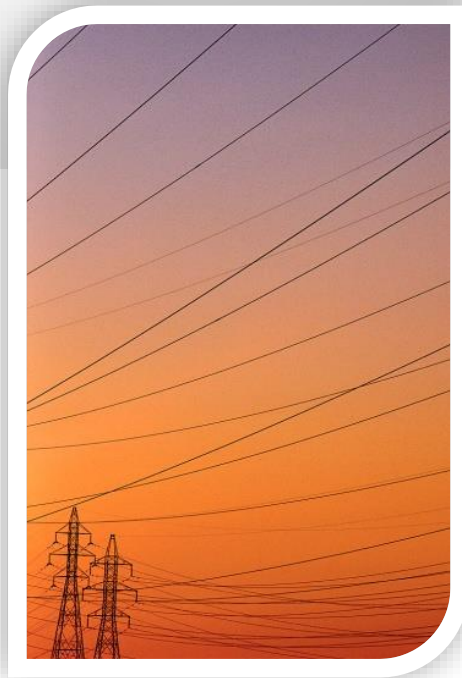


# PWC Stakeholder Forum

Consumer Challenge Panel  
Initial Observations  
12 April 2018



# Objectives of CCP

- advise the AER on whether the network businesses' proposals are in the long-term interests of consumers and
- advise the AER on the effectiveness of network businesses' engagement activities with their customers and how this is reflected in the development of their proposals

# Customer Engagement (CE) Fundamental to the AER process

- CE is now a key theme in the evaluation of the revenue proposals
- CCP core function to provide feedback to the AER on the network's CE approach
- Network needs to show:
  - Who, how, when & what issues it has engaged with consumers?
  - How engagement has influenced its revenue proposals?
  - Whether consumers agree the proposal is in their long term interests?
  - That there is ongoing review & continuous improvement?

# Discussion Today

- Impressions of PWC's consumer engagement, so far
- Preliminary observations on PWC's proposal
- Welcome consumer feedback on any concerns

# Pre-Lodgement CE Challenges

- PWC's 1<sup>st</sup> CE & under a new regulatory framework
- A challenging new experience for PWC, consumers and consumer representative bodies
- All needed to learn new skills and understand new and sometimes complex issues
- A small community in NT – consumer bodies small and limited resources
- Energy Consumers Australia (ECA) does not have NT in scope

# Pre-Lodgement CE

## What went well

- A comprehensive and well planned approach
  - Commenced in Feb 2017
  - Targeted engagement with large & small customers, government and consumer representative bodies
  - Direct consumer engagement through focus groups and deliberative forums
  - Engagement in Darwin & Alice Springs
- Consumer Advisory Council (est. May17)
  - Broad Representation - agricultural, indigenous, hardship, health, building & development agencies & major energy user
  - 15 member body meeting regularly (4 times in 2017)

# Pre-Lodgement CE

## What went well

- CEO & senior management actively involved
  - Consumers can see PWC taking this seriously
  - Cultural change can flow
  - CE has a chance to become “core business”
- Communication documentation has largely done a good job of communicating (with sometime complex matters)

# Pre-Lodgement CE Challenges for the future

- CE on draft proposal & TSS optimal
  - Earlier start now the norm – more time for communication & feedback
  - PWC as “first-timer” understandably was time challenged
- Consumer Advisory Council (CAC)
  - Build knowledge and confidence to engage and challenge PWC
  - Maintain interest and relevance (a universal challenge)
- Building knowledge in and engagement with consumer bodies



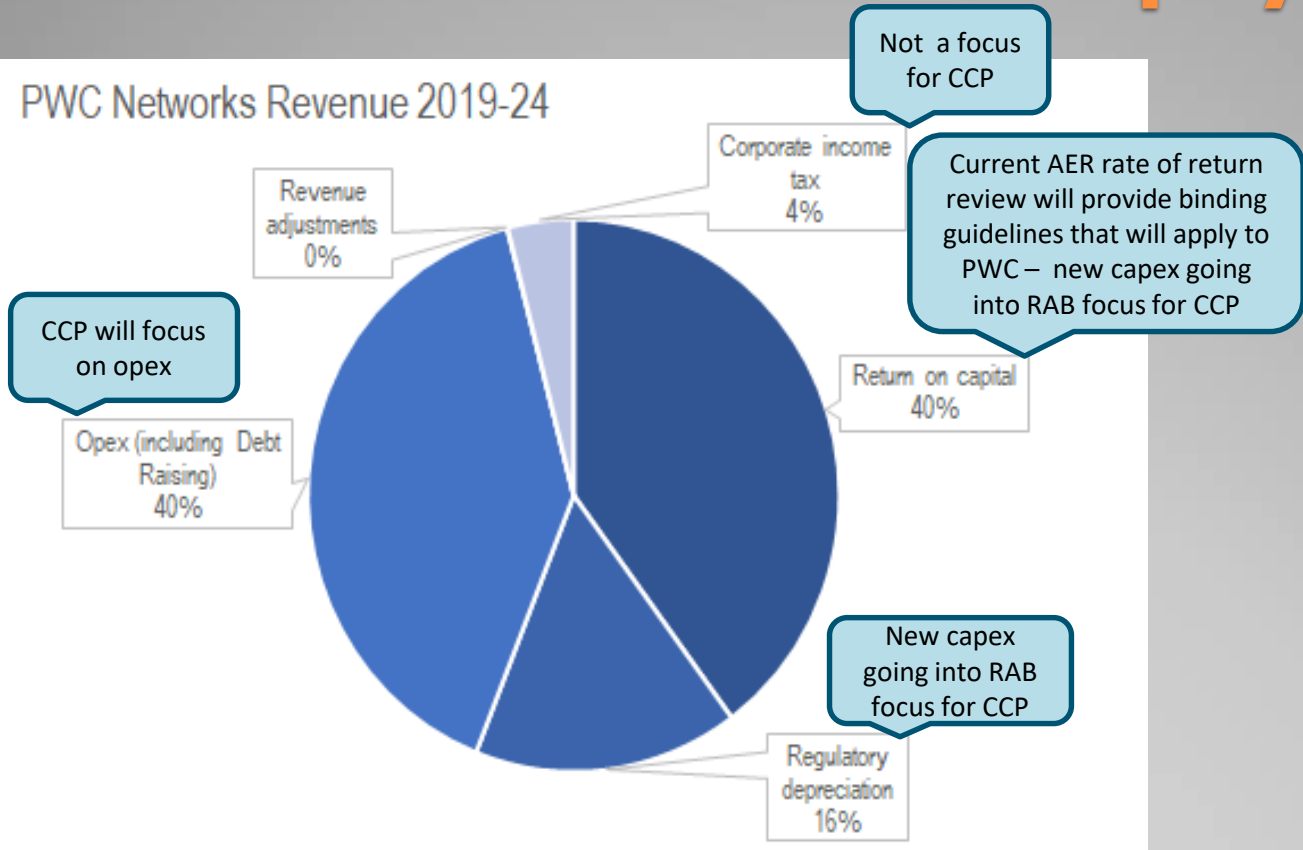
## Post-Lodgement CE still work to be done

- CE continues beyond proposal and beyond the AER's draft decision
- PWC still has a critical role:
  - Explaining its proposal & how it has listened to consumers
  - Seeking feedback on the proposal, the AER's draft decision & its formulation of its revised proposal
  - Explaining how the AER's draft decision & its revised proposal at meet consumer interests

**Consumers should make submission to the  
AER if they have concerns**

# Revenue Building Blocks – what consumers will pay

PWC Networks Revenue 2019-24



~\$900m of revenue for 2019-24 compared to ~\$818m allowed by the Minister for the current 5 year period

# Capital Expenditure - Significant Driver of Long term cost to Consumers

- Is the changed classification of some opex to capex reasonable?
- Is the large IT spend adequately justified?
- Could non-network solutions (eg Demand Management Incentive Scheme) address some capex issues?

**What support for these have customers given?**

# Operating Expenditure – only pay for efficient operations

- Is 2016-17 an efficient base year?
- Benchmarking not easy - no reliable data for comparison of PWC's opex efficiency vs other networks
- Recognition that there is scope for efficiency/productivity
- Is the 10% efficiency dividend reasonable?

**What support for these have customers given?**

# Risks to Consumers minimise uncertainty & inaccuracy

## Demand Forecasts:

- Is AEMO's standard forecasting methodology right for the NT?
- Are distributed generation assumptions right?
- Are new connections forecasts reasonable post resource boom?

## Pass through events:

- How do these compare with other networks?

# Tariffs fair & transparent

- Move towards cost reflective pricing is consistent with national developments & supported by customers on the basis of fairness
- NT Government Pricing Order means majority of customers will not be directly impacted by new network tariffs (unless retailer passes on benefit of reduction)

**What is the CE & support from the few big consumers who will see price increases?**

## Alternative control services – new arrangements for metering

- Metering now moved out of main capital base with stand alone charges
- “advanced meters” for all new & replacement meters:
  - Is cost/benefit demonstrated?
  - Will consumers pay more?
  - Consistent with moves in other jurisdictions but is there an NT government policy support (vis. the Pricing Order)

**Look at basis for PWC saying  
consumers “strongly support” this**

## Work to be Done

- Welcome any feedback from consumers
  - their issues of concern
  - how effectively PWC has engaged with them
  - how their issues have been addressed in PWC's proposal
- CCP 13 to provide advice to AER by 16 May (which will be published on the AER's web site)
- Comments / suggestions for the CCP can be sent via [NTPowerWater2019@aer.gov.au](mailto:NTPowerWater2019@ aer.gov.au)