrid's long-term plan;
- Input into Ausgrid's long-term plans, with a focus on the 2019–2024 Regulatory Reset; and
- Subconscious drivers of long-term customer interests and perceived fairness of pricing structure options.

The questionnaire is included as part of the final report, which is available on our website.

The findings from the four phases of research and how we have incorporated them have been highlighted in the Executive Summary, Chapter 2 and in the Extended Stakeholder Consultation Report.

# Engagement outcomes

## 4.1 CCC and RWG

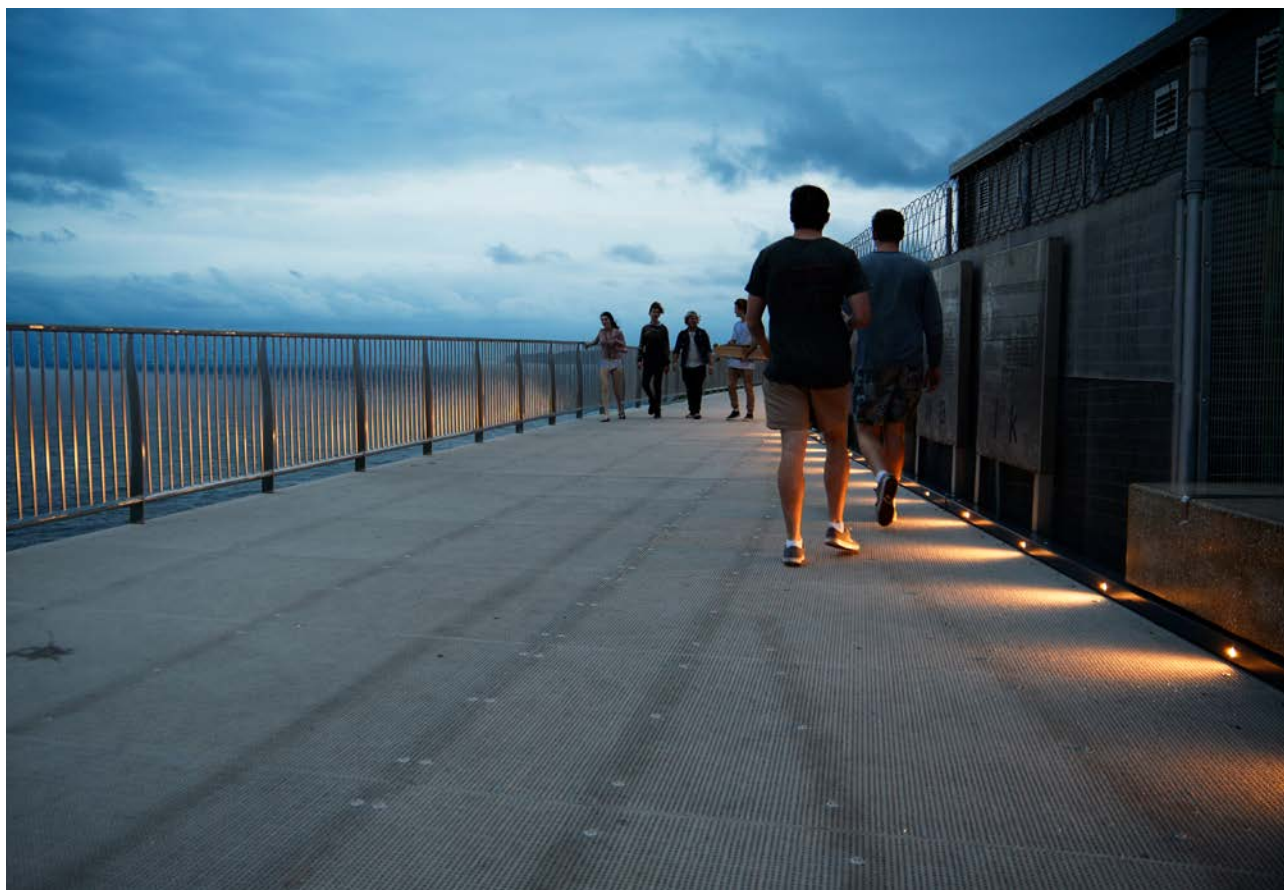
The table below sets out some of the feedback we received from the CCC and RWG and how Ausgrid has taken it into account, both for the purposes of the Proposal and in terms of our business-as-usual systems and processes.

How we have taken feedback into account

ISSUE	CCC/RWG CONCERNS	AUSGRID RESPONSE
<b>CALD and small business voice in research</b>	Need CALD and small business voice in research	Specifically targeted a representative proportion of CALD community and small businesses for Customer at the Centre research.  CCC members invited to have an advisory role in customer research and collaborate on specific research topics (energy literacy and vulnerable customers).  Ongoing program to develop a strategy to better engage with our CALD customers.
<b>Engagement with the CCC</b>	Still too much 'tell' and not enough 'listen'	Sought to improve the meeting structure, culture and other mechanisms to listen more. This included introducing a 'what's new in your world' discussion.
<b>Customer service measure</b>	Develop specific proposal for a broader customer service measure including customer satisfaction and customer complaints	With the CCC, we co-designed a new customer parameter for the Service Target Performance Incentive Scheme as a more meaningful measure of customer service. We will gather data over 2019-24 to enable us to develop targets and apply this metric from 2024.
<b>Customer research topics</b>	Need to broaden the topics that Ausgrid consults on	We consulted with the CCC on what topics we should discuss with our customers as part of our 'customer at the centre' research program. As a result, we included additional topics such as: customer views on climate change, whether we should subsidise vulnerable customers and preferred channels for information and communication.
<b>Vulnerable customers</b>	Need to better understand communication expectations and preferences of life support customers during interruptions to power supply	Completed a survey of over 1,600 life support customers. We now communicate proactively with these customers via text message, as discussed further below.
<b>Information</b>	Need to provide customers with better, simpler information	On the advice of the CCC, we are revamping our Energy Literacy material to make information easier to access and understand, as well as identify any gaps. We will also work with our stakeholders to identify appropriate channels to provide information to different customers, such as CALD communities.



ISSUE	CCC/RWG CONCERNS	AUSGRID RESPONSE
<b>Load shedding</b>	Following load shedding on 10 February 2017, the CCC raised questions about how Ausgrid approaches load shedding	We have reviewed our website to ensure customers have information on why and how load shedding occurs.
<b>Sustainability</b>	The CCC endorsed our customer research finding that we should play a role in facilitating renewable technologies. They also want us to be an active industry thought leader and advocate for reform	We are in the process of developing a strategy that will help define our role and objectives in these areas.
<b>Stakeholder capacity building</b>	Need to build up the capacity of stakeholders to engage with and challenge Ausgrid's proposals	We provided extensive materials to the CCC/RWG to build their capacity to test and challenge our regulatory proposal and pricing strategy. Materials were amended in response to feedback to remove unnecessary complexity, which encouraged better discussion.
<b>Value of customer reliability (VCR)</b>	Want us to use AEMO's VCR in our capital planning	We adopted AEMO's VCR except for large sub-transmission cables. AEMO's VCR is lower than the economic advice we received on the value customers in our region place on reliability. The lower value reduces our capex costs, although it exposes customers to a higher risk of outages if an asset fails.
<b>Safeguard price</b>	Supported a special price for vulnerable customers	We developed a safeguard price that would provide a more gradual transition to cost-reflective prices for vulnerable customers where they would otherwise be negatively impacted by the necessary changes.



## 4.2 Vulnerable Customers

### 4.2.1 Vulnerable customers – life support customer

Following input from the CCC we prioritised research on our vulnerable customers, particularly our life support customers who are among the most vulnerable. We surveyed our life support customers to understand their communication preferences during interruptions to power supply.<sup>1</sup> Over 1,600 customers shared their experience and expectations and we are using this information to inform our service delivery. A key insight was that customers would like us to proactively contact them in the event of an unplanned power outage. We have listened, and as of November 2017 we now send text messages to life support customers where we have mobile phone contact numbers. Over the coming months Ausgrid will be contacting customers to confirm and update their details to further improve communication during interruptions to power supply.

We are also actively working to improve the quality of customer life support data including advocating for mandatory B2B definitions of customer life support information that needs to be captured.

### 4.2.2 'Energy Literacy' project

Following our engagement with the CCC, we undertook to review our approach to energy literacy, to provide toolkits and resource packs to our customers to help them to understand their energy use.

Our stakeholders and customers have told us that our industry is too confusing and that they think Ausgrid has a role in providing simple information about what actions customers can take to manage their bills. Energy Literacy was identified by stakeholders in the CCC, and through the Customers at the Centre, as a project that Ausgrid could collaborate on with its stakeholders.

We have commenced work with our stakeholders to simplify information already available, address gaps in knowledge and promote this information through stakeholder channels.

This project will be designed to cover both the mainstream customer base and some particular target audiences. The central idea is to evaluate levels of, and the nature of, energy literacy – around what customers know, what they need to know, what they want to know, what they are capable of knowing (from a quick scan to in-depth study), and what Ausgrid can provide. We can develop and test material that fulfils different levels and types of need or expectation, in different scenarios (eg from proactive education to reacting to demands in an unplanned outage situation), for different customer groups. We can continue to develop and deliver our 'Simplifying Complexity' initiative.

<sup>1</sup> The outcomes of this research are presented in a report, *Life Support Customer Survey Results*, November 2017, available on our website at [www.ausgrid.com.au](http://www.ausgrid.com.au)

## 4.3 Local councils

We also identified a need to engage with local councils on two specific issues:

- Street lighting
- Vegetation management

These are issues that are important to our customers and we have discussed them both at great length with local councils.

### 4.3.1 Street lighting

Ausgrid provides public lighting services to over 90 customers including councils, community groups and government associations. There are over 250,000 public lights in Ausgrid's network area, which are typically installed on major and minor roads.

Ausgrid has been consulting with our stakeholders and customers on a regular basis. Since June 2016, we have met with our stakeholders on 24 occasions to discuss street lighting issues. In addition, we have provided detailed information on issues such as pricing options and residual values of street lights.

Our stakeholders have provided us with feedback regarding their key concerns:

- LED street lighting pricing for residential roads
- technology choice when it comes to replacement of street lights
- implementation of an accelerated replacement program of old technology street lights with new LED technology for residential roads and main roads
- a review of the Public Lighting Code.

**In consultation with councils and their representatives, we are embarking on a three-year program to replace 100,000 existing lightbulbs with LEDs to support reduction in carbon emissions and more efficient street lighting.**



The table below sets out key issues raised by our stakeholders, how we addressed the issues and what the outcome was.

ISSUE	WHAT WE DID	OUTCOME
<b>Finalise LED street lighting pricing for residential roads.</b>	We provided our customers a range of pricing options for the LEDs, with varying capital payback periods. We gave customers the choice of which option they preferred.	The option chosen by our customers was implemented.
<b>Volume discount for the accelerated replacement of residential road street lights.</b>	We looked at a range of options where we could potentially offer our customers a discount for volume related replacement of street lights.	We agreed on a benefit-sharing mechanism that could reduce capital costs for our customers by up to 10%.
<b>Provide a detailed business case for each customer to enable them to make an informed decision on whether to proceed with an accelerated replacement program in their area.</b>	We consulted with our customers to determine exactly what information they required for their business case.	Detailed information has been provided to each customer.
<b>Technology choice when it comes to the replacement of street lights for an accelerated replacement program for a residential road.</b>	At our last tender for residential roads, we awarded contracts to two separate suppliers.	When undertaking an accelerated replacement program for residential roads our customers will be able to choose from two different suppliers.
<b>Implement an accelerated replacement program of old technology street lights with new LED technology for residential roads and main roads.</b>	On 7 November 2017, Ausgrid consulted with our customers and presented detailed information on the accelerated replacement program.	Further information and a detailed proposal has been sent to each Council with a copy to SSROC.
<b>Trial main road LED &amp; Smart Controls.</b>	Tendered for main road LED street lights and consulted with smart control manufacturers.	Have commenced trialling main road LEDs and smart controls.
<b>Review the Public Lighting Code, Some of the key issues are:</b> <ul style="list-style-type: none"> <li>• Code to be made mandatory.</li> <li>• A metric for the repair of underground cable faults.</li> <li>• Penalties for noncompliance.</li> </ul>	We are consulting with the Department of Planning and Environment, SSROC and Councils.	Work in progress.

### 4.3.2 Vegetation management

Vegetation management represents a significant proportion of our operating costs. Regular trimming helps ensure a safe and reliable power supply across our network.

In addition to meeting the required safety clearance distances, crews typically also provide an allowance for regrowth to minimise the frequency of cutting to keep our tree trimming costs as low as possible. However, communities have raised concerns about the way in which we trim trees.

Between September and November 2015 we sought views from stakeholders such as councils, MPs, community groups and customers. We used a range of communication methods, including an online survey, pop-up engagement and other methods.

Our stakeholders and customers told us they:

- want us to engage more effectively with communities in relation to tree trimming
- are concerned about the visual amenity of the tree trimming
- want other options that improve visual outcomes while meeting safety requirements.

In response to the feedback received, we entered a more detailed phase of engagement to help us identify how we can better align our tree-trimming practices with community expectations. We set up a community stakeholder working group comprising local councils, industry associations, government departments and community groups to review delivery of the vegetation management program and develop a service charter. This includes developing and implementing a strategy that meets the needs of our customers, appropriately manages risks and costs and is mindful of the impact and benefit of trees on our built-up environment. We have also engaged at senior levels via a workshop with members of our Executive in July 2017.

**Outcomes** from this engagement include:

- **Development of local precinct plans with councils** – the precinct plans provide a summary of Ausgrid and council priorities, commitments to share data, planned works within an area in order to better coordinate and manage vegetation management activities, and community expectations. The precinct plans are being developed with all local councils and will be revised annually to reflect changes as required.
- **A new network standard** – this is a technical document for contractors that defines, among other things, cutting clearances. We have changed our standard for vegetation management in non-bushfire areas to better balance network risk and community expectations. In these areas, trimming clearances will be reduced from one metre to half a metre and in the case of Aerial Bundled Cable, vegetation will be able to grow within 10 centimetres of the asset. These changes will allow less severe trimming and better canopy cover which is a key outcome sought by stakeholders.
- **A tree safety management plan** – this is a broader, community-focused document that provides a comprehensive overview of Ausgrid's management procedures and practices. Consultation with our stakeholders is underway to develop a new plan that better reflects the way we are now engaging with councils.
- **Grant scheme** – we have worked together with councils to design a scheme that allows us to co-fund projects where Ausgrid's prioritisation of the project on strictly technical grounds would result in the project not proceeding, but when combined with other benefits and priorities of councils, there is significant community value in the project going ahead. By way of example, 'Aerial Bundled Cabling' (ABC) or undergrounding of electricity wires can improve reliability but at some cost and this cannot always be justified on a strictly technical basis (i.e. it is cheaper to keep trimming trees). However, ABC and undergrounding has significant benefits in allowing trees that have significant community or environmental benefits to remain in place. The scheme allows councils and Ausgrid to jointly contribute to projects where there are both community and reliability benefits.

In 2014/15, Ausgrid recorded an increase in complaints relating to tree trimming, and satisfaction with the work and the appearance of trees both decreased.

In March 2016 we initiated a trial with the City of Sydney to reduce the amount trimmed for regrowth in some locations. At the request of the Inner West Council, and in response to concerns raised by the community, this trial was extended to parts of Sydney's inner west from September 2016.

## 4.4 Retailers

In addition to speaking directly with our customers and their representatives, it is important to understand retailers' perspectives, particularly on issues regarding prices. Retailers effectively act as an intermediary between networks and our customers. While we may set a certain price structure, competitive retailers have the flexibility to bundle up the network charge along with wholesale costs, retailers own costs and other costs, such as for green schemes.

To date, for the purposes of the regulatory proposal and tariff structure statement we have engaged primarily with retailers – AGL, EnergyAustralia and Origin Energy. In November 2017 we met with each of them individually to discuss our emerging pricing. They raised two key concerns, which are set out together with our response in the table below.

ISSUE	RETAILER CONCERN	AUSGRID RESPONSE
<b>Shifting customers onto TOU prices</b>	Retailers were generally comfortable with shifting customers onto time of use (TOU) network prices once they had access to the necessary metering technology. However, retailers were concerned that this approach could create confusion for customers if their prices changed when receiving new meters and again on 1 July with general price changes. Retailers were also concerned that this approach may make it difficult to proactively roll out smart meters to customers.	<p>We do not want to undermine retailers' ability to roll out smart meters. Providing customers with smart meters will allow them to better understand and take control over their energy usage. It will also allow us to provide them with a TOU pricing structure. This will better signal the costs of using our network, particularly at peak times when there are constraints on supply.</p> <p>As such, we will be considering a proposal by retailers to delay any price change resulting from the installation of a new meter until 1 July each year.</p>
<b>Complexity of transitional prices</b>	Retailers were concerned with the complexity of the proposed transitional price, including the safeguard price. The greater the number of prices, the more difficult it is for retailers to manage within their billing systems.	<p>Ausgrid's core focus for the transitional price is to comply with the pricing rules, which require us to consider the impact of any significant price changes on certain customer groups.</p> <p>However, we understand that overly complex prices are difficult for retailers to manage. We would be pleased to work with retailers and the AER to identify alternative ways to provide an appropriate transition for our most affected and vulnerable customers, such as through a rebate.</p>



