

Appendix V: Stakeholder Engagement

Ausgrid summarises below the key themes arising from stakeholders' submissions to the AER on its initial proposed TSS, and how that feedback is reflected in Ausgrid's revised TSS.

These stakeholders include: the NSW Irrigators' Council; Energy Australia; the Energy Water Ombudsman NSW (EWON); Jemena, Essential Energy; Endeavour Energy; the NSW Council of Social Service (NCOSS); the Public Interest Advocacy Centre (PIAC); SolarCitizens; the Southern Sydney Regional Organisation of Councils; AGL Energy (AGL); Energy Consumers Australia (ECA); Origin Energy (Origin); as well as Red Energy and Lumo Energy.

Stakeholder feedback	Ausgrid's response
Declining Block Tariffs	
<p>A number of stakeholders raised concerns with the declining block tariff (DBT) in Ausgrid's initial TSS.</p> <p>These concerns centered on a view that the DBT encourages further use of Ausgrid's network, disadvantages low-income and vulnerable household, has poor cost-reflective properties and provides a subsidy from low-users to high-users of electricity.</p> <p>Further, some stakeholders considered that the DBT provides only weak incentives for customers to take up TOU tariffs.</p>	<p>Ausgrid acknowledges the limited scope for DBTs –along with inclining block tariffs and flat tariffs– to provide efficient price signals to customers. Ausgrid has taken on board feedback from stakeholders on the DBT and, in light of this feedback, has replaced the DBT with a flat tariff in its revised TSS.</p>

Stakeholder feedback	Ausgrid's response
Time of use tariffs	
<p>Some stakeholders raised concerns with aspects of the proposed TOU tariffs.</p> <p>A number of stakeholders indicated a preference for time periods that are defined consistently across the NSW electricity distribution businesses. Some stakeholders also considered that a narrower peak period would make the peak period easier to avoid for some customers.</p> <p>Stakeholders also questions the level of the peak charge, as compared to the DBT energy charge, concluding that they disparity gave rise to weak incentives to adopt TOU tariffs.</p> <p>On a related matter, some stakeholders also opposed the reassignment of customers to TOU tariffs.</p>	<p>Ausgrid agrees with the AER's view that the definition of the peak periods should be driven by economic factors, ie, the timing of peak demand, rather than the objective of harmonization across different networks, and we have discussed this with stakeholders.</p> <p>Ausgrid has undertaken a first principles analysis and concluded that, while the existing peak period is appropriate in the summer months, there is scope to narrow the peak period for residential customers in the winter months, as explained in section 6 of the TSS.</p> <p>Ausgrid has carefully considered the allocation of costs between TOU and non-TOU tariffs, as well as across TOU charging parameters, to ensure that there exists an incentive for uptake of TOU tariffs, as explained in section 8.3.4 of the TSS.</p> <p>Finally, Ausgrid has also introduced transitional tariffs to mitigate potential customer bill impacts arising from the reassignment of customers.</p>
Customer Engagement	
<p>Some stakeholders considered that there was scope to improve Ausgrid's stakeholder engagement process.</p>	<p>Ausgrid acknowledges that the stakeholder engagement for its initial proposed TSS was undertaken in a compressed timeframe and that there is scope to improve the consultation process for the next TSS. Ausgrid sought to improve its stakeholder engagement for the revised TSS by, immediately after the AER's draft decision was published, holding a briefing session for stakeholders to outline the key issues and implications arising from the AER's feedback in the draft decision.</p> <p>Ausgrid then issued and invited submissions on a short discussion paper that was circulated to stakeholders. After undertaking further analyses and considering stakeholder's submissions, Ausgrid again met with stakeholders in mid-September to discuss Ausgrid's preferred approach for the revised TSS and, importantly, to understand stakeholder views on that approach. Further, Ausgrid sent a follow-up communication to stakeholders reflecting on the key themes arising from that workshop and engaged with particular stakeholders in relation to specific questions, eg, in relation to the reassignment process. Our engagement process is explained in more detail in Appendix A.</p>

Stakeholder feedback	Ausgrid's response
Analysis of customer impacts	
<p>Some stakeholders considered that Ausgrid could improve its analysis of the customer bill impacts associated with potential reform options. These concerns related to:</p> <ul style="list-style-type: none"> • the absence of analyses on the bill impacts for customers with embedded generation; • the scope for more extensive and detailed analyses; • the need to investigate further bill impacts for low-energy users; and • the absence of input from stakeholders on the design of customer impact studies. 	<p>Ausgrid acknowledges there is scope to undertake more extensive customer impact studies and to work more collaboratively with stakeholders in that regard. While the compressed timeframe for submission of the revised TSS was insufficient to make substantial changes to Ausgrid's methodology for assessing customer impacts, it will look to overhaul this methodology as part of the next TSS, while consulting with stakeholders on that methodology.</p>
Social Tariffs	
<p>Some stakeholders raised the matter of social tariffs in their submissions to the AER, namely in relation to the scope for social tariffs to assist low-income households and vulnerable customers.</p>	<p>Ausgrid notes that the transitional arrangements together with our goal to gradually rebalance tariffs over time will ensure no customer receives an unacceptable bill increase over the regulatory control period. We also note the considerable concerns previously raised by stakeholders that oppose social tariffs. Ausgrid decided not to introduce social tariffs at this stage, however, it is open to further discussing these matters with stakeholders during consultation for the next TSS. Further Ausgrid plans to research innovative approaches to recovering residual costs, which will include analyses of the potential to better protect low income and vulnerable customers from bill impacts.</p>