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Dear Dr Funston,

Ausgrid is pleased to provide this submission to the Australian Energy Regulator's (**AER**) consultation paper on the Draft Better Resets Handbook – Towards Consumer Centric Network Proposals (**Draft Handbook**).

Customer engagement and advocacy is playing an increasing role in shaping regulatory proposals submitted to the AER. We recognise and support this positive development, as the owner and operator an electricity grid shared by approximately 4 million Australians living and working across an area stretching from southern Sydney to the Upper Hunter Valley, including the Sydney CBD. We welcome the release of the Draft Handbook and its objective of facilitating better regulatory determinations for customers and other stakeholders, including the AER and energy networks.

Our ambition is to be a leading energy provider recognised both locally and globally. We can only achieve this by involving customers in our decision making, including the development of regulatory proposals submitted to the AER. The release of the Draft Handbook is timely, as we pursue best practice customer engagement in the development of our upcoming 2024-29 regulatory proposal.

We generally support the framework outlined in the Draft Handbook on the basis that:

- it is consistent with our objective of submitting a 2024-29 regulatory proposal that is capable of acceptance;
- early approval of proposals provides powerful reputational incentives and allows electricity distributors to focus on their core business of providing the services that customers value; and
- targeted reviews will allow customers and networks to efficiently focus their attention and resources on aspects of a proposal that may be contentious or can benefit from further engagement.

#### **Our approach to customer engagement**

Our approach to customer engagement is consistent with the targeted review framework. We are currently partnering with customers to develop a 2024-29 regulatory proposal that reflects their preferences and needs. This is by establishing a Reset Customer Panel (**RCP**), with an Independent Chair to provide robust challenge and ensure deep engagement across all aspects of our proposal. We have also co-designed an Engagement Framework with RCP members, to ensure that our engagement is customer centric and covers a broad range of customers and topics.

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In the Draft Handbook the AER noted that targeted reviews may initially be available on a limited basis. This selection process might be based on the strength and depth of existing customer engagement processes and the degree of Board and Executive engagement, both important to demonstrate commitment to, and likely successful participation in, the targeted review process.

#### **AER's expectations on capital expenditure proposals**

The Draft Handbook provides clarity concerning the AER's expectations with respect to customer engagement and elevates partnership with customers. We welcome the explicit recognition of the critical role of customers in developing capital expenditure (**capex**) proposals and believe that partnership with customers is critical to building long term value. Where customers consider that there are net benefits from increased investment through mitigation of climate risk, improved network resilience, provision of new services (e.g. community batteries) these inputs should be given appropriate weight.

We consider that a holistic approach to capex assessment, drawing on a mix of expenditure assessment tools, including risk-based cost benefit analysis, is appropriate. This is particularly important to ensure that future allowances are sustainable and support delivery of services that customers value. Over-reliance on predictive modelling can result in unintended consequences, for example if the historical capex is impacted by significant events, for example the COVID-19 pandemic.

#### **AER's expectations on operational expenditure proposals**

We are generally supportive of the AER's approach to opex assessment. We note AER has previously flagged a benchmarking review which may lead to changes in the way it reviews opex proposals.<sup>1</sup> Further clarity may be needed in explaining how aspects of the Draft Handbook may, or may not, be impacted by the benchmarking review.

The Draft Handbook represents an important step forward in the regulation of distribution networks. We thank the AER for the opportunity to provide this submission and look forward to continued collaboration with the AER. Should you wish to discuss any of the issues raised in this submission further, please contact Gareth Downing, Senior Regulatory Economist at [gareth.downing@ausgrid.com.au](mailto:gareth.downing@ausgrid.com.au).

Regards,



Rob Amphlett Lewis  
Chief Customer Officer

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<sup>1</sup> Jemena Final Decision 2021-26, Attachment 6: Operating Expenditure, 6-86.