Outline

• Introduction to Ausgrid and our objectives
• Our improving customer engagement
• Our 5 year plans (revenue, capex and opex)
• Typical bill impacts of our proposal over 5 years
• Savings & efficiencies to date
• Public lighting and metering services
Largest & oldest electricity network in Australia

• Our network covers 22,275 square kilometers:
  – 30,000 substations
  – 48,000km of power lines and
  – 500,000 power poles

• 1.6 million customers - households and businesses

• 2.2 million meters

• 250,000 street lights

• Building our network today would cost an estimated $38 billion
Ausgrid’s objectives

- **Safety** standards will be maintained or improved

- We will aim to maintain current average levels of **reliability** performance while making expenditure decisions based on a life-cycle view (20-50 yrs)

- Committed to keeping **price** rises below inflation through careful maintenance and investment planning
Consumer engagement strategy

- A framework to understand and address consumer engagement
- It follows best practice guidelines from AER based on IAPP
  - Provide information to customers, community and stakeholders
  - Consider feedback when making decisions
  - Report back on changes that have or have not been made.

Gather consumer feedback → Assess and evaluate feedback → Input into Ausgrid’s decision-making processes → Embed into policies, processes and procedures where appropriate → Give feedback to consumers
What we have learnt so far

Feedback received

**Reliability** - Satisfied with reliability of power supply and network performance

**Prices** - Strong views – continuing steep increases are not supported. Preference for stable prices.

Incorporating this feedback

**Reliability** - Maintain current levels of reliability reflected in network plans – 47% reduction in capital expenditure.

**Prices** - Price increases below CPI for network part of electricity bills for next five years.
### Our commitments for the next five years

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<table>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$11.8 billion</td>
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<tr>
<td><strong>Capital expenditure</strong></td>
<td>$4.9 billion, 47% real decrease</td>
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<tr>
<td><strong>Operating expenditure</strong></td>
<td>$3.3 billion, 4% real increase</td>
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**Real price reductions:** Average network price increase remain below CPI
Capex was approx $1.8bn lower than the allowance over last period, which saves $51 p.a. in typical bill from 1 July 2014.
Drivers for our forecast expenditure

**Capex**
- Safety, reliability and affordability
- Replacing old equipment at risk of failure
- Customer connections – growth
- Supporting investments (IT, property, fleet, etc)

**Opex**
- Maintenance to keep the network running

![Bar chart showing forecast expenditure for 2009-14 and 2014-19 with categories: Replacement, Growth & new customers, Support, and Maintenance.]
Our plans for the Sydney CBD and Inner West
Operating expenditure ($m, 13/14)

Savings against the AER Allowance for the 2009-14 period total $33m, despite an expected restructure cost of ~$43m in 2013/14.

Forecast Opex for 2014/15 includes anticipated cost increases of ~$34m due to changing business circumstances.
Operating cost drivers

- Real cost of labour reflects EBA and industry forecasts as advised by independent consultants.
- Increased demand management activities.
- More inspections of private mains to ensure public safety.
- Increased cost of vegetation management under contract.
- Cessation of TSA services to EnergyAustralia.
- Sale of head office requires leaseback for short transition period.
- Upfront costs to restructure Ausgrid to deliver future savings.
We have made changes to reduce our costs

- Better capital governance
- Reduced non-essential spending
  - Travel, entertainment, sponsorship costs all significantly cut.
- Fleet – reduction & extension of life
- Overtime – cut by $70 million
- Reduced the size of non-frontline workforce
Real decreases in network bills

- Prices increased by an average 19.5% pa over the past five years
- Small business should expect average price increases of 2.1% pa.
- Largest customers have bills set on cost reflective basis but average price increase across all customers are expected to remain less than CPI.
- We estimate prices in the next five years will increase by on average 2.37% pa – below CPI
Metering services

• Newly classified by AER not a new service. Offset by reduction in network charges.
• Accumulation metering price is our default service.
• Time of use metering price – allows customers to opt in.
• Incremental charge for secondary metering services such as metering for a solar panel.
• Residual value charges to replace our meter before the end of its life.
Public lighting

• The general public is satisfied with our lighting services.
• New online outage reporting to help reduce outage times.
• We know Councils have a range of concerns, including the complexity of pricing.
• Small increase in opex charges to reflect higher actual repair costs experienced over the past 5 years.
• Regulatory Proposal is a starting point and we will work with the AER to help implement simpler pricing.
• Deliver public lighting promise to address service levels.
Be part of our ongoing conversation

- Yoursay@ausgrid.com.au
- Twitter
- Facebook
- Website
- Community engagement report