

# Ausgrid Draft Stakeholder and Consumer Consultation Program Proposal: 2019 – 24 Submission Extension

## Aim

The overarching aim of Ausgrid's Stakeholder and Consumer Consultation Program, which underpins our request to the Australian Energy Regulator (AER) for extending the delivery of our 2019 – 24 Submission, is to ensure ongoing engagement that helps us align our business planning, policies and practices with the expectations of our customers.

We are seeking to embed a customer-centric approach across our entire business, from site connections, promptly responding to customer outages, right through to engagement on our regulatory proposal.

Having customer-focussed operations across our entire business will ensure that decisions we make on a daily basis always include real consideration of the customer's perspective. It will also keep our stakeholders both informed and heard, so they can continue to influence our strategic priorities.

From January 2018 right through to the proposed submission date of 30 April 2018, our proposed Consultation Program will focus on an intense level of fit-for-purpose community engagement over key aspects of our 2019-2024 regulatory submission, specifically: price, investment efficiency (capex and opex) and overall operational performance.

Our aim is to constructively build on what we have already learnt from our stakeholders and customers to ensure truly collaborative outcomes and to avoid any surprises when the proposal is submitted to the AER. Ultimately, the goal is to agree with our key stakeholders on the price and services Ausgrid will provide over the next regulatory period – this includes working closely with the AER during the period of the extension.

From April to December 2018, we will continue to engage on our submission with key stakeholders and also seek input from broader stakeholders as we develop our final Revised Revenue Proposal.

From December 2018 onwards, we will embed ongoing engagement practices in business as usual in line with stakeholder recommendations. Our Engagement Initiatives timeline is presented at [Attachment 1](#).

The following material reflects Ausgrid's considered efforts to frame a detailed consultation strategy that is open, transparent and which gives stakeholders and customers a real opportunity to directly influence our 2019-24 Submission to the AER.

## Background

Ausgrid is in the process of developing its 2019-2024 Submission to the AER, which sets out how much we need to charge our 1.7 million customers to make sure they have affordable, safe, reliable electricity supply – now and in the future.

To help us make the right choices as we balance an affordable, reliable and secure electricity supply, we have fundamentally changed the way we engage with our customers and stakeholders. Specifically, for the last 18 months, we have been talking to our customers – from major industrial users to households – about their priorities. To date, we have engaged with more than 2,500 customers through our 'customers at the centre' research program, and ongoing consultation with

stakeholders, including our Customer Consultative Committee (CCC), retail energy businesses and local council representatives - who we consulted with on vegetation management and street lighting.

To allow an even greater level of community and stakeholder engagement on key aspects of our proposal, we are seeking the AER's approval to extend the submission date to the end of April 2018. If granted, we intend to use the additional time to implement the Extended Consultation Program outlined below. This program will include: an Early Consultation Document enabling energy customers to engage and influence our prices, how we investment and operate our business; and conducting deep dive sessions on Capex and our Price Structure.

### What we have learnt so far

Stakeholder feedback on early concepts of our regulatory proposal has given us a much greater insight into what is important to our customers and how to serve them better. Key issues include:

- **Affordable** – Customers are dismayed by rising prices with many experiencing 'bill shock'. Customers want energy prices to stabilise or decrease – this is their top priority for Ausgrid.
- **Reliable** – Customers highly value reliable and secure electricity supply, even though outages are rare. Reliable supply is a fundamental expectation and a particular concern for business.
- **Safe** – Safety is seen as essential, although not something that most customers think about every day. Safety should be a continuous point of emphasis.
- **Price** – Stakeholders support a transitional distribution network price for low energy users and vulnerable customers. They are looking for a fee structure that is fair and equitable. Stakeholders are looking for the ability to respond to price signals and see a return on investment in technology or energy efficiency.
- **The Future Network** – Customers support solar and renewables. Most participants believe Ausgrid should be actively involved in the shift to renewable energy sources.
- **Customer Service** – Stakeholders have asked for a more meaningful measure of customer service under the Service Target Performance Incentive Scheme.
- **Street Lighting** – Councils are looking to reduce energy bills and carbon emissions through the transition to energy efficient LED lighting.
- **Vegetation** – Communities and councils are looking for a better balance of network reliability outcomes with customer and community expectations of vegetation in their neighbourhoods. Councils are looking for us to reduce clearances and improve canopy cover in non-bush fire areas.
- **Education** – Several participants feel we should focus more on educating the public on Ausgrid's responsibilities and provide information on how to save money on electricity bills.

## 1. Extended Consultation Program to April 30

Our proposed consultation Program will help us to build on the understanding established with our Customer Consultative Committee (CCC) members by seeking the views of our customers and stakeholders. In our deliberative sessions with stakeholders to date we have learned the importance of giving people: access to information in a timely manner, opportunities to ask experts questions and time to digest new information such that participants are brought along on the journey with us. From our perspective, this is the best way of ensuring stakeholders understand the commercial and technical impact specific elements of the proposal will have on customers. We believe the additional time for this next consultation program will put participants in a better position to provide more informed views on what are often quite complex topics.

The consultation process outlined below is not final. Rather it is intended as a backbone to what will be a comprehensive consultation and engagement strategy. We anticipate agreeing on a final Extended Consultation Program in light of any further feedback received from the AER and our stakeholders. Ausgrid is open to adding new elements if suggested by stakeholders.

### 1.1 *Early Consultation Document*

Ausgrid will produce an *Early Consultation Document* covering key elements of our 2019-2014 Regulatory Submission: Capex, Opex, weighted average capital cost and Price components. It will incorporate feedback received from consultation to date and relevant general information.

The *Early Consultation Document* will enable energy customers to better understand our prices, investment efficiency and our operational performance. [Attachment 2](#): provides an overview of the structure intended for this consultation document.

Ausgrid will distribute the *Early Consultation Document* on **27 January 2018** to key stakeholders (following the Ausgrid Board meeting) and publish it on Ausgrid's website to solicit online feedback from the broader community. The closing date for feedback will be **28 February 2018**.

### 1.2 **Customer Consultation Committee (CCC)**

We are proposing two meetings of the CCC in February 2018, with the *Early Consultation Document* presented at the first meeting. The second meeting will consider the Extension Consultation Report, (outlined in section 1.4).

These meetings will provide CCC members the opportunity to raise issues with Ausgrid Executive's. Ensuring stakeholders' views continue to be heard by decision makers with responsibilities across the business.

### 1.3 **Deep Dive Sessions**

The Extended Consultation Program will also include a series of dedicated 'deep dive' sessions.

The purpose of these sessions is to provide opportunities for stakeholders to raise issues with and ask questions of our technical staff. We will invite key stakeholders to these sessions, including the AER, Energy Consumers Australia, Customer Challenge Panel 10 and the Public Interest Advocacy Centre.

In short, the objective of the deep dive program is to share our Capex projects and pricing strategy with our customers in detail, so that we can better understand the needs of customers and develop an appropriate Capex program and price structures in response to feedback received from our stakeholders.

### **1.3.1 Capex Deep Dive**

These sessions will provide our stakeholders with a more detailed exploration of the evidence and underlying assumptions in our capital projects for the period. Each element will be presented from the customer perspective showing customer benefit and justification for each component. The goal is to seek support for our capital program and our major project priorities.

We propose four sessions on capital expenditure:

- **Introduction Session – Capex Review**
  - Detailed trend analysis and overview of proposed capex program
  - Walk through and release of relevant operational documents, asset management, planning and delivery materials
  - Risk and investment option assessment including demand management opportunities
  - Contribution of Capex program to price, and payback of program for customers
  - Discussion of where our proposal fits with Transgrid’s Powering Sydney’s Future
- **Replacement Capex programs** including Advanced Distribution Management System
  - Approach to decision making (condition assessment, replacement expenditure analysis)
  - Repex analysis proposed inputs, mean asset life, standard deviation, and unit costs applied in the repex model. Identification of assets excluded in the repex model, and reasons for its exclusion
  - Long-term asset sustainability and technology factors, such as future grids and battery storage capability
  - Top 5 Capex program deep dive. Project specific, including relevant supporting documentation.
- **Review augmentation and connection Capex information**
  - Demand forecasts, demand methodologies/assumptions and customer connections
  - Connection policy, forecast of annual connection volumes by all user types.
  - Top 3 program deep dive. Project specific, including relevant supporting documentation.
- **Non-network** (Information Technology (IT)/cyber) programs and overheads
  - Details about relevant trends and drivers
  - Deep dive – top 3 IT projects. Project specific, including relevant supporting documentation.
  - Deep dive – property and fleet. Project specific, including relevant supporting documentation.
  - Trends and drivers for business overheads
- **Concluding session**
  - Review and agree the conclusions arising from each of the three deep dive sessions
  - Discuss elements to propose to the Ausgrid Board for incorporation into Capex proposal

### **1.3.2 Operational Expenditure (Deep Dive on request)**

Ausgrid can also facilitate a deep dive on Opex, if stakeholders consider this would also be of value. A session could, for example, be held to discuss vegetation management. Ausgrid notes that the view from stakeholders to date has been for Ausgrid to adopt AER benchmarking when assessing operational expenditure requirements. Ausgrid will adopt this measure in the operational expenditure requests included in submission.

### **1.3.3 Tariff Structure Statement (TSS) 2019-2024 Deep Dive**

Ausgrid has undertaken extensive consultation to date on our TSS. The topic has been incorporated into the Customer at the Centre research program, with dedicated deliberative forums on Tariffs. On 16 September, RWG members also had a dedicated meeting on TSS.

The CCC has also considered our Tariff Strategy and our approach to a Safeguard Tariff. In September, experts from Ausgrid held a three-hour session with stakeholder representatives from PIAC, TEC and NCOSS. At the RWG meeting on 24 October, members agreed to a special meeting on Tariffs scheduled for 15 December 2017. This session, which will incorporate time for questions and discussion, will cover:

- Overview of our proposed tariff strategy, new tariffs, changes in existing tariff structures and tariff transfers
- Indicative pricing and customer bill impacts
- Economic consultant studies on Long Run Marginal Cost (LRMC) Study and Price Elasticity.

Key areas where we will seek specific feedback include:

- The long Run Marginal Cost – Do you agree with our proposed methodology? Do the LRMC estimates make sense?
- Price Elasticity – Do the results make sense?
- The fixed charge increase - What is the impact on different types of customers. Are the annual impacts reasonable?
- What is the impact of our proposed tariff strategy for large business customers? Is there a need for a transitional tariff/safeguard tariff for this customer segment?
- The design of the safeguard tariff for less than 2 MWh pa sites - what should the eligibility criteria be? Should it be rebate or a tariff?

Ausgrid will hold another session on Tariff/Price in February before we submit our Tariff Statement, bringing together the outcomes from the 2017 tariff deliberative forums, feedback on cost reflective pricing, tariff objectives and the fixed / variable price balance.

## **1.4 Extended Consultation Report**

The key outcomes from the first CCC meeting, the deep dive sessions and community feedback will be compiled into an *Extended Consultation Report*, which will be presented back to a full meeting of the CCC.

The *Extended Consultation Report* will document the areas of agreement between consumer interests and the network business. It will highlight what we have heard and what we are proposing to incorporate into the regulatory submission to the Board.

The remaining time to 30 April is required to seek Board consideration for any amendments and time for our teams to incorporate amendments into our 2019-2024 Regulatory Submission. This step is important, as we heard from stakeholders that additional consultation would not be worth the commitment of resources unless there was real opportunity to engage and have inputs properly considered by the business.

### **1.5 Customer Consultative Committee Review of Extended Consultation Proposal**

At the Reset Working Group meeting on 15 December 2017, we will present the Extended Consultation Program outlined above and seek feedback on the proposed approach, adding or removing elements in response to their feedback. This input will be used to confirm the final Extended Consultation Program.

### **1.6 Broader Community and Stakeholder engagement**

Ausgrid will also place all consultation papers on the Ausgrid website for review feedback from key stakeholders and interested members of the public. This will be supplemented by targeted consultation briefings with Government, Local Government and business groups to seek feedback on key components of the proposal relevant to them.

## **2. Consultation April – December 2018**

Following the submission of our regulatory proposal and before the release of the AER Draft Determination, Ausgrid proposes to host a facilitated *Customer Consultation Strategy workshop – The Future of Energy Networks*, with all members of the Ausgrid CCC, to inform the model for Ausgrid's future customer engagement. The intention is to extend invitations to representatives from AER, AEMO, ECA, ENA, SSROC, Endeavour and Essential.

The electricity industry is going through unprecedented changes. This transformation is being driven by our customers, as they embrace new technologies, take control of their energy use and support action on climate change. We would like to gather to discuss models that will best enable us to seek customer input as practices change and as our networks evolve to deliver new services to customers

### **2.1 Customer Consultation Strategy Workshop – The Future of Energy Networks**

The scope of this workshop is still to be refined. We anticipate it could cover:

- Review delivery of the Ausgrid engagement program and framework since the CCC was re-established in 2016. The current, Ausgrid CCC Charter, was developed in 2016 between Ausgrid and the new Customer Consultative Committee (Attachment 3), as was the Reset Engagement and Empowerment Framework (Attachment 4). We intend to review these documents to update them as needed for the period leading up to our next submission 2024-2029.
- Consider international models, such as the Scottish Model, and new deliberative approaches, such as a Citizen's Jury. Noting that these models are currently being considered in a joint project between the AER, ECA and SPAusnet.
- Consider key topics to address and get customer input as we transform our networks to deliver future grid services. Topics could include: solar and battery adoption, peer-

to-peer trading and getting ready for electric vehicles. The workshop will also consider the importance of tariff structures and price signals.

- Discuss future approaches to Tariff consultation. Ausgrid needs to ensure our network prices are fair, affordable and sustainable without compromising the reliability of our network services, our network tariff structures must evolve away from the traditional one-way transportation of electricity service to the provision of an anytime connectivity service that will play an important role as an energy trading platform.
- Explore some of the long-term pricing options, such as Dynamic Real Time Pricing and rebates, and capacity and peak demand charges, and the role these options play from a demand management perspective.
- Incorporate the new innovative regulatory proposal programs currently being developed.

The workshop will result in the development of Consultation Proposal which will be discussed at a CCC meeting in August and then implemented from 2018 onward.

## **2.2 AER Draft Determination Consultation**

Ausgrid will run two CCC meeting following the release of the AER Draft Determination the first to discuss the AER comments and the gap between Ausgrid's submissions and seek CCC views. The second, will consult on our Revised Determination prior to Ausgrid Board's sign off and submission to the AER in December 2018.

We will also seek input from broader stakeholders as we develop our final Revised Revenue Proposal. Ongoing consultation with stakeholders on the elements of the proposal will include meetings with Council and Government.

## **3. Ongoing Consultation 2019 – 2024**

The approach to consultation for 2018 and beyond will be guided by the outcomes of the Customer Consultation Strategy Workshop.

### **3.1 Stakeholder Reference Group**

Ausgrid supports the approach suggested by Endeavour Energy to establish a Stakeholder Reference Group. We would like to discuss with Endeavour and Essential that in 2019 (or earlier) this group be expanded into a joint Stakeholder Reference Group (SRG) incorporating all NSW NSPs.

We are mindful that most stakeholder representatives come from the same advocacy groups – and we have heard concerns about time and resources. The Joint SRG could more effectively seek stakeholder input on topics of common concern, issues that are relevant to all NSW NSPs, to make better use of advocates' time and get outcomes that could be applied across the state

Ausgrid would like to suggest that each of the NSW Network Service providers (NSP) gets together to discuss supporting forming a joint group and to seek alignment on the topics that could be addressed at this joint forum.

Common issues could include:

- Energy Literacy
- Any customer impacts following implementation of Ring Fencing
- Tariff structure issues such as Fixed Prices
- Supporting for Vulnerable Customers
- Summer Readiness practices

We would like to come back to the AER on this issue after discussions with Endeavour Energy and Essential.

## Closing

We recognise that consulting with stakeholders on an ongoing basis is increasingly important as technology developments provide more choice in the way energy is used.

We are committed to continuing to embed customer input across our business.

We are listening to our customers carefully and using what they tell us to make immediate improvements to our customer service.

This document will continue to evolve as we receive input from across our business and from our ongoing engagement with our customer base and our key stakeholders.