

# ATTACHMENT 2.2

## HOW CONSUMER ENGAGEMENT INFORMED OUR PROPOSAL

---

## Contents

1. Introduction .....	3
2. Stakeholder engagement activities.....	3
3. Outcomes .....	5
4. Next steps.....	7

## 1. Introduction

Essential Energy has a solid history of engaging with our customers through a number of ways in line with our Stakeholder Engagement Framework (refer to Attachment E.2). This approach to engagement involves utilising a number of levels to ensure appropriate conversations and message delivery occur with the right customer and stakeholder groups. The spectrum of participation includes:

- > Inform
- > Consult
- > Involve
- > Collaborate
- > Empower

Based on this approach, the business is able to deliver effective customer communications about capital programs as well as programs utilised to manage our assets, safety messages and information about planned and unplanned supply interruptions.

In developing our plans for the next regulatory control period, Essential Energy and Networks NSW undertook a range of engagement activities with a number of key customer and stakeholder groups.

This document highlights these activities and how the findings were utilised to inform our regulatory proposal.

## 2. Stakeholder engagement activities

In the lead up to the submission of Essential Energy's regulatory proposal a number of activities and communications were undertaken. This included the following items as well as a number that are scheduled to occur after the submission date. Outcomes of activities are utilised in the relevant business area to ensure the concerns of customers and stakeholders are considered when developing plans as part of our regulatory proposal, as well as incorporated into business as usual activities to continually improve practices where appropriate.

**Table 1: Engagement and research activities timeline**

Engagement	Description	Timing
Rural Advisory Group meeting	<ul style="list-style-type: none"><li>&gt; Legislative changes – NECF</li><li>&gt; Industry reform</li><li>&gt; General business</li></ul>	May 2012
Customer Council meeting	<ul style="list-style-type: none"><li>&gt; Legislative changes – NECF</li><li>&gt; Industry reform</li><li>&gt; General business</li></ul>	May 2012
Research program	<ul style="list-style-type: none"><li>&gt; Online survey of representative Essential Energy customers consisting of 1013 responses</li><li>&gt; 8 focus groups including rural and remote customers, small business customers, vulnerable customers and small general customers.</li></ul>	August 2012
Customer Council meeting x 2	<ul style="list-style-type: none"><li>&gt; Legislative changes – NECF</li><li>&gt; Industry reform</li><li>&gt; General business</li></ul>	June 2013
Rural Advisory Group meeting	<ul style="list-style-type: none"><li>&gt; Legislative changes – NECF</li><li>&gt; Industry reform</li><li>&gt; General business</li></ul>	June 2013
Customer Council meeting	<ul style="list-style-type: none"><li>&gt; Draft transitional proposal overview</li><li>&gt; Feedback on plain English inclusions</li><li>&gt; Reliability, vegetation management and meter reading consultation</li><li>&gt; General business</li></ul>	October 2013
Rural Advisory Group meeting	<ul style="list-style-type: none"><li>&gt; Draft transitional proposal overview</li><li>&gt; Feedback on plain English inclusions</li><li>&gt; Reliability, vegetation management and meter reading consultation</li></ul>	October 2013

	> General business	
Stakeholder meeting	<ul style="list-style-type: none"> <li>&gt; NSW Irrigators Council, Cotton Australia, National Irrigators Council attendees</li> <li>&gt; Draft transitional proposal overview</li> <li>&gt; Stakeholder issues and concerns</li> <li>&gt; Educational gap identification</li> </ul>	October 2013
Your Power Your Say launch	<ul style="list-style-type: none"> <li>&gt; Information and education on key network issues</li> <li>&gt; Options to provide specific feedback in relation to key topics</li> <li>&gt; Polling on a range of network topics</li> </ul>	November 2013
Draft Transitional Proposal publication	<ul style="list-style-type: none"> <li>&gt; Stakeholder letters and link to proposal to provide feedback</li> <li>&gt; Publication on website with direct feedback options</li> <li>&gt; Social media notifications</li> <li>&gt; Opportunity for stakeholders to request feedback sessions</li> </ul>	January 2014
Social Media Analysis	> Report on key themes and issues for integration into proposal as sourced from Your Power Your Say and Essential Energy's own Facebook pages.	February 2014
Stakeholder meeting	<ul style="list-style-type: none"> <li>&gt; NSW Irrigators Council, Cotton Australia, National Irrigators Council attendees</li> <li>&gt; Update on customer communications preferences, feedback on options</li> <li>&gt; Draft Transitional Proposal issues and concerns</li> </ul>	March 2014
Customer Council meeting	<ul style="list-style-type: none"> <li>&gt; Draft Transitional Proposal issues and concerns</li> <li>&gt; Feedback on draft substantive proposal</li> <li>&gt; Feedback session</li> </ul>	March 2014
Rural Advisory Group meeting	<ul style="list-style-type: none"> <li>&gt; Draft Transitional Proposal issues and concerns</li> <li>&gt; Feedback on draft substantive proposal</li> <li>&gt; Feedback session</li> </ul>	March 2014
Peak Consumer Groups forum (hosted by Networks NSW)	<ul style="list-style-type: none"> <li>&gt; Proposal overview</li> <li>&gt; Technical and financial analysis</li> <li>&gt; Stakeholder engagement update</li> <li>&gt; Feedback session</li> </ul>	March 2014
Local Councils	<ul style="list-style-type: none"> <li>&gt; Written communication regarding streetlights</li> <li>&gt; Opportunity to provide feedback</li> <li>&gt; Option to schedule feedback sessions</li> </ul>	April 2014
Retailer forum (hosted by Networks NSW)	<ul style="list-style-type: none"> <li>&gt; Proposal overview</li> <li>&gt; Expenditure profile, energy forecasts, challenges with tariff structures</li> <li>&gt; Stakeholder engagement update</li> <li>&gt; Feedback session</li> </ul>	April 2014
Local Councils	<ul style="list-style-type: none"> <li>&gt; Letter regarding proposed changes to streetlighting charges from 2015-19 period</li> <li>&gt; Future communications and ongoing engagement with communications regarding streetlights planned to continue on an ongoing basis</li> </ul>	May 2014
Essential Energy's stakeholder mailing list	<ul style="list-style-type: none"> <li>&gt; Notification of regulatory proposal submission</li> <li>&gt; Invitation for feedback</li> <li>&gt; Summary of key points</li> </ul>	May 2014
Customer Council meeting	<ul style="list-style-type: none"> <li>&gt; Update on Transitional Proposal</li> <li>&gt; Plans for revised proposal process</li> <li>&gt; Feedback session</li> </ul>	July 2014
Rural Advisory Group meeting	<ul style="list-style-type: none"> <li>&gt; Update on Transitional Proposal</li> <li>&gt; Plans for revised proposal process</li> <li>&gt; Feedback session</li> </ul>	July 2014
Customer Research	> Segmentation data refresh	August 2014

Beyond the engagement activities structured to understand concerns and customer sentiment regarding our regulatory proposal, Essential Energy has a strong business as usual approach to engagement.

### 3. Outcomes

The outcomes of Essential Energy's engagement activities have directly informed our proposal and corporate objectives.

#### Core research program

Key to informing our proposal was the core customer research (Attachment 2.1 IPSOS Customer Research Report) that investigated the sentiments of a statistically valid representation of Essential Energy's customer base. This research identified six key customer values and in turn the outcomes customers are looking for with regards to these values:

- > Customer engagement - Customers want information exchange between themselves and Essential Energy to be simple. This means communicating via channels that make information available when and where they need it. Mobile technology is a growing part of customers' lives, and they want future communications to reflect this. Our Stakeholder Engagement Framework (Attachment E.1) provides an outline for our approach and future plans with regards to customer and stakeholder engagement.
- > Outage management - The provision of clear information about the timing and duration of interruptions makes them more acceptable as it enables better planning. It also gives customers more control over their electricity usage and enables changes in patterns of use. Refer to system investment case: Customer Outage Communications for information on proposed communications tools to assist customers in gathering real time information in a way that is suitable to them.
- > Reliability - Customers expect a constant supply of electricity, but generally view current levels of reliability as acceptable. For most, a reduction in charges would not compensate for reduced reliability. Power interruptions are an inconvenience for most household customers, but for small businesses and some rural customers interruptions can have financial impacts. Refer to Operational Procedure: Reliability Strategy 2012 - 2019 for information about our plans for reliability as well as our worst performing feeders program to ensure we maintain reliability, but also improve reliability for customers who experience below acceptable levels.
- > Affordability - Customers do not fully understand why charges are rising, but accept it as inevitable and out of their control. However, they expect increases in charges to be a genuine result of investment in infrastructure, rather than an attempt to generate profit. Most customers are trying to reduce their electricity bills, and would like more information to help them do so. Attachment E.1 outlines the approach for delivering efficiencies for our customers.
- > Demand management - Customers place a very high value on being able to control when and how they use electricity. Very few are willing to sacrifice this control, but many are willing to make changes to their appliances and usage patterns in order to manage the affordability of their electricity. A lack of understanding and being overwhelmed with technical information prevents some customers from making informed choices. CEOP1121 outlines proposed demand management programs.
- > Hardship - Customers see the need to ensure that vulnerable households have access to a reliable electricity supply. However, there is a concern that programs designed to help vulnerable customers may be exploited by those who are not in need. The Customer Operations business plan details the approach to building customer value and working managing relationships with retailers.

Utilising the outcomes of this research has also been a consideration of the business objectives to ensure customers are considered in everything we do. Our key objectives are:

- > Safety – by continuously improving safety performance for employees, contractors and the public.
- > Affordability – by striving to contain average price increases for our share of customers' electricity bills to at or below CPI.
- > Reliability – by ensuring the ongoing reliability, security and sustainability of the network.

These objectives feed into all the programs and plans developed as part of the regulatory proposal ensuring the key priorities of the business align to the values our customers.

### **Peak consumer group forum**

Networks NSW facilitated a forum for each of the NSW DNSPs regarding the proposal themes and key points. This forum further supported the broader customer research findings and identified the following discussion points:

- > The biggest priority or concern for their members is affordability and stability of price, followed by maintaining the current level of reliability (without paying any more).
- > The most important issues for households with fixed incomes with respect to electricity bills is keeping prices stable over the medium to long term, followed by the ability to reduce bills by using less electricity or efficient appliances.
- > They would be supportive of changing the way customers are charged for electricity if it meant prices would be more stable and predictable.
- > While many representatives recognised complex policy issues affect pricing, they also called for simplicity and clarity from the industry and its regulators to meet the longer term interests of customers.
- > Broadly, participants are pleased with the significance of safety, affordability and reliability as underpinning all Essential Energy's operations.

These points are reflected in our key objectives that underpin all capital and operating plans of the proposal.

### **Retailer group forum**

Networks NSW facilitated a retailer forum for each of the NSW DNSPs regarding the proposal themes and key points. This forum was guided by the following key points:

- > a recap of the regulatory process for determining network charges
- > the AER's determination of the 2014-15 Transitional Regulatory Proposals
- > our proposed network tariff strategy for 2014-15
- > potential options to address declining electricity use
- > directions for our annual pricing proposals
- > impacts of the AER's changes to how we charge for metering services.

Retailers attending the forum provided the following feedback:

- > appreciation of the opportunity to be briefed by Networks NSW's CEO and to provide feedback on the regulatory proposal and tariff strategy
- > welcome the substantial reduction in network capital investment and asked why there was not a corresponding reduction in operating expenditure
- > the decline of both consumption and peak demand was noted as well as the reasons for rethinking network tariff structures
- > exit fees for the early retirement of meters would hinder the development of a broader competitive market for metering services
- > retailers were interested to know if the administrative component of metering exit fees could be included elsewhere in network prices

The forum provided an opportunity to address the items of feedback and facilitate further future discussion and consideration of feedback to ensure adopted actions are considerate of both the retailers and the DNSPs, where possible.

Both the peak consumer group forum and the retailer forum were the first proposed of an ongoing program in the future to ensure the ongoing relationship, engagement and feedback opportunities.

### **Customer Council and Rural Advisory Group Meetings**

Meetings with Essential Energy's Customer Council and Rural Advisory group have provided feedback on a range of areas across the business. These groups represent a range of customer groups and geographical areas. Feedback from these groups has supported our response to disconnecting remote customers from the electricity network (Attachment 2.3). Furthermore, these groups have provided feedback around the transitional proposal, vegetation management, proposed tariff structure changes and our plans for reliability. This group recognised the increased level of reliability across the Essential Energy network, but supported the need to improve reliability for customers in poor performing areas. This feedback has been utilised to inform the Reliability Strategy.

### **Stakeholder communications**

Local councils have received communication in the lead up to the proposal submission regarding the proposed approach to streetlight charges and tariff structures from FY2015. The correspondence received from these communications has confirmed the need to engage with councils further on the proposed changes during the 12 months following the regulatory proposal submission.

Furthermore, meetings with stakeholder groups such as Cotton Australia and the NSW Irrigators Council have also highlighted the ongoing need to engage with these groups on tariff reform and issues in regional areas. These groups have further informed the needs of customers with regards to real time communications. This feedback has also confirmed the need to engage with a broad range of customer groups when developing programs and communication tools for customers on the Essential Energy network.

## **4. Next steps**

Essential Energy's Stakeholder Engagement Framework will continue to inform the approach to ongoing customer and stakeholder engagement. The changing operating environment and implementation of changes related to alternative control services will continue to drive ongoing engagement and customer communication programs into the future in order to ensure the programs and plans implemented respond or recognise the concerns and feedback of our customers and stakeholders.