

11 May 2023

Clare Savage
Chair
Australian Energy Regulator
By email: AERresets2024-29@aer.gov.au

Dear Clare

Response to AER Issues Paper on Ausgrid's 2024-29 regulatory Proposal

The Reset Customer Panel (RCP) is pleased to provide this submission in response to the Issues Paper on Ausgrid's 2024-29 Regulatory Proposal published by the AER on 28 March 2024 (the Issues Paper). This submission has been drafted to supplement the RCP's 2 previous reports¹ and the observations we made at the AER's Public Forum on 5 April 2023.

As we noted in the Second RCP Report we are currently observing and supporting Ausgrid's extensive local and whole of customer engagement to develop its resilience expenditure for 2024-29. We will provide detailed observations on this engagement and on Ausgrid's resilience expenditure business case in the RCP's next Report in mid-July 2023.

We believe the Issues Paper is fair. The AER's positive acknowledgements about Ausgrid's culture change, its focus on deep and meaningful customer engagement and significant improvement in its expenditure governance and efficiency, are well deserved. In this submission we wish to comment on selected questions raised by the AER where we believe that the RCP may be able to assist the AER. We are also attaching 2 reports written by others as a convenient way for those reports to be conveyed to the AER. The first report is from Ausgrid's Voice of Customer 2023 panel (VoC Report 2023). The second is a report from the independent members of Ausgrid's Network Innovation Advisory Committee (NIAC).

1. Retesting customer sentiment – Questions 1, 3, 5 and 7

As detailed in our two previous Reports, Ausgrid has been committed to a comprehensive engagement program with its customers to shape its 2024-29 regulatory proposal (Proposal). The RCP has been impressed by Ausgrid's willingness to continue seeking the views of its customers on its Proposal as the external environment in which the proposal is being developed, changes. As the AER acknowledges in the Issues Paper "*Ausgrid has demonstrated a turning point in its efforts to meaningfully engage and involve customers in its decision-making process*²." The RCP believes that Ausgrid has a solid foundation of customer insight to build on as it keeps listening to its customers during 2023.

The first example of this commitment to additional testing of customer sentiment is available in the attached VoC 2023 Report. The conclusions in this report were drawn from

¹ See [First RCP Report](#) dated 29 August 2022 and [Second RCP Report](#) dated 27 January 2023

² AER Issues paper at p.6

participants involved in two recent forums scheduled as part of Ausgrid's ongoing program of customer engagement. The first session for residential and small business customers from the Hunter and Central Coast regions was held in Newcastle on 1 April 2023. The second session covering residential and small business customers from the Greater Sydney region was held in Sydney on 29 April 2023. We will provide a further update on any additional customer feedback following further VoC sentiment testing in June and October this year.

The RCP has been involved in helping shape the VoC forums. We can verify that Ausgrid has provided VoC participants with every opportunity to further comment on its Proposal in a manner that is consistent with the AER's questions 1, 3, 5 and 7 in the Issues Paper and with the AER's expectation for genuine engagement in the Better Resets Handbook. During the two VoC forums in April, participants were provided with a summary of what customers had expressed previously in relation to Innovation, CER, Customer Service, CSIS and overall bill impact. They were then advised of the AER's interest in seeking additional customer feedback and invited to comment on whether these key themes continued to resonate with them, whether anything was missing and whether Ausgrid's Proposal addressed their preferences.

The RCP believes the attached VoC 2023 Report indicates that, with the exception of CSIS which we discuss in section 2 below, Ausgrid's Proposal continues to accurately reflect the expectations of its customers and can be taken by the AER as satisfying the questions it has posed in relation to customer sentiment.

We note from the attached VoC 2023 Report the continuing and ongoing support by Ausgrid's customers for the overall Proposal and for Innovation and CER in particular.

Location	Innovation	CER	Customer Service	Overall Proposal
Hunter and Central Coast	84%	76%	80%	80%
Great Sydney region	83%	85%	75%	83%

2. Customers attitude to CSIS

As the AER notes on p.26. *"To apply the CSIS, Ausgrid must demonstrate to us that its customer engagement has been genuine and that its customers support the proposed customer service parameters and incentives."*

As can be seen in the attached VoC 2023 Report and in the table below, Ausgrid has received mixed feedback from its customers about the current CSIS.

Location	CSIS
Hunter and Central Coast	76%
Great Sydney region	42%

Details from the RCP observer notes from the Greater Sydney VoC CSIS discussion include:

- Participants suggested an incentive payment for a 50% satisfaction rate with website experience is inadequate and that the threshold for reward should be much higher with several suggesting significantly higher.
- Participants suggested linear reward incentives may be inappropriate, i.e. 50% of reward for 50% performance/60% reward for 60% performance. Participants proposed that the achievement reward relationship should have an exponential slope i.e. the marginal reward to improvements over the base line should increase as the level of achievement increases. For example the reward for going from 60% to 70% score should be greater than the reward for going from 50% to 60%.
- Questions as to how much of Ausgrid's existing work and regulatory requirements already overlap with the proposed CSIS metrics.
 - Concern that *'Ausgrid is double-dipping'* given consumers are paying capex and opex for improvements to customer service (e.g. ICT to improve timeliness and accuracy of information to customers) and then stand to face higher bills if Ausgrid receives CSIS rewards.
 - Perception of paying twice was highlighted by comments that a large component of the proposed customer service capex/opex was focussed on C&I customers; residential customers do not want to cross subsidise C&I (though one respondent highlighted that C&I cross-subsidise residential in other ways).
 - Suggestion that improvements should be intrinsically driven (i.e. via regulation/standards) rather than reliance on financial incentives which participants viewed as inappropriate.
- Participants wanted to see performance trend on proposed CSIS measures.
 - Question to what extent have these indicators been impacted by COVID and how much of the proposed CSIS is just about getting back to baseline?
- Suggestion that incentives for these measures were inappropriate i.e. *'You don't need the incentives to do it, it's your job, you should be doing these things regardless'*.
- Track proposed metrics, integrate them within customer service program, but have them detached from financial incentives.
- Feedback that the 0.5% revenue component of CSIS is too large. Suggestion to lower revenue component from 0.5% and have it set at a lower proportion instead i.e. 0.1% or 0.2% of revenue at risk.
- Concern that customer service metrics are overly focused on 'high value customers' (i.e. businesses and developers) and less so on the majority of customers (i.e. residential).
 - Feedback that residential customers are satisfied with level of customer service from Ausgrid *'it is already good'*.

We were not surprised at the variation in sentiment from Sydney customers compared to customers living in the Central Coast and Hunter regions as our extensive customer engagement over the past 18 months has displayed a range of responses influenced by location, lived experience and local resources. It seems reasonable to us to assume in part that support for a CSIS might be less in areas where reliability of supply is higher. That said,

Ausgrid has the ability to respond to some of the concerns expressed about the proposed scheme design and we have encouraged amendments to be considered, particularly where they can strengthen customer confidence about improved performance.

We also note that some of the issues raised by these customers (e.g. potential overlap with the proposed customer service investment and trend on performance of the indicators) were explored in prior discussions between Ausgrid and the RCP, while some feedback raises new issues for consideration by Ausgrid. This valuable feedback from customers is very helpful as Ausgrid seeks to shape a CSIS that can be supported by its residential and small business customers.

3. NIAC report - Questions 10, 15, 18 and 19

We attach a report from the independent members of NIAC in response to these questions.

4. CESS exclusion in 2019-24 - Question 18

In the Issues Paper in question 18 the AER asks: “*Do you consider Ausgrid should be able to exclude certain innovation projects/programs from the 2019–24 CESS calculation?*” Three RCP members were among the group of customer advocates who agreed with Ausgrid in 2018 that they believed it was in customers’ interests for Ausgrid’s proposed innovation, Advanced Distribution Management System (ADMS) and cybersecurity 2019-2024 capex programs to be excluded from CESS. This section sets out the background to their 2018 decision.

Innovation

The background to the establishment of Ausgrid’s network innovation program (NIP) and the formation of NIAC was set out in detail in the NIAC advice to Ausgrid submitted to the AER as attachment 5.8.h to Ausgrid’s January Proposal³. We note that NIAC has worked effectively in providing oversight and governance to ensure the prudence of the spending of the NIP; that customer outcomes are delivered and learnings widely shared. The CESS is designed to be symmetrical in the sense that networks have to pay 30% of any overspend, whilst keeping 30% of any underspend. However in all discussions around the formation of the NIP, an overspend was never considered a risk, due to the oversight of NIAC. RCP agrees with the original decision and with NIAC that Ausgrid should not benefit from any underspend of the NIP in 2019-24.

ADMS and cybersecurity ICT

There were different reasons to support the decision in 2018 to exclude the non-recurring ADMS and cybersecurity ICT programs from CESS. The background to that decision follows:

- In 2018 there was a universal lack of confidence in Ausgrid’s capital governance framework and forecasting. The AER’s Draft Decision in November 2018 on Ausgrid’s

³ See Attachment 5.8.h [NIAC Feedback on innovation program](#) dated 25 January 2023

2019-24 capital expenditure Proposal⁴ and the report from the AER's independent consultant EMCa, were very critical of Ausgrid's capital governance framework and ability to forecast and model its capex programs. Several submissions to the AER in response to Ausgrid's initial Proposal, also highlighted that customer advocates had little confidence in the rigor of Ausgrid's forecasts. For example the AER concluded:

- *"As part of our assessment, we engaged EMCa to undertake a detailed review of Ausgrid's total capex proposal. Overall, we agree with EMCa's conclusion that Ausgrid's governance and management processes detract from its capacity to make prudent and efficient expenditure decisions."*
 - *"Based on its review of Ausgrid's governance and risk management documents and processes, EMCa concluded that a "forecast produced through Ausgrid's governance process is not a reasonable forecast of prudent and efficient requirements."*
 - *"We also found that based on the information before us, Ausgrid was not able to substantiate the prudence and efficiency of its forecast for several programs and projects and at the total capex level."*
 - *"Overall, we observed that the lack of necessary supporting material was a distinct characteristic throughout Ausgrid's capex proposal. We also note the delays in receiving responses to information requests throughout the review process⁵."*
- There were additional concerns with Ausgrid's inability to demonstrate sufficient cost benefit modelling for the ADMS program specifically. For example:
 - *"While we consider that there may be a need for this program, Ausgrid did not provide sufficient information to justify that its chosen option would form part of a total capex forecast that reasonably reflects the capex criteria. Given the absence of a base-case option considered in the analysis provided to us, we have made no allowance for this program in our substitute estimate⁶."*
 - *"After reviewing the information provided, we consider that Ausgrid has identified a need, but we have concerns with the economic justification provided in support of this investment. ECA's submission considered that the justification for this project was "an unsatisfactory qualitative assessment of three options. This is indicative of the concerns that EMCa raised throughout its detailed review of Ausgrid's governance framework, risk management processes and expenditure forecasting methodologies, which are discussed in detail in sections 5.4 and B.1⁷."*
 - *"Based on the information provided, Ausgrid has failed to demonstrate that the forecast capex for the ADMS project would form part of a capex proposal that reasonably reflects the prudent and efficient costs of achieving the capex objectives⁸."*

⁴ [Draft Decision Ausgrid Distribution determination 2019-24 Attachment 5](#) – Capital expenditure Nov 2018

⁵ Draft Decision at p. 5-16

⁶ Draft Decision at p.5-22

⁷ Draft decision at pp. 5-111-112

⁸ Draft decision at pp. 5-113

- In 2018, the Federal Government was discussing with distributors the introduction of changes to the cybersecurity laws during 2018 under the new SOCI legislation to require servers to be located in Australia. Most of these discussions were confidential and not fully visible to customer advocates. This led to Ausgrid seeking a late increase to the ADMS program in order to comply with this new regulatory obligation. In its submission on Ausgrid's Revised Revenue Proposal for 2019-24 CCP10 noted:

"Ausgrid has explained that the \$19M increase to the cost of the work was due to a change in the approach to cybersecurity by national security authorities that was not made evident until well into 2018. CCP10 was initially not supportive of the cost increase, viewing the change as a credible contingency that should have been considered by Ausgrid during their assessment of offers and cost-benefit analysis. Subsequently, Ausgrid has provided additional information that tends to indicate that the change in requirements was not able to be reasonably foreseen⁹."

- The combination of the AER's very critical Draft Decision, general lack of confidence in Ausgrid's cost benefit modelling and the changing cyber security regulatory landscape meant that customer advocates believed that there was a very significant risk the ADMS and cybersecurity ICT forecast programs were inflated, as they were very difficult to assess. Advocates were very concerned that Ausgrid should not benefit from an underspend on the ADMS and cyber programs when there was such uncertainty about the prudent level of those programs. Also given the poor capital governance, there were concerns about consumers having to pay 70% of cost overruns.
- The solution agreed between Ausgrid and customer advocates to overcome these concerns, in the very short time remaining¹⁰ between the Draft decision (1 November 2018) and the submission of the Revised Revenue Proposal (16 January 2019) was for the programs to be excluded from CESS and for a new oversight committee to be known as the Technology Review Committee (TRC) to be established to ensure that the expenditure in the ADMS stages 1 and 2 and cyber programs delivered the outcomes promised by Ausgrid.

CCP10 described its reasoning for agreeing to the exclusion of these programs from the CESS in these terms:

"CCP10 recognises the value and importance of the regulatory incentive schemes and as noted in section 1 believes that the AER should review the design of its incentive schemes to ensure they are world's best practice. In this particular case however, consumer groups expressed concern that the Ausgrid proposals for these categories may be somewhat speculative, and meaningful

⁹ [CCP10 Response to Ausgrid's Final Regulatory Proposal 2019-24](#) at p. 39

¹⁰ The [AER had agreed](#) to Ausgrid's request to extend the due date for Ausgrid's 2019-24 regulatory proposal, which then shortened the timeframe for the AER's assessment during 2018

and valuable investment may not take place. In that case, Ausgrid would benefit in their under-expenditure.

Ausgrid has made a compelling case to the customer groups that this expenditure is necessary and efficient – a case that has largely been accepted by consumers. Therefore, the issue then becomes the timely, prudent and appropriate investment in these areas. Ausgrid has proposed to put oversight of this expenditure in the hands of new consumer based panels: the NIAC and the Technology Review Committee¹¹.”

In the Final decision the AER accepted Ausgrid’s capex forecast as a whole. The AER made some observations about the credibility of the ADMS forecast and noted the proposal for the capex to be excluded from CESS under the oversight of the new Committee:

“Overall, we consider the benefit assumptions and benefit estimates are within a reasonable range, or represent the best estimates under the current circumstance. We anticipate Ausgrid will document closely the benefits of this investment and incorporate them in future regulatory proposals. Having the project overseen by the NIAC provides a valuable opportunity for this to occur¹².

The AER was not persuaded by the prudence of Ausgrid’s cyber program, instead accepting it within the total capex forecast. On the exclusion of cyber from CESS the AER noted:

“Ausgrid has proposed this investment be overseen by its Technology Review Committee. Under this proposal, this investment will be excluded from its allowance for the purposes of the CESS for the 2019–24. The submissions we have received, generally supported Ausgrid’s proposed investment on the basis that it will be subject to review by the Technology Review Committee.

We have reviewed the information provided by Ausgrid in support of this additional cyber security expenditure. Ausgrid has not demonstrated its additional cyber security capex program against the capex criteria. However this does not change our position on Ausgrid’s capex forecast overall as we do not consider this program has a material effect on the overall capex forecast¹³.”

Both NIAC and the TRC were established in 2019 and 3 RCP members were members of the TRC. The TRC provided important oversight of the cyber program and input to Ausgrid as it worked to create an improved capital governance frameworks and cost benefit modelling. After the TRC was wound up, in March 2020 the RCP asked for a post implementation review of stages 1 and 2 of the ADMS program, given the very significant overspend. RCP understands that the capex allowance for ADMS was \$71.9m and the actual capex incurred in 2019-24 was \$130.2m.

¹¹ CCP 10 submission at p. 44

¹² [AER – Final Decision – Ausgrid distribution determination 2019-24 – Attachment 5](#) at p. 5.50. The agreement reached was for the TRC to oversee stages 1 and 2 of the ADMS and for NIAC to provide oversight of stage 3

¹³ AER Final decision at p.5-54

Our concern about ongoing issues with ICT forecasting was discussed in detail in our First and Second RCP Reports and led to our agreement with Ausgrid for the new ICT governance principles¹⁴. Informed by the consequences of the unpredicted ADMS overspend and its exclusion from CESS, RCP believes that the revised approach agreed with Ausgrid in the ICT governance principles for 2024-29 will lead to better outcomes for customers. As we discussed in the productivity chapter of the Second RCP Report, the exclusion of the ADMS from CESS, while well-meaning and intended to avoid an underspend, was a blunt way to respond to forecasting risk:

“We discussed different methods of addressing forecasting risk for major ICT and cyber programs e.g. through level of contingency and how contingency risk is shared to bring this expenditure back into CESS to better manage the forecasting risk. Ultimately the Panel proposed and Ausgrid agreed to the ICT governance principles as the best way to increase customer confidence in Ausgrid’s capacity to forecast and deliver major ICT programs¹⁵.”

In conclusion RCP supports the exclusion of the ADMS, cyber and innovation programs from CESS in 2019-24 as this reflects the agreement reached between customer advocates and Ausgrid based on circumstances in late 2018. We note that this decision was part of a wider agreement reached between Ausgrid and customer advocates, which involved securing multiple commitments from Ausgrid¹⁶ given to secure support for its 2019-24 Revised Revenue proposal as a whole.

5. Exclusions of Innovation and Resilience from EBSS and CESS in 2024-29 - Questions 15 and 19

In the Issues Paper in questions 15 and 19 the AER asks: *“If we apply the EBSS to Ausgrid in the 2024–29 period, are there any cost categories that we should exclude from the scheme, such as innovation expenditure and community resilience expenditure as proposed by Ausgrid?”* and *“If we apply the CESS to Ausgrid in the 2024–29 period, do you agree with Ausgrid’s proposed exclusions for innovation expenditure and resilience expenditure from the CESS?”*

As we noted in both the First and Second RCP Reports, the RCP believes that Ausgrid has made significant improvements in its overall capex governance and forecasting and these concerns are no longer a feature of Ausgrid’s Proposal for 2024-29. However, innovation and resilience are 2 emerging areas of expenditure that have features that do not lend themselves neatly to the regulatory framework, particularly CESS and EBSS. This is particularly due to the lack of clarity in the scope of works required to achieve customer outcomes. The usual tools available to the AER to test prudence and efficiency do not yet lend themselves to an analysis of the effectiveness of the innovation program, where some trials need to be allowed to ‘fail’. This is similar to the issues around applying the climate modelling to assessing resilience expenditures. Yes the modelling is forecasting increasing

¹⁴ See Second RCP Report at p.21 and pp. 56-57

¹⁵ See Second RCP Report at p.134

¹⁶ The full list of Ausgrid’s commitments are set out in CCP10’s Response to the Final Regulatory Proposal at p.28 and in the First RCP Report at pp.67-68 and are discussed in the Second RCP Report at p.27

severe weather events, but it is very uncertain about the timing and exact location of those events. Economic analysis to assess prudence and efficiency is more difficult with this uncertainty and the absence of a WALDO measure.

We do not believe that customers would be expecting Ausgrid to benefit from an underspend in either the innovation or the resilience capex and opex programs. By contrast these 2 areas of investment have attracted very detailed focus from customers, the highest degrees of support and a strongly expressed desire for Ausgrid to be able to achieve significant outcomes from this expenditure.

We do not see any risk of overspend of either of these programs, given the governance oversight of NIAC. Again we believe that any concern from customers is that Ausgrid may underspend these programs. For that reason we believe that for the 2024-29 regulatory period it is appropriate to exclude both the innovation and resilience programs from CESS and EBSS. However, we recognise that there are views about this potentially leading to perverse incentives or that there may be ways that NIAC's oversight of these programs might be strengthened. The independent NIAC members have offered to meet with the AER to discuss their approach to governance and oversight of the expenditure. RCP looks forward to meeting with the AER and Ausgrid to explore the most appropriate way to secure customer benefits from these 2 programs and manage the risk of an underspend.

6. Metering services - Questions 29, 30 and 31

In the Second RCP Report we spoke of the need for the roll out of smart meters to be expedited, given that future customer benefits are and will increasingly rely upon advanced metering technology. That said, we did not form a view on the most appropriate method of recovering legacy type 5 and 6 metering costs. While we acknowledge the AER's preference for moving legacy meter charges into standard control services to enable costs to be spread across Ausgrid's entire customer base, we feel that offering an opinion in the absence of deeper consideration would be premature. Our commentary in our various reports has been characterised by significant customer interaction, which we have not been able to do in this case. We had a preliminary discussion on this topic with Ausgrid and AER staff on 5 May 2023. We look forward to engaging further on this issue with Ausgrid and the AER and reviewing the AEMC's final decision in the metering review, which is also material to this discussion.

Yours sincerely

Tony Robinson

Chair, Ausgrid Reset Customer Panel

Attachments: VoC 2023 Report and NIAC submission to the AER



AUSGRID VOICE OF COMMUNITY PANEL 2023

DAY ONE WORKSHOPS

What was Said Report
- Feedback on Regulatory Proposal 2024-2029

May 2023



TABLE OF CONTENTS

DAY ONE WORKSHOPS – OVERVIEW

Introduction	1
Background & purpose	1
Workshop aims	2
Day one agenda	2
About the participants	3

WORKSHOP OUTPUTS

Introduction from the panel	4
Overview of outputs	4
Feedback on key changes since 2022	5
Presentations	5
Process	5
Topic 1: Net Zero - Customer energy resources	6
Topic 2: Innovation	12
Topic 3: Customer service	18
Topic 4: Customer service incentive scheme	24
Topic 5: Overall regulatory proposal for 2024-29	30
Next steps	35

DAY ONE WORKSHOPS - OVERVIEW

INTRODUCTION

In April 2023, Ausgrid held two Voice of Community Panel workshops in Newcastle and Sydney, jointly facilitated by Nicole Hunter and Keith Greaves from MosaicLab and Scott Lappan-Newton from Gauge Consulting.

These workshops aimed at obtaining community feedback on Ausgrid's Regulatory Proposal plan for 2024-2029, due for submission to the Australian Energy Regulator (AER) in December 2023.

The workshops evaluated the level of satisfaction with key changes made since the last Voice of Community Panel 2022 meeting. They also addressed issues and questions raised by AER in its Issues Paper, as well as any other concerns participants had in response to the draft proposal.

This report captures the information provided by participants from the Newcastle and Sydney workshops. All feedback has been included (where legible) and some light theming has been applied to the qualitative data to help with ease of reading.

BACKGROUND & PURPOSE

In 2022, Ausgrid undertook a wide community engagement process and held a Voice of Community Panel (VOCP). The 2023 Panel builds upon the work of the previous panel, responding to the specific question:

How should Ausgrid finalise its plans for 2024-2029 and look to the future while being fair to today's customers?

The following diagram depicts the roadmap for the 2023 Voice of Community Panel journey.



WORKSHOP AIMS

The purpose of the first whole day workshop was to provide the panel with information about the changes Ausgrid had made in its Regulatory Proposal in response to the Voice of Community Panel 2022 recommendations.

Further, the workshop provided the participants an opportunity to:

- ♦ Understand key changes proposed by Ausgrid
- ♦ Provide feedback on the key changes
- ♦ Explore and provide feedback on resilience spend
- ♦ Discuss any further questions or key concerns

DAY ONE AGENDA

Newcastle - 1 April 2023

Sydney - 29 April 2023



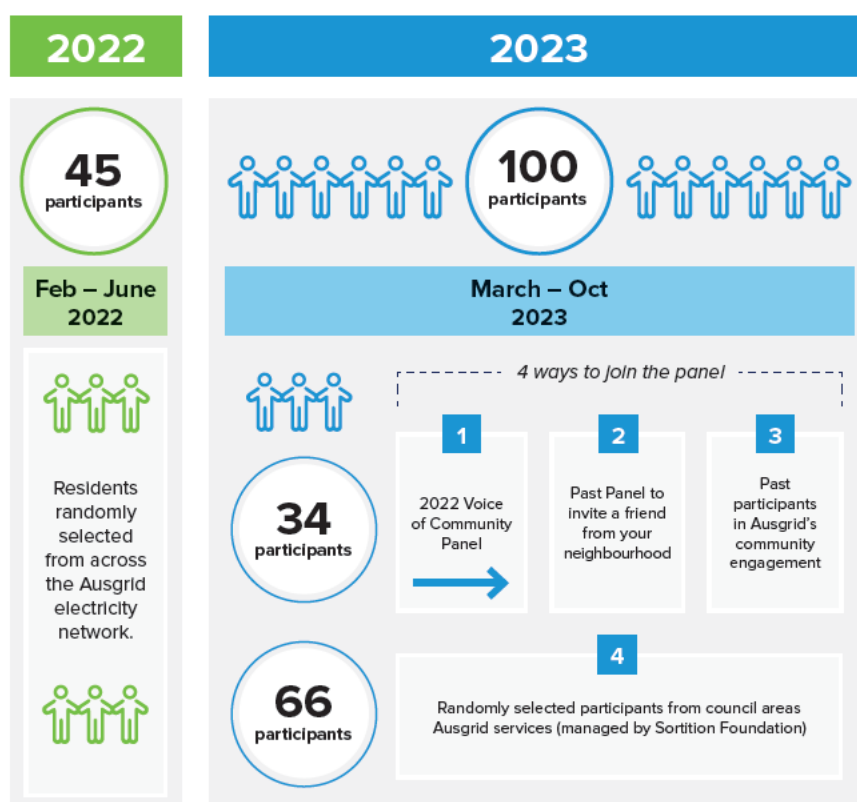
TIME	AGENDA
9.00AM	WELCOME
	Re-entry conversation – what stands out from what we learnt at Meet & Greet and what we have read?
	Key changes and the AER Issues - Information
10.45AM	MORNING TEA – 30 MINS
	Key changes and the AER Issues – VOCP Feedback
12.30PM	LUNCH – 30 MINS
	Reviewing the introduction to the report
	Global Resilience Spend (whole of network) - Information
2.20PM	AFTERNOON TEA – 15 MINS
	Global Resilience Spend - Feedback
	Closing and next steps
4.00/4.30PM	FINISH

ABOUT THE PARTICIPANTS

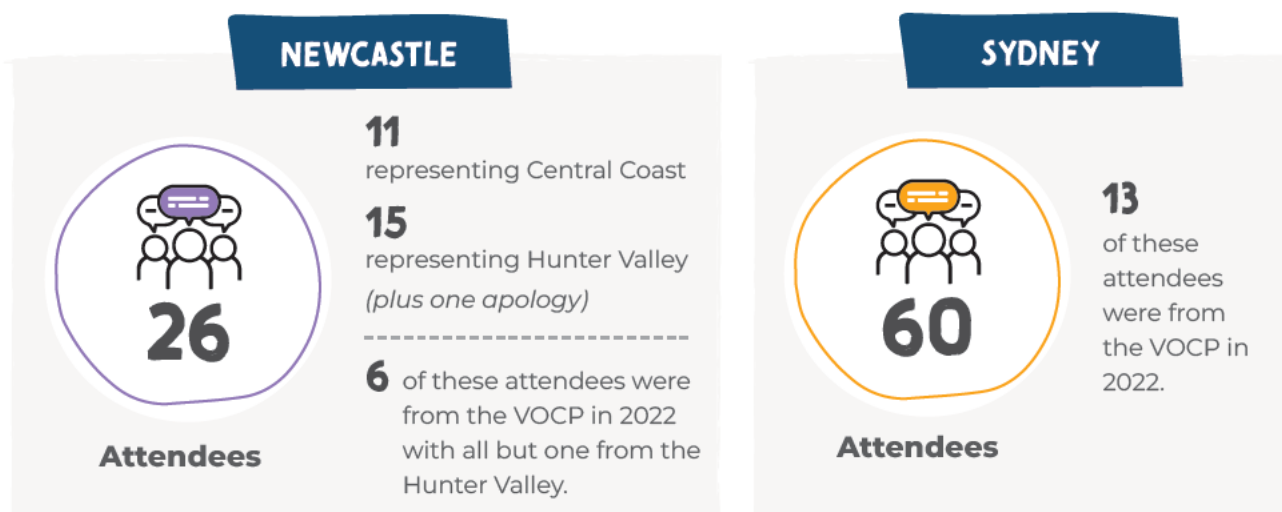
The Voice of Community Panel 2023 consists of 100 participants from across the Ausgrid network areas in the Hunter Valley, Central Coast and Greater Sydney. There were several streams of recruitment:

1. Previous Voice of Community Panel (VOCP) 2022 participants;
2. Friends of past panellists from their neighbourhood;
3. Past participants from Ausgrid's wider engagement process; and finally,
4. Additional participants who were randomly selected.

The following infographic outlines the numbers across these cohorts.



The workshops were attended by a diverse mix of new and previous Voice of Community participants.



WORKSHOP OUTPUTS

INTRODUCTION FROM THE PANEL

The Voice of Community Panel 2023 members, with support from a representative from the Reset Customer Panel (RCP), crafted an introduction to their feedback. The initial draft was created by the Newcastle participants and subsequently reviewed by the Sydney participants to ensure it accurately reflected the process.

We are a group of 85 community members from the Hunter, Central Coast and Greater Sydney. We are a mix of old & new participants from all walks of life with different understandings of technology, the energy sector and the future.

We came together in October last year to review the Draft Plan and made recommendations.

We were asked, in our session, for our feelings and views about Ausgrid's overall proposal for 2024-29 as well as the impacts of the changes to CER, Innovation, Customer Services and CSIS from the Draft Plan to the January Proposal.

The results in this report came from spending the morning in discussions on these 5 topics, after being presented with the findings from last year's Panels' recommendations and Ausgrid's response to these.

OVERVIEW OF OUTPUTS

The Day 1 workshop was divided into two parts, starting with a focus on the changes made to Ausgrid's Draft Plan since the Voice of Community Town Hall meeting in October 2022, and finishing with a discussion of the panel's preferred whole of network or 'global' resilience activities, and criteria for balancing spending between global and LGA-specific activities.

The outputs in this report are presented as follows.

Feedback on key changes

- ♦ Topic 1 – Net zero
- ♦ Topic 2 – Innovation
- ♦ Topic 3 – Customer service
- ♦ Topic 4 – Customer service incentive scheme (CSIS)
- ♦ Topic 5 - Overall regulatory proposal for 2024-29

FEEDBACK ON KEY CHANGES SINCE 2022

PRESENTATIONS

Ausgrid staff presented on the key topics in regards to the changes made to the Draft Plan based on both the 2022 Voice of Community Panel (VOCP) outputs and issues raised by the Australian Energy Regulator (AER).

After the presentations, five information 'stations' were positioned around the room. The stations were attended by Ausgrid representatives indicated in the following table:

Category stations and Ausgrid representatives

TOPIC		NEWCASTLE	SYDNEY	
1	Net Zero: customer energy resources	Naomi Wynn	Gavin Dufty	Mark Ragusa
2	Innovation	Louise Benjamin	Mike Swanston	Alex McPherson
3	Customer service	Kate Hawke	Mark Grenning	Kate Hawke
4	Customer service incentive scheme (CSIS)	Iain Maitland	Jan Kucic-Riker	Natasha Jordaan
5	Overall regulatory proposal for 2024-29, or other issues	Alison Fox	Louise Benjamin	Fiona McAnally

PROCESS

The participants moved between the stations, asking questions to the Ausgrid staff and Reset Customer Panel (RCP), who were present to provide clarification. Adequate time was provided to ensure that attendees had time to review each topic area and the changes made since 2022.

Participants were then asked to indicate their level of comfort with the changes made by Ausgrid, and to provide their reasoning behind this comfort-level rating, in response to the following question:

How comfortable are you with Ausgrid's proposed response under each of these categories? What would have to change for you to feel more comfortable or less confused?

Participants who were involved in the previous years' work (VOCP 2022) have been identified in the responses in the qualitative feedback in (**bold** and *italicised*) and in the quantitative feedback in bracketed numbers, to help identify feedback from participants who have a bit more knowledge and background on these topics.

TOPIC 1: NET ZERO – CUSTOMER ENERGY RESOURCES



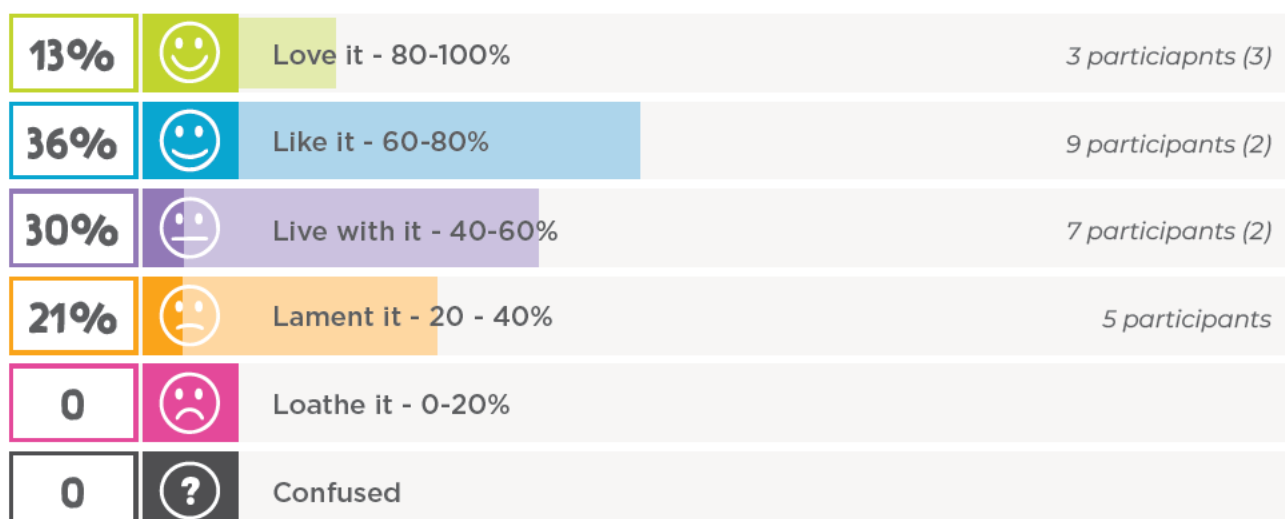
Participants were asked to express their level of comfort with Ausgrid's proposed investment of \$126m on Consumer Energy Resources (CER) over 5 years, a reduction of \$27m on the investment of \$153m proposed in the Draft Plan.

In Newcastle, the majority of respondents either 'liked' the approach (36%) or indicated they could 'live with it' (30%). A few respondents 'loved' (13%) the proposed change and the remaining 21% of respondents 'lamented' it. Similar responses were noted in the Sydney workshop with 43% of participants indicating they 'liked' the approach and 35% indicating they could 'live with it'. While 7% 'loved' it, one participant 'loathed' the approach and another was 'confused' by the proposed changes.

When asked what would need to change for participants to feel more comfortable or less confused, the responses ranged from concerns about costs vs savings and incentives for customer targets, to education programs and ideas for collaboration with other agencies.

NEWCASTLE







24 out of 26 participants answered this question



THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Alternative access to energy and solutions	<i>Prefer 'alternative access to energy'!</i>
	Alternative access to energy (nuclear)
	Need to do more cutting edge, lead the way and don't lag behind
Clarity of process	How did Ausgrid refine model?
	How do Ausgrid incentivise customers?
	The devil is in the details of how they work/will be implemented
Community battery	<i>Love it - love it more if there is increase in community battery</i>
	I find the term 'net zero' constantly unclear / confusing, however I like the idea of community batteries
	Like and would change to love if reduced EV spending and increased community battery /other renewable sources
Concerns about savings and costs	<i>Bit concerned that savings were a depreciation reshuffle</i>
	Love to try to keep fair but scared of cost will also affect household future too
	Does not alter actual costs of net zero
	Feasibility study for green technology is it actually going to be cheaper?
Regional Areas	<i>EV in remote / regional areas - difficult</i>
	EV focuses on the regional areas in the upper Hunter would be extremely beneficial to both Ausgrid and home
Solar Panel Capabilities	What happens when the customer solar panels exceed the Ausgrid productions.
	Ausgrid would seem opposed to household solar panels as not being in their interest / profit margins
Other	Not happy with the term net zero
	Happy that can deliver some outcomes for reduced price
	How do you plan to 'improve visibility of your network'? Please elaborate

SYDNEY

All 60 participants answered this question

7%		Love it - 80-100%	4 participants (1)
43%		Like it - 60-80%	26 participants (8)
35%		Live with it - 40-60%	21 participants (1)
12%		Lament it - 20 - 40%	7 participants (2)
1.5%		Loathe it - 0-20%	1 participant (1)
1.5%		Confused	1 participant (1)

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Collaboration	<i>I would really like and believe Ausgrid is lacking in how community can be worked with at a commercial level to deliver some CER solutions, e.g., community owned batteries, FCAS, demand response etc.</i>
	More collaboration with other agencies.
	Need to work together with other agencies to promote customer awareness and education, to offer control of how they use power, and incentivise their charge in behaviour.
	Focus on council partnership and down the initiative for getting apartment blocks (e.g., solar for new builds – probably ‘too hard’ for older builds).
	How can Ausgrid work with the government and retailers to incentivise customers towards using EU's and investing in solar? Think there is more opportunity to increase investment here and do not agree it is currently enough.
	Ausgrid has a responsibility towards equity and net zero goals and should be focusing on these two areas in creative and collaborative ways with the government and the fifteen other nationwide companies doing the same thing. There is not enough transparency, even in this process, I would like to be more informed about the national plan to integrate solar / wind to the grid, for the benefit of all.

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Collaboration <i>...continued</i>	Need to deal with retail more to achieve. Bill down.
	Agree that we need to partner with many other organisations to provide multi-faceted benefits to customers. Cost increases insignificant, but need to ensure investment is made into areas where there is greater benefit.
Incentives for customer programs	Clearer incentive program and a more rapid roll out of customer programs in line with innovation
	How can we incentivise customers to take up solar / smart meters, work with government / council / other agency to incentivise and educate customers.
	Community should not have to pay for other consumers choices to install renewables.
	How do you plan to push forward solar? Especially for those with less accessibility? E.g., those that live in apartments. There is quite a hefty budget / investment into this category, will you work with the government to create incentives?
	More refunds need to go to customers for shifting their usages they are helping smooth out the grid.
Investments and cost savings	Good investment 'we are all in this together'
	Reinvestment of cost savings within CER at least half of that \$27 million.
	With electric cars increasing rapidly, the income from chargers and batteries also increasing fast, could this income cover the extra cost? Any promotion plan on such kind income?
	Ensure good planning to check where investment needs to be made to meet CER demand cost effectively.
Net zero targets	Show how planned actions align with Australia's net zero targets.
	I would like to use your actual net Zero goals. I want to know how greater grid use (due to phasing out gas and petrol / diesel) has impacted your future plans for the customers.
Promotion and education	<i>Not clear about the plan for other energy sources besides solar.</i>
	<i>To know of these changes (in the 24 – 29 plan) will avoid / reduce / eliminate the need to 'turn off' RTS when the grid is 'full' during high gain daytime periods.</i>
	Need a simpler explanation due to intellectual disability.
	Need more information on trade-offs

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Promotion and education <i>...continued</i>	I would like more information to be distributed to consumers about the type of CER resources that Ausgrid would recommend that are suitable for the network and align with Ausgrid's goals.
	Customer energy resources should be a possibility available all the time for the consumer, not only at certain times. Further the different energy sources should be a backup plan during emergencies and replacing the old energy systems and not excluding them.
	I think customers would benefit from more education regarding demand tariffs, smart meters whether something is a charge of the regulator, Ausgrid or the retailer. There is a lot of ping ponging back and forth about the origin of costs of why plans are particular ways. Education could also help people use energy at a time that is useful to the grid.
	More education around CER options.
	Agree about more customer education required and a well explained balance is required between the costs and benefits of CFK investment.
	We should try to use the system smarter.
Smart meters and grids	Universal rollout of smart meters, instead of relying on retailers – prioritising building of smart meters and smart grids so customers can move to cheaper, clearer energy.
	Definitely robust customer education on how customers can put less pressure on the grid through use of power at appropriate times. Does it change day to day? Peaks and troughs? Maybe need real time feedback and reminders via smart meters?
	Better infrastructure to support EV uptake.
Transparency & cost benefit	There appears to be a lot more to make electrons go to the consumer and back to the system than with just going to the consumer. It is concerning that if consumers use less power through the network as we produce more solar etc. ourselves that there may be less over kwh's consumed to a metric cost over and power bills will go up more for those kwh's bought from the retailer.
	Require greater transparency of costs of implementation.
	Lack of defined savings to all consumers for higher investment.
	I believe it is a great idea but what about cost, do other members of the community who share the same pole have to contribute to the cost of neighbours that have made the decision to add these appliances to their household.

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Other	<i>Smarter efforts to improve networks is a good idea over a trial period. Very good investment. Good value for money, looking to the future, better world.</i>
	Ausgrid having a greater say in final bill.
	I like the information - it encourages customers to think about future policies.
	I was interested to learn about the difficulties that outside sources such as solar make for the system to work. Utilisation of available energy – not wasting – is extremely important so I value the money spent on this.
	Very good investment – I believe that if we can encourage all customers across the entire spectrum to move to CER, we can move away from fossil fuel and carbon fuel sources in general at an accelerated rate. Ausgrid can only achieve so much within its sphere of influence, if we can encourage all customers to move towards less carbon intensive energy sources, the road to net zero will be less bumpy.
	Develop a retail selection to directly supply customers.
	Not looking at a wide enough view. Cost of CER, implementation and logistics, natural resources available (lithium, nickel etc.). Do not cover National targets.
	Ausgrid liaising and not 'partnering' (man assertive) to press for panels etc that are on rental and multi-vendor properties.
	CER options for apartments



TOPIC 2: INNOVATION



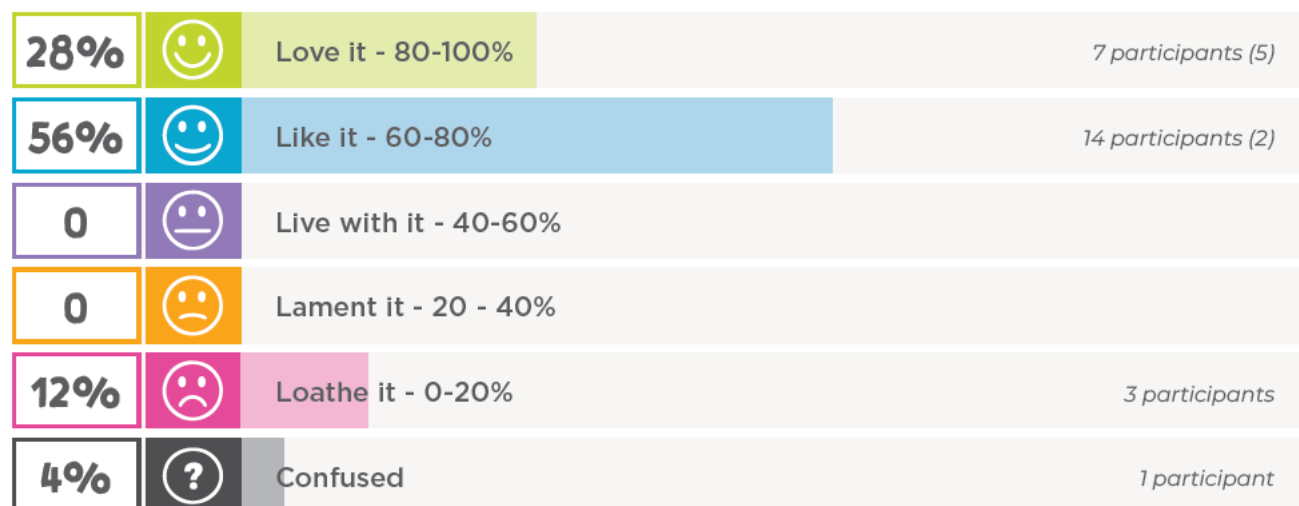
Participants were asked about their level of comfort with Ausgrid's proposal to increase the level of investment on innovation, proposing to spend \$54m over 5 years, \$4m higher than the amount put forward in the Draft Plan.

The vast majority of participants in the Newcastle workshop either 'loved' (28%) or 'liked' (56%) this proposed change, while 12% 'loathed' it and one participant indicated that they were 'confused' by this approach. In Sydney, the responses were spread across all levels, with the largest number of respondents (46%) indicating that they 'liked' the approach, and again one participant selecting 'loathed it' and another 'confused' by the proposed change.

In qualifying their responses, a number of participants were supportive of trialling new technology and customer incentives, while others asked for greater transparency, accessibility and equity across the regions.

NEWCASTLE

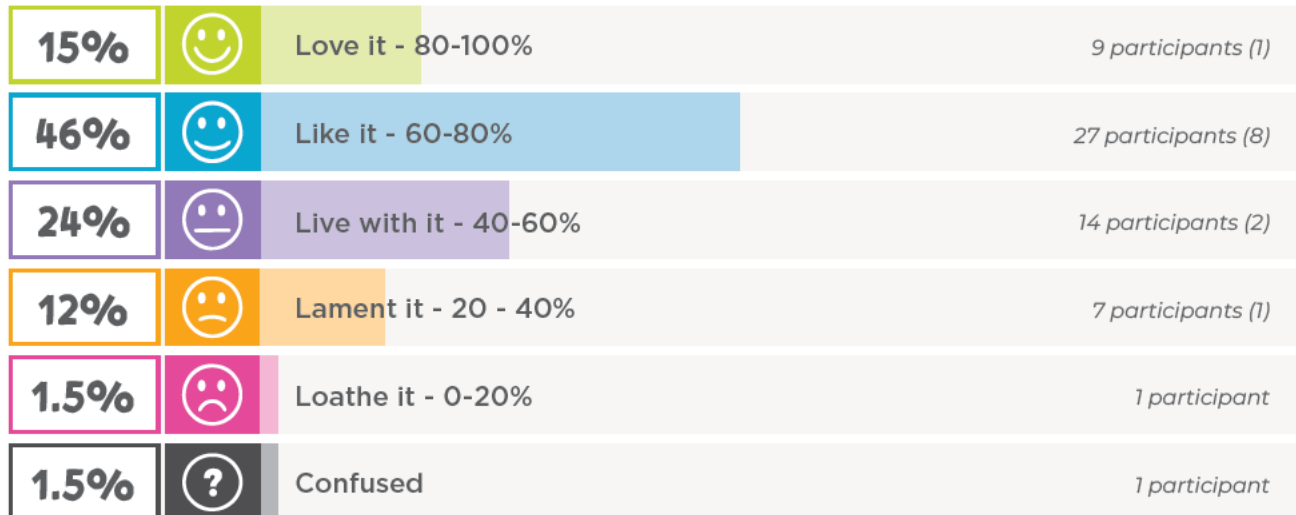
25 out of 26 participants answered this question



THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Costs benefit concerns	Cost benefit analysis needs better definition
	Love batteries for communities, however not if the cost effects bills dramatically cost of living is expensive so need to lower innovation while expenses are so high
Efficiency, resilience and innovation	<i>Support the increase of the innovation budget, it can potentially reduce long term cost. Can we put some innovation focus on efficiency?</i>
	<i>Agreed on efficiency and resilience of the network as priority</i>
	Investment in innovation worth increased bill impact
	Love the cost incentives, innovation and resilience!
Trialling new technology	Trialling innovative technology in regional areas
	More new tech research!
Other	Why pay for digital innovation when it leaves more open to digital 'terrorism / intrusion etc.'?
	The very complicated system as in Ausgrid and retailers

SYDNEY

59 of 60 participants answered this question



THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Accessibility and equity	<i>I would be more comfortable if Ausgrid innovation costs looked more toward the lower income (no depreciation assets goal).</i>
	I believe that innovation is especially important for rural Australian suburbs, as homes are more spread out, meaning that there would be more electric poles and higher costs would be expected to be incurred. Thinking about ways to reduce this cost and meeting renewable sources more accessible to homes in more less rural places (e.g., apartments in the city) and really pushing out incentives more. Good job, keep it up.
	Kindly install the power batteries regionally well distributed without any specific areas to be focused.
	Definitely worth investing in but as all customers are paying for it, the money needs to be distributed mainly to something that will impact everyone. EV is just benefiting people with electric cars and solar is just about who can afford it.
	Not very relevant to high density urban Sydney area where most people live in structural apartment blocks.
	I would like to see more innovation that takes power away from retailers and that would allow customers more freedom to share / control their energy.

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Adequate funding	<i>Can Ausgrid stick to the original 50million proposal in 2020 And save the added \$4 million?</i>
	<i>Really important to leverage nationally and international innovation as funds invested by Ausgrid may not be enough for breakthrough innovation.</i>
	I believe the amount of energy and transmission innovation seems rather low considering the research aspect. Over the five-year period the innovation may need to improve to accommodate the renewal energy supply and increase in the supply to demand.
	Same as first comment above, we need more \$ for innovation to feed into resilience.
Clarity and explanation	Need a better explanation due to intellectual disability.
	Not enough examples of what innovation means. Need more discussion on climate issues and impact on rural areas.
	Does the spending now result in lower costs in the future, or will there be continuous innovation?
Collaboration, coordination and standards	<i>I like NIAC, I like that NIAC only funds unique (across distributors) research. I would be more comfortable if there was also a state or federal version to co-ordinate across fertilization of ideas - success.</i>
	Are the fundings in the plan adequate for these times when rapid transition is expected? Can Ausgrid provide the smart grid that is taking place in other countries? How much flexibility is built into respond to demands and response as they change?
	In addition to the customers' funding the government needs to match the funding to get more innovation.
	Did it demonstrate how cooperation with other distributors was implemented in R&D and innovation.
	There is simply not enough being invented in innovation for a five-year plan. It is not transparent. There does not seem to be a national and international framework operating here vis a vis the goals. \$50million in five years for a \$12billion company in a climate crisis! 49% owned by the N.S.W government – where is the accountability to the people?
	We need further collaboration and resource allocation with best practices from around the world.
	It would be more useful if information was provided on past innovation projects (lessons learned and how these experiences have fed into the current investment).

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Collaboration, coordination and standards <i>...continued</i>	Let Ausgrid see how worldwide bill breakdowns align with what they feel 'best practice'.
	Avoid 'reinventing the wheel' by allocating budget to examine innovation in other states / countries and get best practices into Ausgrid.
	More rapid rollout of new technologies, what new experimental studies are going on overseas? What can we copy or build off to be a global leader?
	Hold yourself to better, broader, international standards.
	Look overseas just as much as nationally.
	Innovate how Ausgrid can be more influential to the whole energy supply chain.
	Avoid 'reinventing the wheel' by allocating budget to examine innovation in other states / countries and get best practices into Ausgrid.
Positive feedback	<i>Very good investment. Probably the best! What is the rest of the innovation spend? Great to see increase of community battery usage.</i>
	I think expenditure on innovation is critical – rapidly changing energy environment.
	Love the community battery program provided that usage is around soaking up excess power generated to be used when generation levels are lower. Initiatives that look at addressing ageing assets should also be considered to ensure network resilience.
	Well done to use innovative technologies and communities' input such as batteries.
	Taking the innovation and experiment sounds good – letting customers know – you are on the ball!
	Investment in innovation most required, make use of it wisely. The investment should help in reducing the cost in other factors.
Transparency and information sharing	<i>Need more transparency in how to spend the money.</i>
	<i>More information on innovating needs to be educated to consumers i.e., where / when involvement in battery trials, proposed EV plans in new suburbs etc.</i>
	<i>More details on how the planned actions on innovation deliver outcomes, the process of deciding whether to roll out any select action and how selections are made.</i>
	<i>What drives / directs the 'innovation', it is unclear how directly customers inform the specific innovation objectives and initiatives.</i>

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Transparency and information sharing <i>...continued</i>	I like it but it would be more comfortable if results were more widely shared and if more information was provided on how this will impact billing in the long run.
	Innovation seems to be inherently community based. It seems like Ausgrid is the best place for the stretched thin governments to initiate a conversation to governments on rolling out innovation to decrease costs and increase resilience over time. Ausgrid might be well placed but I am unsure what incentive Ausgrid has here to pick low housing innovation first? I want to know how strong this incentive is. Innovate smart devices for in-home use.
	Lack of visibility of tariffs for separate costs on bills.
	Innovation is very important. Would like to know what (If any) ideas dropped due to cost considerations and be given opportunity to review then.
	Be transparent where costs will be non-energy e.g., council costs would expect to be impacted.
	It would be great to know how individual consumers can participate more in innovation activities / initiatives that Ausgrid is running.
	Return on investment needs to be articulated
	Need to more clearly identify investment areas.
	More clarity on how innovation funds are spent. What technologies and where are they implemented.
Other	High level of uncertainty of network benefits from battery installation at very high cost of asset.
	This one did not impress me. It was not clear what innovation spend would be spent on other than community batteries and voltage regulators. Things like voltage regulators should be a baseline network spend, not an innovation. Innovation seems to be used as a catchall feel good buzz word, rather than something specific that I should pay for.
	Focus on digital, security and electricity resources.
	I think innovation still keeps progressing and advancing because we need to find ways to make renewable energy that takes into account the wellbeing of the environment whilst also taking into account the variation of income amongst consumers.
	Much needed but is what is on the table and in the pipeline creative or innovative enough to have a real change?



TOPIC 3: CUSTOMER SERVICE

Participants were asked about their level of comfort with Ausgrid's proposal to increase the level of investment in Customer service, proposing to spend \$21m over 5 years, \$1m higher than the amount put forward in the Draft Plan.



In Newcastle, the majority of respondents indicated that they could 'live with' the proposed change (44%). This was followed by a similar percentage of respondents who "loved" (24%) or 'liked' (16%) the proposed change, while the remaining 16% of respondents 'lamented' it. Similar responses were noted in the Sydney workshop, with 45% of participants indicating that they could 'live with' the proposed change and 28% expressing that they 'liked' the approach. However, in contrast to Newcastle, only 5% of respondents "loved" it, while two participants "loathed" the approach and another was "confused" by the proposed changes.

In their responses, some participants expressed satisfaction with the current level of customer service and did not see a need for significant investment. However, others suggested the need for improved accessibility, communication, and equitable segmentation programs.

NEWCASTLE







25 out of 26 participants answered this question

24%		Love it - 80-100%	6 participants (3)
16%		Like it - 60-80%	4 participants
44%		Live with it - 40-60%	11 participants (2)
16%		Lament it - 20 - 40%	4 participants (2)
0		Loathe it - 0-20%	
0		Confused	

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Budget and funding	<i>If money needs saving maybe trim here a little</i>
	<i>Live with it - I understand why Ausgrid increase the customer service budget, but if something needs to be reduced, it should come from this, as customer service is fine</i>
	<i>If money needs to be reduced in any segment, customer service we can survive without improving over other sectors</i>
	More focus needed - more funding is required
	Investments in customer service is worthwhile
	I believe what is in place means well - need to spend more here when cost of living so high at the moment
Positive feedback	Customer service great but confusing
	Liked that you have listened and reduced beside the inflation - works well especially around scheduled and unscheduled outages
	After understanding where the money is being spent and why I feel comfortable
	Accessibility is key, great to see it being implemented
	Ausgrid is finally looking at this in a meaningful way
Retail assistance	Why doesn't retail help with customer service? or abolish them?
	Power bills confusing from retailer - older people do not understand
Service suggestions	Some services are more relevant than others some culling required
	Need more multilingual assistance
	Concerned with action time to repair downed lines in small communities
	Build an app to upload photos of tree branches on lines

SYDNEY

58 of 60 participants answered this question

5%		Love it - 80-100%	3 participants (1)
28%		Like it - 60-80%	16 participants (4)
45%		Live with it - 40-60%	26 participants (4)
17%		Lament it - 20 - 40%	10 participants (1)
3%		Loathe it - 0-20%	2 participants (1)
2%		Confused	1 participant

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Accessibility and communication	<i>What proportion of customers are signed up to receive SMS /email notices of outages? Does the plan have ways to increase this?</i>
	Customer service should be improved using existing resources rather than new investments of high amounts of money. Better connections / relationships with councils and other groups to who questions are often misdirected would be helpful for confused customers and those who have trouble understanding.
	If customers think of the name of retailers rather than Ausgrid in times of outages perhaps the priority should be on understanding how to better serve your partner institutions. And rather than focusing on the website, consider better collaboration with google with search terms 'outage'.
	Promote customer education and awareness and give customers control through smart devices, financial incentives to take part in this transition to smart grid and CER. Work together with other agencies (government, retailer, media etc.) to get the word out to the public.
	Two-way feedback mechanism for customer to report.
	More outage data e.g., when, and why an outage, expected restoration is basic communication that should be communicated at a minimum. Could some of this \$21 million be charged to those large customers? It seems relatively satisfactory now. Agree that if cuts need to be made it should be here.

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Customer segments	<i>I would be more comfortable if service looked more towards low income and disadvantaged.</i>
	<i>Focus service only on high value customers. Cannot please all customers no matter how much information is provided.</i>
	Householders versus why customers should pay for this.
	Should it be for residential customers pay for business.
	Kindly focus on making customer loyalty programs for every dollar spent on electricity, this will greatly influence customer service.
	Customer service can potentially be sealed and enhanced in certain areas e.g., the areas that need more resources due to food etc. could potentially receive more compared to more stable areas.
Investment in customer service	<i>Very good customer service!</i>
	<i>Ausgrid are fine as they are with customer service, I do not agree with the additional investment. Save this \$\$\$ or redistribute to bring down the costs on innovation etc.</i>
	<i>Given that Ausgrid interacts less with 'customers' than retailers could this be used in a better way to address issues that are a priority e.g., cost, which is more important to customers than outage information, etc.</i>
	<i>Existing level is good enough, so reduce spend in this area.</i>
	If it could happen both ways, it might even be cut.
	Should customers be paying to improve customers service – maybe from increased efficiency in how they operate (owner pays).
	I feel the current level of customer service is ok. I do not think we need to invest \$20 million.
	I have dealt with it and customer service was good.
	Not sure that this increase in investment is necessary? Ausgrid should be able to improve customer service through efficiencies and continuous improvement.
	I think it is an ok plan but over invested.
	Additional costs expended are not visible in providing future benefits over existing levels of expenditure.
	Even after removing the services like chatbots, still the investment amount is increased. We can think of reducing the expenses further, since Ausgrid does not communicate directly with customers.

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Investment in customer service ...continued	Not much change is required as investment requirement is driven by non-residential customers (businesses etc.).
	I personally do not think that customer service can be improved to a point worth \$20 million and now it has been increased by \$1million.
	Satisfaction with expense
Metrics and performance	<i>What metrics are being used to measure improvement (+ve or -ve) Are minimal levels of performance set and how are they aligned with industry national / international standards.</i>
	I would like to see an overview of how communication during an unplanned outage is balanced with prioritising the resolution. And how are estimated resolution timeframes established? For context, my house had 12+ hour outage last year, and the website consistently gave an estimated timeframe of less than 2 hours then it moved back another hour or two every time that was reached. Is that a typical experience and how can it be improved?
	This station provided a clear explanation of what Ausgrid should be investing in. As a residential consumer I would be happy never to hear from Ausgrid if the power doesn't go out. I do not expect the power to go out. As a working partner I would expect Ausgrid to work quicker. I do not understand how automation will help improve organising a power outage or system connection. More specifics on what 'automatic' and 'system' improvements would be is required.
	Acceptable standards appear below industry standards – align.
	Do not think there has been a fair review of how you assess your metrics. But agree that Chatbots should be deprioritised. Maybe you could do with some review of what is missing in bare minimum.
	I would like to know how Ausgrid's current customer satisfaction compares across the state and country.
Positive	Given past performance this is a major improvement. Good to see it moving forward.
	It is good to see strives in this department.
Technology	Was using chatbots / Planned investment in chatbots more expensive? or would it have resulted in less than \$20 million spend planned?
	An app would be better.
	Planned spend seems too high vs expected results. Should maybe explore chatbots again, with current advances as a more cost-effective method.
	Towards more high tech digital as well as more dealing with the retailers. Working together to put the bill down.

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Other	<i>More information about cyber security.</i>
	<i>Reduce spend on customers service by improving infrastructure and creating a more reliable network.</i>
	The aspect of customer service between the customer and delivery should improve to provide job satisfaction. The integration between different governing bodies is not streamlined to provide the best outcome for the customers.
	Simpler explanation due to intellectual disability.
	Focus on 'easy to do, big impact' for dollars spent in this area.



TOPIC 4: CUSTOMER SERVICE INCENTIVE SCHEME



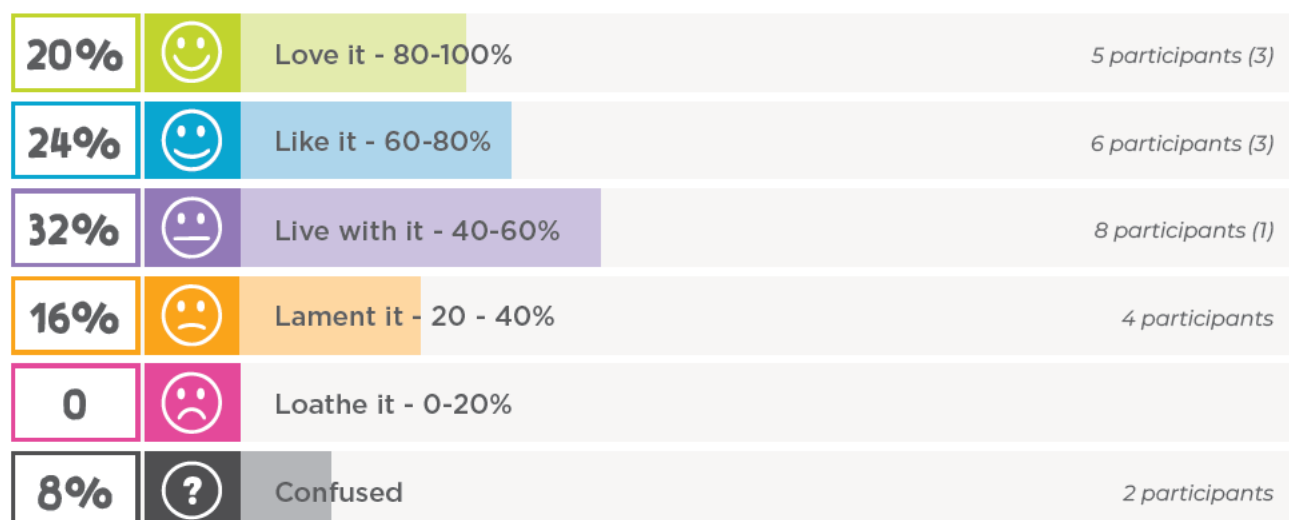
The participants were asked to indicate their level of comfort regarding Ausgrid's proposed additional evaluation metrics for measuring the performance of the Customer Service Incentive Scheme (CSIS).

In the Newcastle workshop, the majority of participants either 'loved' (20%) or 'liked' (24%) the proposed change, while a significant number (32%) were willing to 'live with it'. Of the remaining votes, 16% 'lamented' the proposed change, 8% 'loathed' it, and one participant was 'confused.' In contrast, the responses from the Sydney workshop were more varied, with the largest number of respondents (38%) 'lamenting' the proposed change, followed by 28% who were willing to 'live with it.' While 15% 'liked' the proposed change, none 'loved' it. Additionally, 17% 'loathed' the proposed change, and only 2% were 'confused.'

When asked what would need to change for participants to feel more comfortable or less confused, participants raised various concerns. These included issues with reward and penalty allocations, low benchmarks for the CSIS website, and a lack of clarity regarding the differentiation between the CSIS and general customer service.

NEWCASTLE







25 of 26 participants answered this question



THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Clarity on performance metrics	<i>Good feedback - customer focused but not funded! Would like more breakdown on reinvestment of the reward if met</i>
	<i>Interested in seeing how this builds out - what initiatives are included! How do the initiatives benefit different network customers?</i>
	Doesn't factor very low-end point
	Measures are not very clear, am sceptical of the reliability of the data that informs determination of meeting targets
	Incentives are good but I would like to know more specifics of how the incentives will work
Clearer Explanation	More information - what is CSIS actually doing?
	I am not good with understanding numbers / statistics / graphics and how significant it is in context
Evaluation & Auditing	Requires defined independent audit of performance achievement.
	Interested to understand how the regulator judges this?
Funding source and penalty recipient	Where is the money for the towns coming from?
	Who will Ausgrid pay the penalty to?
Other	It is good as is but difficult

SYDNEY

58 of 60 participants answered this question

0		Love it - 80-100%	
15%		Like it - 60-80%	9 participants (4)
28%		Live with it - 40-60%	16 participants (1)
38%		Lament it - 20 - 40%	22 participants (3)
17%		Loathe it - 0-20%	10 participants (3)
2%		Confused	1 participant

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Customer service and incentives	<i>Ausgrid should share some of their reward / initiative with consumers by bringing the bill down., otherwise do not agree!</i>
	<i>Do not think this is necessary or helps customers in anyway (ultimately Ausgrid should look to bring costs down for customers).</i>
	<i>Information to be gathered on wider customer base to avoid skewed results obtained only in times of trouble I.e., need incentivised wider surveys from all customers.</i>
	<i>Customer service and CSIS is conflicting - we are spending money on customer service to support CSIS.</i>
	<i>Expenditure should be prioritised by economic value to customer group.</i>
	<i>There is already investment in customer service, surely there should be at least a certain level of improvement from that. Should perhaps build in realistic targets year on year.</i>
	<i>We already have a very good customer service; I do not believe that we need to invest with an incentive scheme.</i>

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Customer service and incentives ...continued	Although it may help with better customer service, it overlaps with the customer service topic, the resources for this could be used elsewhere.
	Inappropriate waste of resources when the level of service / repair is substandard.
	We pay regardless of +ve or -ve customer experience.
	I would trust Ausgrid to be already regulated and doing their best practices. I feel \$ towards CSIS would be better used directed towards customers (general public) education, awareness, customer control, to improve participation towards the rapid transition towards renewables.
	Feel like it does conflict with the customer service investment. Do not really agree it is a wise investment or use of funds.
	Wish I could reply to SMS to provide feedbacks.
	Customer to convey their feedback using new technology.
	Being paid to provide a service so provide it i.e., do your job. There should not be a need for what can only be described as a 'trip' (quite a substantial one) for doing your job.
	CSIS should be more streamlined towards customers – the improved customer service should not be an incentive to be costly toward customer.
	Do not necessarily think customer service is a big priority, there are other features to consider, and put more money in besides customer service, though I believe a mediocre level of customer service should still be upheld.
	You are compatible to emergency services. Your customer service needs to be excellent because of what you do, not because you are paid for change the mindset.
Performance metrics	<i>Seems like CSIS will be ineffective primarily as the incentives are very minor if not immaterial proportion of revenue. Secondly, it is unclear how these business costs incentives are distributed throughout the business e.g., houses, KPI's, descriptions, given this lack of clarity it appears the mechanisms for translating incentives are insufficient.</i>
	KPI's are essential and provide an incentive. Larger penalty /reward possibly?
	Minimum standard to be defined for national or international matrix.
	Minimum standards to be revised – balance required between M/S and I/S rewards.
	Not convinced metric measurements accurately measure metric e.g., query used to check outage (to include all the metrics). Also, accuracy of check satisfaction with web with proper queries.
	Also does not include metric for unplanned outages (which was 1 of 3 customer issues).

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Performance metrics <i>...continued</i>	Not convinced metric values are stretch targets – e.g., get reward at 50% of web satisfaction means 50% not satisfied, but still get a reward.
	I think that the current performance metrics are so bad, and the reward maxes out at such a small improvement that I cannot justify any extra reward / incentive from going from worse to bad. Some previous years metrics would help to understand the Ausgrid journey. Did Ausgrid perform better / worse in the past?
	Up the reward max outs to 75% and change reward / penalty percentage.
	How are max out limits are calculated?
	The linear 'reward' for change in metric is not a fair mechanism. Ausgrid should look at how they can remove the ceiling and adopt a potentially exponential 'reward'- you do not get as much for doing low hanging fruit which I think is fair.
	I understand that there is a significant (greater than normal operational cost) overall expenditure of \$20 million. If Ausgrid were to hit all four metric caps they would be given \$8.8 million by the regulator. In effect recouping half of the costs, effectively this would mean customers are paying half the costs of Ausgrid to improve their customer service. This seems rather high. I understand that incentives are important but hitting the regulator's cap of 0.5% of revenue seem rather high. That is \$8.8m is rather high for 5% improvement on four metrics given Ausgrid will pass \$20 million cost onto consumers (residential) perhaps the regulator should set the improvement benchmarks based on best practices / international standards. Cannot only depend on website response, the person contact customer e.g., phone call etc.
	Seems like 'double dipping' to me. Someone suggested a more graded system.
	Needs to be more broadly based.
	Also agree with a more graded system if it is implemented.
Rewards and penalties	<i>More detail on the grading of bonus / penalty between current and targets.</i>
	<i>The assets of rewards and penalties should be discontinued in all business and all income put to reducing costs in all areas.</i>
	<i>\$2.2m is quite small compared to overall revenue / profit – is it enough to incentivise or penalise</i>
	Incentives paid through customer money should not be given out for all increases in customer scores. E.g., for the website an increase from poor performance to less poor performance should not be rewarded from customers money. Use intra-organisational incentives.
	'Reward' is probably bad framing; you are doing things properly and getting the return on effort.

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Rewards and penalties ...continued	In a worst-case scenario I.e., privacy breach I do not think the penalty should be a maximum set amount. Why is it not a percentage of profit? Is max \$2.2 million dollars even a lot for Ausgrid?
	Industry standard acceptance would make the accepted figures too low. Not so happy with the reward / penalty metric.
	I think it is unfair and dishonest that the company would be rewarded for doing what they should be doing, by providing the best service – that the consumer pays for this gift.
	I do not believe that Ausgrid should be rewarded for improving on their current baseline when customers are already funding expenditure in improved customer experience. At minimum a certain level of improvement should be expected before any rewards kick in.
Website metrics	Threshold for some is quite low for reward, like website rating of 55% is not good enough.
	We can think of the source for the incentive from government and retailers, instead of customers. Not sure about the website satisfaction rate, who will be beneficial with this?
	Would like more clarity on how feedback is captured e.g., for the website metric, do questions asked focus on the channel experience, or overall experience. Do users' comments suggest that they are providing feedbacks intended to the question, or expressing dissatisfaction that an outage happened at all?
	The 50% on website is embarrassing. Should be 75% before 'reward'.
	Agree with website improvements based on current scores but surely significant improvements can be rewarded - disagree with above only if reach 75%. Any improvement is good.
	Do not think the website satisfaction metric will go up.
	The website metric is laughable – \$2.2 million for 55% satisfaction?
Other	Remove completely.
	Do not think this is relevant. End of the day.
	Cyber security / customers data protection as a category metric.
	I found outage notification excellent.
	A good idea but should be simplified and clearer
	Simpler explanation due to intellectual disability.
	Happy with what they are trying to do.



TOPIC 5: OVERALL REGULATORY PROPOSAL FOR 2024-29



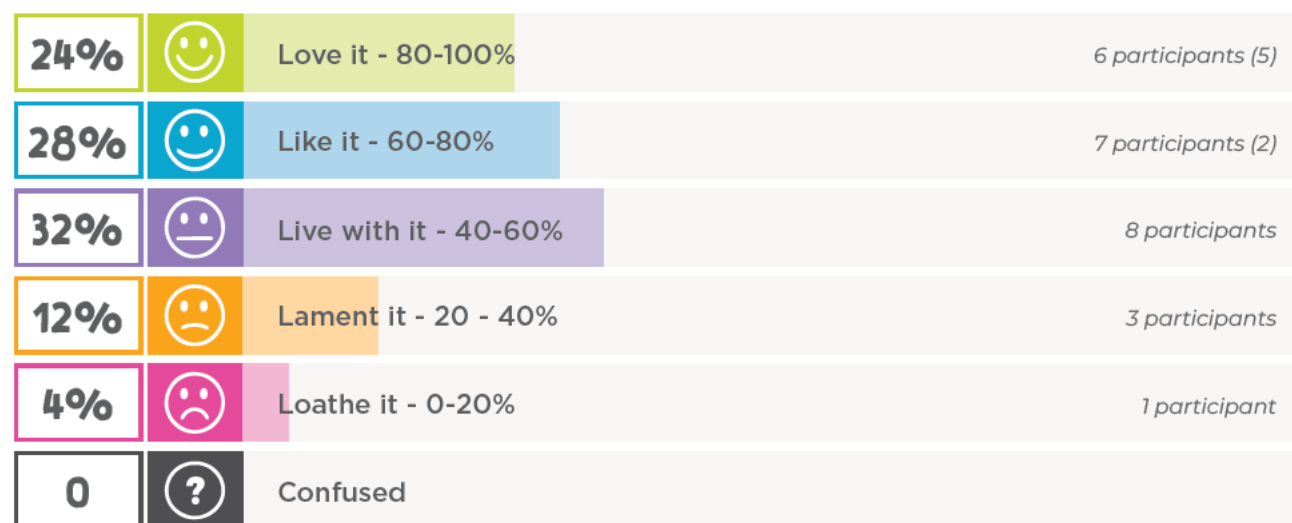
Participants were asked about their level of comfort with the key changes to Ausgrid's Overall Regulatory Proposal for 2024-29.

In the Newcastle workshop, the majority of participants either 'loved' (24%) or 'liked' (28%) the proposed change, while 32% were willing to 'live with it' and 12% expressed some level of dissatisfaction ('lament it' or 'loathe it'). In contrast, in the Sydney workshop, the responses were more evenly distributed, with the largest number of respondents (47%) indicating that they were willing to 'live with it'. 32% 'liked' the approach, while 14% had some level of dissatisfaction ('lament it' or 'loathe it'). Only 5% 'loved' the proposed change and no one was 'confused' by it.

In qualifying their responses, several participants expressed support for the overall plan. However, in an effort to better understand how to address their concerns and improve their level of comfort, they also highlighted several areas that could benefit from increased transparency and communication, as well as more comprehensive collaboration regarding net-zero initiatives, cybersecurity, and innovation concerns.

NEWCASTLE

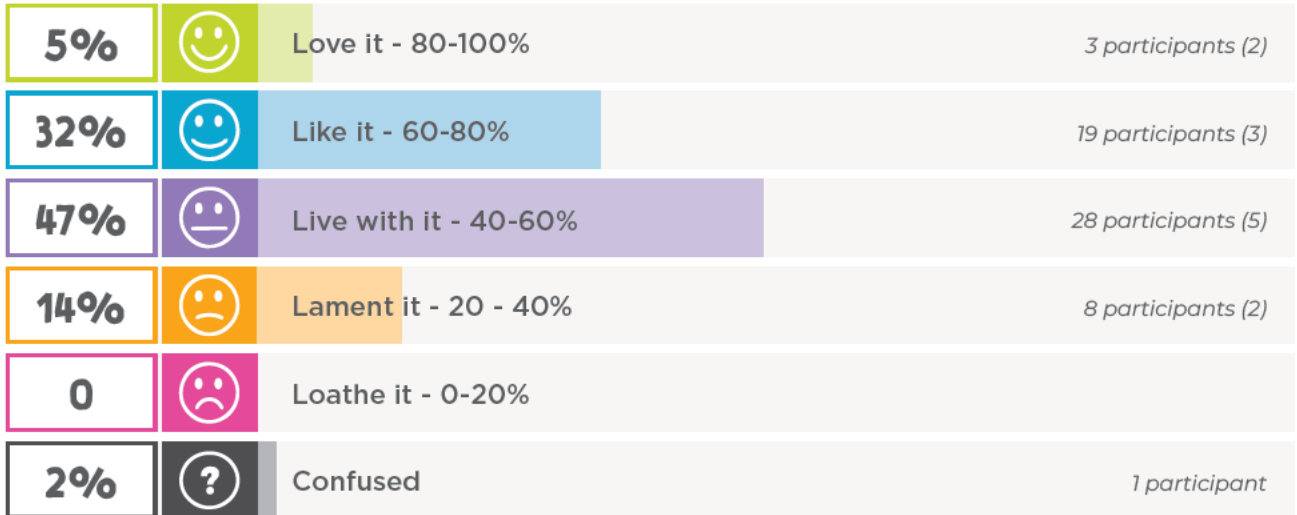
25 out of 26 participants answered this question



THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Clarity	<i>Clearer statistics</i>
	Better definition to make the system less complicated
Efficiency & Cost	<i>I love it but would love it a lot more if Ausgrid can look more on efficiency (e.g., for innovation put a lot of focus on looking at efficiency)</i>
	Can we remove the retailer to save \$!
	Ditch the retailer - energy sells itself
	Unfortunate that the majority of the bill impacts are key and beyond Ausgrid's control
Net zero and local community impact	Getting dragged down by delivering net zero. Need to do much around the local community. Be proactive not plod for looks
	Why reduce delivery net zero by 27m
Positive support for plan	<i>Doing well to achieve the balance between innovation and cost to consumer</i>
	Really good plan that has listened to the community
Regional areas and disadvantaged groups	Would like to see plan tailored for regional areas and other disadvantaged groups.
	The draft plan is great but more focus on regional areas and the benefits
	Doesn't target disadvantaged groups effectively

SYDNEY

59 of 60 participants answered this question



THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Climate change and net-zero	<i>Delivering net zero should be based on economic benefit assessment and cost considered at an overall energy, not limited to network, Optimise expenditure in net zero.</i>
	As was evident in the breakout groups, there really needs to be more clarity around the level and amount of collaboration involved in decision-making. To address climate change, there needs to be greater collaboration across all sectors and industries as well as levels of government and private enterprises.
	The theory / plan to control to a functional outcome with the increased movement toward renewable energy may require more funding as usual there would be a lot of troubleshooting during the transition. Should be a replacement toward the old energy supply not an increased cost towards customers, especially during current economic status.
	Please reinvest funds into revised ICPT's for delivering net zero. It is clearly articulated as an action item. Do better than what you are said you would do because you can.
	Align Ausgrid's goals and practices with global standards e.g., UN.
	Align yourselves with the UN's SDG's, please look into them.

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Cost control	<i>It is big increase in cost because of interest / inflation - to review how and what areas cost should be cut to bring back to normal.</i>
	<i>'Out of control' was mentioned a number of times, how can and what is Ausgrid doing to influence the other 66% of customer bills. You have made a significant position in the energy supply chain, and therefore should have some level of influence / relationship with your up and down stream people.</i>
	Shows an honest effort to control costs. Ausgrid shows limit of Ausgrid's influence across a complex system.
	I can see that the proposal is finding a balance between what needs to be done and the cost to customers. Applaud the cost savings found since 2022.
	AER or Ausgrid should take the initiative to provide single source of service.
	Feels like Ausgrid was going to raise prices anyway and is just funding multiple ways to justify that.
	I think it is great that you are taking counter measures to combat inflation and not just simply putting / pushing (passing it on) onto customers.
	Overall doing well, hard not to have increased spending.
Customer service	<i>Improve customer service for the website is a good idea but how are you going to improve the website? Where is the 21 million going. Need to hit better markers before getting rewarded.</i>
	<i>I am not happy with some investments, especially with customer service incentives.</i>
	Do not really agree with extra funding towards customer service, I feel these funds could be saved / redistributed.
	Relocate funds from incentives and customer service into innovation and CER.
Cybersecurity	Cyber protection is twice Innovation? Liaison with authorities should address this at less cost.
	Protecting against cyber-attacks is worthwhile, after all, we do not want a fire sale. Having said that, less on the net means less penetrated potential. I am also concerned that extending the payback period on assets could mean that worn out equipment / assets are not replaced when it should and that a return to failure model will be the normal, which will increase outages and overall cost.

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Cybersecurity ...continued	Minimise storing customers data to reduce cyber security risk.
	Would want to know where cyber security fits under all these initiatives? How is Ausgrid protecting the energy grid from potential energy theft?
	Agree with the increased spend on cyber - need to be on top of this or will face increased cost in future.
Innovation and cost reduction	The concepts and categories are good in theory, but overall, they do not reflect well in the stated practice / plan. There should be a lot more spending on innovation and delivering net zero and less on the 'bells and whistles' around internal organisation.
	Innovation means cost reduction, cost effective and productive improvement. Now we agreed increase innovation but cost increase. Need value innovation.
	Overall, the funding over the next five years seems restrictive for rapid changes responding to customer needs, demands and grid changes Ausgrid may need to respond to.
Investment and expenditure	Overall tariff increases for benefits not visible over existing level of expenditure.
	Investment should be delivered from existing baseline expenditure.
	Tariff curve is increasing with no demonstrated cost future benefit reduction.
	Upgrades being planned very good. Actual cost of \$37 per annum increase minimal compared to the benefit. Concerned that uncontrolled costs so high compared to controllable costs. Also concerned how inaccurate the estimate of uncontrolled costs is – e.g., within six months increased from approximately \$111 to \$139(?). So how much more will it increase over five-year period?
	Ausgrid limited by regulation and infrastructure.
	Five-year draft plan will not help or predict the expedition clearly. We can think of three years' time plan.
Social responsibility	I like the idea that the draft allows customers and consumers to view the investments of Ausgrid, but I believe that we should also take into consideration about other people's financial stability, would they be able to afford this new plan, although I do believe these investments are inevitable and should be made to improve energy in Australia.
	I would be more comfortable if more would be put into automatic regulation of outages, the disadvantaged seem to be less considered, should be required to provide their own backup at these times).

...continued overleaf

THEME	WHAT WOULD NEED TO CHANGE FOR YOU TO FEEL MORE COMFORTABLE OR LESS CONFUSED
Transparency and communication	<i>I would like the clarity that these numbers include the power grid which Ausgrid has no control over.</i>
	Need a simpler explanation due to intellectual disability
	Remaining clear to consumers on the breakdown of costs and potentially and looking towards 'best in class's program to align and make easier for customer
	It would be useful to know how costs that Ausgrid are in control of have decreased - which sections need work?
	Difficult to get an idea of all the players.
	Understanding how Ausgrid working as a whole with other organisations is driving change.
	Ausgrid should have more responsibility to provide the better service. Produces, transporter and retailer all are sharing equally but there is not much from the retailer to get their position.
Other	Good broad approach.
	There is a lot of topics to consider, and they have been addressed in a way to benefit customers as much as possible.



NEXT STEPS

The outputs from the Day 1 workshop will be submitted to the AER, in addition to Ausgrid's response.

PLEASE NOTE: While every effort has been made to transcribe participants comments accurately a small number have not been included in this summary due to the legibility of the content. Please contact Nicole Hunter at [REDACTED] for any suggested additions.

This report has been prepared by MosaicLab on behalf of and for the exclusive use of Ausgrid. The sole purpose of this report is to provide a record of conversations provided by participants.

This report has been prepared in accordance with the scope of services set out by Ausgrid. In preparing this report, MosaicLab has relied upon the information provided by the participants at the two workshops. Ausgrid can choose to share and distribute this report as they see fit. MosaicLab accepts no liability or responsibility whatsoever for or in respect of any use of or reliance upon this report by any third party.

MosaicLab is a Victorian-based consultancy that specialises in community and stakeholder engagement, facilitation, negotiation, strategic planning, and coaching.



REPORT PREPARED BY:
mosaicLAB
www.mosaiclab.com.au

Report from the independent members of the NIAC on the AER Issues Paper covering Ausgrid's 2024-2029 Regulatory Proposal

1. Purpose of this report

This report is provided to the Reset Customer Panel (RCP) by the independent customer and technical members of the Network Innovation Advisory Committee (NIAC) to be included as an attachment to the RCP's submission to the AER Issues Paper covering Ausgrid's 2024-29 Regulatory Proposal (the Proposal). In this report we address specific issues raised in the AER Issues Paper related to Ausgrid's approach to innovation:

1. consideration of 2 opex step changes relevant to innovation (AER Question 10);
2. the treatment of innovation expenditure under the Capital Expenditure Sharing Scheme (CESS) in 2019-24 (CESS, question 18); and
3. the treatment of innovation and resilience expenditure under the Efficiency Benefit Sharing Scheme (EBSS) and CESS in 2024-29 (EBSS, AER Question 15 and CESS, AER question 19).

We are happy to meet with AER staff to discuss matters raised in our January report or in this submission.

2. Issues Raised

1. Consideration of the proposed capex and opex allocated to innovation in 2024-29

On 25 January 2023 the independent members of NIAC provided a report to Ausgrid, which Ausgrid shared with the AER as an attachment to its 2024-29 Regulatory Proposal¹. Our January report detailed in-principle support for the proposed capex (\$49.5m) and opex (\$5m) expenditure to support Ausgrid's 2024-29 Network Innovation Program (NIP). The authors² continue to support the proposed 2024-29 innovation capex and opex expenditure as a proportionate response to the stated customer preferences as outlined by Ausgrid in its Proposal and confirmed by the RCP in its Reports.

Question 10 in the AER Issues paper asks: *"Do you consider Ausgrid's proposed step changes are required to produce an opex forecast that reasonably reflects the efficient costs of a prudent operator?"* We wish to comment on 2 of the 7 step changes that Ausgrid has proposed namely the \$24.9m smart meter data purchase step change and the \$5m capex to opex NIP step change.

\$24.9m smart meter data purchase step change

To support better integration of Consumer Energy Resources (CER), such as rooftop solar PV, batteries and electric vehicles, Ausgrid will require data, which can most efficiently be provided via the increasing deployment of smart meters (rather than duplicating investment with network-owned monitoring devices). We strongly endorse Ausgrid's approach of securing data from existing current sources. The authors believe that customers should have local, near real-time access to their smart meter data and this data should be readily available to distributors without the need for Ausgrid to pay meter providers for access to that data. However, given the current Power of Choice regulatory arrangements and pending any regulatory changes recommended by the AEMC as part of its

¹ <https://www.aer.gov.au/system/files/Ausgrid%20-%20NIAC%20-%20Att.%205.8.h%20-%20Feedback%20on%20innovation%20program%20-%2031%20Jan%202023%20-%20Public.pdf>

² Details about the history of independent and technical membership of NIAC and the authors were set out in the January Report at pp 2-3

metering review³, we acknowledge that Ausgrid will need to purchase smart meter data under commercial arrangements with metering providers and/or retailers and do so at sufficient scale and coverage to provide the insights needed to effectively manage constraints and support increased CER capacity.

In 2020 NIAC approved innovation capex funding for a smart meter data trial. The initial trial involved Ausgrid purchasing smart meter data from a contestable metering co-ordinator for 20,000 of Ausgrid's customers. The chief benefit of that trial has been the implementation of ongoing smart meter data analysis which has assisted with the detection of neutral integrity issues. In the last 14 months Ausgrid's monitoring of that data for neutral integrity for those 20,000 customers has resulted in the detection and repair of multiple neutral integrity issues. A proof of concept 'meter ping' service to enable Ausgrid to obtain near real-time meter data has also been developed.

In April 2023 NIAC approved new funding for an extension of the smart meter data trial to the acquisition of smart meter data for 250,000 customers. The extended trial will enable Ausgrid to trial the use of the smart meter data for other applications as well as ensuring that it has the technology platforms ready for the 2024-29 period to support BAU applications for the smart meter data in wider network planning functions, including the efficient integration of CER and monitoring of the low voltage network.

We understand that the \$24.9 million opex step-change proposal is to cover the costs of purchasing smart meter data for approximately 50% of Ausgrid's 1.8 million customers, to better support CER integration, a key priority for Ausgrid customers. We support the smart meter data opex step change in principle because it aligns with customers' clear priorities and is essential for the delivery of future innovative services to customers as well as the efficient integration of CER. We leave it to the AER to decide if \$24.9m is an efficient cost for the commercial arrangements needed for Ausgrid to purchase the smart meter data.

\$5m capex to opex NIP step change

As we noted in our January report, Ausgrid has proposed a further \$5 million opex step-change. This \$5m opex is replacement of NIP capex to enable research and development through collaborative research partnerships. This collaborative approach to innovation is one that the NIAC have been strongly encouraging Ausgrid to adopt to better facilitate knowledge sharing and exploring new innovative approaches with new partners and researchers. NIAC's same rigorous approach to capex governance, discussed in detail in our January report, will be applied to the \$5m NIP opex step change ensuring that it will be closely monitored for prudence and customer benefit. We strongly support this step change.

2. The treatment of innovation expenditure under CESS In 2019-24

Question 18 in the AER Issues paper asks: *"Do you consider Ausgrid should be able to exclude certain innovation projects/programs from the 2019–24 CESS calculation?"* When NIAC was established in July 2019, the independent and technical members of NIAC were aware that Ausgrid had agreed with customer advocates that the AER approved innovation capex (\$42m) would be excluded from the application of CESS in 2019-24. The independent members understood one of our critical roles was to establish strong governance and accountability around funding decisions and the way in which the results of all trials were shared with the industry. In our January report we set out in detail the steps

³ AEMC [Review of the regulatory framework for metering services](#)

we have taken to encourage Ausgrid to build increasingly robust governance, cost benefit modelling and reporting of customer benefit⁴.

One of the other important roles we fulfil on NIAC is to ensure that customers are driving the direction of innovation in Ausgrid. We provide feedback and drive an important discipline for Ausgrid on evolving priorities, including analysis and certainty around changes to priorities within the NIP. This agility and flexibility is needed given the speed of technological change across the industry and the NIAC provides important discipline around these decisions.

Whilst we inherited the agreement made between Ausgrid and customer advocates to exclude the 2019-24 innovation program from CESS (because of NIAC's governance and oversight of the NIP), we also support this original decision. The CESS and EBSS schemes have been designed to be symmetrical, in the sense that networks have to pay 30% of any overspend but can keep 30% of any underspend. Since NIAC's inception in 2019, none of the discussions around NIAC expenditure have ever raised the possibility of overspending of the total allowed NIP. Whilst an overspend is theoretically possible, under the governance arrangements we are very unlikely to approve any expenditure above the approved allowance.

As we emphasised in our January report, the main risk we see and the focus of all discussions in NIAC to date has been around the risk of an underspend. We do not believe that it would be in customer's interests for Ausgrid to receive a CESS reward for any underspend of innovation funding in 2019-24, given that the authors have been encouraging Ausgrid to significantly lift its internal innovation capability to deliver greater outcomes to customers from increased investment in innovation.

3. The treatment of innovation and resilience expenditure under CESS and EBSS in 2024-29

Question 15 in the AER Issues Paper asks: *"If we apply the EBSS to Ausgrid in the 2024–29 period, are there any cost categories that we should exclude from the scheme, such as innovation expenditure and community resilience expenditure as proposed by Ausgrid?"* and question 19 asks: *"If we apply the CESS to Ausgrid in the 2024–29 period, do you agree with Ausgrid's proposed exclusions for innovation expenditure and resilience expenditure from the CESS?"*

In our January report we supported the exclusion of the 2024-29 NIP from CESS and EBSS. We made the following comments at p.16:

"Ausgrid has accepted the recommendation to partition the NIP from the efficiency schemes. We believe this sends a strong message to the company. In being outside the schemes, it generates a priority to actually invest in innovation, in a 'use it or lose it' environment. The related arrangement, strong customer oversight, brings a powerful focus on the investment being prudent and efficient."

Our ability to bring focus to the prudence and efficiency of Ausgrid's innovation expenditure is built on the decades of experience of the authors across distribution network planning and engineering; cost benefit modelling; research and energy innovation; CER and local energy storage solutions; climate change science, resilience and sustainability; energy efficiency and decarbonisation planning and network regulation. We would welcome any suggestions from the AER staff on additional ways we can enhance this focus.

In our January report (at p.9) we set out NIAC's new oversight role of Ausgrid's proposed resilience investment. We have asked Ausgrid to start work with us on that governance structure in the July

⁴ This is set out in pp 10-15 in our January report

NIAC meeting so that it will be finalised in time for the commencement of the resilience program in 2024. We do not believe that it would be in customer's interests for Ausgrid to receive a CESS or EBSS reward for any underspend of resilience funding in 2024-29 after having engaged extensively with the three Local Government Areas and its wider customer base on the funding and the express outcomes to be delivered to those communities. We will give further consideration to ensuring ways in which Ausgrid can demonstrate the efficiency of those investments, particularly the network investments.

Independent NIAC members

11 May 2023