Phase 4 Customer Engagement for 2019-2024 Regulatory Proposal

Prepared for: Essential Energy

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RESEARCH & ENGAGEMENT

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Executive Summary

This report summarises the key findings from engagement on the AER determination for Essential Energy's Regulatory Proposal for 2019-2024. The engagement consisted of:

- three customer forums with residents in the Essential Energy network area who had been involved in the previous phases
- three stakeholder deep dive workshops
- eight individual interviews with stakeholders
- one Customer Advocacy Group (CAG) meeting.

The customer forums took place in Dubbo, Wagga Wagga and Port Macquarie between 8th–21st November 2018 with n=64 people taking part in total.

Stakeholder representation in the deep dives, interviews and Customer Advocacy Group meeting included:

- AGL
- AER
- AER Consumer Challenge Panel (CCP)10
- AIGroup
- Alternative Technology Association (ATA)
- Caravan and Camping Association NSW
- Cotton Australia
- Country Women's Association (CWA)
- Energy Australia
- Energy Consumers Australia (ECA)
- Enova Energy
- EWON,
- NSW Farmers
- Origin Energy
- Public Interest Advocacy Centre (PIAC)
- Red Energy/Lumo
- St Vincent de Paul
- Total Environmental Centre (TEC)

Response to the AER Draft Determination

Customer and stakeholder responses to the AER's Draft Determination were exceptionally positive. Most believed that Essential Energy's proposal reflected their views and were pleased to hear that the Regulator had largely accepted the submission.

Participants had little to add in terms of comments regarding the AER's response, with most claiming that it must have been a good process as the AER appears to have accepted most of Essential Energy's proposals.

Stakeholders were also very positive towards the Essential Energy submission and felt that they had set a very high standard for engagement in this space.

Preferred Tariff Option for Customers Connecting New Technologies

Forum participants and stakeholders were asked whether customers should be treated differently depending on how they use the network or whether they should be treated the same. Specifically this question was in relation to the tariff assignment of customers connecting new technologies.

42 out of the 64 (66%) forum participants did not want residential and small businesses connecting to new technology to be automatically moved to a different tariff. Participants felt it was important to encourage new technology uptake and therefore felt that customers shouldn't be treated differently.

Those believing that customers should be automatically moved across to a different tariff (19 out of 64 participants – 30%), held differing views as to which tariff would be most appropriate. 3 out of the 19 (16%) suggested that they be moved to a Time of Use tariff, 6 out of the 19 (32%) chose a Demand Charge, and 5 out of the 19 (26%) selected both tariff types.

Stakeholder group preferences ranged from advocating for the least cost reflective price (flat tariffs) through to an aggressive application of the most cost reflective price (demand based tariffs).

Retailers would like to offer customers the best pricing options.

Preferred Charging Window

Participants were asked whether they thought that a demand charge for small customers be based on:

- the maximum demand that occurs during the peak and shoulder period (7am to 10pm weekdays), or
- just the peak period (5pm-8pm)

Although many customers did not like the idea of a demand charge per se, most preferred the peak period only option, with 37 out of 64 (58%) participants nominating that as their preferred window. The notion of a charge window incorporating both peak and shoulder periods was less popular as customers perceived that a longer window would mean more likelihood of being charged a higher cost.

There was discussion amongst stakeholders about the length and timing of the charging window , with majority support for a shorter peak period.

The Timing of a Tariff Assignment

There was no clear preference with regard to the timing for transitioning to new pricing structures once smart meters are installed. Some felt it should occur straight away to take advantage of savings immediately, whilst other wanted time to access the difference before moving across.

When asked to vote for which option they preferred, 31 out of 64 (53%) participants nominated the change to occur 12 months after upgrading to a smart meter, while 27 out of the 64 (42%) preferred it happen on installation.

Stakeholders were also mixed on this issue but held a similar view to customers being presented about being able to take immediate advantage of any savings arising from the tariff change. There was also more favour for moving to a cost reflective tariff when the smart meter is installed.

Preference for the Ability to Opt Out

Essential Energy informed customers and stakeholders of the AER's preference for the removal of an 'opt out' option after customers were moved onto a cost reflective network tariff.

Forum participants indicated strongly that there should be an option for customers to revert back to their former pricing structure should they find the cost reflective tariff disadvantageous for them. In fact, 56 out of 64 (88%) participants were in favour of having the option to opt out.

Stakeholders appreciated AER's view that there should not be an opt-out option, at the same time however they also felt customers should be provided choice and flexibility.

Reactions to Stand Alone Power Systems (SAPS)

After presenting the challenges facing the energy sector, Essential Energy presented the notion of stand-alone power systems (SAPS) as an alternative to the network for some customers. In an overall sense, there was support for SAPS as a solution, particularly in remote locations where the cost of supplying energy via the network was high. Most imagined that this would improve reliability for those customers and that they would enjoy cheaper bills.

There were a number of questions and concerns raised in relation to who would pay for it, who would provide maintenance or fix them and whether they would be powerful and reliable enough to run heavy farm machinery in those remote farming locations.

The assumption was that Essential Energy would need to at least subsidise the SAPS as it was a cost saving measure for the company and it was also assumed (or hoped) that Essential Energy would send out maintenance crews on a regular basis to check on the system.

Within the stakeholder deep dives, there was support for Essential Energy to look into SAPS due to the customer support, but also a call to consider and assess the risks to the customer of these systems.

Background and Objectives

Background

Essential Energy is a NSW Government owned corporation with responsibility for building, operating and maintaining Australia's largest electricity network. The organisation's service area covers most of New South Wales and a small part of Southern Queensland, and is operated as three regions, Northern, North Coast and Southern.

In common with all providers of electricity networks in the National Electricity Market, Essential Energy is required to submit to the Australian Energy Regulator a regulatory proposal and tariff structure statement on a five year basis. The AER is the independent, national regulator of public and privately owned electricity networks. The AER determines the funding for Essential Energy's capital and operating programs and the funding needs for jobs to undertake the work.

Essential Energy submitted their regulatory proposal for the 2019-24 period in April 2018, and the AER provided a response in November 2018.

Essential Energy has an underlying philosophy of placing customers and stakeholders at the centre of everything they do. In particular, the organisation has a specific commitment to engaging with stakeholders and including their views and opinions in the formulation of future business planning. In this context, a significant programme of stakeholder engagement was conducted to contribute to the development of the 2019 - 2024 regulatory proposal.

A considerable body of work has been carried out within the broad Australian energy marketplace in developing frameworks and guidelines for stakeholder engagement and consultation. At the highest level, there are broad requirements set out in the National Electricity Rules and at the next level the AER has formulated a set of guidelines for Network Service Providers. The Energy Networks Association, in collaboration with the CSIRO, has produced an excellent and very comprehensive handbook on customer engagement and Essential Energy themselves have developed a Stakeholder Engagement Framework.

Objectives

The objective of the project as a whole was to develop and implement a stakeholder engagement plan for Essential Energy's 2019-24 regulatory proposal. This had to:

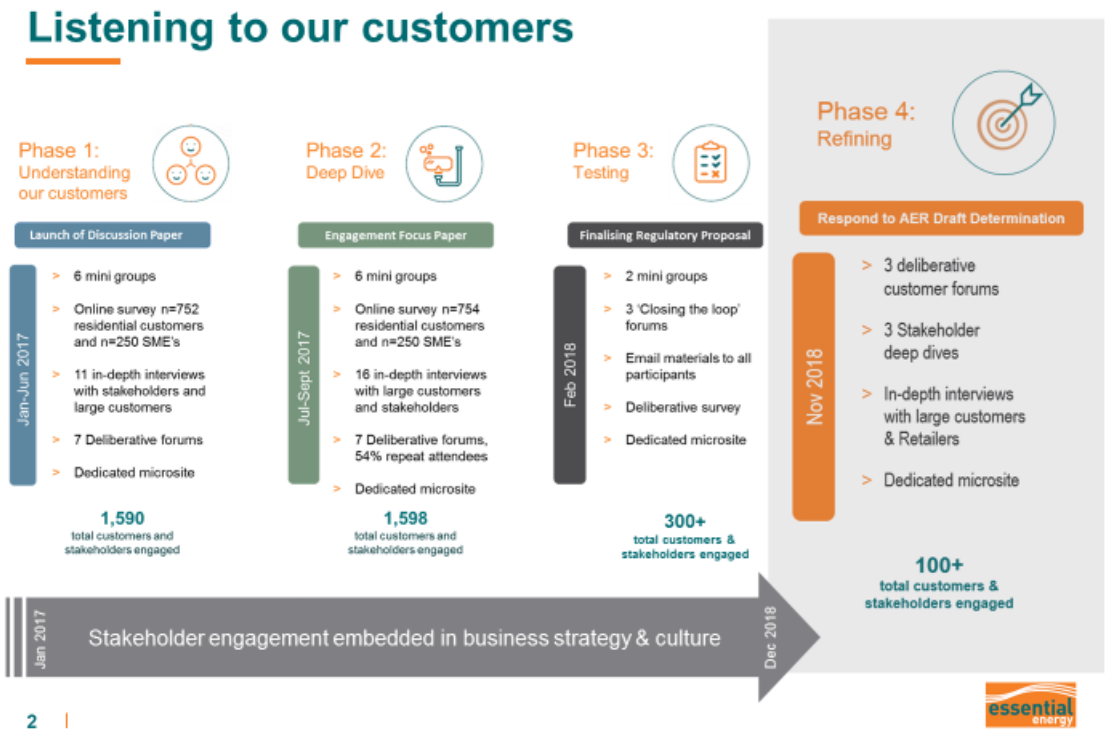
- be consistent with and build upon Essential Energy's Stakeholder Engagement Framework and associated guide and the Energy Networks Association's Customer Engagement Handbook

- meet the requirements of Chapter 6 of the National Electricity Rules (NER) and the Australian Energy Regulator's (AER) Consumer Engagement Guideline for Network Service Providers.

Engagement Plan

The engagement process ran from January 2017 through to December 2018 and consisted of four phases. The following diagram provides an overview of the engagement plan for the Regulatory Proposal.

Engagement plan for the 2019-2024 Regulatory Proposal



Essential Energy's Customer Advocacy Group (CAG) met throughout each phase of the engagement program. The CAG provided feedback and insights that contributed to the development of the 2019-24 Regulatory Proposal and Tariff Structure Statement.

Methodology for Phase 4

Customer forums

Participants from previous forums were invited back to attend forums in Phase 4. A total of n=64 residents of the Essential Energy region attended. The customer forums took place in Dubbo, Wagga Wagga and Port Macquarie between 8th–21st November 2018 with n=64 people taking part in total.

Table 1: Number of Participants at the Customer Forums in Phase 4

Region	(n=64)
Port Macquarie	21
Wagga Wagga	21
Dubbo	22

The majority of participants had attended at least two previous forums, with many attending all three.

Participants were seated at round tables and taken through the AER's response to Essential Energy's draft submission. They were then presented with discussion questions about each aspect that the AER had questioned in the draft proposal.

Participants spent most of the two and a half hour sessions working on tables in small groups each with a table facilitator, discussing their views on the AER's feedback and filling in voting sheets on the specific questions. The table facilitators from Woolcott Research guided the discussions and recorded the main points. The agenda and all materials are included in Appendix 1 and 2.

Woolcott Research provided a Lead Facilitator, who chaired the forums, and three table facilitators for each of the forums.

After each event the data from the voting sheets and proformas was collated and analysed.

Recruitment

Recruitment for the forums took place up to two-three weeks before each forum. A representative sample of those who had attended the previous phases of forums were invited back to participate.

Engagement with Stakeholders

Three stakeholder deep dives were held in Sydney on 5th and 14th November and 10th December. A further eight individual interviews were conducted with those who could not attend on the day. The deep dives were designed to cover off specific issues with stakeholders.

Deep Dive 1 covered:

- Business strategy
- Stakeholder submissions
- AER Draft Determination
- Tariff Structure Statement
- Regulated Asset Base (RAB)

Deep Dive 2 covered:

- Future Network and Fringe of the Grid
- Sand-alone Power Systems (SAPS)

Deep Dive 3 covered:

- Regulated Asset Base
- Customer and Stakeholder engagement update
- Revised Regulatory Proposal
- Tariff Structure Statement

A Customer Advocacy Group (CAG) meeting was also held on Thursday 15th November covering:

- AER's Draft Determination
- Embracing Aboriginal and Torres Strait Islander people in our diversity strategy
- CAG membership expectations and considerations for future meetings
- Smart Streetlighting creating opportunities for communities
- Tariff Structure Statement
- Community and Stakeholder Engagement update
- Customer and community feedback

Stakeholder representation in the deep dives, interviews and CAG meeting included:

- AGL
- AER
- AER Consumer Challenge Panel (CCP) 10

- AIGroup
- Alternative Technology Association (ATA)
- Caravan and Camping Association NSW
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- St Vincent de Paul
- Total Environmental Centre (TEC)

Results of the forums and stakeholder engagement are presented on the following pages.

Detailed Findings

1. Response to AER Draft Determination

Customers at the forums and stakeholders were provided a recap of what Essential Energy had heard from customers through the consultation period and the response to the draft 2019-24 Regulatory Proposal from the Australia Energy Regulator (AER).

1.1 Summary

Key Findings
• **Customer responses to the AER's Draft Determination were exceptionally positive.** • **Stakeholders were also very positive towards the Essential Energy submission and felt that the company had set a very high standard for engagement in this space.**

1.2 Customers

Customers were informed that whilst the AER accepted Essential Energy's proposed expenditure as a whole, there were some areas where further clarification was needed. For example,

- Whether the black spot programme costs should be shared with, or funded by, other organisations, such as the Roads and Maritime Authority; and
- Clarification of the assumptions around cross arm failure rates and the need to replace all identified defects.

Note: The AER's response to pricing was discussed in the next session.

On hearing the AER's response, forum participants were asked if they agreed with the AER and whether there were any areas they did not support.

The vast majority of participants suggested that they recalled each of the areas within the determination and that the proposal from Essential Energy reflected their views and largely summarised the areas they had discussed in previous forums. In fact, many felt very pleased that they had been part of the process and that it seemed Essential Energy had listened to their views and included them in their proposal to the Regulator.

> *"I think they've actually factored the customer into their decision-making a lot more this time."* Dubbo

> *"Seems fairly positive in terms of their response."* Dubbo

There was some interest in the items that AER was calling for more clarification on, and Essential Energy staff were on call to address some of the areas of questioning. In particular, there was some surprise amongst participants with regard to the lower level of support in the survey for the Black Spot program and the need for clarification by the AER. There was a feeling this was an important safety issue and one that really needed to be addressed to help save lives.

> *"Removing poles in high traffic areas – I thought that it would be 100%. I thought that AER would support that fully."* Dubbo

There were also a few participants who questioned the slightly lower level (74%) of customer support with regard to wanting control of their energy use and bill transparency. It was assumed by most that transparency would be something that customers would want in their bills.

In that regard, participants had little to add in terms of comments regarding the AER's response, with most claiming that it must have been a good process as the AER appears to have accepted most of Essential Energy's proposals.

> *"Is it usually this easy?"* Port Macquarie

> *"I didn't expect it to be that good from the AER – there are so many green ticks."* Wagga Wagga

> *"Seems to reflect a lot of what we have discussed earlier."* Wagga Wagga

1.3 Stakeholders

AER's Response to the proposal

Stakeholders were also positive about Essential Energy's proposal, the customer and stakeholder engagement that took place throughout the process, and the AER's response to the proposal.

> *"This whole engagement process with Essential Energy has set a gold standard for everyone operating in the NEM."* Energy Australia

STPIS Changes

Other comments from stakeholders were around the STPIS changes. In general there was support of the draft to change it to 5% revenue at risk, but queried the implications of the Draft STPIS guideline.

Regulated Asset Base

Essential Energy engaged Houston Kemp Research to undertake analysis of 7 scenarios that could assist in managing RAB growth that is consistent with the long-term interest of its customers. Assumptions were based on historical data.

Stakeholders were complimentary of Essential Energy being upfront about the RAB issue and exploring different measures and scenarios, including the scenario put forward in the submission by NSW Farmers. Stand-alone power systems were of particular interest.

2. Network Charges

Essential Energy outlined their pricing objectives and what they had learned from the customer engagement so far in relation to pricing. A summary of the AER's response to the pricing submission was also provided – most of which was positive with a couple of areas where further discussion was deemed to be required. The areas where the AER did not support Essential Energy's position were:

- Network charging plans updated, with opt-out for all residents and small business.
- New default assignment for customers installing new, innovative technologies to encourage efficient use.

Essential Energy reflected that they had heard from customers that cost reflective pricing serves the long terms interest of consumers, however that taking steps towards cost reflective pricing must be done slowly and carefully. They explained that pricing will evolve over the next decade and that they were keen to start exploring different ways of pricing through pilots and trials over the next period.

A recap was provided of the different types of tariff including flat rate, time of use and demand charging. The video from Phase 2 was shown to explain demand charging principles and how it would work in practice.

2.1 Summary

Key Findings
• **42 out of the 64 (66%) forum participants did not want residential and small businesses connecting to new technology to be automatically moved to a different tariff.** • **There was no clear preference amongst customers with regard to the type of tariff customers should be automatically moved to.** • **Most felt that demand charges should be based on a peak period only as this offers greater opportunity for customers to change behaviour and provides a smaller window to be 'penalised'.** • **Stakeholders preference ranged from advocating for the least cost reflective price (flat tariffs) through to an aggressive application of the most cost reflective price (demand tariffs).**

2.2 Tariff Assignment of Customers Connecting to New Technologies

Essential Energy explained that they had proposed to the AER that customers who install new technology be assigned to a demand charge with the ability to opt out to a time of use tariff, if preferred. However, the AER indicated a preference for technology neutral tariff structure statements.

2.2.1 Customers

Participants believed that customers with new technologies should be neither advantaged nor disadvantaged. Those on higher incomes were seen to be advantaged in that they could afford new technology that could potentially save them money. On the other hand, it was thought that they should not be disadvantaged (or charged more) as people should be encouraged to use renewables as it is beneficial for the environment.

> *"It is a double-edged sword. One side of me says they should be rewarded for having solar but then other customers without solar can't afford it. So that's not fair." Wagga Wagga*

> *"The main point is that solar and battery customers shouldn't be penalised. We want to encourage people to use this new technology." Dubbo*

There were questions about how it would happen in practice if those on new technologies were to be moved to different tariffs automatically. For example, what would happen to those people who already have solar, would they all be moved to a new tariff too? It was thought that all solar customers should be treated the same.

> *"Solar customers shouldn't be treated differently, because they have made the choice to do it. You can't do that (automatically change them to a new tariff) to people who have taken up solar previously. And those who decide after the change – they should all be treated the same." Wagga Wagga*

There was also a concern that having different tariffs for customers with new technologies will make the system more complicated for customers, which could cause confusion.

> *"It depends how complicated we want to make the system (if different then more complicated)." Wagga Wagga*

However, some believed that they should be on different tariffs to incentivise solar take up.

> *"Yes they should be treated differently and should be charged less. Why fork out all the money for solar otherwise?" (Port Macquarie)*

> *"There should be more options. There should be incentives for people to move to solar power." (Port Macquarie)*

There was also the suggestion that because all customers will eventually be put on cost reflective tariffs, that those with new technologies could be the first to be moved, to try out the new system.

> *"They are moving us all toward the Demand anyway, so it's OK if we move these customers to a new structure first." Wagga Wagga*

Many believed that there should be an element of choice for customers with new technologies rather than them being automatically put on specific tariffs.

> *"Would be good if you had the choice, like choosing a mobile phone plan. But then having multiple plans can add to confusion." Dubbo*
>
> *"It shouldn't be automatic that they get put on a different tariff – it should be negotiable." Wagga Wagga*

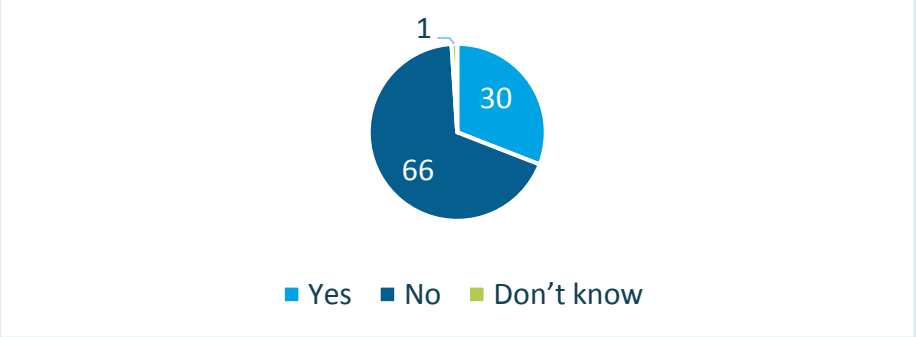
However others believed that they should just automatically be put on the tariff that provides them with the best prices rather than the customer having to work it out themselves.

> *"Why can't you automatically apply the best deal to people, without us having to choose the tariff?" Port Macquarie*

Overall participants wanted the system to be fair and for customers to be given clear and easy to understand information in order to make a choice about tariffs if they need to. Ultimately they wanted the industry to ensure that each customer is on the tariff that provides the lowest price for their particular situation.

At the end of the discussion participants were asked to vote on the question of whether residential and small business customers who are connecting new technologies should be automatically moved to a different tariff. The majority believed that they should not, with 42 out of the total 64 stating that they should not.

Figure 1: Whether customers connecting to new technologies should be automatically moved to a different tariff

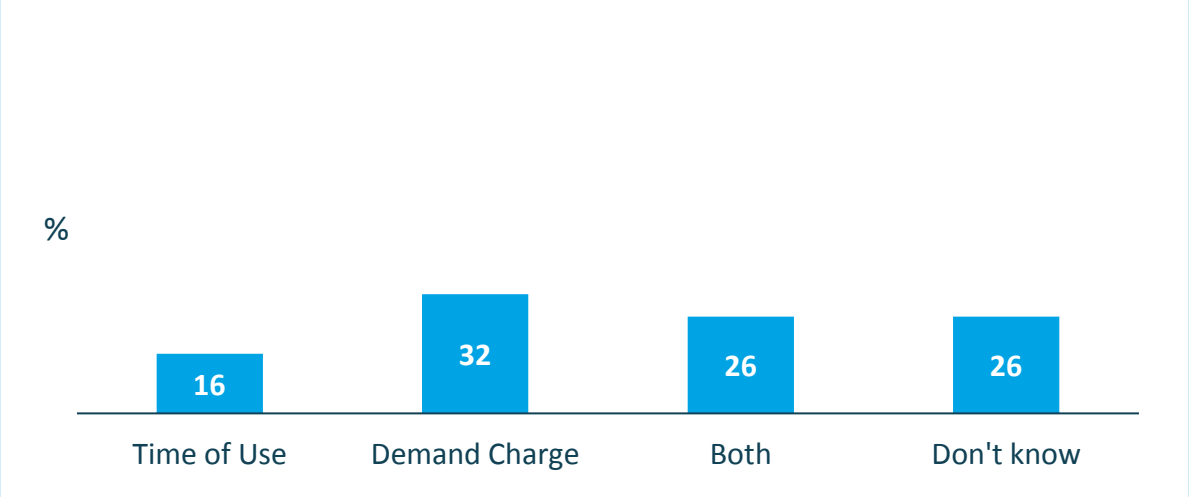


Q: Should residential and small business customers who are connecting new technologies be automatically moved to a different tariff? Base (n=64)

Those who believed that residential and small business customers who are connecting new technologies should be automatically moved to a different tariff (n=19) were then asked which tariff they should be moved to. The sample sizes in each location were small and results were mixed with three suggesting time of use, six suggesting demand and five suggesting both time of use and demand. Many also stated that they did not know which tariff they should be put on.

> *"Not sure that we should move straight to full demand pricing. So maybe it's best to introduce time of use first." (Wagga Wagga)*
>
> *"Time of use might benefit some people but a lot are not home during the day." (Port Macquarie)*

Figure 2: Preferred tariff customers should move to



Q: If yes (they should be treated differently), should they be moved to…?
Base: Those who agreed that customers connecting new technologies should automatically move to a different tariff (n=19)

2.2.2 Stakeholders

Essential Energy explained to stakeholders that the AER would like all customers to be treated the same but did not have a preference as to whether they be placed on time of use or demand tariffs. The AER's perception is that time of use energy charges are easier to understand, customers are more familiar with them and that they are no more or less effective than demand.

Amongst stakeholders however, there was debate as to whether customers should be treated the same or be on different tariffs. Some stakeholders felt that it would be better to treat customers differently depending on the technology they are connecting to. Others preferred that all customers be transitioned to a demand tariff.

> *"We are agnostic on this topic, however we are concerned that if a demand charge is not applied the network loses its ability to actively control network loads and this could negatively impact the NEM in the future"* Energy Australia

> *"The default cost reflective tariff should be a demand tariff"* Public Interest Advocacy Centre

> *"We need to consider the reasons for the tariff, is it to allocate costs or change behaviour. I think the tariff that gives people the ability to make change is the tariff that should be implemented."* St Vincent de Paul

Stakeholders thought that ideally everyone with a new meter should be put on a new tariff as a way of transitioning to more cost reflective pricing, regardless of whether or not they have new technologies. The same point was raised as by customers - that those with new technologies should not be advantaged as not everyone can afford solar and/or batteries and some customers may not be able to take advantage of the new technologies.

Regarding which tariff customers with new meters should be moved to, there was disagreement about whether they should be put on time of use or demand tariffs. Some stakeholders suggested that all customers getting a new meter should be put on a demand tariff, not just those with new technology, as they wanted the adoption of demand tariffs to occur as soon as possible. However, others stated that demand tariffs are hard for customers to understand so had a preference for time of use. They believed that it is easier to explain time of use to customers.

> *"We believe that customers should be treated differently, and preference would be for all customers to be moved (at least the customers introducing new technologies due to their completely different profile on the network) and the default position should be a demand tariff."* AGL

It was also thought by some stakeholders that it would be best to put customers straight on a tariff that is suitable for the longer term rather than transition them from time of use to demand charges at a later date, as this would be likely to confuse customers. The two types of tariff are quite different, and evoke different responses, so it was thought that time of use would not work well as a transition to demand tariffs.

> *"ATA supports a tariff which responds to load profile. Demand is better than Time of Use as a cost reflective tariff."* Alternative Technology Association

It was suggested by one stakeholder that at this stage price signals are not necessary because new technologies are not at a level where they are having an effect on the network's capacity as a whole. Essential Energy could put everyone on a demand or time of use tariff but set them to be the same level as a flat rate, until the time comes when price signals need to be provided in which case the

levels can be changed. It was thought that demand tariffs create angst amongst customers and at this time there is no real reason for different pricing levels.

2.3 Charging window

At the customer forums Essential Energy explained to participants that they had proposed to the AER that a demand charge for small customers be based on the maximum demand that occurs during either the peak or shoulder periods during the month. The reasoning behind this proposal was that they wanted to provide simplicity and to reflect the fact that maximum demand can occur in either the peak or shoulder periods across different areas of the network. They also stated that this should minimise the likelihood of a new peak occurring outside the charging window. However, the AER responded that a narrower charging window would be preferred, in that it would allow customers to understand when it is efficient to conserve energy and would help them to manage their network charges. Essential Energy wanted to hear from customers about what their views were on this issue.

2.3.1 Customers

Many did not like the idea of a demand charge per se as they believed that it was difficult for families and workers to change their electricity usage patterns.

> *"Demand is just bad to start with. I don't like either window."*

For those who had a preference, most participants believed that it would be easier to understand and work around a shorter period so chose the peak period only option. They thought that a longer period would mean more likelihood of being hit with a high cost.

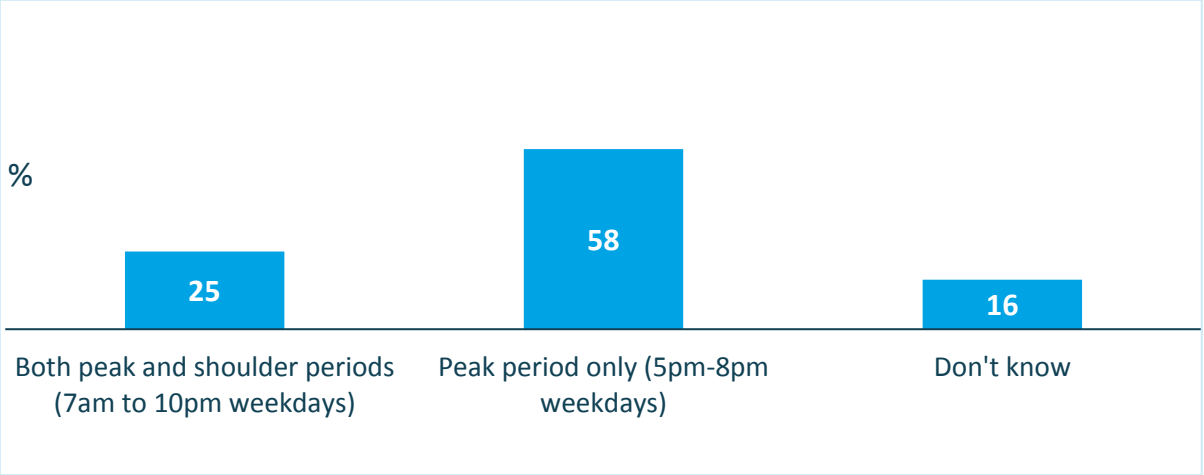
> *"The longer period would stuff you up more. If you mess up then you are hit with a heavy charge." Wagga Wagga*
>
> *"Shorter period would work better but you can't please everyone. It would benefit pensioners – they could move their use the most. Families and workers would be disadvantaged." Dubbo*
>
> *"5pm to 8pm would be easier to manage your usage around. You could use whatever you want outside those hours." Dubbo*

They also believed that Essential Energy were trying to encourage people to move their usage out of the peak period and into shoulder or non-peak. Therefore it made sense to have the charging window just in the peak period, so that people will be encouraged to move their usage out of that.

> *"The smaller window is a fairer option – if it was over the whole day then it may end up penalising you if you've moved your demand to the middle of the day." Dubbo*
>
> *"The idea of having Demand Pricing is to spread the load more. So if they measure it between 5pm to 8pm, then people will be encouraged to move their load into the earlier periods. That's what they want." Wagga Wagga*

At the end of the discussion participants were asked to vote on the question of whether the demand charge for small customers should be spread across both peak and shoulder periods (7am to 10pm weekdays) or the peak period only (5pm to 8pm weekdays). Most participants believed that the demand charge should be based on just the peak period with 37 of the 64 (58%) participants choosing this option.

Figure 3: Preferred charging window



Q: Should a demand charge for these customers be spread across…?
Base: Total Participants (n=64)

"I think 7am-10pm is fairer, it will encompass more people. 5-8pm is just going to catch everyone returning home from work." (Dubbo)

2.3.2 Stakeholders

Stakeholders supported the use of pricing signals but most did not have a strong view about the length of the charging window. Some stakeholders preferred the shorter charging window as it was felt to be easier for customers to respond to. One stakeholder in particular preferred the peak period only because the morning period was excluded which would suit their members. Others were worried about those who would find it difficult to change their behaviour during a shorter window, particularly those experiencing hardship, and so preferred the longer period.

> *"Our preference is for the shorter window (peak period only)."* AGL

> *"We prefer demand charges to be based on peak period only to align with other tariff models on the NEM."* Energy Australia

Another stakeholder suggested that a broader period would lessen the potential for 'price shock' but would diminish the pricing signal, therefore also preferring the shorter window of the peak period only.

> *"There should be shorter periods as this is easier for the customer than equalising load."*
> Public Interest Advocacy Centre

Regarding the actual measurement of the peak, one stakeholder mentioned that the network is largely not constrained currently so the decision should be based on allocating costs to customers more fairly. An average peak was thought to be a fairer way of distributing costs, which mitigates one off peak use. Where there is an augmentation issue in the network it was thought that critical peak pricing is useful as it has been proven to change behaviour through incentives.

3. How Charges are applied

Essential Energy informed the forum participants of the current practice of moving customers to new pricing structures as soon as a smart meter is installed, as well as the AER's preference for customers to be given 12 months (after installation) before any changes occurred. They were told that under the recommended AER system bills would be duplicated for the 12 month period (not without cost) to allow customers to see the difference in billed amounts between their current and future price structures.

3.1 Summary

Key Findings
• **Forum participants were divided on whether customers with an up-graded smart meter should move to cost reflective pricing immediately or wait 12 months** • **Customers and stakeholders wanted to retain the option to opt out due to general anxiety that momentary errors on a cost-reflective network charge could result in higher prices**

3.2 Timing of tariff assignment

3.1.1 Customers

After the presentation, participants were asked to discuss what their preference was in terms of moving to more cost reflective tariffs.

There were mixed preferences expressed at most tables. Some had a preference for being transitioned straight away. These participants expressed a number of reasons for this preference, the most common of which seemed to be that they did not see the point in waiting 12 months when they could potentially be better off under the new tariff system.

> *"If I see that I would be better off on the new tariff I would be annoyed that I then have to wait 12 months before I save any money." Dubbo*

> *"I think straight away – cost reflective pricing is the fairest way across the system. You are going on after 12 months anyway unless you opt out of it." Wagga Wagga*

> *"I don't see the point in waiting. Just get it done. If you want a comparison you should be able to request one, and then you could move back if you want to." Port Macquarie*

The other main reasons behind the preference to move to a new tariff straightaway were associated with the complexity of the issue, and not wanting to deal with the receipt of duplicate bills. Related to this was the perception that customers ultimately will not be 'involved' enough to actively look at their electricity usage or even pay much attention to the two different bills produced by the two tariff structures.

> *"I find it all very complicated. The retailer should just put us on the best tariff and not make us worry about it. I can't make sense of one bill, let alone having to deal with two at once." Wagga Wagga*

> *"Checking your meter readings with real time data is a novelty that won't be maintained. There's no way I'm going to be interested 12 months after it happens, so just make the change up-front." Wagga Wagga*

> *"12 months seems way too long. I may be interested in looking at the first bill comparison, but I'm pretty sure I'll be over that quite quickly." Dubbo*

However, there was also support for the idea of waiting 12 months, and having a duplicated billing system in place for this period of time. Again, the complexity of the pricing seemed to be driving this preference, with many suggesting that the 12 month period would allow them to get to know more about the new tariff, and to have proof that moving to it would be in their best interest.

> *"I'd like to wait 12 months so that I can actually see that it will be better for me before it happens." Wagga Wagga*

> *"People will need to be educated about these things, and a 12 month wait will allow that to happen." Port Macquarie*

Similarly, a few of the participants saw the need for the 12 month period to be enforced. They suggested that having the opportunity to see the differences over 12 months would allow them to attempt to shift some of their household demand into non-peak periods, and see how this would impact their bill – without being committed to the transition.

> *"You'd need 12 months to account for seasonal differences, and to allow people to change their behaviour and see if it makes a difference to their bill." Dubbo*

However, some suggested that customers should be allowed to change at any time during the 12 months if they so wished, rather than having to wait the full period.

> *"I would want the option to go to Cost Reflective after the first bill, rather than having to wait for 12 months." Dubbo*

"Maybe 6 months would be better (than 12 months)." Dubbo

"If 12 months is the option, can you do it in 6 months?" Port Macquarie

Some wanted the retailer to provide the information without going through the 12 month period, and for them to put the customer on the tariff that best suits them.

"Is there a way of being able to do a comparison of prices before the meter is installed?" (Port Macquarie)

"Why can't the retailers give you the comparison immediately based on your previous 12 months bills?" Wagga Wagga

"The retailers should take that role and give the information (on what would best suit you)." (Dubbo)

A few of the participants simply reacted against the idea of a transition happening without notification. They liked the idea of being informed up-front, and easing into a new tariff structure.

"If you do it straight away it looks like you're forcing people into it without giving them any choice." Port Macquarie

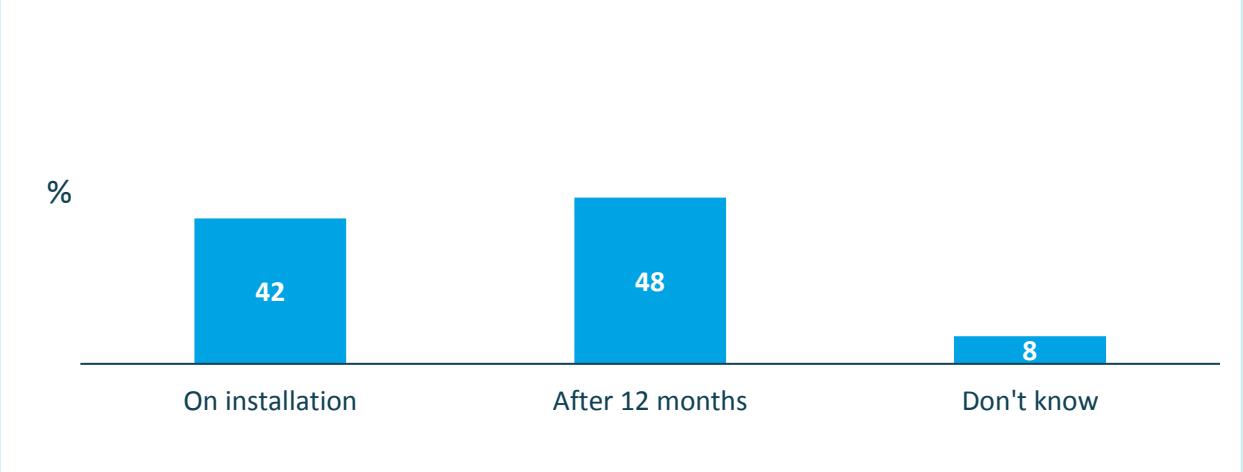
To this end a few participants also indicated that it would be good to offer the customer the choice at the time of their smart meter installation. They did not want to be 'forced' onto a new tariff, but also wanted those who wished to have a new tariff structure to have the opportunity to take it up if they so desired.

"The more choice you give customers the better it is for them." Dubbo

"I don't think it should be one or the other. They should give you the option – a choice. With information given." Wagga Wagga

At the end of the discussion participants were asked to vote on their preference relating to the move to cost reflective tariffs when they obtained a smart meter. The forum participants were fairly evenly split between those preferring to be transitioned immediately (27 out of 64 participants), and those preferring the 12 month delay (31 out of 64 participants).

Figure 4: Preference for when to move to cost reflective tariffs after upgrading to a smart meter



Q: How would you prefer to move to cost reflective tariffs if you've upgraded to a smart meter…?
Base: Total participants (n=64)

3.1.2 Stakeholders

Stakeholders were presented with Essential Energy's proposal for immediate tariff assignment on adoption of a smart meter and the AER's recommendation of allowing customers 12 months after receiving a smart meter upgrade before changing their tariff.

Similar to the customers, there was not a clear view from stakeholders about this issue.

Stakeholders' main concern was about the information provided to customers during the 12 month period, if this option was adopted. They also questioned whether customers would be provided with an opt in or opt out option after the 12 months. Overall, it was felt that Essential Energy will not have much control over the information provided during the 12 months as it will come from the retailer.

> *"We strongly prefer cost reflective pricing to apply from when the meter is installed. We oppose the AER's suggestion of a 12 month window."* Energy Australia
>
> *"We prefer the move to be at the point when the meter is changed so that customers can get the full benefit of the tariff."* AGL
>
> *"It is not clear in practice how the 12 month period works. Practicalities are complex."* Public Interest Advocacy Centre

Overall it was believed that it would be positive for customers to see the benefit straightaway if the new tariff was likely to save them money. From a retailer perspective it was thought to be easier to

have the conversation at the time of the meter change, rather than 12 months after it has been installed.

A third option was put forward by one stakeholder in which it was felt that the retailer should decide based on the customer's profile. If the customer would see an increase in their bill then they would wait to the end of the 12 months to change, where if a customer would see a decrease, they would be transitioned straight away. The main point was a feeling that retailers needed to work with customers to help them manage affordability and provide the best option for them.

> *"Essential Energy could also offer a bill assessment at the end of the 12 months to check that the customers is actually better off and assure they're getting the best deal. If data suggests they aren't getting the best deal, customers still have the option to opt-out."* AGL

> *"I am not sure that a 12 month change is useful. It would be more useful for retailers to be aware that the customer may experience a financial impact from the new tariff and that the retailer works with the customer to manage affordability."* Alternative Technology Association

> *"It is an easier conversation from a retailer perspective to have the conversation at the time of the meter change, rather than 12 months in the future"* Origin Energy

Looking further ahead there was a concern by stakeholders that pricing is not transparent currently and that some customers may be misled by the fact that prices are low at the moment for the cost-reflective tariffs but that they will increase in the longer term. It was believed that customers needed to be educated up front and prices set for the long term, rather than having a situation where customers adopt a tariff that changes over the long run.

There was a suggestion by one that all prices should be set at the same level (flat rate, time of use and demand) because currently there is no need for different price signals and that this would avoid confusion at this time.

Reverting back those customers who have been upgraded to a smart meter and have already been put on demand tariffs was not advocated by stakeholders.

3.3 Ability to opt out

Essential Energy also informed the participants of the AER's preference for the removal of an 'opt out' option after customers were moved onto a cost reflective network tariff. They were then asked to discuss their own preferences in this regard, as well as their reasoning for this.

3.2.1 Customers

Overwhelmingly the forum participants indicated that there should be an option for customers to revert back to their former pricing structure should they find that the cost reflective tariff was disadvantageous for them.

There were suggestions that not all households had the ability to alter their energy consumption patterns, and that these people may end up paying a lot more if forced onto a demand pricing tariff.

> *"If you think about a young working couple in a regional town like this. They have to do things at set times, and don't have much choice. They can't alter when they cook for their kids or do the washing, and if you lived in this area you'd know there's little choice but to turn the air conditioner on as soon as they get home." Dubbo*

However, for most the idea of choice was the basis of their preference.

> *"Should have the option. If you are disadvantaged you would want to know that you can move back to what you were on previously. They shouldn't be able to force you to be worse off." Wagga Wagga*

> *"It's about having choice. As a customer I want to have that choice to move to a tariff that best suits me." Port Macquarie*

> *"It takes away the choice so you should be able to opt out." Wagga Wagga*

Some participants also indicated that customers would feel more comfortable in trialling a cost reflective tariff if they knew that they had the option of changing back if they didn't like the reality of it.

> *"Absolutely – good to have an exit strategy – people will feel that they can try it." Dubbo*

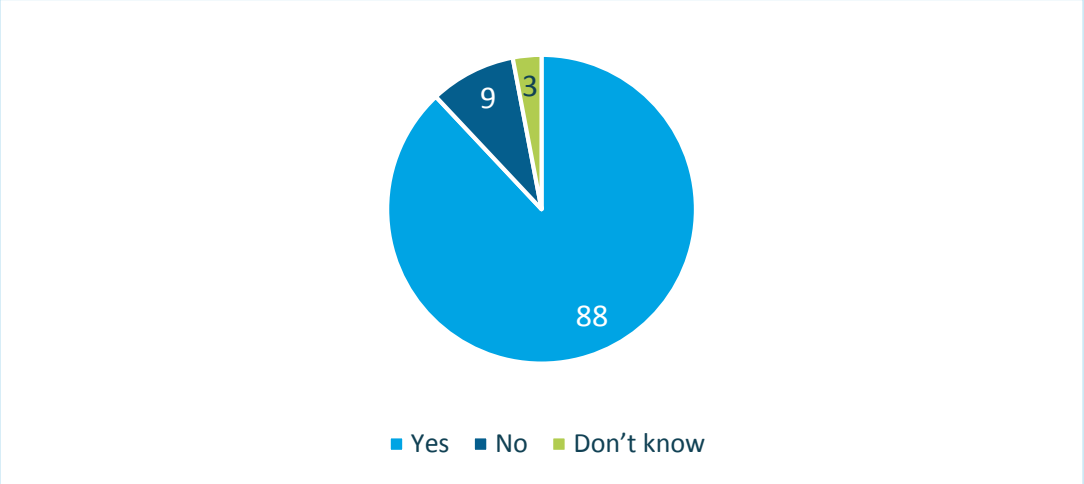
There were also questions raised in relation to the reference to retailers within the voting question passed to them. When it was explained that retailers may have the ability to put customers back on a flat rate (without asking for permission from the customer) there was a degree of negativity expressed in relation to this aspect. The forum participants did not feel that the retailers would always have the best interest of customers at heart. As a result, some participants were less supportive of the option to be able to change back to the previous tariff system.

> *"The retailer is going to put me on a plan that suits their bottom line. They're not going to be thinking about saving me money." Port Macquarie*

The forum participants were also asked to vote on whether or not they felt that customers and/or retailers should have the option to opt out of cost reflective tariffs. The outcome was that the large

majority of participants were in favour of having the option to opt out (56 out of 64 participants – 88%), while relatively few did not support this option (6 out of 64 participants - 9%).

Figure 5: Whether there should be the option to opt out of cost reflective tariffs



Q: Should customers and/or retailers have the option to opt out of cost reflective tariffs?
Base: Total participants (n=64)

3.2.2 Stakeholders

Most stakeholders advocated customers having the option to opt out back to a flat rate as they supported consumer choice.

> *"We have to be practical and retain options for customers to opt out."* AGL

It was thought to be particularly important that customers have the ability to opt out because of concern over customers being able to understand the different tariff options and how they impact their bills. The flat rate was thought to be the simplest for customers to understand and as such should be kept as an option.

Theoretically some appreciated the AER view that there should not be an opt-out option as people who should be paying more could opt out and that undermines the purpose of cost reflective tariffs. However they believed that practically the opt out option is needed in order to provide choice and flexibility to customers. The assumption was that the flat tariff should be more expensive than the demand or other cost reflective tariffs.

> *"Our general view is cost reflective tariffs don't work if people opt out as people who need to pay more will opt out and that will undermine the purpose of cost reflective tariffs"* Alternative Technology Association

It was raised that based on data to date, not many customers currently on the cost reflective tariffs have chosen to opt out anyway.

4. Network of the Future

Essential Energy presented to the forum some of the challenges facing the energy sector, such as:

- Distributed generation
- Increased customer expectations
- Vehicle electrification
- Digital energy management
- Regulatory and political climate

With the Australian energy market transforming rapidly, Essential Energy discussed how they were keen to present customers with more options on how they can consume and obtain electricity. One of the initiatives put forward was the notion of stand-alone power systems (SAPS) which is an off grid energy generation system for locations without an electricity network or where the network may not be the most efficient or effective solution for individual customers.

4.1 Summary

Key Findings
• **There was support for SAPS from both customers and stakeholders** • **Seen as good for customers in terms of improving reliability for those in worst served areas** • **Stakeholders showed some concern with regard to consumer protection issues**

4.1.1 Customers

After the presentation, participants were asked if they felt SAPS are a good solution to help minimise network costs for all customers.

In an overall sense, there was support for this solution, particularly in remote locations where the cost of supplying energy via the network was high. Most imagined that this would improve reliability for those customers and that they would enjoy cheaper bills. A minority of customer however, felt it was like going backwards to the days when you needed to look after yourself.

> *"I think it's a great idea for those out further, with bad reliability." Dubbo*

> *"It's good. You don't need to rely on a retailer, you are independent, don't have to pay a middle man." Dubbo*

"It feels like you're going backwards to go back to generators." Wagga Wagga

"Are they trying to fob these people off because they are too expensive or too hard to service." Port Macquarie

"I'd like to think this would mean my power supply would be more reliable and the bill would be less." Port Macquarie

On further consideration, there were a number of questions or concerns raised:

- Who is paying for the solar panels, battery and generators?
- How reliable will the system be?
- Who is responsible for maintaining it?
- What happens when it breaks? Is there back-up?
- Would it be strong enough to run heavy farm machinery?

"I would be tempted if it was cheap enough and small enough – I don't want the SAPS to take up the whole backyard." Dubbo

The assumption was that Essential Energy would need to at least subsidise the SAPS as it was a cost saving measure for the company and it was also assumed (or hoped) that Essential Energy would send out maintenance crews on a regular basis to check on the system.

"You'd think there would be some economies of scale, Essential Energy should be able to do it cheaper." Dubbo

"This should only be introduced if there is no additional cost for these customers. We have already decided that all customers in these situations shouldn't be disadvantaged." Wagga Wagga

Whilst there was recognition that many people living in these more remote locations were quite practical and handy, there was a concern that they could not fix this system if something went wrong.

"Only concerns I would have is that a farmer could work on diesel but not solar panels." Dubbo

"It would want to be as simple as fixing a blown fuse." Port Macquarie

Many felt that solar systems were a specialisation and that it would be difficult for a general handyman to fix this component themselves. Therefore there was a perceived need for a specialised local person who would be qualified to repair the system, which was imagined to be costly.

In that regard, many were then calling for the ability to be connected to the grid as back up. There was also concern regarding the reliability of this system in winter or long periods of cloudy weather.

> *"If I was living in a remote area and it was suggested to me, I'd want proof that it would be equal or better than what I have." Port Macquarie*

At the end of this session, participants were asked which technologies were at the top of their energy priorities and in what time frame they expected to make these changes.

The majority of participants claimed they would like to do (or use) anything to help them reduce their energy bills and some suggested that they were looking into solar and batteries. The issue for most was the cost of new technologies, with many complaining that it was cost prohibitive to install solar PV's and batteries. Others were renting and suggested that they were at the mercy of their landlord.

Some who had solar already were looking forward to receiving their smart meter to be able to monitor their usage and most expected to be able to export energy back to the grid. It seemed a waste to generate excess energy and not be able to offer it to others to use. There was also an expectation that exporting energy would result in payment to the generating customer in some form or other.

> *"I'd expect to be able to earn money from exporting – or at least to get credited off my bill." Wagga Wagga*

There was also an expectation by most that if a customer is using the network to export energy to others, even if they are not using it to obtain energy, then they would have to pay something to cover the maintenance of the network.

4.2 Stakeholders

Within the stakeholder engagement, there was support for looking at SAPS as they felt that this is what customers wanted. In fact, stakeholders were complimentary about the amount of work Essential Energy was doing in this area to help understand the links between consumer benefit and pricing. There was a belief that there was a role for networks in this area as there is a need to keep looking at low cost ways of supplying energy to customers. In that regard, stakeholders supported the idea of increasing the number of trial areas.

However, there was some concern over the service levels customers might receive from solar service providers and who would be responsible for the maintenance of SAPS. Stakeholders also questioned if Essential Energy had the workforce to deliver SAPS and maintenance of them.

> *"Would customers need to deal with multiple service providers?"* Public Interest Advocacy Centre

> *"I have waited six months for a smart meter connection and it looks like I am going to have to wait another six months."* Customer Advocacy Group community representative

There were examples cited by stakeholders in Queensland and the Northern Territory, which are under a different regulatory framework, where people can do the day-to-day maintenance themselves. A suggestion was offered to focus the trial areas on rural people in remote locations who were described as being more robust and used to fixing things themselves.

> *"A traffic light system works well to inform the level of maintenance required and who could do it."* Customer Advocacy Group community representative

During the conversation the issue was raised that installing solar required land to be cleared and whether there was any consideration given to installing panels above the tree line to mitigate the need for clearing.

> *"Can the panels be elevated about the tree line to mitigate the need for clearing?"* Customer Advocacy Group community representative

There was also an issue raised regarding consumer protection and the processes in place in moving to SAPS. Stakeholders suggested that Essential Energy really needed to assess the risks to the customer of these systems.

> *"I am open to having a discussion on the risks that don't fall into the current consumer protection framework."* Public Interest Advocacy Centre

5. End of Session Feedback

As in previous phases participants were given a questionnaire at the end of the forum to provide feedback on their experience of the event. The questionnaire had a list of statements and they were asked the extent to which they agreed with each one, with verbatim comments invited. The table below outlines the results.

Almost three quarters of participants strongly agreed that they enjoyed taking part in the session (73%) with the remaining agreeing that they enjoyed it. Two thirds (64%) strongly agreed that they were able to provide their views and contribute, and that the session was well organised and structured.

Table 2: End of Session Feedback

	Strongly Agree %	Agree %	Neither agree or disagree %	Disagree %	Disagree Strongly %
I enjoyed taking part in the session	73%	27%	0%	0%	0%
I was able to provide my views and contribute during the session	64%	34%	2%	0%	0%
The session was well organised and structured	64%	30%	5%	2%	0%
It was informative and I feel I have learned a lot	50%	45%	5%	0%	0%
I think Essential Energy will act on the information from this session	47%	48%	3%	2%	0%

Based on your experience today, please indicate whether you Strongly Agree, Agree, Disagree, Strongly Disagree or Neither Agree or Disagree with each of the following statements Base: Total Participants (n=64) Wagga Wagga (n=21) Port Macquarie (n=21) Dubbo (n=22)

"It was great to be able to express my views and know that I was able to 'have my say' and for it to be heard. This latest session showed that the results have been listened to." Port Macquarie

"Consultative, organised discussions with a table leader so everyone's views could be heard." (Wagga Wagga)

"Information was presented very clearly. Pleasant atmosphere to be able to contribute our opinions. Thank you." (Dubbo)

"It was great that Essential Energy took the time to hear from real members of the community, and listen to their opinions on the issues." (Wagga Wagga)

Appendix 1: Customer Forum Agenda

Time	Session details	Responsibility

6.00-6.10pm	**Welcome and Introduction**
	• Woolcott Research Lead Facilitator to welcome and thank participants for coming back.
	• Now at the final stage of the project – EE have submitted the proposal and AER have responded with a draft determination.
	• We have invited a selection of people from the first three forums to come back for Essential Energy to:
	  ○ Share what we heard through the consultation
	  ○ Provide information on the response by the AER
	• We will ask for your views on:
	  ○ What the AER said
	  ○ Customer charges
	  ○ The network of the future
	• Provide overview of forum agenda and the key sessions, guidelines and housekeeping.
	• Location of toilets and evacuation in emergency.
	• Introduce opening speaker
		WR Lead Facilitator

6.10-6.20pm	**Introduction** • Welcome and thank for coming • Our vision, purpose and values • Business strategy	EE

6.20-6.30pm	**Presentation 1: AER Draft Determination and what you said, what we heard**
	• Recap on the phases of engagement and timeline of AER process.
	  ○ As part of this process we consulted with more than 3000 customers through a number of different engagement channels.
	• AER Draft Determination very positive
	• What you said, what we heard (only talk about clarifications needed)
	  ○ Safety
	  ○ Affordability
	  ○ Reliability
	  ○ Customer service and communication
	  ○ Innovation and renewables
		EE

6.30-6.35pm	**Table discussion 1: Reaction to AER Draft Determination** *This is just a brief discussion before getting into the specific questions we need to ask.*	WR Table Facilitators

	Give out all handout 1s • Overall, what do you think of the AER's Draft Determination? • Are there any areas where you particularly agree or disagree with the AER?	
6.35-6.50pm	**Presentation 2: Network charges, improving affordability** • Pricing objectives • Moving towards cost-reflective pricing • Demand pricing video • Time of use or demand charges? • Charging windows	EE

6.50-7.05pm	**Table discussion 2: Network charges**
	
	Give out handout 2a
	
	This is the pricing summary of what customers said, what EE proposed and AER response. Just for reference.
	
	Give out handout 2b
	
	ToU or Demand Charging
	
	• Should all customers be treated the same i.e. those who are connecting new technologies should be on the same tariffs as those who aren't?
	  ○ i.e. should customers who have solar power and batteries and are putting electricity back into the network be on a different tariff to others?
	• What are the pros and cons of these customers being on the same tariff?
	• What are the pros and cons of these customers being on a different tariff?
	
	• If they shouldn't be treated the same then should residential and small business customers who are connecting new technologies automatically be moved to a network charge that is:
	  ○ Time of use, OR
	  ○ Demand charge OR
	  ○ Time of use and demand charge
	
	Charging window
	
	• **If a demand charge comes in,** should the demand charge for small customers be spread across:
		WR Table Facilitators

	○ Both peak and shoulder periods (7am to 10pm weekdays), **OR** ○ Peak period only (5pm to 8pm weekdays)? • What would you say are the pros and cons of each of these options? ***Give out voting sheet 1 and ask participants to fill in. Facilitator to collect up***	
7.05-7.30pm	**DINNER** • WR to tally up voting sheets so far	
7.30-7.35pm	**SWAP TABLES** • Anyone with a blue dot to move down a table (3 goes to 2, 2 goes to 1, 1 goes to 3) • Anyone with a red dot to move up a table (1 goes to 2, 2 goes to 3, 3 goes to 1)	Lead Facilitator
7.35-7.40pm	**Presentation 3: How charges are applied** • Current policy is to move customers when meter is changed • After a customer has a smart meter installed, AER recommended allowing a 12 month window before their network charge is changed • Ability to opt out - AER deemed Customers and/or Retailers should not have the option to opt out of cost reflective tariffs	EE
7.40-7.50pm	**Table discussion 3: How charges are applied** *After a customer has a smart meter installed, the AER recommended allowing a 12 month window before their network charge is changed. This would allow customers time to understand the impact of any change to charges. This would involve duplicated billing for 12 months (not without cost) so you can see the difference in billed amount for the current and future charges. It would slow down the move to cost reflective charges.* • How would you prefer to move to cost reflective tariffs if you've upgraded to a smart meter: ○ when the meter is installed, OR ○ 12 months after the meter is installed? • Why? What would be the pros and cons of each? • Should customers and/or Retailers have the option to opt out of cost reflective tariffs (and go back to a flat rate)? Why? ***Give out voting sheet 2 and ask participants to fill in. Facilitator to collect up***	WR Table Facilitators

7.50-8.00pm	**Dessert** • WR to collect voting sheets and provide summary of both voting sheets 1 and 2 after dessert	
8.00pm	**Summary of voting** • Lead Facilitator to provide quick count of voting sheets. If the vote is tied on any issue ask for comments from participants about why they voted as they did – what any concerns might be. Then could ask EE to comment on these concerns and discuss further	WR Lead Facilitator
8.05-8.15pm	**Presentation 4: Network of the future** • Emerging energy sector challenges • Business strategy • Innovation and renewables • Standalone power systems	EE
8.15-8.25pm	**Table discussion 4: Network of the future** **Give handout 3a and 3b** • Do you think Standalone Power Systems are a good solution to help minimise network costs for all customers? • In what circumstances? • What are the benefits of SPSs? • What are your concerns about them, if any? If there is time: • What new technologies are at the top of your energy priorities? • In what timeframe do you expect to make changes? • Do you expect to be able to earn money from exporting your excess energy? At all times of the day (even when demand is not there)? • Who do you think should cover the network maintenance costs if customers use it to export their excess energy?	WR Table Facilitators
8.25-8.30pm	**Summing up, thank you** • *Essential Energy closing remarks* – what Essential Energy will take from today and confirmation of next steps.	EE
8.30-8.30pm	**CLOSE** *Woolcott Research Lead Facilitator* – thanks and reminder to fill in end of session questionnaire on tables (evaluation of whole engagement programme) Reminder to facilitators to collect feedback sheets and voting sheets.	WR All

Appendix 2: Handouts

Safety — Handout 1

Engagement Phases 1 & 2: *"What we heard from customers"*	Engagement Phase 3: *"Outcomes tested with customers"*	% customer support	AER draft determination
> Customers expect safety to be fundamental to everything we do.	✓ Safety remains our number one priority.	91%	✓
> Poles in high traffic accident locations should be moved (Black Spot Program).	✓ Black Spot Program will move poles in specific areas to reduce traffic accidents.	88%	Clarification
	✓ Replacing old cross arms with new technology which is storm resistant to reduce wires falling down.	99%	Clarification
	✓ Continuing our safety education programs.	94%	✓

Affordability — Handout 1

Engagement Phases 1 & 2: *"What we heard from customers"*	Engagement Phase 3: *"Outcomes tested with customers"*	% customer support	AER draft determination
> Customers see our distribution costs are good value for money at around 37% of a bill.	✓ Proposal applied the AER's method for determining an appropriate rate of return (delivering real price decreases)	83%	✓
> Affordability is important, but needs to be balanced with efficient services.	✓ Investing in IT systems , new technology and innovation to improve efficiency and lower operating and capital spend.	96%	✓
> Equity and fairness is important	✓ Seeking partnership to help support vulnerable customers.	91%	This is an on-going deliverable, not specifically addressed
> Remove inappropriate vegetation and selectively replant. > Safely stacking cut vegetation is not supported.	✓ Specific vegetation removal where appropriate and selective replanting.	96%	✓
> To reduce costs, customers supported longer timeframes for streetlight repairs.	✓ Move to 7 day streetlight repairs (from 4) to improve scheduling efficiency + greater use of LED technology.	87% 95%	✓

Reliability Handout 1

Engagement Phases 1 & 2: *"What we heard from customers"*		Engagement Phase 3: *"Outcomes tested with customers"*	% customer support	AER draft determination
	> Vast majority view our network service as reliable.	✓ Proposal improves reliability by 25% in our worst-performing areas.	91%	✓
	> Limited support for planned outages starting earlier or finishing later.	✓ Trial alternate start and finish times for planned outages.	89%	This is not specifically addressed in the AER draft determination.
	> Equity and fairness is important, with concern for those with very low reliability. > Little understanding of Service Target Performance Incentive Scheme (STPIS) - mixed support for increasing our STPIS revenue.	✓ Increase to our STPIS revenue at risk, from 2.5% to 5% to strengthen the accountability and incentives applied to our business.	71%	✓

Customer Service & Communication Handout 1

Engagement Phases 1 & 2: *"What we heard from customers"*		Engagement Phase 3: *"Outcomes tested with customers"*	% customer support	AER draft determination
	> Want control of their energy use and bill transparency.	✓ Proposal includes communications and engagement programs.	74%	✓
	> Aware of us but not what we do	✓ Resources to improve awareness and customer understanding of the role Essential Energy plays in delivering electricity.	98%	✓
	> Should support the community.	✓ Continue to be involved in and support the local community.	94%	✓
	> Support more customer engagement and education	✓ Collaborating with land owners to improve vegetation management.	97%	✓
	> Want us to invest in customer service and timely outage notifications and meter data availability.	✓ Outage notification schedule and system remains, and availability of interval meter data to be improved.	90%	✓

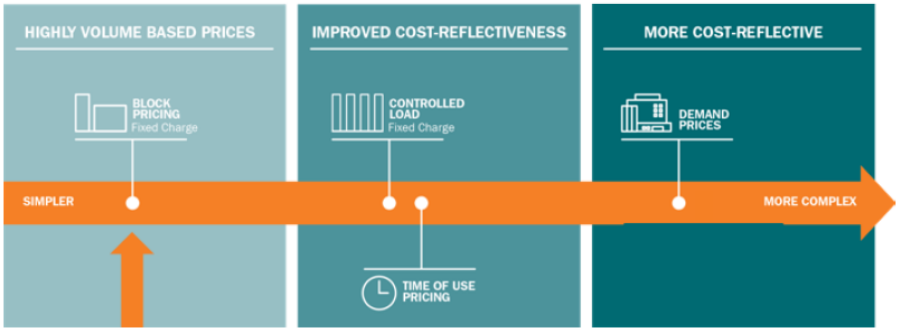
Innovation and Renewables Handout 1

Engagement Phases 1 & 2: *"What we heard from customers"*		Engagement Phase 3: *"Outcomes tested with customers"*	% customer support	AER draft determination
	> Support for new energy technologies and invest in research and development that reduces infrastructure expenditure.	✓ Proposal includes expenditure on research and development.	83%	✓
	> Generation source can be changed provided reliability and price remain stable. > Concerned new technology advantages not available to all.	✓ Trialing new technologies including microgrids, small-scale renewables, standalone power systems and facilitating large scale renewables to improve efficiency and lower network expenses.	93%	✓

Handout 2a: Pricing

Engagement Phases 1 & 2: *"What we heard from customers"*		Engagement Phase 3: *"Outcomes tested with customers"*	% customer support	AER draft determination
	> Changing the time at which electricity is used impacts quality of life. Incentives needed to support change.	✓ Off peak charging available and related services piloted.	90%	✓
	> Progression to cost-reflective charges should be slow and careful. Bills should be predictable and stable.	✓ Due to lack of popularity, we have only increased fixed charges by $5 p.a., with offsetting reductions in variable charges which allows slower progression towards cost-reflective pricing.	76%	✓
	> Locational pricing, seasonal pricing and fixed charge increase not popular.	✓ No locational or seasonal pricing.	87%	✓
	> Choice between pricing options required.	✓ Network charging plans updated, with opt-out for all residents and small business.	87%	To Be Discussed
	> Support a price that encourages off-peak charging for electric vehicles.	✓ New default assignment for customers installing new, innovative technologies to encourage efficient use.	87%	To Be Discussed
	> Invest in researching microgrids as an option.	✓ Microgrids will be piloted, with pricing trials undertaken and policy propositions.	81%	✓
	> No change required to charging windows for time of use pricing.	✓ Education on our network charges enhanced.	95%	✓

Handout 2b: Pricing types



Pricing type	Level of cost reflectivity	Description
Block pricing	Least cost reflective – but simple to understand	• A fixed charge and a variable charge that does not vary with the time of day • Most of our customers are on block pricing
Time of Use	More cost reflective	• A fixed charge and variable charges that vary according to the time of day – peak, shoulder and off-peak
Demand	Most cost reflective but difficult to understand	• As well as a fixed charge and variable charges that vary according to the time of day, these prices have a demand component charged on maximum peak usage over a period of time • Customers are rewarded for placing less impact on the network through how they use energy

Voting sheet 1: Network Charges

1. Should residential and small business customers who are connecting new technologies be automatically moved to a different tariff?

Yes	1
No	2
Don't know	3

2. If yes, should they be moved to

Time of use	1
Demand charge	2
Both	3
Don't know	4

3. Should a demand charge for these customers be spread across:

Both peak and shoulder periods (7am to 10pm weekdays)	1
Peak period only (5pm to 8pm weekdays)	2
Don't know	3

Voting sheet 2: How charges are applied

1. How would you prefer to move to cost reflective tariffs if you've upgraded to a smart meter:

When the meter is installed	1
12 months after the meter is installed	2
Don't know	3

2. Should Customers and/or Retailers have the option to opt out of cost reflective tariffs?

Yes	1
No	2
Don't know	3

Handout 3a: Standalone power systems

> A **stand-alone power system** (**SAPS)** is an off-grid energy generation system for locations without an electricity network or where a network might not be the most efficient or effective solution

> Typical SAPS include solar, wind, biofuel or other method of generation and/or battery solutions for energy storage

SPS considerations:

- Is the cost of maintaining the grid higher/lower than cost of SPS?
- Is the cost to maintain the network in coming years forecast to be high/low?
- Does the network serve a small/large number of customers?
- Are the customers high/low electricity consumers?
- Is the current electricity supply reliability good/poor?

Handout 3b: Examples of Stand Alone Power Systems

Appendix 3: End of Session Questionnaire

We would like your help to evaluate today's session so would be grateful if you could complete this questionnaire.

1. Based on your experience today, please indicate how strongly you agree or disagree with each of the following statements by placing a tick in the relevant box (please tick one box on each line)

	Strongly Agree	Agree	Neither agree or Disagree	Disagree	Strongly Disagree	Don't know
a. I enjoyed taking part in the session	☐	☐	☐	☐	☐	☐
b. It was informative and I feel I have learned a lot	☐	☐	☐	☐	☐	☐
c. The session was well organised and structured	☐	☐	☐	☐	☐	☐
d. I was able to provide my views and contribute during the session	☐	☐	☐	☐	☐	☐
e. I think Essential Energy will act on the information from this session	☐	☐	☐	☐	☐	☐

2. What were the strengths of the session today?

_____
_____
_____
_____

3. What do you think could have improved the session today?

_____
_____
_____
_____

4. Based on your experience of the whole engagement process, please indicate how strongly you agree or disagree with each of the following statements by placing a tick in the relevant box

	Strongly Agree	Agree	Neither agree or Disagree	Disagree	Strongly Disagree	Don't know
a. I enjoyed taking part in the engagement process	☐	☐	☐	☐	☐	☐
b. The engagement process was informative and I feel I have learned a lot	☐	☐	☐	☐	☐	☐
c. Essential Energy have taken my views into account in their Draft Regulatory Proposal	☐	☐	☐	☐	☐	☐
d. I think events like this are a good way of consulting the public about issues	☐	☐	☐	☐	☐	☐

Thank you for your time and participation