Consumer
Challenge
Panel

CCP10 Response to Evoenergy regulatory Proposal 2019-24 and AER Issues Paper:

May 2018

Submitted to: NSW2019-24@aer.gov.au.

1. Overview

We commence this submission with the observation that the proposal from Evoenergy is largely reasonable and in general addresses the contemporary concerns of Evoenergy's customers. We are concerned however about the proposed real price increase of +3.08% and do not believe that Evoenergy has established that it is fully supported by consumers.

The comments that we make in responding to aspects of the detail of Evoenergy's regulatory proposal need to be read in this broader context and are presented in the spirit of constructive debate and in seeking to meet the best long-term interests of consumers. We do not expect that any of the comments made in this submission will be a surprise to Evoenergy, with whom CCP10 made a commitment to a 'no surprises' approach in our initial meeting with them.

Our headline response to the proposal is to observe that a real price increase of +3.08% per annum requires further justification, particularly given the high levels of attention across Australia to high energy costs. Therefore one of our objectives when reviewing every aspect of this revenue proposal is to ask: 'where are potential savings for consumers so that the Evoenergy network element of customers' bills can be below CPI?'

We recognise that, in general, electricity prices in the ACT are lower than other parts of Australia. However, there are good reasons for this given the size and age of the network and the amount of underground cable within the network. We also recognise that Evoenergy has been at the forefront of introducing demand tariffs through its tariff structure statements (TSS), which better reflect the real costs of the provision of network services.

An important role of the Consumer Challenge Panel (CCP) is to observe the consumer engagement of networks and provide feedback about this to the AER. We observe that Evoenergy has made significant effort to improve consumer engagement since its last regulatory proposal. However the consumer engagement in the development of this regulatory proposal appeared to CCP10 to be a little 'closed' and so we are somewhat limited in the depth of feedback that we are able to provide. We also recognise that Evoenergy is making significant steps, as are other network businesses across Australia, to improve the quality of their consumer engagement and to apply continuous improvement approaches.

One of the crucial consumer issues that was raised regularly in the lead up to the preparation of the regulatory proposal was the trade-off between reliability and network performance with the prices that consumers pay: the reliability - price trade-off. We observe that Evoenergy has expressly drifted more to the reliability side of this trade-off than at least some customers would prefer.

We also remain interested in Evoenergy's response to recent trends in network performance, and how that relates to the expenditure proposals and the efficiency of the network.

2. Context

It is important to document that the context in which this regulatory proposal has been lodged is unique with a number of abnormal factors play.

The first of these factors is that the 2014-19 revenue determination has not been resolved before this proposal for 2019-24 has been lodged. This is due to the limited merits review and subsequent Federal court appeals that followed from the AER's final decision for 2014-19. The AER's final decision was made after the regulatory period commenced due to changes in the rules to network regulation that were finalised by the AEMC late in 2012 which in turn led to the AER using 2013 to develop guidelines as to how it would apply the new rules. This resulted in a placeholder decision for the first year of the 2014-19 period.

The end result being that the total amount of money that customers will need to pay to Evoenergy for its operation of network services during 2014-19 is still not fully known. This means that the 2019-24 regulatory proposal comes against a backdrop of some final price uncertainty for customers as well as for Evoenergy.

The good news for this regulatory proposal is that the 2012 rule changes in the better regulation approaches are now tested and embedded in Australian network regulatory practice. The introduction of benchmarking was a new part of the better regulation process and so was new in the last regulatory period. Increasingly the AER's use of benchmarking is better understood with the benefit of some history behind it. We have drawn on aspects of the most recent AER benchmarking report in considering aspects of this regulatory proposal, believing that benchmarking is an important aspect of regulatory processes and helps to secure outcomes in the long-term interests of consumers.

There are currently changes in technology as applied to electricity markets. This regulatory proposal is lodged in a period of substantial structural change for energy businesses around the world, creating elements of uncertainty for all network businesses and consumers. The ACT government has made a commitment to renewable energy to service the people of Canberra which has some implications for managing the electricity network.

While this regulatory proposal is being considered, a new rate of return guideline is being developed that will be binding and will apply to this regulatory proposal. Accordingly, we do not consider rate of return issues in any detail in this submission, other than to note that the AER's revised 2018 guideline will apply to this determination.

Evoenergy has made significant cost reductions in many aspects of the business during 2014-19, in significant part as response to the AER's final decision 2014 to 19. The reality is that Evoenergy's cost structures are different now than they were at the start of the previous regulatory period.

3. Revenue Proposal 2019-24

The following table summarises the proposed revenue for the major aspects of Evoenergy's operations for 2019-24.

$ million nominal	2019/20	2020/21	2021/22	2022/23	2023/24
Return on capital	50.80	52.34	54.14	55.86	57.29
Return of capital (regulatory depreciation)	35.06	38.06	41.25	45.43	48.86
Operating expenditure	52.89	55.30	57.92	60.57	63.20
Revenue adjustments	0.66	0.32	0.33	0.34	0.35
Net tax allowance	5.97	6.33	6.66	7.18	7.42
Annual revenue requirement (unsmoothed)	145.38	152.36	160.30	169.38	177.12
Annual revenue requirement (smoothed)	143.78	151.92	160.52	169.61	179.21
X-factors	-3.08%	-3.08%	-3.08%	-3.08%	-3.08%

Figure 1.

Total revenue sought for the five-year period is $805.04 million dollars, with an annual real increase of +3.08%, a real increase of 16.38% over the five years of the regulatory period. The proposal is summarised in Figure 1 above.

4. Capex

Overview

The CCP10 notes and commends recent Evoenergy's registration under ISO55001:2014, recognising a level of maturity in its asset management processes and systems.

Under this certification and the matters raised in the audit of its asset management processes and systems, we generally support the replacement capital forecasts for network assets as noted in the asset management plans to meet the service levels documented in the proposal. There may be an opportunity to further refine the approach to the replacement of aged 11KV cables.

We have some concerns regarding the conservative approach taken to network augmentation and growth expenditure, especially given the early understanding of the impact of high levels of rooftop solar PV and the impact of demand tariffs in new subdivisions.

The level of IT expenditure remains high in both the current and next period, and we recommend detailed analysis by the AER into the nature, timing and performance dividend presented by the continued investment.

Proposal

The forecast Capex is given in Figure 2 below.

$ million (2018/19)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
AER allowance 2014–19	79.5	66.2	70.7	61.6	60.5	338.6
Evoenergy actual 2014–19[1]	76.9	62.7	55.4	67.7	66.1	328.8
Evoenergy forecast 2019–24	62.4	65.3	75.9	65.6	60.6	329.8
Variance allowance to actual	(2.6)	(3.6)	(15.3)	6.1	5.7	(9.8)
Variance allowance to forecast	(17.2)	(1.0)	5.2	4.0	0.1	(8.8)

[1] Actual to 2016/17 and forecast for 2017/18 and 2018/19

Figure 2. Source, Evoenergy regulatory proposal 2019-24

We note the steady decline in the rate of capital investment in the current regulatory period whereas the proposal highlights a flattening trend year on year, figure 3. This suggests that there is unlikely to be any further material decline in capital expenditure for the coming regulatory period.

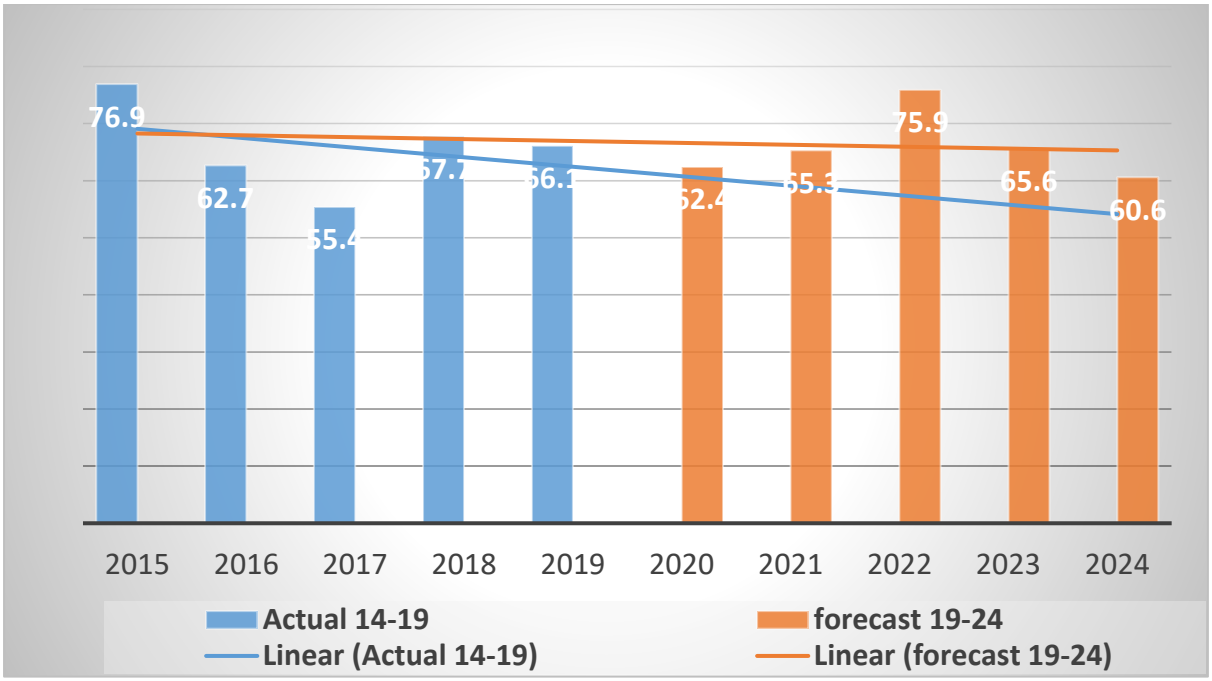


Figure 3. Flattening capex spend trend lines. Source data from Evoenergy proposal

Capex spending actual and forecast for the key capital elements is shown in Figure 4

$ million (2018/19)	2014–19 Allowance	2014–19 Actual	2019–24 Forecast	Variance (Actual vs AER)	Variance (Forecast vs AER)
Augmentation	51.7	33.3	47.2	(18.5)	(4.5)
Connections	85.4	90.6	85.9	5.2	0.5
Replacement	115.1	80.1	91.6	(35.0)	(23.5)
Reliability and quality improvements	7.3	6.7	6.2	(0.6)	(1.1)
Non-network	63.0	89.8	58.3	26.7	(4.7)
Capitalised overheads	57.5	68.2	75.6	10.7	18.1
Less capital contributions	(33.4)	(39.6)	(34.2)	(6.2)	(0.7)
Less disposals/materials escalation adjustment	(8.2)	(0.4)	(1.1)	7.8	7.1
Net capex	338.6	328.8	329.8	(9.8)	(8.8)

Figure 4. Source, Evoenergy regulatory proposal 2019-24

Replacement capital expenditure (repex) is the largest single item of expenditure as shown in figure 3 and is forecast to be 14% higher than the actual expenditure for this category in the current period, and 20% below the allowed replacement expenditure for 2014 to 19.

CCP10 is generally satisfied with the replacement expenditure forecast and observes that as a percentage of total capital expenditure the repex proposal is lower for Evoenergy than for

other network businesses. We expect that this can be explained by the higher amount of network which is underground for Evoenergy and by the fact it is a somewhat younger network than some others.

Augmentation expenditure for 2019-24 is 41% higher than extra expenditure for the current period and as with repex is lower than the 2014-19 allowance, by about 9%.

We note that non-network opex expenditure for 2014-19 is 42% higher than the approved allowance indicating significant expenditure which we think could reasonably be expected to have carried forward capacity into the 2019-24 period as a 'dividend' to consumers in the form of improved efficiency and productivity and more targeted capital expenditure. We recognise that IT is a significant component of non-network costs and that there are additional requirements with cyber security and improved monitoring capability, however this component of the capital budget appears high. With higher costs in the capital budget it is reasonable to expect that there will be efficiencies elsewhere for example in reduced operating costs such as lower maintenance costs or somewhere else in the budget. We remain unclear about the benefits to consumers of the high non-network cost expenditure particularly over the 10 years 2014-2024

The capitalised overheads component of operating expenditure is also high being 11% higher than actual expenditure for this category in 2014-19 and 31% higher than the approved allowance for the current period. As with non-network costs, we consider that there are opportunities for cost savings in capitalised overheads.

The ratios and balance of investment in repex, non-network assets and customer's connections vary from other utilities. We look forward to further analysis by the AER, Evoenergy and conversations with ACT consumers to clarify this position and identify cost savings.

Response

Whilst generally supportive of the initiatives and approach to capital investment by Evoenergy, there are some concerns regarding the capital expenditure proposal.

The increase in augmentation expenditure above the 2014-19 actual spend is not consistent with the downward trends in network growth expenditure that is evident more generally across distribution networks. We note a number of projects were deferred from the current period, and that two key new developments intend to reflect the implementation of renewable energy distributed generation. However, the planning standards that underpin the timing of the development of major new distribution assets appears to be conservative, encouraging significant expenditure before the impact of demand management, consumer demand response and more progressive network risk management approaches can take effect. This may be an outcome of the rather proscriptive approach taken under the Utilities Act – 2000 (ACT), and we encourage Evoenergy to work with the ACT government to develop a more reflective approach to network security and risk management.

Whilst we do support Evoenergy's approach to support new technologies inherent in the development of new residential subdivisions, we encourage the AER to review and consider

the major network development proposals from Evoenergy. We do recommend, though, that some leeway be given to the fact that the development of these new residential and commercial areas do include some element of 'pioneering' new technologies, including demand tariffs, where the exact impact is unknown and a more conservative approach to supply risk may be appropriate.

Regarding replacement capital, there appears to be an opportunity in reducing the expenditure in the replacement programme of aged 11KV cables by taking a more aggressive risk approach. We recommend this area of replacement capital as an area of focus for AER detailed analysis.

We note the change to Evoenergy's pole replacement programme following early consultation and support the more conservative approach.

Regarding the level of non-network capital investment proposed by Evoenergy, whilst it is down from the current period (which we note overspends the allowance) the level of expenditure is still significant. Across all CCPs, we have been keen to see a clear commitment by utilities to identify and make transparent the benefits to customers that emerge from that expenditure. Whilst some actions are reasonably explanatory, such as the move of the control centre from the current Fyshwick site due to the building being sold by the owner, other investments both in the current period and as proposed must be expressed in terms of reduction in operating or capital expenditure, reduction in overheads or improvement in response times, service levels and the like. We support the AER's actions not only for Evoenergy but other network operators in analysing the true impact of non-network expenditure in terms of dividend to the energy consumers.

In examining the detail of Evoenergy's ICT proposals, it appears that a conservative approach to contingency costs has been taken. Similarly, the benefits of a deferral of replacing the ADMS could be significant. We note that a number of utilities, including Ausgrid, Energy Queensland and others are considering upgrades or replacement of DMS systems, suggesting costs may be higher and delays possible. This does not seem to be considered in the Evoenergy proposal.

We also note that Evoenergy will be one of the first utilities articulating the changes required to meet new metering provisions, including Power of Choice, Demand Tariffs and 5-minute settlement. The precedent set in how Evoenergy will meet these challenges will be of interest to utilities and customers in other jurisdictions.

The capitalised overheads component of operating expenditure is also notable, being 11% higher than actual expenditure for this category in 2014-19 and 31% higher than the approved allowance for the current period. As with non-network costs, we consider that there are opportunities for cost savings in capitalised overheads.

The ratios and balance of investment in repex, non-network assets and customer's connections vary from other utilities. We look forward to further analysis by the AER, Evoenergy and conversations with ACT consumers to clarify this position and identify cost savings.

5. Opex

The operating cost forecasts over the 2019-24 regulatory period are given below in Figure 5 showing a total opex spending proposal of $308.9 million.

Table 7 Opex forecasts

$ million real 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Distribution opex	51.2	52.2	53.4	54.4	55.4	266.7
Transmission opex	8.1	8.2	8.4	8.6	8.8	42.2
Total opex	**59.3**	**60.5**	**61.8**	**63.1**	**64.2**	**308.9**

Figure 5, Source, Evoenergy regulatory proposal 2019-24

The major elements of increased opex expenditure from the current period are shown in the "opex bridge" below in Figure 6 (which is Figure 4 in the Evoenergy proposal).

Figure 4 Opex bridge between 2015 AER final decision and Evoenergy's 2019–24 opex forecast, $ million real 2018/19

Figure 6, Source, Evoenergy regulatory proposal 2019-24

Opex is about half the increase in proposed total revenue, so is significant and begs the question as to whether there are more opportunities for efficiencies and cost reductions, noting the high capital expenditure costs for IT and related expenditure which should lead to reduced operating costs.

Base opex is $16.5m below the starting point. (The reduction of $16.5m is the difference in opex for the base year and average opex for the 2014-19 regulatory period.) This reflects productivity increases achieved by Evoenergy and is to be applauded

It is recognised that Evoenergy has applied the base-step-trend approach used by AER. We accept 2017-18 as the base year and are satisfied that both step changes are warranted.

We recognise that Evoenergy expects to reduce opex during the current regulatory and its costs in the base year will be at or below the efficient costs forecast by AER in the 2014-19 determination. Given this, we believe we can conclude that the proposed base year costs are within a reasonable range for efficient costs.

Trend customer growth accounts for a significant part of the increase of $23.3 million over the regulatory period. This is based on AER statistical analysis of the relationship between costs and the number of customers served which is significantly larger than comparable estimates by NZ Commerce Commission for NZ DNSPs and that would be expected given that maximum demand, rather than customer numbers is considered the primary driver of network costs.

We encourage the AER to consider the output growth factors and test whether they are reasonable.

In considering the productivity trend component of base-step-trend CCP10 submits that it is reasonable to expect continuous improvement in productivity with a trend for reducing rather than increasing costs.

Figure 7 below is taken from the AER's 2017 benchmarking report and shows that Opex PMFP (Opex Partial Multifactor Productivity) for Evoenergy has improved dramatically from 2015 to 2016, but after a number of years of lower PMFP than most other networks it is important to observe results in the coming years to ascertain whether the 2016 improvement is sustained in coming years. The significantly improved partial multifactor productivity needs to be maintained for more years, and continual improvement sought.

Opex PMFP (Partial Multifactor Productivity)

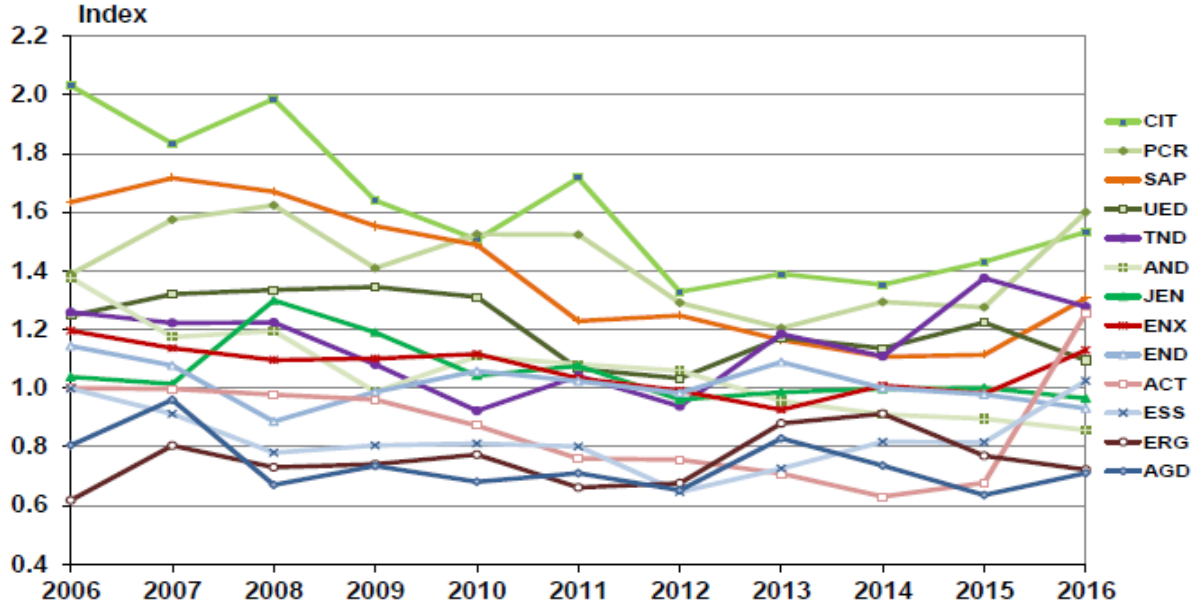


Figure 7. Source AER Benchmarking report 2017

Evoenergy says that they have

"applied a zero per cent productivity rate in estimating its rate of change. In doing so, Evoenergy has taken a similar view to the AER in its previous decisions for DNSPs. The 2014 Economic Insights report relied on by the AER in determining the productivity rate in its 2015 final decision showed that the distribution industry experienced negative productivity change over the analysis period, implying opex growth. However, Economic Insights recommended that a productivity forecast of zero be included in the rate of change as it considered there to be a reasonable prospect of opex productivity growth moving towards zero in the few years following the analysis period. In adopting this recommendation, the AER stated that it did not expect declining productivity observed in the past to continue and that productivity had been positive in both the electricity transmission and gas distribution industries.

Evoenergy – Regulatory proposal 2019–24

Economic Insights' report for the AER's 2017 annual benchmarking report similarly showed negative opex partial factor productivity growth over the 2006–16 analysis period. However, it noted a turnaround from 2012. The AER notes that the likely drivers of the turnaround in opex performance are a pullback in network spending on increased reliability standards in NSW and Queensland, and the AER's determinations which reduced network forecast opex. It was noted that Evoenergy (then ActewAGL Distribution) has made large opex partial productivity gains since 2013/14, which has driven its strong multilateral total factor productivity performance. (Figure y)

Second, given the period of significant opex reductions across much of the industry following the AER's recent decisions, many DNSPs, and notably Evoenergy, have considerably improved their productivity performance over recent years. As explained in section 6.4.1, Evoenergy underwent a significant business transformation process to move to much lower opex levels at the speed necessitated by the AER's 2015 final decision and it would be unreasonable to expect the recent turnaround in productivity growth to continue at a similar rate."

For reference, total PMFP for Evoenergy is shown below with the recent opex driven productivity improvements still evident but the improvement compared to other network businesses is not as pronounced, being below the midpoint of network productivity levels when compared with all NEM electricity distribution network businesses.

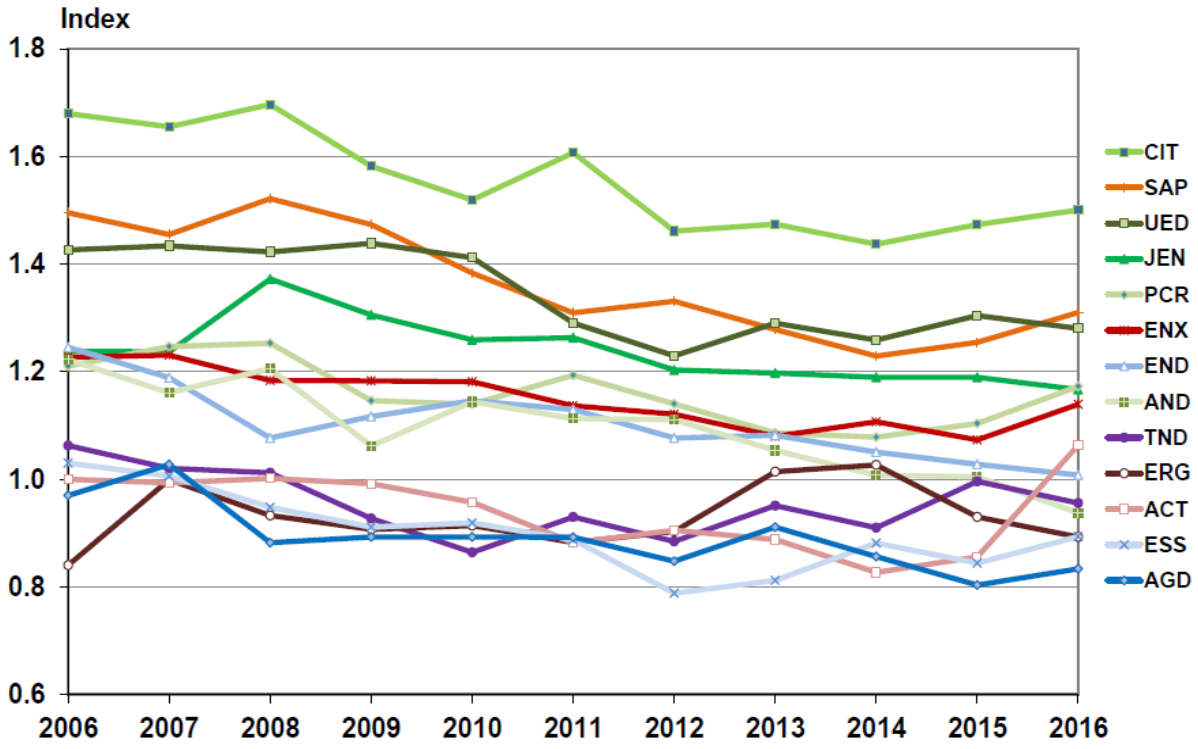


Figure 8. Total PMFP**,** Source AER Benchmarking report 2017

We recognise that there has been productivity growth in response to the AER's 2014-19 final decision. Trend productivity growth over the five-year regulatory period is assumed to be zero, but most businesses plan on continuous productivity gains, while recognising the significant recent productivity improvements, we contend that meeting the national energy objective (NEO) means that network businesses, including Evoenergy, need to be looking for positive productivity improvements each year, though not necessarily at the recent rate of opex productivity growth. A zero productivity improvement over five years is not in the best interests of customers.

Labour cost increases.

We ask if the labour cost increase projections are reasonable given the current low wage growth experience for workers across Australia. We encourage the AER to closely review labour cost projections and to ask if they are reasonable when compared with the very modest or non-existent income increases of Evoenergy's customers. Are the increases projected consistent with other wage forecasts?

If there are to be real wage rises, it is reasonable to expect productivity gains from the workforce to offset any increases.

Step Changes

The regulatory proposal includes two proposed step change increases in opex, which are summarised in Figure 9 below taken from the proposal.

$ million, 2018/19	FY19	FY20	FY21	FY22	FY23	FY24	FY20–24 total
Vegetation management and private electrical infrastructure inspection responsibilities	3.76	3.75	3.77	3.78	3.78	3.77	**18.85**
Strathnairn demand management capex/opex trade-off[28]	0.00	0.36	0.36	0.36	0.36	0.36	**1.80**
Total	3.76	4.11	4.13	4.14	4.14	4.13	**20.65**

Figure 9. Source, Evoenergy regulatory proposal 2019-24

Evoenergy explains the two step change increases as follows:

"Vegetation management and private electrical infrastructure inspections
Evoenergy's vegetation management costs will increase by $3.8 million per annum compared to the base year from 1 July 2018, following amendments to the Utilities (Technical Regulation) Act 2014 (ACT) via the Utilities (Technical Regulation) Amendment Bill 2017 (the Amendment Bill), which was passed by the ACT Legislative Assembly on 8 November 2017.
The changes involve the transfer of responsibility for vegetation clearing on unleased land in urban areas of the ACT from the ACT Government to Evoenergy, as well as giving Evoenergy responsibility for inspection of private poles on rural leased properties. This change will reduce the risk of bushfires caused by electricity network assets in the ACT by ensuring appropriate clearance zones are maintained. In the lead-up to these changes being proposed, Evoenergy undertook considerable engagement with the community and interest groups to ensure a balance between safety risk, amenity and environmental considerations was reached.

Strathnairn demand management capex/opex trade-off
Evoenergy has assessed its options for servicing demand in a new urban development planned for West Belconnen. Through this process, Evoenergy has evaluated network and non-network solutions and has identified an opportunity to postpone the need for the construction of a new zone substation by meeting demand in this area with an efficient combination of lower initial capex investment and opex.
This solution involves extending feeders from existing zone substations together with leveraging developer-mandated rooftop solar photovoltaic investment in the suburb by providing residents with subsidies for the deployment of demand management technology, such as battery storage, to meet load growth."

Regarding vegetation management, CCP10 accepts that Evoenergy is subject to the legislative requirements passed by the ACT Legislative Assembly on 8 November 2017. The cost impost on ACT energy customers is significant and is crucial that they are able to be convinced that the costs proposed for implementing these legislated requirements are efficient.

CCP10 is wary about supporting step changes, which should only apply to new costs that are outside of the network businesses control. It is consequently rare that a substantially new cost will arise for a long established business. With this perspective in mind, we are satisfied that vegetation management is a standard responsibility of the network business, and legislated requirements do constitute new responsibilities for Evoenergy and being legislated they are outside the control of the business. Consequently we accept that this component of vegetation management meets the criteria for being regarded as a step change.

CCP10 was not convinced that the "Strathnairn demand management capex/opex trade-off" step change met the requirements for classification as a step change, since the project is about determining the most efficient means of providing an aspect of the networks function and so a part of normal decision making that any network business would need to undertake.

Appendix 1 of the regulatory proposal describes property developments at Denman and Ginninderry Estate, both in the Molonglo Valley and part of the West Belconnen growth district.

Denman Prospect

"The developer of Denman Prospect proposes to make detached dwellings energy efficient by requiring the mandatory installation of minimum 3 kW rooftop solar PV generation per dwelling. This will reduce energy demand but will require significant uptake of energy storage to have a major impact on the overall maximum demand of the network. Denman Prospect will be the first residential estate in the ACT, and one of the first in Australia, with 100% PV penetration.

Ginninderry Estate

Evoenergy is undertaking an energy pilot project in a new, large residential estate under development in the West Belconnen area. The pilot project aims to assess the real-time implications from an electricity-only estate with a high penetration of rooftop PV generation systems. The first stage of the development will require rooftop PV systems, demand management systems and solar or heat pump hot water heating systems, with all dwellings to be fitted with smart meters. Evoenergy will use the ADMS to monitor the performance of the network, in particular, the impact on power quality."

In seeking to better understand the "Strathnairn step change" proposal we discussed the project in some detail with Evoenergy. As a result of those discussions we are satisfied that there are significant savings to consumers in both the medium term (the life of this regulatory proposal) and in the longer term. By working closely with property developers and the ACT Government, Evoenergy is part of a couple of 'trials' where a new housing development requires PV for all properties and PV plus heat pump hot water, a 'smart meter' and demand management (through Reposit) for Ginninderry. There is, as a minimum saving of construction of a $15m - $20m substation during 2019-24, with the potential that a substation will not be required in the longer term either. In addition, future customers of Evoenergy living in these new developments will have lower electricity needs, saving

augmentation costs for Evoenergy's customer base and delivering lower bills for customers – residential and small business.

CCP10 is now satisfied that the capex savings and longer-term benefits significantly outweigh the additional opex that Evoenergy is seeking to support these projects that we consider to be highly innovative and exciting.

Consequently the Strathnairn demand management capex/opex trade-off is supported by CCP10. Maybe this activity can be supported as a step change, or maybe as a DMIA project or projects. We ask the AER to consider which is the most appropriate mechanism to enable implementation of these 'trials', within the 2019-24 revenue determination.

Productivity

It is recognised that the rate of productivity growth in response to the AER's 2014-19 final decision cannot be sustained over the long term. However, trend productivity growth over the five-year regulatory period is assumed to be zero, whereas most businesses plan on continuous productivity gains., We contended that meeting the national energy objective (NEO) means that network businesses, including Evoenergy, need to be looking for positive productivity improvements each year, though not necessarily at the recent rate of opex productivity growth.

A zero productivity improvement over five years is not in the best interests of customers. While it reflects the trend estimates from the study of sector productivity by the AER's consultants, Economic Insights, we have several questions in regard to the analysis.

1. Consistency between trend and step changes. In forecasting opex, AER separately estimates trend productivity changes and step changes. To be internally consistent should the estimated trend productivity change exclude past step changes in costs?
2. Output specification. Should the outputs exclude circuit length and energy throughput? Other studies have not included these on the basis that circuit length is a proxy for capital inputs, not an output, and that capacity to meet peak demand is the better measure of network outputs than energy throughput.
3. Input measures (redundancy costs). Should redundancy costs, which are transitional cost, be excluded in measuring trend productivity improvement?
4. Reference point for estimation of trends. What should be the reference point for the estimation of trend productivity improvements – the best performing DNSPs, the bottom of the efficient frontier, or the average for the sector as a whole? Over what period should the trend productivity improvement be estimated – the period since 2006 or more recent trends since 2012?

6. RAB

The value of the regulated asset base (RAB) is important for customers, as it is the basis for the single largest financial return to network businesses, through the rate of return on capital invested in maintaining and augmenting the network. Figure 10 below shows the projected increase in the RAB over the life of the regulatory period

$ million nominal	2019/20	2020/21	2021/22	2022/23	2023/24
Distribution	791.43	815.39	843.39	870.19	892.50
Transmission	174.24	174.16	170.90	178.43	175.83
Total	**965.67**	**989.54**	**1014.30**	**1048.62**	**1068.32**

Figure 10. Source, Evoenergy regulatory proposal 2019-24

This figure shows a 12.8% nominal value increase in the value of the Distribution RAB, and just over 10% increase, nominal, or the total regulated asset base. Applying a 2.5% CPI over the 5 years of the regulatory proposal, the real value of the RAB reduces slightly through to 2024.

In considerations of Capex, we discussed the high cost for IT investment, both in the current and proposed regulatory periods. As a generally short lived asset some IT costs incurred in the current regulatory period could fall out of the RAB during the 2019-24 period. CCP10 encourages the AER to investigate the impact on the RAB of shorter-term investments particularly IT.

7. Incentive Schemes

There are 4 incentive schemes that could be applied to Evoenergy's operation over the 2019 – 24 period. CESS and STIPIS continue to apply while CESS can be applied after not being applied for 2014-19 while the Demand Management Incentive Scheme which was initiated in 2017 can be applied for the first time. CCP10 supports the application of all 4 incentive schemes to Evoenergy since these schemes provide incentives for efficiencies that are the best interests of consumers.

CESS

Evoenergy's proposal is that a CESS continue to apply in the 2019–24 regulatory control which is consistent with the AER's position as presented in the Framework and Approach paper (F&A), we agree.

EBSS

In the F&A the AER said that they would determine whether the EBSS would apply as part of our 2019–24 determination once Evoenergy's proposal was received and then assessed against its revealed costs. Evoenergy's proposal for 2019–24 adopts the AER's revealed cost approach to opex forecasting.

Consequently we support reinstatement of an EBSS for 2019-24.

STIPIS

The AER Issues paper states "In the context of feedback that most residential customers in the ACT are comfortable with Evoenergy's current strategy of maintaining (rather than investing more in improving) its current levels of reliability, it submits that its performance to date shows the current threshold provides adequate incentives to maintain its performance over the next five years."

The AER also asks whether the 'strength' of the incentive should be raised to +/-5 per cent, consistent with the national scheme, or left at current levels as Evoenergy has proposed.

CCP10 is leaning towards supporting a maintenance of the current +/- 2.5% approach since Evoenergy already has a strong focus on reliability, which could be over-emphasised with a +/- 5% approach

DMIS / DMIA

On 13 December 2017, the AER published a new DMIS. "*This rewards electricity distribution businesses for using efficient demand management projects to deliver value to consumers*." The AER also stated in the Issues Paper "*We also released an improved version of our previous demand management innovation allowance (DMIA), which provides research and development funding to electricity distribution businesses so they can better use demand management to reduce long term network costs."*

This position is now supported in principle in Evoenergy's proposal and was supported by CCP10 in our response to the F&A paper.

We have raised the question in the opex section of this submission as to whether the proposed “step change” to defer building a new substation at Strathnairn would be more appropriately considered as part of a Demand Management Innovation Allowance. We ask the AER to explore this question as to whether this is the most appropriate mechanism to support the sort of innovation being shown in the Denman and Ginninderry developments, rather than an opex “step change.”

8. TSS

Evoenergy is recognised as being among the leaders in tariff reform, specifically the introduction of residential demand tariffs.

We consider well designed cost reflective tariffs that are visible to customers are in the Long-term interests of consumers and so support this in principle.

In considering the Evoenergy tariffs proposal we have some questions:

- Is there a case for seasonal tariffs? Noting that Canberra has significant winter demand and that gas has traditionally been the major fuel for heating.
- What is the movement in average tariffs for customers on the basic tariff and the demand tariffs?
    - The reduction in the gap in energy rates raises questions
- Demand charges for low voltage commercial customers are much larger than those for residential customers and high voltage customers. We do not consider this segmentation to be efficient
    - What is driving this? And the increase in residential demand charges relative to those for HV customers?
- Why is Demand + Capacity tariff (rather than the demand tariff) prescribed for low voltage customers with embedded generation
    - If tariffs are cost reflective and based on demand why should the network tariffs depend on equipment on the customer's side of the meter?

9. Consumer Engagement

In our first meeting with Evoenergy (then ActewAGL), CCP10 posed 3 key questions as a basis for considering consumer engagement in developing the revenue proposal:

1. What was Tried?
2. What was Heard?
3. What was Applied

Our observations about the application of each of these three questions follows.

What was tried?

The following graphic in Figure X is from ActewAGL in late 2016 and outlines their engagement plans, against the regulatory proposal timeline. This plan was first published late in 2016, which was about 16 months before the proposal was due (31 January 2018).

Key elements of the engagement plan included preparation of an "Issues Paper" to be released 15 months before lodgement and then release of a discussion paper about 6 months before lodgement. The plan also provides for a significant amount of feedback to stakeholders between lodgement of the initial proposal and the revised regulatory proposal, suggesting to CCP10 that this phase of the regulatory process is likely to be important.

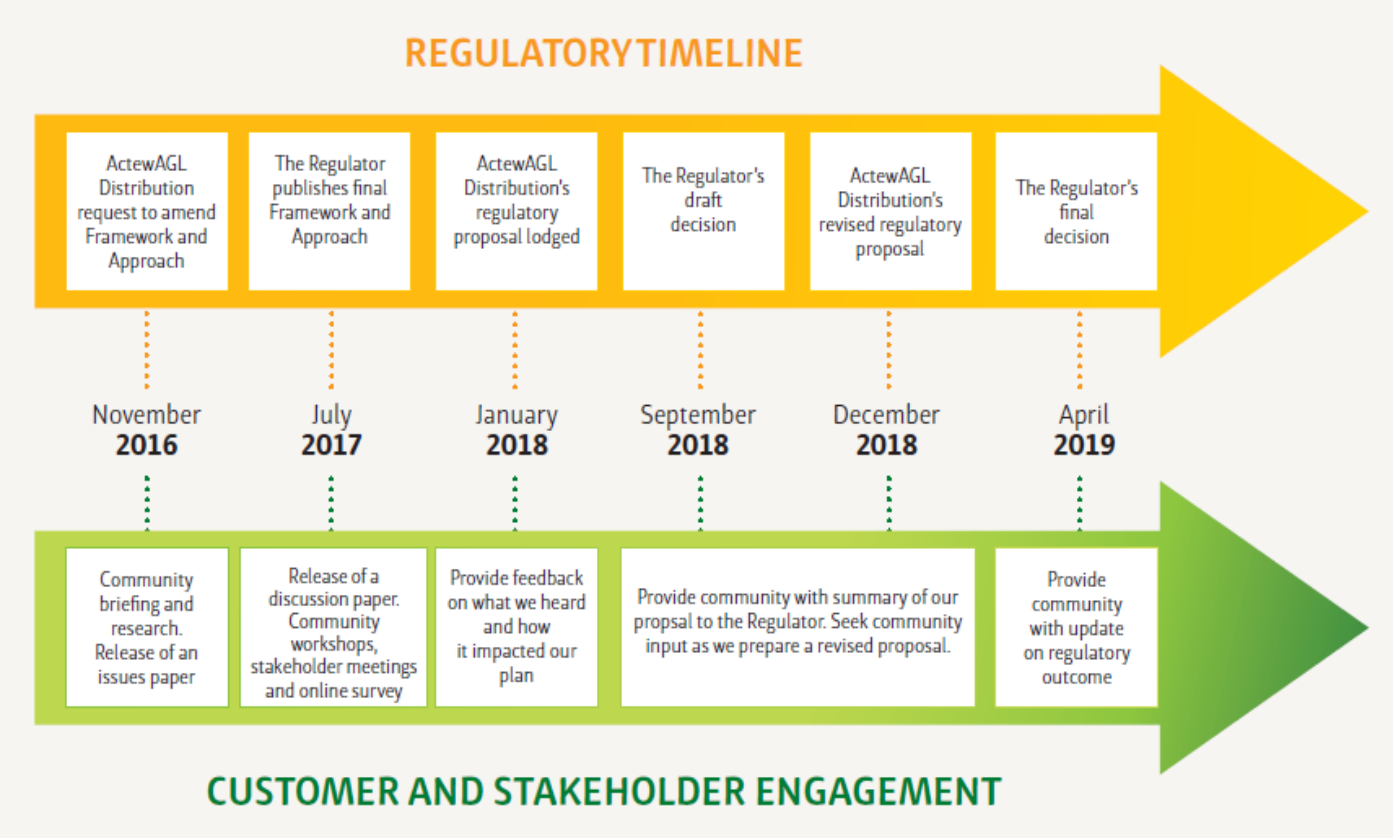


Figure 11. Source Evoenergy Discussion Paper

CCP10 understands that Evoenergy's consumer and stakeholder engagement for the regulatory proposal is focused on three main engagement processes: their ECRC, community forums and online. The major processes for their engagement revolved around an Issues paper, released in December 2016 and their Discussion paper released in July 2017. We consider these in turn.

- ECRC. Evoenergy uses its Energy Customer Reference Council (ECRC) as its major ongoing information exchange with people representing customer interests and other stakeholder. The regulatory proposal has been part of the agenda for this group, at its quarterly meetings for the two years leading up to lodging the regulatory proposal. The ECRC proposed the concept of an issues paper. Evoenergy used the ECRC as a sounding board in developing both the issues and discussion papers and kept the ECRC informed of the current state of progress in developing the regulatory proposal.
- Community forums were conducted during autumn and winter of 2017 and included publicly advertised forums for householders conducted in Civic (Central business district) and in their depot at Greenways on the outskirts of Canberra and a forum for businesses was also conducted. A larger forum of about 30 participants was held in conjunction with ACT Council of Social Service (ACTCOSS) who partnered with Care Financial Services (Care FS) to bring together people from lower income perspectives to discuss the discussion paper and help shape the issues paper. Evoenergy assisted with funding to enable this forum and associated lead up work to occur. A report coming out of the forum was given to Evoenergy.
- An online platform was developed as both an information source for customers and as a basis for responding to the Discussion paper. We are informed by Evoenergy that there were about 300 "unique hits" in response to the online survey.
- Issues and discussion papers. The issues paper was proposed by the ECRC and developed during the second half of 2016. The sections in this report were
    - an introduction to ActewAGL
    - a summary of the network
    - overview of the regulatory process
    - safety, reliability and customer service
    - operating expenditure
    - capital expenditure
    - tariffs

  One or two open questions were asked at the conclusion of each of the last four sections, including "what are you or views on the trade-off between reliability, customer service and the cost of electricity distribution?" As well as "what are your thoughts on how distribution tariffs should reflect customers use of the network?" Along with more general questions about whether there other areas of expenditure for maintenance, operating costs and capital expenditure that would be of benefit to consumers.

  The 30 page Discussion paper picked up many of the same themes as the Issues paper and included a statement "what we have heard so far" including the following graphic shown as Figure 12

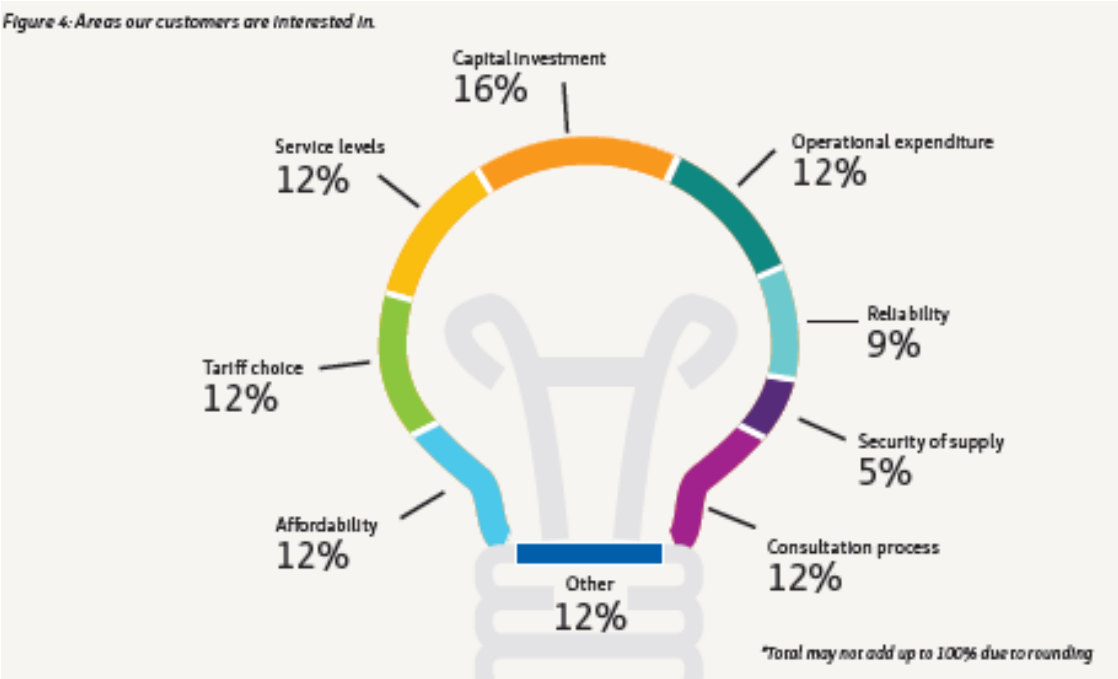


Figure 12. Source Evoenergy Discussion Paper

The Issues paper included case studies (the Denman Prospect project, part of broader redevelopment in West Belconnen and related to Strathnairn" opex step change"), detail about cost reflective tariff options and further discussion about the cost - reliability trade-off.

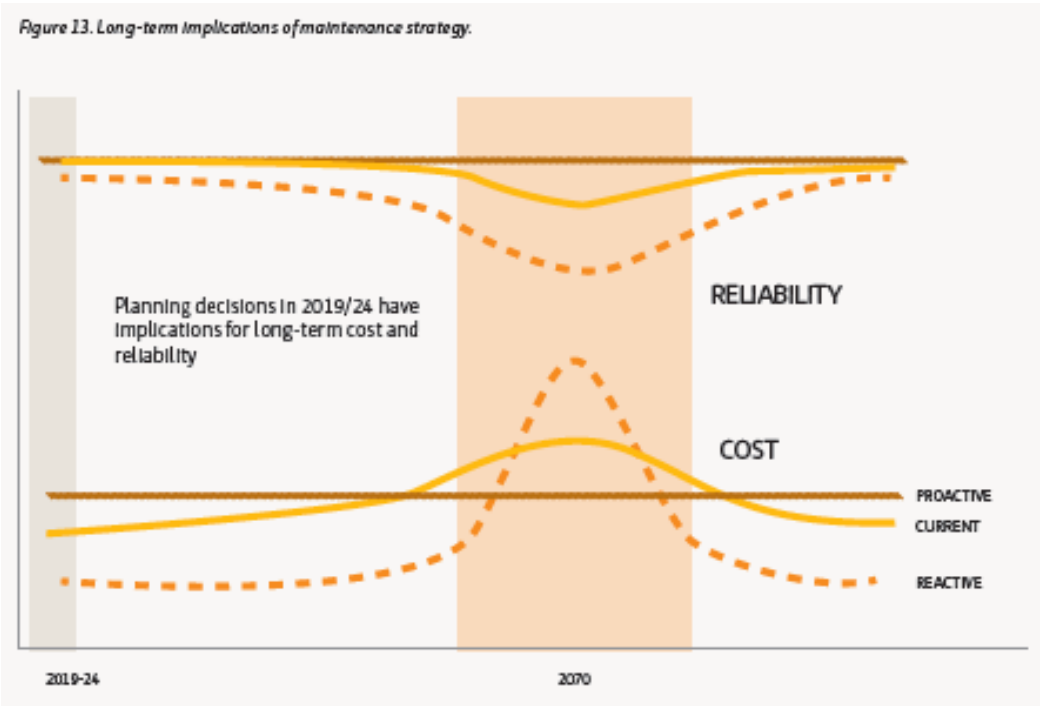


Figure 13. Source Evoenergy Discussion paper

We note that one of the discussions at the time regarding reliability was about the trajectory for spiking in maintenance costs for about 2060 and beyond, shown in figure 13, using a reactive (lower current cost) approach compared to using a proactive (higher current cost) approach with no long-term future maintenance costs spikes.

Other stakeholder Engagement

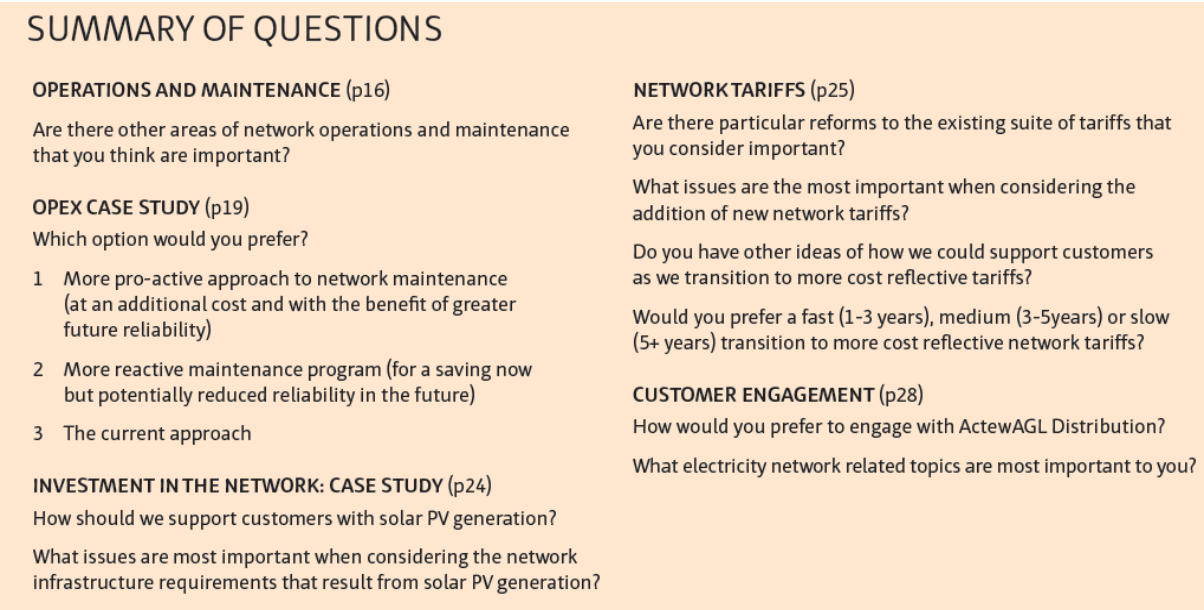
In CCP10's discussions with Evoenergy, they referred us to other stakeholder engagement activities they conducted in the period leading up to the development of the regulatory proposal including vegetation management workshops, specific consultation regarding a second supply point for the ACT and meeting with developers and relevant government authorities regarding connection to new developments including Denman and Ginninderry developments, (which we consider in relation to the opex step change which defers a sub substation at Strathnairn).

Evoenergy observed that there has been consumer and stakeholder engagement outside of the formal process that was "not brought to the surface in the regulatory proposal". Nor was CCP10 invited to observe this part of the consumer engagement. It would appear that engagement and consultation happens differently for economic / regulatory issues than for more engineering specific engagement and we have encouraged Evoenergy to look for ways to achieve greater integration of consumer engagement as part of its business planning cycles. We agree that Evoenergy has undertaken consumer / stakeholder engagement that they have not included in their regulatory proposal commentary on their consumer engagement.

Evoenergy staff also reflected on their process saying that the Issues paper and Discussion paper processes were both very important. One led to the other. The Discussion paper in particular assisted the business in developing focus for the regulatory proposal, it enhanced consistency for subsequent consultation and provided structure for the consultation that was undertaken, including through online platforms.

What was heard?

Evoenergy summarised their questions for consultation with the following extract from the end of their July 2017 Discussion paper.



SUMMARY OF QUESTIONS

OPERATIONS AND MAINTENANCE (p16)

Are there other areas of network operations and maintenance that you think are important?

OPEX CASE STUDY (p19)

Which option would you prefer?

1 More pro-active approach to network maintenance (at an additional cost and with the benefit of greater future reliability)

2 More reactive maintenance program (for a saving now but potentially reduced reliability in the future)

3 The current approach

INVESTMENT IN THE NETWORK: CASE STUDY (p24)

How should we support customers with solar PV generation?

What issues are most important when considering the network infrastructure requirements that result from solar PV generation?

NETWORK TARIFFS (p25)

Are there particular reforms to the existing suite of tariffs that you consider important?

What issues are the most important when considering the addition of new network tariffs?

Do you have other ideas of how we could support customers as we transition to more cost reflective tariffs?

Would you prefer a fast (1-3 years), medium (3-5years) or slow (5+ years) transition to more cost reflective network tariffs?

CUSTOMER ENGAGEMENT (p28)

How would you prefer to engage with ActewAGL Distribution?

What electricity network related topics are most important to you?

Figure 14. Source Evoenergy discussion paper

One of the key inputs to help inform Evoenergy in preparing their discussion paper was the ACTCOSS workshop report to Evoenergy,[1] a report produced through ACTCOSS, and presented in March 2017 from a workshop that was held, in significant part, to respond to the earlier Issues paper.

The report was about "Identifying the areas and issues that consumer representatives need to understand, and clarifying what further information we need, to actively contribute to the development of the ActewAGL Distribution submission to the 2019-24 ACT electricity distribution determination."

To the best of our knowledge, the workshop co-hosted with ACTCOSS involved the largest number of consumers and consumer representatives who came together during the consumer engagement associated with the regulatory proposal development. Consequently we consider this workshop report to be important and so provide the following extracts from that report.

(Note the report refers to AAD, shorthand for ActewAGL Distribution, which is now Evoenergy)

With regard to process for future consultation the ACTOCSS report said:

"It would be useful for consumers to have a range of possible and realistic scenarios against which to compare and rank service levels and price:

- *Representing different levels of operational and capital expenditure, demand management processes and technologies, and tariff structures (e.g. gold standard, mid-level, constrained)*

[11] https://www.actcoss.org.au/publications/advocacy-publications/submission-actewagl-distribution-engagement-consumers-regarding

- *It would be useful to have scenarios differentiated for large business, small business, community businesses (e.g. nursing homes, childcare centers, computer hubs), and different residential user types (e.g. households at home during the day, households with teenagers, households working 9-5, households with high equipment use).*
- *Example: asking "would you prefer a half hour outage once a month and save $10 on your bill?" etc. rather than "What are your views on the trade-offs between reliability, customer services and cost of electricity distribution?"*

The report addressed a series of questions that had been posed in the Issues paper that had been released in December, 2016, these are presented in smaller font with part of the ACTCOSS paper response following.

> *What are your views on the trade-off between reliability, customer service and cost of electricity distribution? In your experience, is the current balance between cost and reliability of service acceptable?*

"While the AAD Issues paper mentions the use of various pieces of research to support the current service levels, it was noted that given the changing environment, it may be appropriate for AAD to develop realistic scenarios to enable consumers to understand possible trade-offs and provide considered and informed feedback.

Questions need to be nuanced/provide a range of choices, for example, not asking "What are your views on the trade-offs between reliability, customer services and cost of electricity distribution?", but providing a range of possible and realistic scenarios to choose from for example "would you prefer a half hour outage once a month and save $10 on your bill?" etc.

This could be undertaken through confidential questionnaires administered by an outside agency specifically targeting a range of residential and business consumers, or through meaningful facilitated discussions with participants at consumer workshops."

It was noted that *"the Issues Paper places great emphasis on safety and reliability. There is limited discussion about price/affordability – while the title mentions "Cost effective", this is hardly mentioned anywhere else in the paper. There is no mention of the need for expenditure to be efficient and effective".* (page 10)

> *Issues Paper questions: Are there any other areas of network operations and maintenance that you think are important? Are there other areas of long-term capital investment that you think are important?*

"In order to engage with questions about infrastructure needs, participants felt they needed more detailed information, specifically:

To inform discussion about what investment is needed in asset renewal:

- *What is the average age of assets?*
- *What level of previous investment has there been?*
- *What level of capacity exists in the network? (Excess = overinvestment, constrained = need further investment).*

How will new technologies (e.g. batteries) and microgeneration impact on the costs of distribution? What are the implications for the revenue that ACTEWAGL Distribution will seek? What could be the impact on different customer groups?

How will energy supply security factors impact on cost of distribution? And the revenue that AAD will seek?

What are the diverse sources that currently mitigate against the risk of lack of supply?

Participants were interested in undertaking a tour of assets to better understand the system.""

> *Issues Paper Questions: What should we take into consideration when planning new tariffs? What are your thoughts on how distribution tariffs should reflect on customer's use of networks? What do you see as the information priorities for customers to help them to manage their energy consumption and save money on their bills?*

"What are the trade-offs both for consumers and for AAD with different tariff designs

- *e.g., with time of use tariffs, are there any specific groups who are paying more than their 'share', e.g. families with young children, and do we want that?*
- *Who will win or lose with different tariff designs – how are costs being allocated and/or reallocated within the community.*
- *Are there transfers (cross subsidies) between customer types and what are these: now? projections? might these change with the introduction of new technology?*
- *How are risks carried by different consumer groups? – Are there any incentives to particular groups?*

Would AAD consider trialling new tariffs to see how they impact consumers and especially low income and disadvantaged consumers, for example through undertaking a real time tariff study?

How will AAD identify where wider consumer protections need to be strengthened to avoid bill shock.

How will AAD support consumers to respond to price signals from demand/TOU tariffs? What about those who can't respond?

What options exist to protect customers unable to change use patterns under demand/TOU based tariffs?

What impact would a longer price path (10 years, 20 years) have on overall distribution costs (and hence consumer bills):

- *price shocks*
- *side constraints*

Participants were also interested to understand how demand was being forecast, and how new technologies (influencing both electricity demand and supply) were being taken into account."

What was applied?

Evoenergy summarises the application of their consumer engagement with the following summary table in Figure 15 from the regulatory proposal.

Maintaining safety, quality, reliability and security of supply	Evoenergy's regulatory proposal reflects the key capital projects required to maintain the safety, quality, reliability and security of supply. These include investing in feeders to increase the capacity of existing zone substations to provide required capacity for major developments in the Molonglo and Gold Creek districts, continuing the replacement and refurbishment program for ageing poles and underground cable, and constructing a second connection point to the NSW transmission network.
Striking the right cost/reliability trade-off	Evoenergy is acutely aware of the level of energy prices currently impacting consumers. However, it is also aware that maintaining reliability of supply is vitally important. Evoenergy has thus sought to manage the network component of electricity prices by finding the right balance between cost optimisation and reliability of supply for the long-term interest of consumers. Evoenergy has optimised its capital expenditure (capex) program by overlaying a top-down assessment onto its bottom-up, asset-specific planning approach. This assessment has identified nearly $46 million in opportunities to reduce or defer augmentation expenditure (augex) and replacement expenditure (repex).
Supporting new technology	New technologies such as solar PV, wind farms and battery storage pose a number of challenges, and opportunities, for Evoenergy in the forthcoming regulatory period. As mentioned above, Evoenergy proposes to address these technical challenges by investing in systems that will allow effective management of two-way power flows.
Pricing that is cost reflective and stable	Evoenergy's regulatory proposal seeks to recover no more than the efficient cost incurred in providing distribution and transmission services. Evoenergy estimates that its regulatory proposal will increase the average consumer's retail bill by less than one per cent per year, before the impacts of other factors affecting retail bills such as inflation and the price of wholesale electricity.

Figure 15. Source Evoenergy proposal 2019-24

CCP10 observations

CCP10 had limited capacity to observe the range of Evoenergy consumer engagement activities. We were able to attend the two residential consumer consultations at Civic and Greenways as well as attending a couple of meetings of the ECRC. We also met with staff prior to the regulatory proposal been lodged, after lodgement and at the AER hosted public forum. We also met with key people from ACTCOSS /Care FS and the chair of the ECRC.

Our observations regarding a Evoenergy's consumer engagement are considered from three perspectives: content, process and next steps

Content

The major question permeating consumer engagement related to the Price / reliability trade-off.

Evoenergy regularly states that ACT electricity prices are the lowest in the nation and, we suggest, consequently does not regard price as quite the significant issue that price is in other Australian jurisdictions. This perspective, we suggest is reinforced by those ACT consumers who are on higher incomes than interstate colleagues, the ACT having Australia's highest average incomes. (refer Figure 16)

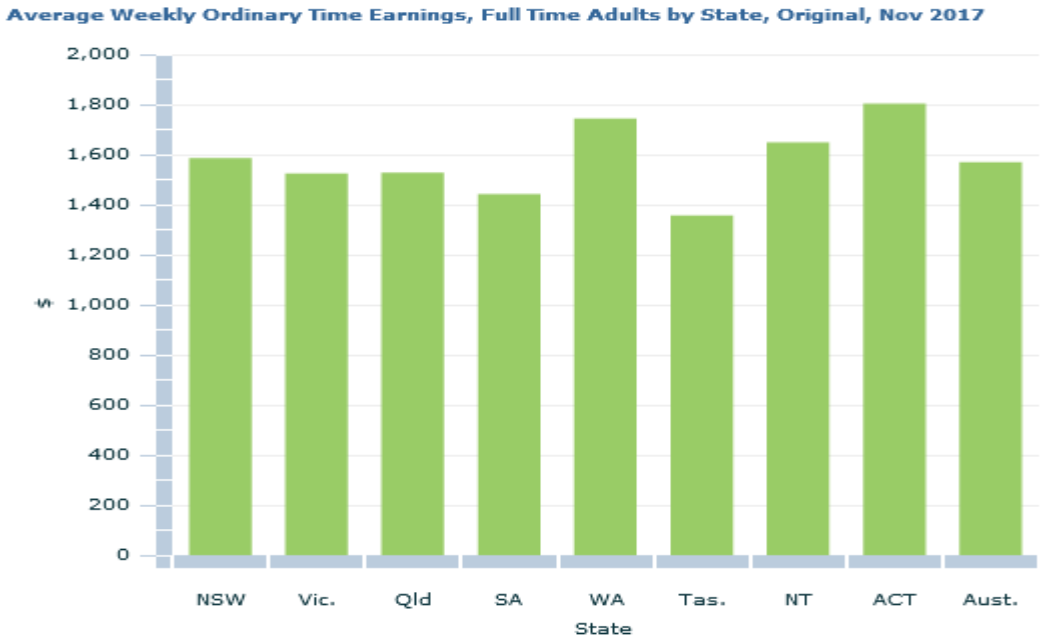


Figure 16. Source ABS

There may be some validity to this perspective since the level of media coverage of high energy prices is much lower in the ACT than in some other jurisdictions. The price of gas would appear to be more of an issue for many people in Canberra given heavy reliance on gas for space heating.

However ACTCOSS, Care FS and other community groups have regularly represented the concerns about energy costs for lower income households, who are also present in Canberra. So the price issue is very real for a significant number of households, even though they quite possibly represent a smaller percentage of households than in other jurisdictions

In considering the narrative about the ACT having the cheapest electricity prices, the following graph in Figure 17 provides some nuance to that story by comparing the relative movements in network revenues and hence charges to customers for the decade to 2016. The graph shows that notwithstanding variability over the period, only Queensland has experienced a higher rate network price increase than ACT customers. All jurisdictions benefited from some level of network price reduction from 2015 to 2016 with only Tasmania having a smaller rate of reduction than the ACT.

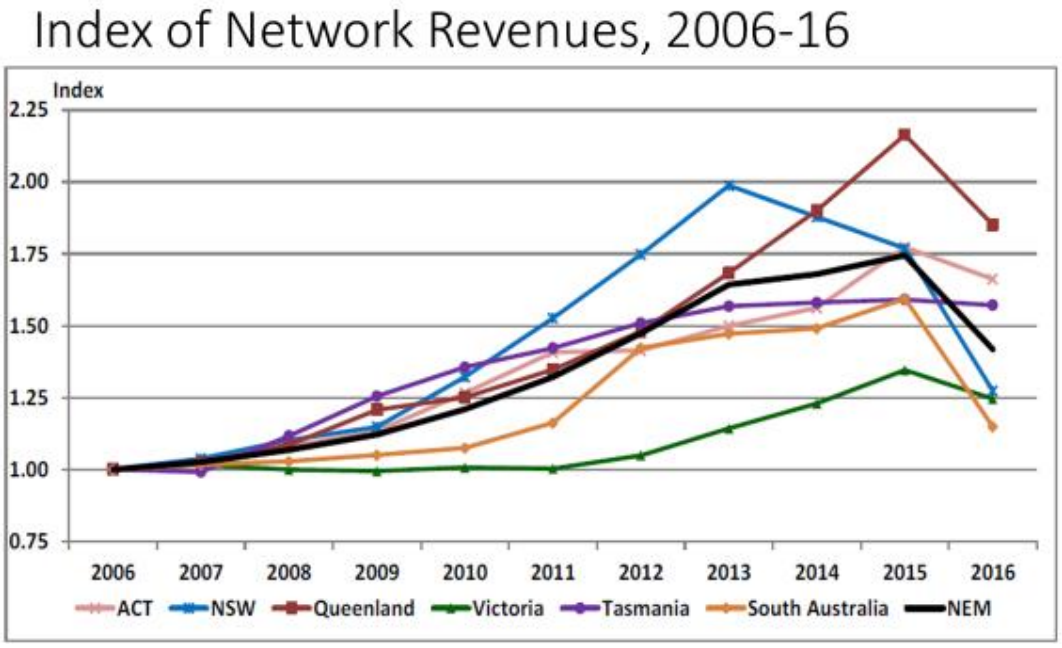


Figure 17. Source AER Benchmarking report 2017

The ACTCOSS workshop report stated "… the Issues Paper places great emphasis on safety and reliability. There is limited discussion about price/affordability."

We support ACTOCSS's observation about the emphasis on reliability at the expense of price. This observation is consistent with the way in which Evoenergy has described the four priorities it heard.

The first priority that they have reported is "maintaining safety, quality, reliability and security of supply," which is clearly about reliability, the second priority from the report is "striking the right cost/reliability trade-off." Yet in describing their response to this second priority they state "Evoenergy is acutely aware of the level of energy prices currently impacting on consumers. However, it is also aware that maintaining reliability of supply is vitally important …"

We do not think that this response adequately reflects the level of concern about energy prices that we heard from ACT consumer interests. Evoenergy, in our opinion, could have listened a little more carefully to concerns about price.

Consequently, we suggest that a +3.08% per annum real increase for Evoenergy customers over the coming five year period would likely worsen the ACT position for rate of network cost increases, compared to other jurisdictions.

The Discussion paper included a proposal for a more proactive approach that is a higher current cost approach to maintenance spending, to reduce the risk of a maintenance cost spike well into the future. The fact that this proposal was not included in the regulatory proposal is an indication that Evoenergy has been responsive to some aspects of customer concerns about prices.

The third priority is “Supporting new technology” which we agree is significant, and indeed an area that it is likely that the Canberra community is somewhat more eager to pursue than other Australian communities. We suggest that this is a rapidly evolving area of Evoenergy activity and one which the AER may should seek further information to confirm a high probability of sound consumer outcomes from technology related expenditure.

The fourth priority is “pricing that is cost reflective and stable?” We question whether an annual price increase of 5.66%, nominal and +3.08% real is stable for lower modest income consumers and which is cost reflective.

On the question of productivity of the network, Evoenergy points out that they have made significant efficiency gains over the past two or three years, in response to the AER’s final determination for 2014-19. Considerable efforts were made to improve efficiency of the business and to improve network productivity and there have also been major structural changes within the business due to ring fencing. However we still consider that there is room for ongoing efforts to improve the network productivity and to lower costs, in real terms, for customers

Process

CCP10 observes that Evoenergy has learned a considerable amount about consumer engagement in the course of preparing this regulatory proposal and in reorganising aspects of the business. They acknowledge that there would have been merit in them engaging with stakeholders earlier and more transparently. Emerging good practice for network consumer engagement is certainly far earlier commencement. We have also recently been informed about some internal developments within Evoenergy which should lead to better and more integrated stakeholder engagement across the business.

A key learning that Evoenergy have indicated to us has been about how to ask questions that engage with consumers and how to strike the balance between general questions and dealing with more specific and more complex issues.

CCP10 recognises that the ACT does not have funded energy consumer advocates who were able to build expertise and relationships with the network business, compared to organisations like PIAC and ECA in NSW.

Next Steps

The ACTCOSS report made the following suggestions for next steps pre lodgement:

“Invite AER to talk to us about the measures against which they will assess AAD proposal against consumer consultations.

Ask the AEMC and AER – what are the common issues being raised by consumers? Have you reviewed the rules based on common issues? What would give you better confidence that consumer understanding of issues is effective?

What is the load shedding agreement in the ACT with businesses and major users, and how is this done with residential customers?

How are "sensitive loads" registered?

What will be the strategy to suspend demand tariffs during extreme weather events to protect customers?

What impact will the metering rule changes have on AAD costs and prices sought?

For next research project: What is the service level package we want?

- *Who benefits*
- *Who doesn't benefit?*
- *What cost?*
- *Who pays?*
- *How to set exit fees?*
- *How do the Rules affect different customer groups (eg, what cross subsidies exist, and how are they maintained by the Rules)?*

Smart meter "Power of Choice" costs and service levels."

This is useful feedback. We also observed early in this section that a significant amount of engagement was planned for 2018, post lodgement. Evoenergy have confirmed that they are planning to run at least a couple of "deep dive" events around the middle of 2018 and to engage further on aspects of their regulatory proposal that could well lead to some changes in their revised revenue proposal.

CCP10 has strongly encouraged Evoenergy to follow through with these plans and utilise the period up to lodgement of the revised revenue proposal to actively engage with consumers, consumer groups, other stakeholders and the AER. We think that it is critical to test the regulatory proposal to look for additional saving to bring the proposed price to be at or preferably below CPI. Following a period of significant structural change for the business (including separating electricity retail and network operation and further separating the water business) and a non-standard 2014-19 regulatory process, CCP10 is confident that Evoenergy is taking consumer engagement seriously and is taking a continuous improvement approach by learning as they go. They have also played useful role in helping to build relationships and a knowledge base with a small but significant number of consumer groups. Building on this through refining the regulatory proposal for a revised proposal is likely to be very constructive.

10. Pass Through Events

Evoenergy has proposed for nominated past events for the 2019-24 regulatory period, these being:

- a terrorism event
- a natural disaster
- an insurance cap event
- an insurer credit risk event.

CCP10 considers each of these events to be low probability that high cost and to be outside the control of Evoenergy and so is satisfied with acceptance of these for pass through events.

11. Summary: Topics for consideration

The following summarises key observation and questions from this submission

- The overarching question is whether is annual revenue growth > CPI can be justified for consumer. It is a nominal growth 5.66%, or in real terms an "X-factor" = -3.08%
- What are consumers saying about the price – reliability trade-off? We observed that some consumers were more concerned about price than we suggest the Evoenergy proposal indicates.
- Capex spending on non-network aspects, particularly IT as well as capital overheads appears to be high.
- Opex is about half the increase in proposed total revenue, are there more opportunities for efficiencies and cost reductions?
- We suggest that a zero productivity increase for the life of the regulatory period is too conservative, recognising that there is been significant cost savings over the last couple of years and that some consolidation is necessary
- The "step change" proposed for increased vegetation management costs is warranted because this has been externally imposed by the ACT government
- The Strathnairn substation deferral is supported along with the leadership role that Evoenergy has played with property developers and the ACT government to require new developments to include PV and in some instances other energy saving appliances. Our main question is whether this is an opex step change or better treated as a demand management innovation allowance
- How realistic are growth forecasts? E.g. Molonglo,
- Solid efforts were made regarding consumer engagement. Consideration of "What was heard and what was applied?" are important. Of interest too is the consumer engagement planned for coming months and the impact that this will have on the revised revenue proposal.
- The approach to tariffs is regarding as at the forefront of networks in Australia, how are consumers responding?
- We accept that Rate of Return issues are subject to a separate process, however we observe that MRP = 7% seems too high to be in the best interest of customers