

2020 and Beyond Community and Customer Engagement Report

Our Revised Regulatory Proposals

December 2019



Part of the Energy Queensland Group

2020 and Beyond Community and Customer Engagement Report

To ensure we manage the distribution network efficiently, both Energex and Ergon Energy are regulated under the National Energy Rules (NER) by a national regulator, the Australian Energy Regulator (AER). It is the AER's role to cap the revenues we are allowed, and regulate the amount we are able to pass on to customers via distribution network charges.

Distribution network charges make up about a third of retail electricity bills in Queensland, the other components of which include generation, transmission and retail.

As Energex and Ergon Energy are separately regulated by the AER there are two separate Regulatory Proposals and Tariff Structure Statements (TSSs). These were submitted to the AER on 31 January 2019. Subsequently, we also provided further information on the TSS in June. The AER invited public submissions on our proposals as part of their evaluation process and published their Draft Decisions on 08 October 2019.

Post submission and following the release of the AER's Draft Decisions we undertook further engagement and consultation with our key stakeholders, customer advocates and customers to inform our Revised Regulatory Proposals and TSSs submitted to the AER on 10 December 2019.

We have engaged extensively across our many different customer and stakeholder groups over the last two years to help inform our proposals – this report outlines these efforts and what we heard.

This report complements the document – An Overview, Our Revised Regulatory Proposals and Revised Tariff Structure Statements 2020 to 2025. The overview outlines the detail behind the commitments we are making to the communities and customers we serve, with a summary of the outcomes, along with the highlights of how we plan to deliver them.

We are confident, with the AER's support, that our investment plans will enable us to deliver a bright energy future for Queensland into 2020 and beyond.

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INTRODUCTION

To ensure we're meeting the unique and diverse needs of our communities and customers into the future we know we will need to evolve our networks, our service capability, and our product offerings in the market.

To do this, as we plan for 2020 and beyond, we've been investing in listening widely to better understand what really matters to those we serve.

With our industry undergoing a period of rapid transformation, we feel strongly that an open dialogue is critical to enabling diversity of thought, innovation and, ultimately, now more than ever, better, more sustainable, customer-driven solutions.

These ongoing conversations are fundamental to creating real long-term value for the communities we serve, for our business, and for Queensland. And to building on the strong community mandate central to our corporate vision.

This report details how we've continued to engage with our community stakeholders, our end-use customers, and the many industry partners we work with to serve them. It covers both the dedicated engagement activities for our future investment plans and network tariff reforms, and our relevant business-as-usual (BAU) program engagement activities.

This engagement journey will continue now with the submission of our Revised Regulatory Proposals and Tariff Structure Statements for 2020 to 2025 and the accompanying Explanatory Notes.

Thank you for your interest and support.

Yours truly,
Peter Scott
Acting Chief Executive Officer

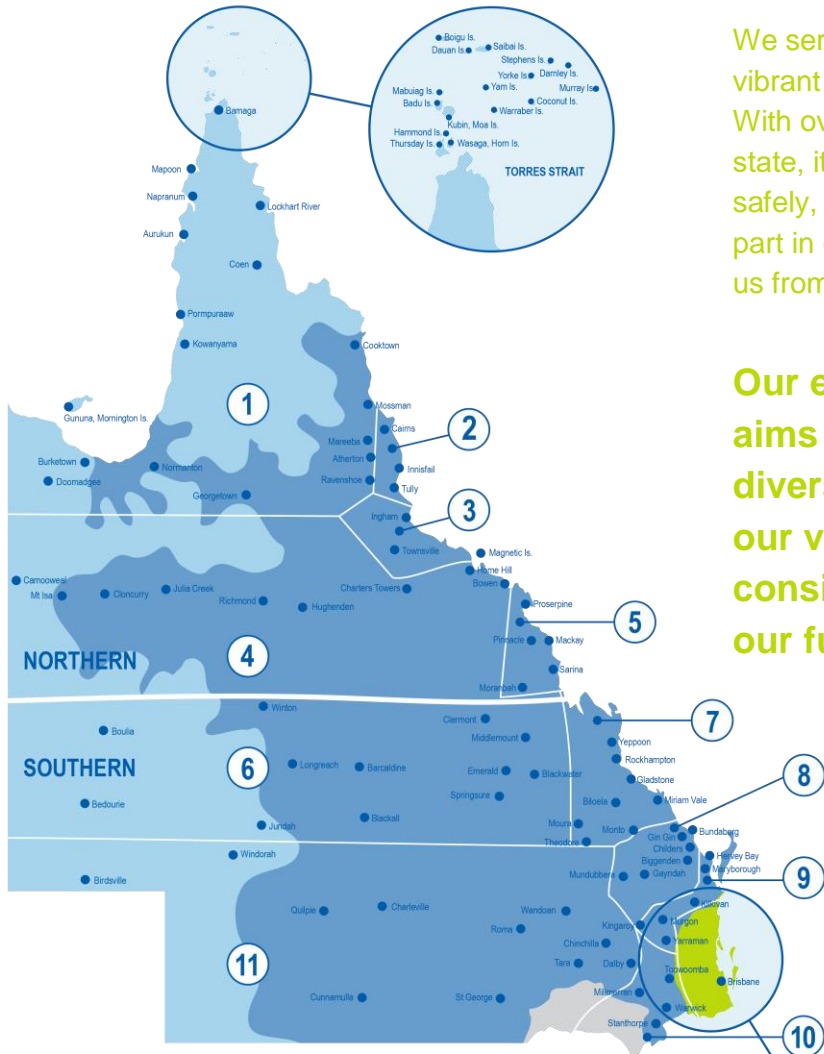


“Our customers and stakeholders have provided valuable feedback that the price of electricity is a real concern. Our challenge now is to balance all of our customer commitments – safety, affordability, security and sustainability.”

Peter Scott
Acting Chief Executive
Officer

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THE COMMUNITIES AND CUSTOMERS WE SERVE



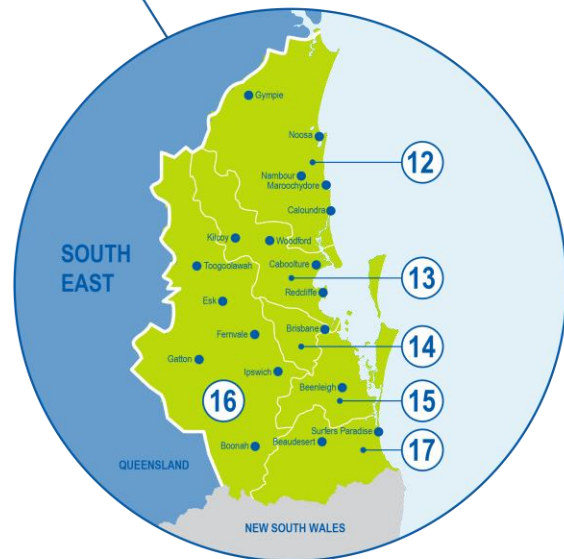
We serve Queensland and the many vibrant communities we live and work in. With over 7,000 employees across the state, it is our job ‘to keep the lights on’, safely, rain, hail or shine, and to play our part in creating a sustainable future all of us from Tweed River to Torres Strait.

Our engagement approach aims to ensure that the many diverse perspectives across our vast service area are considered appropriately in our future thinking.

Distribution Service Areas

- | | | |
|------------------|---------------------|---------------------|
| 1 Far North | 7 Capricornia | 13 Brisbane North |
| 2 Tropical Coast | 8 Bundaberg Burnett | 14 Brisbane Central |
| 3 Herbert | 9 Fraser Burnett | 15 Brisbane South |
| 4 Flinders | 10 Darling Downs | 16 Ipswich Lockyer |
| 5 Pioneer | 11 South West | 17 Gold Coast |
| 6 Central West | 12 Sunshine Coast | |

- Energex Distribution Network
- Ergon Energy Distribution Network
- Ergon Energy Isolated Supply (not part of the regulatory determination)



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OUR STAKEHOLDER SEGMENTS

Community stakeholders

We engage with communities across Queensland, from the Tweed River to the Torres Strait, both through our mass market communications and operationally on an individual service basis from our 137 geographically disperse service depots and offices.

To ensure we are meeting our communities' needs at the local level we also engaging across each of our 17 operational areas with elected community representatives, local business/industry groups, the local councils and other community leaders.

End use customers

We have 2.3 million customers connected to our networks across Queensland – we service the state's largest commercial and industrial businesses, its 224,000 small to medium enterprises, and 1,983,000 residential homes.

Around 700,000 of these customers are in regional Queensland and are served by both our distribution and retail businesses.

We engage with our customers directly on a day-to-day basis, and we also engage through our research initiatives, and with their many different customer advocacy groups.

Industry partners

Our industry partners along the supply chain include electricity generators and retailers, and our industry's other transmission and distribution service providers.

We also work in partnership with property developers, builders, electrical contractors and solar installers/suppliers and other technology providers who service and, ultimately, connect Queensland's homes and businesses to our network.

The electricity industry is a complex and challenging environment with a diverse range of stakeholders both within Queensland and nationally.

Our stakeholders are the many individuals, groups, or organisations who we have service obligations to, or who could potentially be impacted by our operations, or who could support or affect our ability as a business to deliver for our customers.

To ensure our plans are truly customer-centric our engagement efforts focused on our community stakeholders, end use customers and our industry partners (who service our customers).



OUR ENGAGEMENT PRINCIPLES

Since coming together as the Energy Queensland Group in 2016, we have embedded a new state-wide framework for engagement, including a reviewed set of corporate principles for engagement, and we have re-established accountabilities for engaging with our key stakeholder segments in line with our new organisational structure.

This has supported the coordination of our operational engagement activities across our 2.3 million strong customer base – from our commercial and industrial customers to small-medium sized businesses and households. With our community central to our corporate vision, it has also helped us strengthen our focus on local participation and engagement with our different community stakeholders across Queensland.

Our approach to community and customer engagement for our network plans for 2020 and beyond has been informed by a number of best practice guidelines. These include the International Association of Public Participation (IAP2) Quality Assurance Standard 2015¹, the AA1000 Stakeholder Engagement Standard 2015² and the Australian Energy Regulator's (AER) Consumer Engagement Guideline for Network Service Providers (2013)³.

We have also been active in promoting best practice through our participation in the development of the Energy Networks Australia (ENA) Customer Engagement Handbook (2016)⁴.

To help drive improvements in our engagement and customer research activities we have also benchmarked our approach against other Australian Distribution Network Service Providers (DNSPs).

Through actively sharing our learnings as an industry, and importantly listening to our stakeholders, we have been able to refine our approach as we have moved along the phases of the engagement program.



Our principles for engagement

We're committed to ensuring:

- We're accessible and inclusive in engaging interested or impacted stakeholders
- Our communications are easily understood, timely and appropriate
- Open transparency in our decision making processes and outcomes
- Our engagement is responsive and improves with feedback and measurement.

¹ <https://www.iap2.org.au/About-Us/About-IAP2-Australasia/Quality-Assurance-Standard>

² <http://www.accountability.org/standards/>

³ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/consumer-engagement-guideline-for-network-service-providers>

⁴ <http://www.energynetworks.com.au/customer-engagement-handbook>

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OUR ENGAGEMENT OBJECTIVES

When we released our engagement plans for preparing our Regulatory Proposals for 2020 to 2025, we articulated a set of umbrella engagement objectives to focus our efforts.

While we have been actively listening over recent years, in planning for the future, we knew we needed to broaden this work and better integrate it into our decision making to bring our vision to life.

Our umbrella engagement objectives:

- Embed a consistent framework for engagement with our state-wide customer base, and community leaders, that is able to support collaborative relationships, foster compelling interactions, and enhance our social capital and build trust.
- Deepen our understanding of what our customers and the broader community value and expect from us – now and in the future – to inform our decisions around our service capability and future product and service offerings.
- Build a greater level of understanding of our industry and the challenges we face as a portfolio business across our customer segments, and in the community, particularly as a distribution network provider, and the potential impacts on our future ability to deliver.

In planning our approach, we reviewed our stakeholder groups, and their expectations of us, and considered, the limitations in our engagement and the related risks. This saw us consider each stakeholder group's accessibility and their capacity or ability to actively engage on the different levels of detail. This included ensuring the many diverse perspectives across our vast service area were all considered in our thinking, for example balancing the voice of our rural and urban communities and residential and business customers. We also explored appropriate indicators to measure our success.

This led the development of an engagement strategy for each of our stakeholder groups, including the channels to engage, and an integrated timeline for delivery. It was critical to the success of our engagement that we gave all interested Queenslanders an opportunity to engage with us around our future plans in some way. We think we have achieved this. The delivery of our plan is detailed on the coming pages.

While both Energex and Ergon Energy have submitted individual regulatory proposals to the AER, we undertook a joint engagement approach. The aim was to maintain a clear, single business-wide view of the issues that matter most to our communities and to our role as Queensland's distribution network service providers, as well as our broader purpose as a portfolio business.

Our Engagement Phases



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HOW YOUR VOICE INFORMED OUR DECISIONS

The insights we gained from our engagement program have informed the overall strategic direction of the Energy Queensland Group, our network businesses' Revised Regulatory Proposals and Revised Tariff Structure Statements, as well as our market reform agenda.

They have helped us develop a set of customer commitments around safety, affordability, security and sustainability, which will now guide how we deliver our services into the future. The umbrella commitments are highlighted in more detail throughout this report, and then expanded on in the document, An Overview, Our Revised Regulatory Proposals and Revised Tariff Structure Statements 2020 to 2025.

Our customers' concerns around electricity pricing have had a significant influence over our plans. As well as a commitment to minimising our revenue requirements for 2020-25, the price path that we are proposing balances short-term price outcomes with long-term price sustainability – avoiding a boom-bust cycle in our charges. Through our Revised Tariff Structure Statements 2020-25 we plan to progress more modern, equitable network tariff structures.

Our investment proposals balance our objectives with regard to our distribution network charges with the need to meet our customers' safety and service expectations. The following pages detail how customer and community insights have informed our plans. The key managers/planners responsible for developing the detail in these proposals have, wherever reasonable and practical, applied the customer insights gained through our engagement program into their decision making.



Our Customer Commitments



SAFETY FIRST

Our priority is to be Always Safe – to show leadership in health, safety and wellbeing across our industry and the broader community.



AFFORDABILITY

We continue to look for ways to make electricity more affordable across our networks, and to advocate for the reforms needed for a bright energy future for all Queenslanders.



SECURITY

We're here 24/7 to keep the lights on – providing peace of mind with a safe, reliable electricity supply, and the knowledge that we'll be there 'after the storm'.



SUSTAINABILITY

Enabling your use of new and emerging technologies and providing easier access to the network - we give you as much control as you choose for your energy solutions with information and more sustainable choices.

OUR PROGRAM OF ENGAGEMENT ACTIVITY



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KEY ENGAGEMENT CHANNELS

Talking Energy online engagement


In developing our engagement strategy, we undertook a process of benchmarking our methodology against other Australian DNSPs to sharpen our approach. The purpose was to accelerate innovation across our engagement activities with our communities and customers.

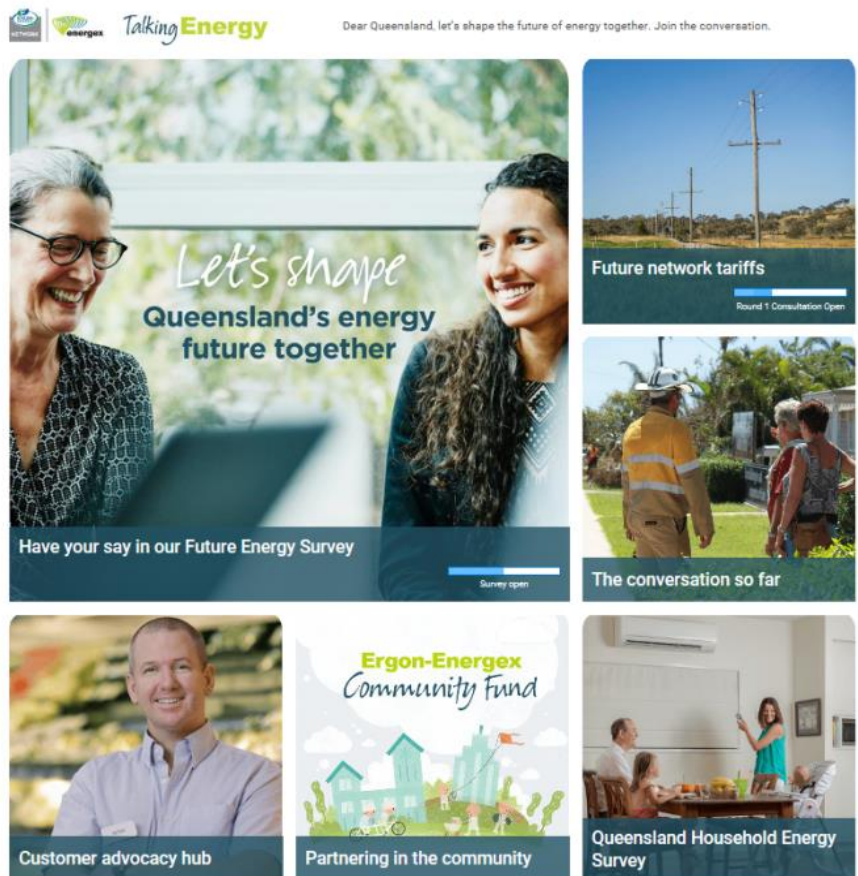
This led to utilising a new digital engagement platform – Talking Energy. The Talking Energy site has provided an efficient and timely mechanism through which to engage our customers and other interested stakeholders in the energy future conversation, specifically around the Regulatory Proposals and the Tariff Structure Statements. The website has proven to be a particularly effective channel to reach a wider, dispersed audience, which was critical for our vast service area.

The site is linked to our parent websites, however, it also has the stand-alone url www.talkingenergy.com.au

As a digital engagement platform, the site has not only facilitated online information provisions (e.g. newsletters, notification of document release and events, etc.) but also interactive engagement with interested parties (surveys, polling, questions, etc.).

We have had strong engagement through this channel with more than 3,000 registering and over 2,000 people taking part in our Future Energy Survey (largely residential customers, some did not specify their customer segment or stakeholder type).

 The Future Energy Survey Summary Report is available here, <https://www.talkingenergy.com.au/haveyoursay>



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Our Customer Council framework

Our focus on best practice also saw us review our customer forums to ensure they remain relevant and productive for both us and the participants.

Our engagement with our customer advocacy groups was reenergised, as an early initiative, with our Customer XChange Forum held in December 2017. We then engaged proactively through a newly formed Energy Queensland portfolio-wide Customer Council, which replaced Ergon Energy's Customer Council, Energex's Customer and Community Council and Energex's Commerce and Industry Panel. Similar to its predecessors, the Customer Council remains our flagship listening forum, providing the customer lens to look at emerging issues or energy-related solutions for our different customers across Queensland. As the umbrella forum the Customer Council meets quarterly.

To support the Customer Council, we established a stakeholder Working Group dedicated solely to the Regulatory Proposal and the Tariff Structure Statement. The Working Group provided a forum for a broader group of participants, chosen to more fully represent our different customer segments and the diversity in our state-wide service area.

This group met 15 times throughout 2018 and 2019, building participants capacity to understand our industry and its regulatory framework, and exploring collaboratively the range of matters under consideration. Summaries of the Working Group's discussions have been made available on Talking Energy. This transparency enabled participants to engage further with the many other stakeholders that they represented and helped establish the Working Group as a legitimate voice for our customers. We received significant positive feedback on this engagement (p35).

The presentations, marketplace style activities and deep dives allowed us to cover a diverse range of topics, from our investment focus to tariffs, with specific sessions dedicated to content related specifically to Energex and others to Ergon Energy. Our tariff engagement was also supported by consultation papers, webinars and personal contact.

The Working Group was also critical for the review of Our Draft Plans 2020 to 2025. This was the first time, in the process for determining our network charges, that we published draft plans for feedback prior to submitting our Regulatory Proposals, and we would like to acknowledge the constructive way our stakeholders responded and the opportunities this provided to refine our thinking. The September 2018 release of Our Draft Plans led us to review our approach on a number of fronts, most notably in the capital expenditure area and our approach to the efficiency incentive schemes, and it increased our efforts to be as transparent as possible in presenting our plans, as the cornerstone to building trust.

 The Regulatory Proposal – Tariff Structure Statement Working Group Overview Report is here, with the highlights here, <https://www.talkingenergy.com.au/regulatory-tss-working-group>

The Tariff Structure Statement Engagement Summary Report is here, with the highlights in this report, <https://www.talkingenergy.com.au/future-network-tariffs>

We also reinitiated our Agricultural Forum, as a BAU forum, in partnership with the Queensland Government, and continued our regular Major Customer Forum and Energy Retailer Forum.

In addition, we continued forums to engage with our industry partners. These included forums state-wide to listen and share knowledge with local real estate developers and electrical contractors, something we believe is especially important as we move through what will be a period of change.

We also enhanced our BAU engagement around public lighting. This was supported by engagement through the Local Government Association of Queensland (LGAQ).

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Energy Queensland Customer Council

The umbrella forum with a broad agenda of Energy Queensland portfolio matters. Members include customer advocacy groups from across the residential, small-medium sized businesses and large business customers. Most members also participated in the Regulatory Proposal – Tariff Structure Statement Working Group.

Dedicated Customer and Industry Partner Forums

Broad agenda, including specific relevant Regulatory Proposal and Tariff Structure Statement matters.



Regulatory Proposal – Tariff Structure Statement Working Group

Specific capacity building / issue workshopping – expanded residential & small / medium / large business customer / industry partners representation.

Forum 1 – Introduction to the Regulatory Proposals and Tariff Structure Statements (6 Mar 2018)

Forum 2 – Tariff Reform (5 Apr 2018)

Forum 3 – The Network of the Future and Non-Network Alternatives (3 May 2018)

Forum 4 – Expenditure Forecasts (11 Jun 2018)

Forum 5 – Building Blocks (25 Jun 2018)

Forum 6 – Non-System Investments and Connections Policy (27 Jun 2018)

Forum 7 – Energex Capital and Operating Expenditure (4 Jul 2018)

Forum 8 – Ergon Energy Capital and Operating Expenditure (5 Jul 2018)

Forum 9 – Customer Insights / Key Issues Exploration (1 Aug 2018)

Forum 10 – Our Draft Plans: The Regulatory Proposals & Tariff Structure Statements (5 Sept 2018)

Forum 11 – Responding to Feedback: Our Draft Plans and Network Tariff Summaries (7 Nov 2018)

Forum 12 – Reflections, progress & next steps on our Regulatory Proposals and Tariff Structure Statements (16 October 2019)

Forum 13 – Our proposed response to AER Draft Decisions on our Regulatory Proposals and Tariff Structure Statements (14 November 2019)

Forum 14 – Tariff Deep Dive: Residential and Business Customers (21 Nov 2019)

Forum 15 – Our Revised Regulatory Proposals and Tariff Structure Statements (11 Dec 2019)

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Community Leader Forums

To help us connect with our communities and ensure we are effective at the local level, as part of the move to Energy Queensland, we operate 17 operational areas across the state. This is supported by local Community Plans that enhance our local participation and build our relationships with our community leaders. Each area has a locally based manager who is familiar with local community stakeholders and the areas unique concerns. The Area Managers establish, maintain and are responsible for relationships with elected representatives, local business/industry groups, the local councils and other community groups.

To build on this we conducted formal Community Leader Forums in May and June 2019, with a holistic view on 2020 and beyond. These events saw 132 people in total come together from across the community, in Cairns, Townsville, Rockhampton, the Sunshine Coast and Toowoomba.

Through a number of innovative design thinking activities, we explored 'what is' – what is currently valued in the electricity service we provide today, and the challenges they felt needed attention – and then 'what if' for the future. This led to great conversations at every event, not only around the potential solutions to today's issues, but also the opportunities to work together to pro-actively shape the energy future across our local areas.

These events provided our community stakeholders the chance to learn more about our industry and their local electricity supply, and to talk one-on-one with our senior decision makers about our energy-related challenges and opportunities ahead.

The aim was to give as many key managers as possible involved in developing our future plans the opportunity to talk collectively with elected community and council representatives, regional industry representatives, small to major business customers, a diverse range of residential and vulnerable customer representatives, and a cross section of our industry partners (developers, electrical contractors, solar suppliers, energy consultants, etc.).

To loop back to these stakeholders and continue the conversation we hosted a webinar in early September 2019 to explain how the feedback received had informed Our Draft Plans. The webinar also enabled us to gather further deliberative feedback ahead of coordinating follow up sessions.

 The Community Leader Forum Report is here, with the highlights in this report, <https://www.talkingenergy.com.au/community>

5 events,
132 people...
countless
conversations

Cairns

Townsville

Rockhampton

Sunshine Coast

Toowoomba

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A condensed version of the content of the Community Leader Forum was also used to engage in the remaining major centres across our 17 areas where we partnered with other organisations conducting other community related forums, such as local Chamber of Commerce events, to gain access to a wider audience, and meeting one-on-one with key stakeholders.

In addition, the annual BAU roadshow of local council engagement led by Area Managers and Asset Planners updated our understanding of the local reality of macro-economic forecasts and deepened our understanding of each area's future town, infrastructure and technology plans.

This dialogue was supported by material directing participants to the Talking Energy site where they could continue the conversation.

We also continued our community safety awareness program, focusing on engagement with our at-risk industries. This is helping us work in partnership with the community to find innovative solutions.



Customer research program

Over the last 18 months our customer research program has included significant performance monitoring and other tracking research, as well as a range of additional targeted research activities.

The establishment of the Energy Queensland Group provided an opportunity to refresh our approach to performance monitoring and to ensure our customers' voices penetrate more deeply into our business as we work to address our customers' key concerns.

Our Voice of Customer program, launched in 2016, has now been embedded across the whole Group with best practice near real time service performance monitoring at its core. The new program has led from earlier work exploring the strengths and pain points of our service delivery for each customer segment. It has seen a new customer index measure established as a corporate performance indicator, across Energex and Ergon Energy.


The index measures satisfaction against the key drivers specific to each customer group, from our major customers to our residential customers. It is based on service-specific customer experience surveys, through our Voice of the Customer tool, that are triggered across all major touchpoints.

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Survey responses are collected and displayed in dashboards for our teams in real time, allowing an immediate response to customer feedback and consideration in our ongoing improvement program (and investment plans), and for us to 'close the loop' directly with the customer where appropriate.

As part of our BAU, this feedback mechanism is supported by brand tracking research. This year, we conducted additional in-depth research into customer perceptions of Energex and Ergon Energy. This brand strategy research is key to driving future delivery across the network businesses that is aligned with how customers want us to operate in the market.

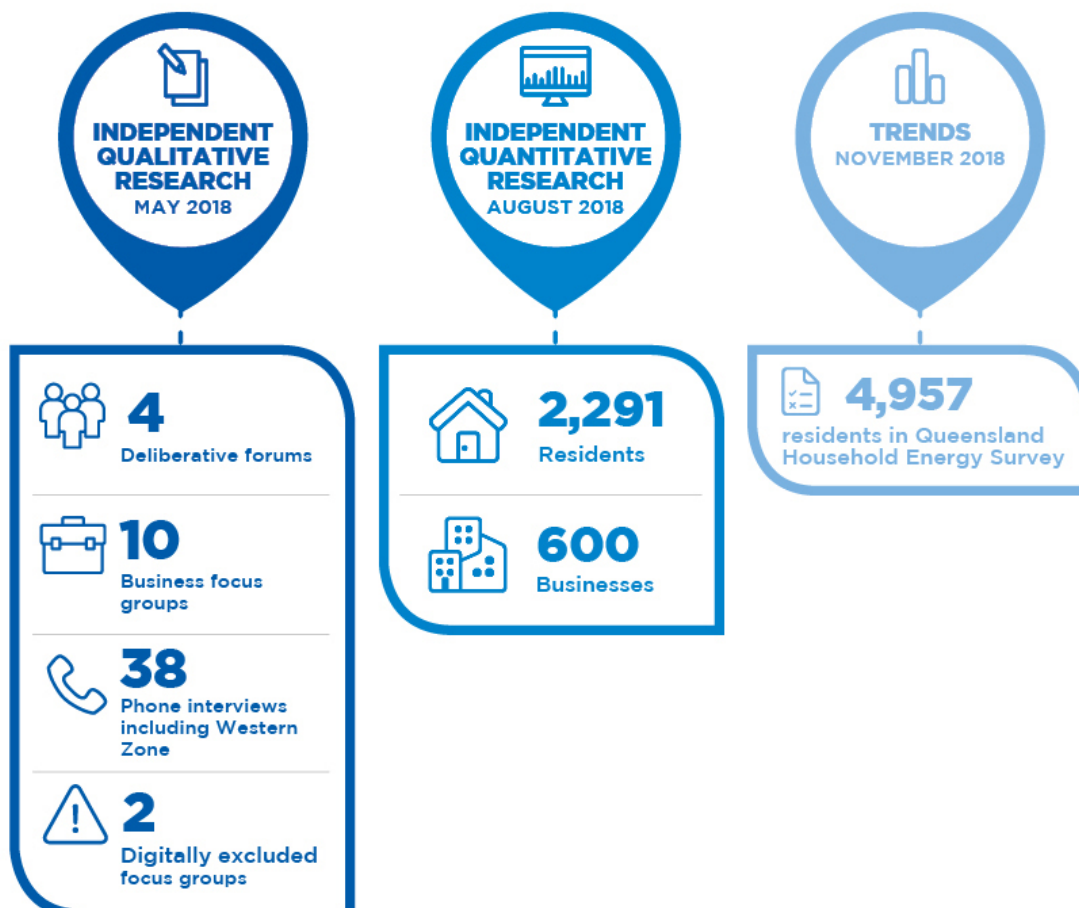
We have also continued the Queensland Household Energy Survey (QHEs), the largest of our customer tracking research, which has been run annually since 2009 to identify emerging trends in the energy industry across Queensland. The latest findings from the QHEs 2018 helped inform our Revised Regulatory Proposals and Tariff Structure Statements.

 The QHEs 2018 is publicly available on Talking Energy at <https://www.talkingenergy.com.au/qhes>

Kantar Public and PwC research

To complement our ongoing research program, and provide additional insights to inform specific decisions around our Regulatory Proposals and Tariff Structure Statements we also enlisted independent researchers Kantar Public and PwC to undertake a special program of both qualitative and quantitative research.

The qualitative research included a series of deliberative forums with residents, focus group discussions with businesses, and 38 phone interviews with households and businesses. The deliberative research methodology let the participants provide unprompted ideas and perceptions, and then to build on them with some more industry information and discuss solutions from a customer perspective.



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The quantitative research consisted of a major state-wide online survey of over 3,000 households and businesses. The online survey included specific cost-trade off choice modelling and maximum difference methodologies to determine latent preference structures regarding cost, reliability and other investment areas. The methodology was designed by data scientists at Kantar Public and PwC to ensure we were delivered a true preference set around reliability, price and various expenditure items influencing our Regulatory Proposals.

In addition to the online survey, additional focus groups were held in Brisbane and Townsville for customers without internet access so they too could inform our Regulatory Proposals.

A range of other topic specific research has also been used to inform our plans.

- The Kantar Public and PwC research is available here, <https://www.talkingenergy.com.au/haveyoursay>



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Our Research Program

Voice of the Customer

- Customer Operations Customer Experience
- Complaints Handling Experience
- Claims Handling Experience
- Negotiated Connections Experience
- EWR Contractor Experience
- Faults Experience
- Electrical Contractor Hotline Experience
- Fieldworker (on-site) Experience
- Major Customer Experience
- Electricity Retailer Experience
- Stakeholder Engagement Experience

Tracking Research

- Brand tracking research
- Queensland Household Energy Survey

Regulatory Proposal and Tariff Structure Statement Research

- Independent qualitative research
- Independent quantitative research

Other Topic Specific Matters

- Brand Strategy Research
- Battery Storage Journey Mapping Research
- Advertising Campaign Evaluation
- Tariffs (Network Tariff Research, Townsville Load Control / Tariff Survey, Agricultural Tariff Trial Survey)
- PeakSmart Event Evaluations
- Demand Management Research

Other Key Research

- ENA Research – Consumer Attitudes Towards Energy Networks
- Employee Engagement Research (Internal)

Other business-as-usual engagement

In addition to this plan, other operational engagement has also continued across the business and with key industry partners. We gain significant customer insights through our many distribution service relationships.

We utilise insights from our Connections Solutions group to support load forecasting. For our commercial and industrial customers segment we have an intelligence gathering team dedicated to ensuring we are meeting the needs of the state's biggest energy users, and we monitor energy-related trends across our other customer segments.

We have a significant interface with energy users through our demand management program, both direct with customers and with our Trade Ally Network, and with technology manufacturers and suppliers. We also have the Regulatory Investment Test – Distribution engagement process to help us respond to demand challenges.



A fact sheet on our demand management customer engagement outcome is here, with the highlights in this report, <https://www.talkingenergy.com.au/commitment>

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WHAT WE ENGAGED ON

In planning our engagement approach, we looked at our different customer and stakeholder groups and considered their areas of interest and the potential impact of our investment plans on each. We also looked at the matters where we were making decisions in developing our plans that could be genuinely informed by customer or other stakeholder perspectives. As we moved through the process we were also led by customers and stakeholders as to what they wanted to engage on including:

- **Expected future demand / energy use** – general economic growth, forecast industrial block load or residential land development. Changes in household/business energy use behaviour.
- **Regulatory Proposals 2020-2025** – how we ensure our proposals are effective/transparent in explaining our approach and demonstrating the link to customer and community expectations.
- **Safety and reliability standards**
 - how we are continuing to work to minimise the electrical safety risks associated with our electricity infrastructure, both for our workforce and the broader community.
 - how to best target our investment to meet expectations at the local community level around security and reliability of supply (including the risks around cyber security).
- **Pricing and affordability** – our customers' ability to pay for electricity, and the value linked to being connected to the network.
- **Customer choice and the changing role of the network**
 - how we best support customer choice in to the future with the solar, batteries, electric vehicle technologies and other technologies emerging.
 - how we prioritise our strategies and investment to deliver the greatest value – like looking at 'edge of grid' opportunities – and stay agile enough to respond to advances in technology.
- **Tariff reform** – how we transition to fairer, more equitable charging arrangements, and meet our regulatory requirements.
- **Customer experience** – how we best evolve our customer service capability and product offering to add greater value for our customers (including alignment of our service/charging across the state).
- **Major infrastructure projects** – when and how we progress specific infrastructure projects to ensure prudent investment and minimal impact on the local community.
- **Demand management** – the customer and industry partner experience across our programs, future demand management options and technology, demand management during extreme weather and customer preferences around incentives.
- **Network connections** – where we need to address service issues, and how to appropriately align or maintain differences in our processes and policies across the state.
- **Vegetation management** – how we meet community expectations, reduce costs, and meet our safety and legislative clearance obligations.
- **Community value** – the other areas that are important to the community, from ethical conduct and the concept of fairness, to how we are responding to climate change, etc.
- **Public lighting** – how we help our communities move to lower cost and emission LED street lighting and benefit from related smart technologies.

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WHAT WE HEARD

Safety should never be compromised and it is an area where we could be smarter.

Electricity affordability remains the core over-riding concern for many both from a cost of living and a business competitiveness perspective.

Our communities' value how we work to keep the lights on, especially in responding to restore services after severe weather events.

Our customers want greater choice and control around their energy solutions, with a strong interest in sustainability and renewable energy across the community.

SAFETY FIRST



There is strong recognition across our stakeholders and customers of the dangers of electricity, and that if the network is not appropriately managed it presents a risk to our people and the public.

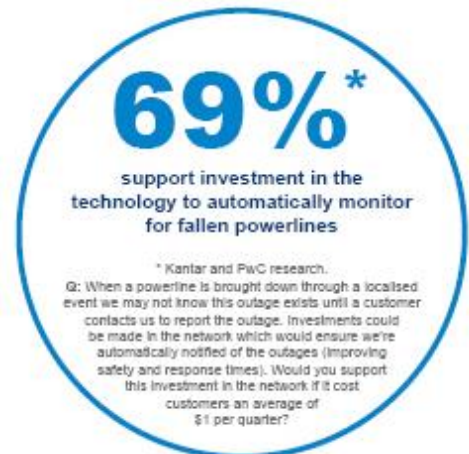
From both an industry and community perspective, the benchmark for what constitutes an acceptable safety performance is continuing to change and evolve.

The community expect us to be vigilant. We have over 400 shocks and tingles reported each year, with hundreds of network incidents that placing the community at risk (like pole or cross arm failures).

Across our Community Leader Forums, it was felt that safety was 'a given', from a priority perspective, and that it should never be compromised. They expressed an expectation that we continue to adopt technology and process improvements to find smarter ways to deliver improved safety outcomes.

The perceived value here was also tested in our Kantar and PwC quantitative research – customers here were willing to support additional investment to build our capability to detect and reduce potential safety issues, and to improve monitoring of fallen powerlines on the network.

Community education on electrical safety awareness was also seen as important – especially during natural disasters, and around the use of back-up generator use and solar.



OUR COMMITMENT IN RESPONSE

“Our priority is to be Always Safe – to show leadership in health, safety and wellbeing across our industry and the broader community.”

THIS HAS INFORMED...

- Our commitment to continue to maintain the resilience of the network and our operational readiness (p29).
- As part of our future technology plan, our Low Voltage safety proposal for 2020-25, which will see us using new monitoring technology to make the electricity network safer for our customers.

2020 and Beyond Community and Customer Engagement Report

MORE AFFORDABLE ELECTRICITY



The price of electricity remains the core concern for our customers – both from a cost of living and a business competitiveness perspective. Our customers are looking for tariffs reforms that offer simplicity, savings, value and choice, and that reward them for their role in energy transformation. However, concern remains about equity and potential customer impacts.

PRICING

A significant proportion of our customers are looking for price relief – many are concerned about their ability to pay their electricity bill.

They are looking for us to deliver price decreases with current levels of the safety and reliability of the network maintained.

In the Kantar and PwC quantitative research, residents and business customers considered reducing electricity prices as the single most important priority for electricity networks.

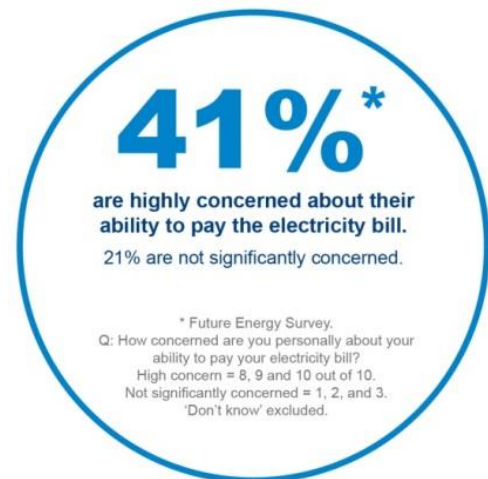
In our Community Leader Forums, while discussing the challenges, a significant 40% wanted more focus on 'affordability'. Of the remaining, however, 20% of participants felt we were getting the balance right, and 33% wanted more focus on sustainability.

Customers are largely unaware of the various charges that contribute to their electricity bill. This means they have not seen the network charges reducing in recent years (as other costs have risen) and are not willing to accept any further increases to their final bill.

Our stakeholders involved in the Regulatory Proposal – Tariff Structure Statement Working Group, however, who understand the distinction, are actively seeking significant reductions in distribution network charges in this period.

Price drivers

Participants across our Working Group, and our Community Leader Forums, expect greater transparency around issues that drive price outcomes, and for us to demonstrate how our expenditure is prudent and efficient. They wanted us to explain the proposed savings, including the trade-offs between alternatives, and how we benchmarked against other network providers, and to also give an assurance that any expenditure cuts were achievable without jeopardising our service capability.



"(The challenge) is certainly around costs."

Toowoomba and Surat Basin Enterprise
Community Leader Forum

"I want cheaper electricity, but I don't want to have less reliability to enable it."

Resident, Toowoomba
Kantar and PwC Research

"One of the points that continues to come up is affordability... it is a strong focus here today. We're talking about how affordability is affecting investment and further development... (and) the everyday consumer."

Burdekin Shire Council
Community Leader Forum

"When you are on about \$260 a week, (the biggest challenge is) to be able to just survive... I think more can be done ... to keep power bills down."

St Vincent De Paul
Community Leader Forum

2020 and Beyond Community and Customer Engagement Report

They also wanted us to ensure that all forecast expenditure has been subject to options' analysis, a business case and a robust governance process – starting with the premise that expenditure should be minimised where ever possible.

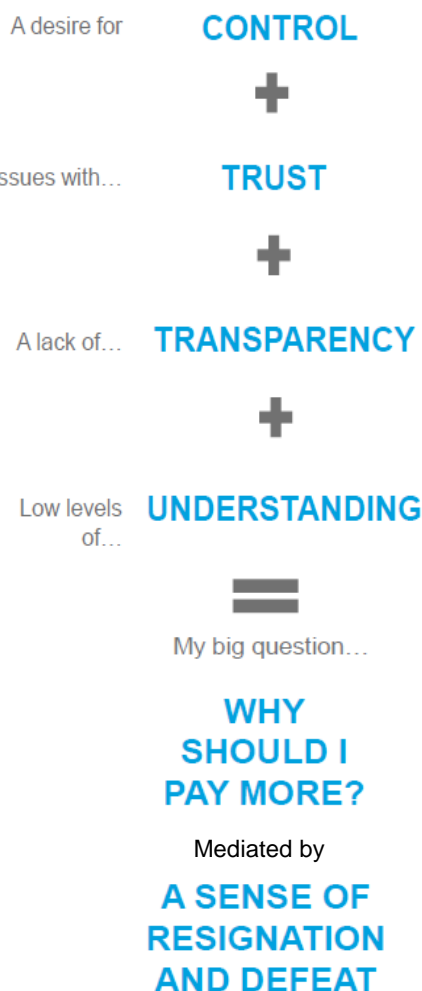
This was reiterated by many of these stakeholders in their submissions to Our Draft Plans. Here, they recognised the effort to downward pressure on prices, but wanted to see further focus on constraining the size of the overall asset base (which is largely historical investment), as a means to reduce distribution network charges, and an ongoing focus on network utilisation (including price sensitivity).

There was also an expectation that we would accept of the AER's rate of return guideline.

Our stakeholders want us to:

- explain the sources of savings, including: post-merger savings, and other efficiency and productivity savings
- show what efficiencies and customer benefits have been achieved to date and what is planned as part of our ongoing transformation program.

Putting our customer insights into context



Kantar and PwC developed a customer equation, based on qualitative research, to help frame the insights gained through our other engagement activities. It illustrates how prices are ever present in the conversation about the service we provide, but it does not make the service any less valuable or central to people's lives.

Control is a consistent issue across all customer groups – driven by the price rises of recent years. A perceived lack of control underpins many of the concerns expressed by customers. The perception is that the only way to gain control is to adversely change electricity usage behaviour.

There is a lack of **trust** in distributors, retailers, 'the government' and 'regulation'. For some, particularly in regional locations, trust has been eroded through lack of noticeable network improvements or new value despite bills increasing. There is a perception that the bill increases have just been profit gouging.

The lack of trust is compounded by the lack of **transparency** in how the system works. The concept of a distributor and a retailer is not clear for most customers, and the tariff conversation is complex and confusing. There are also low levels of **understanding** across other areas: Is the network provider public or private? How are profits used? Why can't it be used for future upgrades instead of increasing prices? What makes up the bills?

The net results of all these drivers is a pushback against the energy industry and specifically their bill. In regional locations where there is only one available retailer, there is a sense of resignation and disengagement as customers do not see any avenue to improve their current situation.

2020 and Beyond Community and Customer Engagement Report

Price path

Through the Working Group we were able to engage on the profile of the annual movements in our revenue requirements and the impact this can have on the distribution network charges customers see. The overwhelming feedback from our stakeholders was that they support us 'front-ending' any savings from reducing our revenue requirements that we could achieve in the next regulatory control period to provide immediate price relief.

Discussions were also around the price impact of the AER's incentive schemes and the potential for savings to be realised through changes to these arrangements.

"QCOSS acknowledges that EQ has found some reduced costs ...however... (sees) the potential for more savings in capital and operating expenditure, and from incentive arrangements."

Queensland Council of Social Services
Submission to Our Draft Plans

"It was great to see that you are accepting the AER guidelines (WACC) and I hope customers recognise this."

Working Group member

THIS HAS INFORMED...

- Our commitment to continually look for ways to further drive down the cost of distributing electricity across Queensland. This has provided a clear objective in planning for 2020-25 – we've reduced our overhead costs, improved the efficiency of our program delivery, and going forward will continue to build on these through a business-wide digital transformation.
- Specific decisions around expenditure, most notably a decision to reduce our Information, Communications and Technology (ICT) program, following engagement on Our Draft Plans; the decision to accept the AER's rate of return guideline; and our proposal not to claim for revenue adjustment associated with efficiency schemes in these Regulatory Proposals.
- Our engagement and documentation – we have aimed to be as transparent as possible and to clearly justify our expenditure plans, which customers ultimately pay in charges.
- Our decision to maximise tariff reductions in year one, to achieve the greatest reduction possible in what we charge for the use of the network in 2020-21, and then to stabilise prices, with annual increases kept in line with inflation for as many customers as possible.
- Our decision to be part of The Energy Charter – a whole-of-sector initiative with a focus on working collaboratively across the energy industry to improving energy affordability for customers.

Details of our affordability commitments and our forecast a program of proactive savings, and a summary of the price outcomes are available in An Overview, Our Revised Regulatory Proposals and Revised Tariff Structure Statements 2020 to 2025. Specific tariff impacts are available in our Revised Tariff Structure Statements (the accompanying Explanatory Notes.).

Energy Queensland's Annual Report 2018-19 contains a full break down of where the dollar flows from the customer to us to the Queensland Government, including what goes back to customers.

OUR COMMITMENT IN RESPONSE

"To help take the pressure off electricity prices, we'll continue to drive down the cost of distributing the electricity across Queensland."

2020 and Beyond Community and Customer Engagement Report

NETWORK TARIFFS

Our customers are looking for tariffs that offer savings, simplicity, value and choice, and that reward them for their role in energy transformation.

Many recognise that tariff reform is needed to respond to the changes in the market, and deliver sustainable prices for the future.

They see some of our earlier attempts to introduce more cost-reflective tariffs as complex and confusing (including the peak times, the benefit assessment, and the calculation of demand).

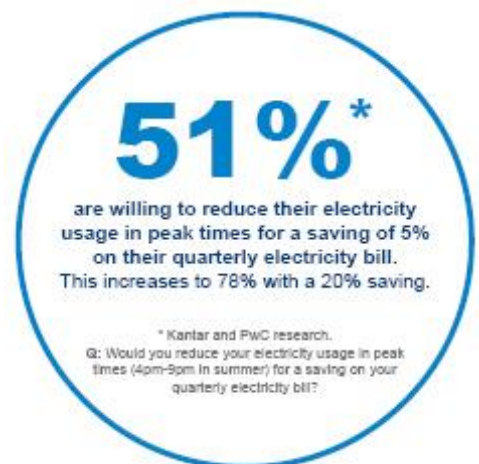
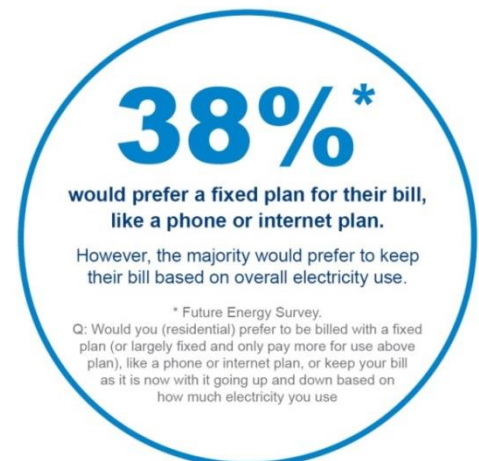
Cost reflective pricing, put simply, means pricing the cost of using the network higher during the time-of-day and time-of-year when the network is most under pressure. Customers recognise the logic of this concept and many would be willing, if rewarded, to reduce their electricity use during these times to help ensure sustainable network investment and better management of the network overall that could deliver savings for them and the whole community.

They recognise that there is an increasing opportunity to do this with new emerging technologies.

Through the Kantar and PwC research various new tariff concepts were tested against our existing tariffs. One tariff which proved popular amongst residential customers was the concept of a standard monthly charge based on bands of usage in the peak times, with a top up fee applying for use over a chosen level (like a phone or internet charge). Many felt this option was easy to understand, predictable and allowed for easy budgeting and that the 'cap' would help change energy usage behaviour in peak times. There was some interest in this option from business customers, particularly when their energy usage was consistent and / or a significant proportion was used outside the summer peak window. However, many felt they had limited capacity to adjust their usage to take advantage of off-peak rates.

It was clear from our conversations with customers, that they would need more information, education, and support to take advantage of any tariff reforms.

We are having an ongoing conversation with our stakeholders, who represent our different customer segments, around their concerns about the potential customer impacts during any transition to new tariffs. Many stakeholders expect us to demonstrate the competitiveness of our tariffs compared to alternative energy supply choices (e.g. off grid, edge-of-grid solar/diesel/battery).



THIS HAS INFORMED...

- The tariff structures proposed, which emphasise simplicity, while reducing cross-subsidisation. They will give our customers greater choice and control in realising the value of Distributed Energy Resources, and other technologies.

Further details are in our Tariff Structure Statement Engagement Summary and our two separate Network Tariff Structure Statements.

OUR COMMITMENT IN RESPONSE

“Our tariff and other reforms will be transparent, fair and equitable. We’ll continue to show leadership in the energy transformation – with reforms that help to realise the potential value of the emerging technologies.”

2020 and Beyond Community and Customer Engagement Report

Our stakeholders also raised issues around the Queensland Government Solar Bonus Scheme (SBS) and how the scheme will be funded beyond July 2020 when current funding arrangements end. Stakeholders raised issues about the potential impact the SBS may have on proposed network tariff price reductions, equity and general affordability if funding of the scheme was to be re-introduced through the networks. SBS remains a matter for the Queensland Government. However, Energex and Ergon Energy have ensured that the Queensland Government is aware of the issues raised.

We have also proactively engaged with electricity retailers operating in Queensland to obtain their insights and feedback on our proposed network tariff structures and have taken these views into account as part of our network tariff reform agenda. Retailers have told us they would like greater alignment between network tariff structures across Australia for ease and simplicity in terms of business processes, formulating pricing plans and importantly to support ease of education, tools and communication to customers.

2020 and Beyond Community and Customer Engagement Report

FAIRNESS

Customers expect us to ensure equity of access to electricity.

Across all the Community Leader Forums there was a strong sentiment around fairness, and the 'collective good'. It was clear that we have a corporate responsibility in providing an 'essential service' to do all we can to address electricity affordability, and to deliver a reliable service to all whether 'coast or bush'.

Ensuring no one is left behind

There was concern expressed in all forums around the ability of some to respond to the changes taking place in the industry, especially those more vulnerable to hardship. Together we need to ensure everyone can benefit fairly and equitably from solar and other emerging technologies.

Many are concerned about the potential customer impacts of tariff reform. From a tariff perspective, being 'fair and equitable' is seen as being both about minimising cross subsidies and managing any potential social and economic impact from the move to more cost reflective pricing.

While not in the top three investment priorities, there was support in the Kantar and PwC quantitative research for education and other community initiatives (i.e. community safety, energy literacy and community events). Many stakeholders also expressed a need for a trusted advisor to provide the tools and their electricity usage data, with impartial advice, to help them make informed choices in their energy use, behaviours and pricing plans (p35).

Future prices

Through the Working Group we were also able to ask for feedback on specific areas that had the potential to impact either current or future distribution network charges. While the generally the appetite was for immediate price relief, there was a recognition that costs should be linked as fairly as possible to the value received by customers, either today or in the future (decisions should not artificially inflate prices in future periods or vice versa).

Our customers support us managing future prices by recovering costs over the lifetime of the asset's use, rather than in the year we incur the costs.

THIS HAS INFORMED...

- Our commitment to our corporate vision to 'energise Queensland communities' and to defining our corporate responsibility agenda.
- The tariff structures proposed, which emphasise simplicity, while reducing cross-subsidisation.
- Our commitment to managing the customer impact when introducing new tariffs – with a holistic approach to tariff pricing, education, dynamic incentives and information.

Further details are in our Tariff Structure Statement Engagement Summary and two separate Network Tariff Structure Statements and the accompanying Explanatory Notes.

These specific matters:

- A revised approach to the way we proposed to capitalise our property leases to minimise the impact on our revenue requirements over the 2020 to 2025 period.
- How we recognised our Information and Communication Technology (ICT) assets, and our proposal to depreciate them over 10 years to reduce the immediate revenue impact.
- The move to a consistent calculation for an asset's economic life for depreciation, which most accurately reflects the useful life of the asset. While impacting prices today, this avoids artificially inflated prices longer term.

Details of these matters can be found in the Regulatory Proposals.

OUR COMMITMENT IN RESPONSE

"We recognise the need to support our customers and communities, especially during times of vulnerability. We are committed to doing what really matters so that no-one is left behind, and our communities grow stronger."

2020 and Beyond Community and Customer Engagement Report

A SECURE SUPPLY



The security and reliability of the electricity supply cannot be compromised. Our communities expect us to be there after the storm with the resources to respond to whatever Mother Nature delivers – and for the network to be resilient and for us to be responsive day-to-day. They expect supply to be dependable, so that they have electricity when they need it.

EMERGENCY RESPONSE

Network resilience, operational readiness and timely restoration ‘after the storm’ are all highly valued by our customers and communities. Our response capability in particular is well regarded.

Queenslanders know that, from time to time, events such as storms, cyclones, floods and other emergencies happen that are beyond our control. Feedback received indicates that our customers believe we respond well when these events occur and that our contribution is vital to getting the community’s recovery.

Our customers expect us to continue to be there after emergency events, prepared and with the resources to respond to whatever Mother Nature delivers and to work closely with others in emergency services to get supply restored as quickly as possible.

Here they simply want us to maintain the status quo – across the Community Leader Forums ‘improving network resilience to a natural disasters’ and ‘maintaining our outage response capability (i.e. storm or emergency response, etc.)’ was not a top priority for further investment – in Far North Queensland however there was, perhaps not surprisingly being the tropics, a greater priority on investment in these areas.

This was reflected by the Kantar and PwC quantitative research. The priority overall was on affordability and sustainability.

Thinking back to a major event, like a storm, cyclone, flood or other emergency...

76%*

rate our ability to get the power back on highly when there is an unplanned outage.

This sentiment was consistent across the South East and Regional Queensland.

* Future Energy Survey.

Q. How would you rate our ability to get the power back on when there is an unplanned outage? You may be able to think back to a major event, like a storm, cyclone, flood or other emergency. Highly = 7, 8, 9 and 10 out of 10. 'Don't know' excluded.

THIS HAS INFORMED...

- Our commitment to continue to maintain the resilience of the network and our operational readiness, while continuing to learn from each emergency response to events like Cyclone Debbie, Cyclone Owen and the Queensland floods.

OUR COMMITMENT IN RESPONSE

“We’ll be there after the storm, prepared and with the resources to respond to whatever Mother Nature delivers. And work closely with others in emergency response.”

2020 and Beyond Community and Customer Engagement Report

RELIABILITY

Our customers are mostly satisfied with current reliability and quality of supply – but some consider, especially in our more rural areas, that they are poorly serviced.

For some, higher distribution network charges have lifted expectations around quality of supply. Many, however, recognise that reliability and quality of supply has improved over recent years and generally feel we have the balance right.

While in some of our research customers are open to discounting for lower reliability, when asked in our qualitative customer and our community stakeholders forums they weren't willing to make this trade off once the proposal was fully considered.

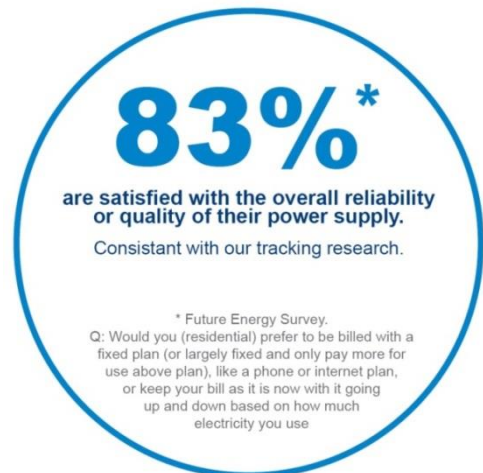
Across the submission to Our Draft Plans, and other engagements, those representing our business customers in particular reinforced the potential impact of power outages, especially in the agricultural industry, or in major mining operations, or in medical or research centres for example where the impact can be significant.

Our stakeholders do not want to see the long term 'health' of the network impacted negatively by cost reductions. They also expressed concerns about the increasing risks around cyber security and data privacy.

Through the Kantar and PwC quantitative research undertaken, we can now simulate the reliability preferences for both Energex's Urban and Short Rural customers, and Ergon Energy Network's Urban, Short Rural, and Long Rural customers. This will allow us to dynamically test a combination of preferences, including the trade-off between cost and reliability, for specific customers segments (by feeder type, vulnerability, household type, etc.).

Maintaining security of supply also requires accurate demand and connection forecasts.

A key piece of research to test our logic in these is our Queensland Household Energy Survey. This research is tracking the changes to how households use electricity, building our understanding of the changes taking place to the demand profiles at the residential substation level of our system. A key change here is the growing number of electronic devices in a household and the level of e-commerce taking place at home.



OUR COMMITMENT IN RESPONSE

“We’ll maintain recent improvements in power reliability – and continue to improve the experience of those being impacted by outages outside the standard.”

2020 and Beyond Community and Customer Engagement Report

Through our teams engaging daily with our commercial and industrial customers, small-medium business customers and developers we also have a solid short-term view of the potential for new block load.

While we are forecasting a relatively low growth overall in peak demand for both the Energex and Ergon Energy's networks for 2020 to 2025, the network in the South-East experienced a record peaks over the previous summer, and across the state we are aware of new localised loads in the pipeline that will require us to respond to emerging network capacity and voltage constraints.

Our stakeholders want us to explore non-network alternatives to network augmentation in these areas where this makes financial sense.

"Electricity is a lifeblood. Without electricity we have no business. We are dependent on a good supply for the business; which we get".

Business, Rockhampton
Kantar and PwC Research

"Overall the network response for my residence is of a very high standard as I live-in inner-city Brisbane. We work with communities across the state and have concerns regarding issues for regional and remote town's network reliability."

Future Energy Survey

"We are on the end of line SWER network that is over 700km from the power source. Brown outs are the order of the day for communities like Kynuna and McKinlay, this has an impact on water supply and also affects business continuation."

Future Energy Survey

"Any step backwards in the network maintenance and upgrades would be illogical".

Resident, Toowoomba
Kantar and PwC Research

THIS HAS INFORMED...

- Our Customer Reliability Strategy and our Customer Quality of Supply Strategy, including our position that the current Minimum Service Standards and the security planning criteria (set by the Queensland Government) remain appropriate. Our distribution investment plans, both asset renewal and reinforcement, have been shaped to meet these standards.
- Our commitment, where prudent, to continue to improve the experience of customers who are suffering outages well outside our standards, as part of the Worst Performing Feeder program.
- Our Future Grid Roadmap, Information, Communications and Technology Plan and Cyber Security System, which will advance our ability to manage the network remotely and improve our cyber security.
- Our understanding of the potential growth in local peak demand has informed all the major demand-related augmentation investments proposed.
- Our Demand Management Plan, and the demand management component of our Regulatory Proposal, which includes collaboration around non-network alternatives that will allow us to avoid costly network investment.

"2018 so far there has been 100% reliability. We expect to get this as electricity is expensive."

Future Energy Survey

"Very few outages now except for the weather-related events – last outage was during/after the last cyclone. No power over a week."

Resident, Rockhampton
Kantar and PwC Research

2020 and Beyond Community and Customer Engagement Report

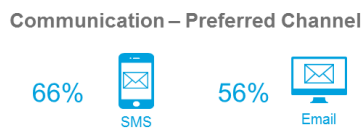
SERVICE PROMISE

Our research has highlighted opportunities to improve how we communicate with customers around the things that directly affect them – especially planned/unplanned outages, and storm warnings.

Energex and Ergon Energy operate under a Guaranteed Service Level payment regime, and standards set by the National Energy Customer Framework (NECF). These include the notification of planned power interruptions, and a range of other service elements.

For the notification of unplanned outages, our quantitative Kantar and PwC research confirmed that approximately half of customers are looking for more than four days' notice required under this framework. This confirmed our efforts to routinely deliver above this standard. At one's week notice before a planned outage, 80% of residential and 70% of business customers are satisfied.

Across all of the engagement activities, there was confirmation that outage communications (both planned and unplanned) should be made available as a text message.



Many also still want to be able to access a Customer Service Representative who is able to action a request or resolve an issue. This is especially important for our industry partners, like electrical contractors, solar installers and property developers and for our stakeholders in our local councils.

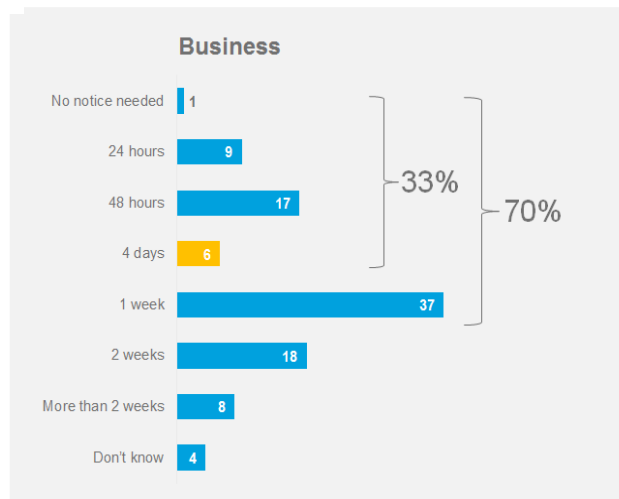
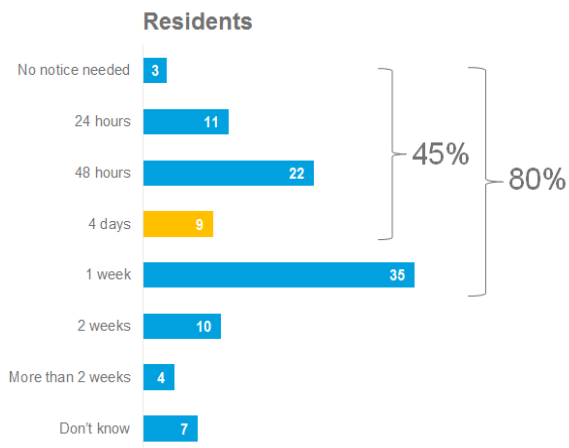
THIS HAS INFORMED...

- Our overall Customer Strategy, as we move to transition to a best-practice customer experience organisation.
- Our Information, Communications and Technology Plan, and the system investment scoped to ensure we can continue to deliver a consistent, positive customer experience (including timely communications about planned and unplanned outages).
- Our resourcing model for service functions including our three Customer Operations Centres and three Network Control Centres.

OUR COMMITMENT IN RESPONSE

“We’ll strive to find new ways to provide a great customer experience – to make it easy. And we’ll meet our guaranteed services commitments – if we don’t, we’ll pay you.”

Required length of notice prior to planned outage (%)



A SUSTAINABLE FUTURE



There is also a strong interest in sustainability – in how we’re evolving the capability of the network to achieve greater efficiencies, and sustainable prices longer-term, and to ensure we can support the connection of renewables (to both deliver economic value and to help reduce greenhouse gas emissions).

NETWORK AS AN ENABLER

The ways our customers source and use energy, and monitor their energy needs, is rapidly changing. Increasing customer choice around energy solutions is transforming the industry as new technologies are embraced to manage energy use and costs, and support action on climate change.

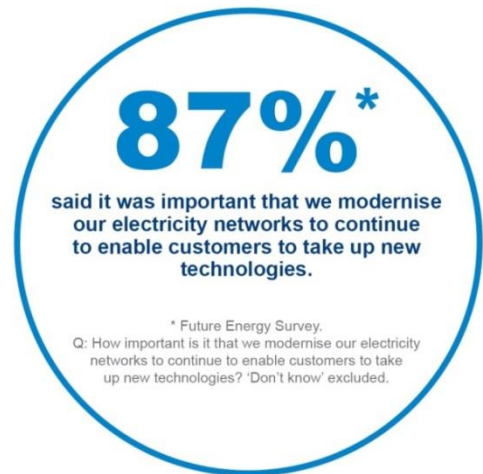
Queensland is at the forefront in integrating distributed energy resources (such as solar), and other technologies into the grid – with 30% of detached houses across Queensland, and more and more businesses, now benefitting from solar systems – not only in terms of meeting their own energy needs, but export and sharing of surplus energy.

This will only increase – our annual Queensland Household Energy Survey continues to indicate a strong intent to install solar, especially in the South-East, and at the same time an increasing awareness of other technologies like batteries and electric vehicles.

To ensure we can respond to this, in the qualitative Kantar and PwC research, customers indicated a willingness to support initiatives that help modernise the electricity network; making it more equitable, accessible and sustainable for all now and into the future. This was supported by the conversations across our Community Leader Forums, where there was a strong expectation that we are innovating and creating a future-focused network.

Our customers expect us to be able to facilitate and accommodate integration of renewables into the network. There is an expectation we are looking around the world or at other states to learn from their experiences here.

Many of the stakeholders in our Community Leader Forums see energy transformation happening before their eyes – and want the move to batteries and the other emerging technologies to be more managed/coordinated. Our industry partners, and others exposure to the energy opportunities, want action today – others are concerned about who pays for the cost of integrating the growing level of solar on the network.



“Renewable is the way to go. It’s better for the environment and for our future. The sun is for free.”

Resident, Toowoomba
Kantar and PwC Research

“We’re dealing with batteries and EV charging at the moment ... how (is) the networks going to handle those up and coming issues.”

Excel Solar
Community Leader Forum

“Nothing stays the same forever. Let’s keep up with things and technology.”

Resident, Townsville
Kantar and PwC Research

2020 and Beyond Community and Customer Engagement Report

Some are concerned we are not doing enough to address climate change and to reduce greenhouse gas emissions – in our Community leader Forums 33% wanted more focus on sustainability (over affordability, etc. but they expect this to offer lower distribution network charges longer-term) to enable renewable energy connections and a smooth transition to a low emissions society.

Both our Community Leader Forums and the Kantar and PwC research prioritised investment in ‘support for renewable energy and the management of solar connections to the grid’ and ‘investment in new technologies to prepare the network for the future (i.e. intelligent grid)’.

The value perceived by this investment was quantified by the choice modelling, which indicated that customers are accepting of a small bill increases (between 0.4% – 0.9%) to assist in the fast tracking of these initiatives. While Energex and Ergon Energy Network are not looking to increase network charges to build capability in this area, customers engaged reasserted a strong preference for networks to not decrease investment in this area. This supports the prioritisation of our investment portfolio in this area.

The interest in renewables is more than environmental – it is supported by the financial value to the proponents, and the perceived economic value to the local community.

Our stakeholders expect transparency around the transition to a smart grid and the role of networks in the broader energy ecosystem.

Our stakeholders in our Working Group want us to be an enabler of new technologies but not necessarily a leader in the take up of new technology, like electric vehicles. In the submission to Our Draft Plans, they also expressed the need for caution in progressing investments into smart grid technologies, recognising the uncertainty in the future. However, they saw opportunities in using micro-grids and other technologies for more cost-effective distributed supply solutions, and innovations like peer-to-peer energy trading.

Our stakeholders expect us to explain our risk appetite and strategy, and to look for opportunities to build to a minimum efficient standard to reduce costs when replacing assets. They are pleased that we were not replacing like-for-like in our renewal programs, this will both avoid over capitalisation where smarts are more cost effective than augmentation, and increase the overall intelligence of the grid.

THIS HAS INFORMED...

- Asset Management Overview, Risk & Optimisation Strategy, and more specific strategies like the Customer Quality of Supply Strategy.
- Our Future Grid Roadmap, Intelligent Grid Technology Plan and our Information, Communications and Technology Plan, which will allow us to leverage digital transformation and integrate, distributed energy resources effectively into the network and provide customers with greater choice in how they connect and use the network.
- Our asset renewal program. This is an area of increasing focus as our network ages and more assets approach end of life, and the role of the network evolves.
- Our fleet strategy, and position on the prudent adoption of electric vehicles.
- Our Demand Management Plan, which includes collaboration around non-network alternatives that will allow us to avoid costly network investment.

2020 and Beyond Community and Customer Engagement Report

Our customers expect us to:

- explain how we use new technology and how customers benefit
- focus on technology that is core to our business.

OUR COMMITMENT IN RESPONSE

“We’re looking to the future and evolving the network to best enable customer choice in their electricity supply solutions. We’ll innovate to integrate solar, batteries and other technologies with the network in a way that is cost effective and sustainable.”

“Smart grids are a good idea. It provides quick identification and restoration of outages within the system”.

Resident, Brisbane
Kantar and PwC Research

“... we also recognise the environmental impact associated with electricity that comes from fossil fuels so we are doing what we can to transition to renewable energy... (we need to) find the opportunities for some sort of collaborative projects.”

Cairns Regional Council
Community Leader Forum

“Put’s power back into myself... If I invest in batteries and solar, I have a lot more control.”

Resident, Toowoomba
Kantar and PwC Research

“Renewable is the way to go. It’s better for the environment and for our future. The sun is for free.”

Resident, Toowoomba
Kantar and PwC Research

2020 and Beyond Community and Customer Engagement Report

COLLABORATION

Stakeholder engagement

Our communities, and our many different stakeholders, expect us to engage with them in a transparent, meaningful manner and on a regular basis. They want us to listen and act on their feedback and show how their feedback has informed our decisions.

Through our Working Group, other engagement activity and submissions received by the AER on our Regulatory Proposals, our stakeholders have been pleased with the extensive engagement undertaken, and want us to be as transparent as possible in presenting our plans, as the cornerstone to building trust with our stakeholders. From our perspective, the program delivered rich and constructive feedback around all of the elements of our service offering, and the challenges that we see going forward.

Looking ahead, our stakeholders expect this dialogue to continue.

Customer education and offers

We need to respond to the direction consumers are taking the market, and empower them with affordable solutions. Education is seen as important here. Customers need to be informed to take advantage of emerging technologies to participate in the market.

Throughout our Community Leader Forums and Working Group it was felt that network businesses have a role to help customers here. This would require us building the trust customers have in other areas of our service (network management, safety, etc.). At this point we only have foundational levels of trust as a technology advisor, and we would have to overcome some scepticism of impartiality of any information provided.

The Kantar and PwC research showed 43% of customers are seeking information about electricity tariffs from network providers, and 40% want their network provider to communicate with them about ways to reduce electricity expenditure. They want us to share our expertise in ways that are accessible and convenient (such as websites and social media).

In the marketplace there is also a strong desire across our different customers segments and industry partners to work with us to ensure the community benefits from the energy transformation.

Feedback our engagement around Our Draft Plans

"Energy Queensland is to be congratulated on the extensive consultation process that you have run to inform the development of the Tariff Structure Statements. The documents that have resulted clearly reflect the feedback that Energy Queensland received from a very diverse group of customers during this process... Energy Queensland has clearly registered the acute sensitivity of all of their customers to any further price increases."

Queensland Resource Council
Submission to Our Draft Plans

"...we applaud EQ's approach to customer engagement at this early stage of the reset process (and), we look forward to seeing additional specific information related to tariff structures..."

Local Government Association Queensland
Submission to Our Draft Plans

"We recognise the Energy Queensland has consulted with customer groups, published information on its Talking Energy website and shared the Draft Plans ahead of the formal revenue setting process... We look forward to seeing how Energy Queensland incorporates consumer and other stakeholder feedback into its proposals."

Energy Consumers Australia
Submission to Our Draft Plans

"The working groups were highly informative and interactive with a clear focus by EQ to have a transparent dialogue with industry representatives."

Chamber of Commerce and Industry
Submission to Our Draft Plans

2020 and Beyond Community and Customer Engagement Report

Demand management

Across our engagement there was strong support for continuing our Demand Management Program and collaborating with stakeholders and customers around non-network alternatives. Stakeholders want to see demand management implemented to provide a cost effective, non-network and market driven solution, as an alternative to building network.

They see demand management as part of the solution to put downward pressure on the Regulatory Asset Base (RAB).

Our stakeholders expect us to collaborate with, and provide incentives to, customers and the supply chain to assist in demand management delivery and uptake.

When discussed in a Working Group session, they wanted us to protect the load we already have under control to ensure we could continue to manage network demand. However, moving forward they expect us to increasingly partner with the market in devising customer solutions to manage network demand into the future.

They want us to help develop and activate the demand management market and for our programs to complement market solutions, but not at the risk of dampening third party market maturity. Our stakeholders want us to apply the Demand Management Incentive Scheme and provide information on the resulting impact on both demand forecasts and expenditure and prices.

The majority of residential customers are willing to reduce usage at peak times if rewarded well with savings on their bill. Some are willing for the network or a third party to manage selected household appliances to prevent localised outages in extreme weather events. They want financial incentives for participating in demand response solutions, and they want easy customer friendly interactions with us to claim their rewards.

Customers are fatigued of changing their energy behaviour to compensate for continually rising energy costs. They are now seeking and adopting technology solutions (i.e. HEMS, off-grid, self-sufficiency) to manage the energy consumption behaviour so they can control their energy costs. They don't want their lifestyle impacted from participating in our programs.

Our stakeholders expect us to partner with the market in devising solutions to help manage network demand into the future.

40%*

would be willing for the networks to manage appliances during an extreme heatwave for an incentive of \$2 each time. This increases to 55% with a \$10 incentive.

* Kantar and PwC research.

Q: During an extreme heatwave, would you be willing for us, or a third party, to manage selected appliances in your home (i.e. like putting your air conditioner into an economy mode/energy saving mode) for an incentive of \$5 for each time?

69%*

would, if they had a battery energy storage system, allow us to access it to better manage loads on the network. However, most would require a reward or credit on their bill

* Kantar and PwC research.

Q: Renewable energy, such as solar, can cause challenges for the electricity network if there is an oversupply of energy being generated. This oversupply of energy can impact the quality of supply for customers within the local network, and impact the overall cost of electricity for everyone. One solution to overcome this challenge is for us to have some level of control over customer's new solar panels or battery storage systems. This would enable more solar panels and battery storage to connect to the network; with less impacts on electricity supply or price. If you had a battery storage system, electric vehicle or solar panels in your household/business in the future, would you consider allowing us to access this (together with batteries/solar from other households/businesses) to better manage loads on the network?

54%*








would trust their network to provide independent advice on new technologies

* Kantar and PwC research.

Q: Do you trust us to provide independent advice on new technologies such as solar and battery storage?

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Our Demand Management Plan is based on customer research insights

DM Strategies	Customer insights						
	 Affordable	 Reliability	 Choice and control	 Innovation	 Approachable	 Tailored	 Community focused
Ensure efficient and well planned investment and infrastructure	●					●	●
Maintain reliable supply of electricity for all end use customers		●				●	●
Maximise power system security and reliability particularly during summer		●					●
Inform and engage our end use customers and stakeholders			●		●	●	
Activate the demand response market			●	●			
Support our program by investment in innovation				●		●	

THIS HAS INFORMED...

- Our community and customer engagement approach, and the processes used to capture insight to ensure they inform our Revised Regulatory Proposals and Revised Tariff Structure Statements, and our commitment to ongoing engagement and evolving our business-as-usual approach going forward.
- The information included in our Revised Regulatory Proposals and Revised Tariff Structure Statements documentation.
- Our Future Grid Roadmap, and the associated ICT investment, which will enable improved real time information and value exchange through efficient and effective management of an increasingly complex and interconnected energy system.
- Our Demand Management Plan and the demand management component of our Revised Regulatory Proposals, including:
 - our ongoing efforts to engage with energy services providers through the Regulatory Investment Test (RIT-D) process and our Targeted Initiatives programs.
 - the operational expenditure proposed to support increasing the opportunities for customers to be rewarded for providing support to network limitations either directly or via a third-party aggregator.
 - continued support legacy load under control that has been enabled in Queensland since the 1950s, and the implementation of new systems to complement this capability with more targeted and responsive control.

OUR COMMITMENT IN RESPONSE

“We’ll engage with you and provide you with the information you need, when and how you need it, to support sustainable energy choices.”

2020 and Beyond Community and Customer Engagement Report

NETWORK CONNECTIONS

Connections are a customer-driven element of our forecast expenditure requirements, with future volumes of new connections influenced primarily by the level of confidence in the economy and the rate of local population growth.

In 2018-19, there were approximately 31,000 new connections to the network in Energex's distribution area and around 7,720 in Ergon Energy's distribution area. Based on current market insights – supported by our operational engagement channels – we expect new connection volumes to remain stable across the state over the coming years.

We are expected to enable these connections in a sustainable way. Reasonable costs and clear timeframes for connections are seen as critical to Queensland's economic development.

Connections process

Stakeholder feedback in this area has been around the need to make connecting to our networks more timely, affordable and easy. Customer representatives, including community leaders, electrical contractors and real estate developers, indicated that there is a clear desire for Energex and Ergon Energy to:

- align our service offerings across Queensland
- focus on timeliness of service delivery and minimise delays
- develop better tools to make it easier for customers to do business with us
- allow increased transparency of the connections process and how cost estimates are developed
- provide greater assurance on our technical standards that relate to design and construction
- continuously adapt to customers' changing needs about how they want to connect to our network.

In addition, our embedded generator customers have indicated that they are looking for the option to fast-track simpler, more straight forward connections. They are expecting us to develop a framework where our connection policies, our network tariffs and the future grid can optimise value for our communities, recognising prosumers will in the future play a new role generating locally and trading energy between one another. This includes open access to data on the networks' capacity and the demand profile at a specific location.

Public lighting

There is a clear expectation that we will facilitate energy efficient lighting in public spaces. We provide, construct and or maintain public lighting assets and, in the future, we may provide emerging public lighting technologies as they become available.

Our customers want us to enable energy efficiency options and new technologies – the state's local councils, the Department of Main Roads and other stakeholders are looking for lower cost / lower emissions lighting, through a transition to LED, and the enablement of new smart technologies.

A key issue is how we replace our existing mercury vapour (MV) lights with light-emitting diode (LED) technology to achieve our environmental obligations and to deliver energy, and therefore cost savings for councils. Public Lighting customers require flexibility in the lighting rates to allow them to reduce costs while exploring the option to reuse components of the existing lighting structures – particularly when transitioning to LED Lighting.

Our customer and other stakeholders want:

- connections to be timely, simple and consistently performed across Queensland
- greater choice and equitable outcomes.

2020 and Beyond Community and Customer Engagement Report

THIS HAS INFORMED...

- **Process for connections.** A program is currently underway to establish a state-wide process for connections, with the system enhancements needed to align our two regions and make it easier for customers to do business with us. This includes providing the tools each party needs to access network-related data, request a connection, access job status updates, etc., as well as a further break down of costs in our job estimates, and greater consistency in auditing or designs and constructions.
- **Our Connection Policies.** Energex and Ergon Energy have harmonised connection policies as far as is practicable to provide greater equity and consistency in the provision of connection services across Queensland. Proposed changes to the current connection policies were presented at customer engagement sessions and industry forums and received broad support. Our engagement on the connection policies has informed decisions to:
 - align the classification of small and major customer connections
 - apply a common definition of 'real estate development' which includes subdivisions and multi-tenancy residential and commercial and industrial developments
 - apply a consistent approach to connection charges for customer connection services
 - develop similar connection offers for basic and negotiated connections
 - expand the range of connection offers for micro-embedded generators to include all systems that do not require technical assessment (depending on capacity and export limitations)
 - apply the same network augmentation charge thresholds based on geographical location (urban and rural).
- **Connection Standards.** We have continued to evolve our standards for the connection of solar, batteries and other embedded generation to our distribution networks to best enable the increasing number of systems connected to the network. These standards shape our asset investment strategies.
- **Our Public Lighting Strategy.** Our aim is to manage customer expectations with sustainable and flexible options in public lighting, smart technologies and LED-specific tariff solutions, while meeting ongoing regulatory, safety and compliance requirements. We are forecasting 47% of our lighting portfolio to be LED by 2025.

OUR COMMITMENT IN RESPONSE

“We’ll make it easier and timelier to connect to the network, helping you from beginning to end, with a consistent state-wide service offering and further system improvements.”

2020 and Beyond Community and Customer Engagement Report

OUR ENGAGEMENT PLAN GOING FORWARD

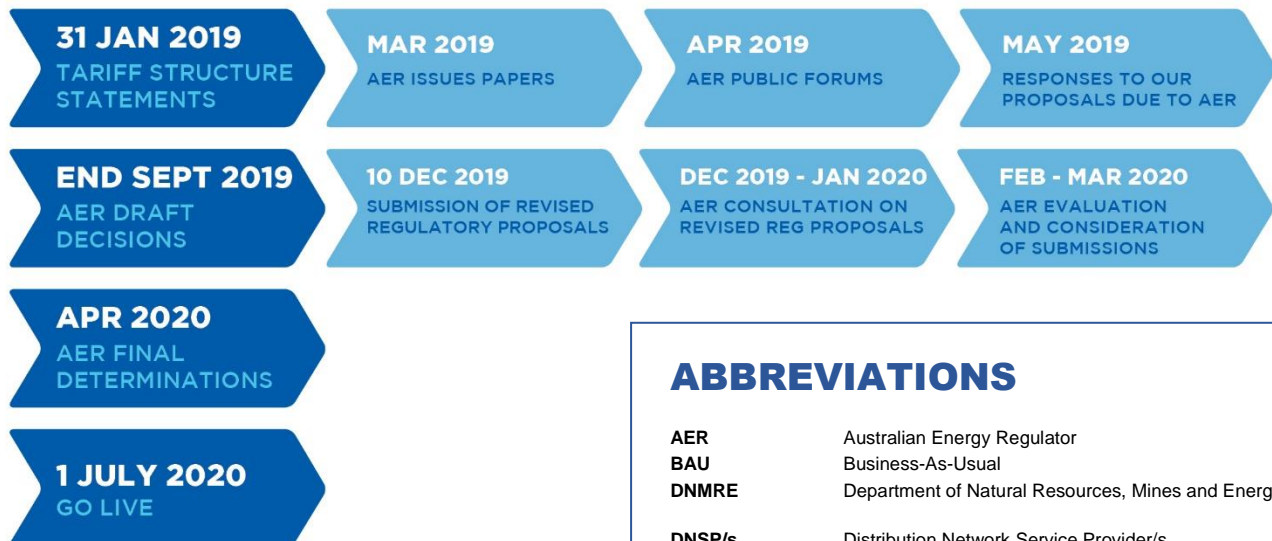
We submitted our Revised Regulatory Proposals to the AER on 10 December 2019 and welcome ongoing customer and stakeholder feedback on those revised proposals via email at regulatoryproposal@energyq.com.au

We will continue to engage with our customers and other stakeholders on our investment plans, including through our Customer Council, business-as-usual forums and our website, talkingenergy.com.au, where all of our existing consultation material is hosted.

The AER will consult and evaluate on our Revised Regulatory Proposals through December 2019 and January 2020 and will issue its final Distribution Determinations at the end of April 2020. We will then prepare our prices for our distribution services for the 2020-21 year, commencing 1 July 2020, based on the AER's final Distribution Determinations.

We have learnt a lot through this engagement program. Looking further ahead we will continue to embed engagement into our business-as-usual approach. We will explore how to best use our online channels moving forward, evolve our Customer Council framework to ensure it is as effective and as representative as it can be, maintain a dialogue locally across our service areas through the many community stakeholder relationships we have built, and we'll refine our customer research program and other business-as-usual engagement activities.

Thank you for your interest, time and support.



ABBREVIATIONS

AER	Australian Energy Regulator
BAU	Business-As-Usual
DNMRE	Department of Natural Resources, Mines and Energy
DNISP/s	Distribution Network Service Provider/s
ENA	Energy Networks Australia
IAP2	International Association of Public Participation
LED	light-emitting diode
LGAQ	Local Government Association of Queensland
MV	mercury vapour
NER	National Electricity Rules
NECF	National Energy Customer Framework
QCA	Queensland Competition Authority
QHES	Queensland Household Energy Survey
RAB	Regulatory Asset Base
RP	Regulatory Proposal
TSS	Tariff Structure Statement

OUR CUSTOMER COMMITMENTS



SAFETY FIRST

Our number one priority is safety – our commitment is to the people and communities who we work with and support every day. We aspire to be an industry leader in health, safety, environment and cultural heritage.



AFFORDABLE

We continue to look for ways to make electricity more affordable across our networks, and to advocate for the reforms needed for a bright energy future for all Queenslanders.



PRICING

To help take the pressure off electricity prices, we'll continue to drive down the cost of distributing the electricity across Queensland.



NETWORK TARIFFS

Our tariff and other reforms will be transparent, fair and equitable. We'll continue to show leadership in the energy transformation – with reforms that help to realise the potential value of emerging technologies.



FAIRNESS

We recognise the need to support our customers and communities, especially during times of vulnerability. We are committed to delivering responsibly on what really matters so that no-one is left behind and our communities grow stronger.



SECURE

We're here 24/7 to keep the lights on – providing peace of mind with a safe, reliable electricity supply, and the knowledge that we'll be there 'after the storm'.



EMERGENCY RESPONSE

We'll be there after the storm, prepared and with the resources to safely respond to whatever Mother Nature delivers. And work closely with others in emergency response.



RELIABILITY

We'll maintain recent improvements in power reliability – and continue to improve the experience of those being impacted by outages outside the standard.



SERVICE PROMISE

We'll strive to find new ways to provide a great customer experience – to make it easy. And we'll meet our Guaranteed Service Levels – if we don't, we'll pay you.



SUSTAINABLE

Enabling your use of new and emerging technologies and providing easier access to the network - we give you as much control as you choose for your energy solutions with information and more sustainable choices.



NETWORK AS AN ENABLER

We're looking to the future and evolving the network to best enable customer choice in their electricity supply solutions. We'll innovate to integrate solar, batteries and other technologies with the network in a way that is cost effective and sustainable.



COLLABORATION

We'll engage with you and provide you with the information you need, when and how you need it, to support sustainable energy choices.



CONNECTIONS

We'll make it easier and more timely to connect to the network, helping you from beginning to end, with an aligned state-wide service offering and further system improvements.



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