



Submission on

***Priorities for the ACT Electricity Network:
ActewAGL Distribution Electricity Network
Five Year Plan 2019-2024 Discussion Paper***

September 2017

About ACTCOSS

ACTCOSS acknowledges Canberra has been built on the land of the Ngunnawal people. We pay respects to their Elders and recognise the strength and resilience of Aboriginal and Torres Strait Islander peoples. We celebrate Aboriginal and Torres Strait Islander cultures and ongoing contribution to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage and low-income citizens of the Territory.

ACTCOSS is a member of the nationwide COSS network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS' vision is to live in a fair and equitable community that respects and values diversity, human rights and sustainability and promotes justice, equity, reconciliation and social inclusion.

The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS received funding from ActewAGL Distribution to contribute customer perspectives.

ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

Contact Details

Phone: 02 6202 7200
Fax: 02 6288 0070
Address: Weston Community Hub, 1/6 Gritten St, Weston ACT 2611
Email: actcoss@actcoss.org.au
Web: www.actcoss.org.au
Director: Susan Helyar
Policy Officer: Tara Prince

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Introduction

The responses provided in this paper reflect the views of ACTCOSS, developed with reference to the work undertaken in February 2017 to understand the perspectives of representatives of residential and small business customers in the ACT¹.

We support the proposal by ActewAGL to engage more deeply with diverse customers (vulnerable and small business) to gain detailed responses to the questions raised in the Discussion Paper.

General Comments

Affordability is rated as a higher priority than reliability in initial customer engagements (Figure 4 p.6). The customer research by ORIMA (2015) and in relation to the Tariff Structure Statement (2015) demonstrate cost increases, especially to low income and other vulnerable customer groups, are a universal concern.

However, the ActewAGL Distribution business mission statement (p.4) does not mention affordability as an objective.

The shift in customer willingness to pay for reliability since 2003 seems to be around the emerging visibility of and expressed concern about vulnerable customers. Consumer advocates believe ActewAGL Distribution need more up to date, disaggregated data on the basis of income to find out if low income customers have a higher tolerance for reduced reliability and if higher income customers are willing to continue to pay more for improved reliability.

This information should assist advocates and business decision-makers to understand whether customers are comfortable with planned outages versus unplanned outages. As noted in our feedback on the Issues Paper, questions need to be nuanced and provide a range of choices, for example, not asking “What are your views on the trade-offs between reliability, customer services and cost of electricity distribution?”, but providing a range of possible and realistic scenarios to choose from for example “would you prefer a half hour outage once a month and save \$10 on your bill?”. We also need to understand how long term (eg half hour) or micro outages (eg a few seconds each hour) are experienced by different customers and what are customers key considerations in terms of impact and inconvenience.

The willingness to pay survey referenced in the Discussion Paper is five years old. A new willingness to pay survey is needed. This should be conducted prior to the completion of the regulatory proposal for 2019-2024 and should include a large enough sample size to disaggregate customer responses according to household income, age, and chronic illness/disability status. This could be

¹ <https://www.actcoss.org.au/sites/default/files/public/publications/2017-submission-actewagl-electricity-distribution-determination-phase-1-report.pdf>

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

Responses to specific issues raised in the Discussion Paper

Sharing Costs Across Customer Groups

Figure 9 (p.11) shows high voltage customers are responsible for 13% of consumption but only deliver 7% of revenue. This indicates high voltage commercial users should carry more of the costs of supply to the distribution network than they do. A rebalancing of this sharing of costs should reduce costs for low voltage commercial users.

Opex

In Figure 13 (p.19) the predicted costs of and different options for managing network maintenance and renewal over time are outlined. On balance, the current regime provides the preferred approach.

Capex

The age of assets is noted, however, there is not a significant risk in the next regulatory period, given the life expectancy of the oldest cables is 20 years into the future.

It would be useful to understand what scope there is to reduce spending on non-network services (currently 23% of costs)? What would be the impact of this on reliability and price?

There is significant expenditure in 2019-2024 associated with meeting specific high voltage customer needs. How will the costs associated with major projects relevant to specific customers (light rail, data centres) be attributed to those customers instead of across the whole customer base?

Cross subsidies

The 20:20:60 tariff described on p.24 is a preferred option on the grounds of fair distribution of costs.

Information previously sought by customers not covered in the Discussion Paper

What is the evidence that ActewAGL Distribution has improved its efficiency during the 2014-2019 regulatory period, and how have those efficiencies benefited customers?

What are the deviations (95% group) around the average for both Unplanned System Interruption Duration and Unplanned System Interruption Frequency?

How will ActewAGL Distribution support consumers to respond to price signals from demand/Time of Use tariffs?

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

What non-price demand management options are being offered (e.g. connection costs for business, auto shut-offs of hot water = rebate paid)?

Have you considered guaranteed service level specifications, and payments where these are not met (e.g. WA, SA, QLD)?

Issues of Interest to Customers in Further Development of the 2019-2024 Regulatory Proposal

Classification of Distribution Services

What is the estimated percentage of the costs of distribution network infrastructure repair that can be recouped from third parties when the repair is required because of third party damage?

What costs are incorporated into the regulatory proposal by ActewAGL Distribution related to recouping the capital cost of type 5 and 6 metering equipment installed prior to 1 December 2017?

Will ActewAGL Distribution include any costs related to type 7 metering equipment in its regulatory proposal?

Are there any unique circumstances in the ActewAGL Distribution Connection Policy that will form part of its regulatory proposal?

If the customer's connection cost exceeds the revenues that will be paid by that customer over time, then the customer will be asked to make a contribution to the connection costs – how many customers is this expected to affect in the coming regulatory period?

What are the current timeframes (longest, shortest and average) for supply of connection services? How will ActewAGL ensure the timely supply of

connection services, particularly augmentation services, in the coming regulatory period?

Control mechanisms

Are there any services for which AactewAGL will seek an increase in the price cap?

In 2014-2019 have any of the prices offered to customers been provided at a price below the cap? Please list the services and the size of the gap (in percentages) below the cap.

What are the costs of the new demand side management measures that will be offered in 2019-2024?

What impact are these measures expected to have on capital costs? What customers (residential, small commercial, large commercial) are most likely to benefit from these measures and how will the costs of these measures be shared across customer types?

What is the current trajectory of electricity demand in the ACT – is it growing per connection or reducing? Does the growth in connections outweigh reduction in demand per connection?

What measures are planned for reducing peak demand in 2019-2014? What impact will these measures have on reducing capital costs during the regulatory period?

What is the expected distribution of price reductions (across residential, small commercial and large commercial customers) as a result of demand management measures?

Incentive Schemes

Does ActewAGL agree with the AER proposed approach?

- set revenue at risk at ± 5 per cent
- segment the network according to the urban and short rural feeder categories
- apply the system average interruption duration index or SAIDI, system average interruption frequency index or SAIFI and customer service (telephone answering) parameters
- set performance targets based on ActewAGL's average performance over the past five regulatory years
- apply the method in the STPIS for excluding specific events from the calculation of annual performance and performance targets
- apply the method and value of customer reliability (VCR) values as indicated in AEMO's 2014 Value of Customer Reliability Review final report.

Does ActewAGL intend to apply for funding in its regulatory proposal for research and development in demand management projects that have the potential to reduce long term network costs? Will there be customer involvement in the development and oversight of these projects?



ACTEW/AGL Electricity 5 Year Plan

Introduction

COTA ACT is the peak organisation for all issues relating to older Canberra citizens, seniors, those of mature age and their families. It is an independent organisation working to protect and promote the well-being, rights and interests of all older people in the ACT. We cover all aspects of the journey of growing older.

COTA ACT has been looking after the needs of older people in the ACT since 1973. Over 5,000 people are members of COTA ACT and benefit from a range of exclusive services. COTA ACT uses surveys, forums and focus groups to assess gaps and develop information materials and policies. In recent years we have undertaken research and sought member feedback on a number of issues including election priorities, medical services, energy, transport and road safety.

Responses ActewAGL Electricity network 5 year plan

OPERATIONS AND MAINTENANCE (p16) *Are there other areas of network operations and maintenance that you think are important?*

COTA ACT believes that cost creep resulting from making infrastructure fail-proof is of concern. We are of the view that bills based on an estimate of usage causes anxiety and do not help householders to manage their power usage and household costs. While it is reasonable to pass on costs along with an efficient and sustainable profit margin, it appears that the current profit margins are above this level.

COTA ACT hears that prices are becoming too expensive for vulnerable customers to continue paying electricity bills, with some consumers going without food or medicines in order to pay to keep warm in winter.

The tiny print that is sent out about consumers' rights and responsibilities is too small for many older people to read and needs to be made larger.

The document is full of jargon about the complexities of the systems and needs to be simplified.

OPEX CASE STUDY (p19) *Which option would you prefer?*

- . 1 More pro-active approach to network maintenance (at an additional cost and with

the benefit of greater future reliability)

- . 2 *More reactive maintenance program (for a saving now but potentially reduced reliability in the future)*
- . 3 *The current approach*

While we note that the "more reactive maintenance program" (option 2) would reduce reliability, the reduction is not significant (36 minutes - option 2 vs 35 minutes - options 1 and 3).

On the other hand a saving of \$11/year per bill from more reactive maintenance program is quite significant for low-income consumers – particularly if the consumption charge keeps rising. The major risk in the reactive maintenance option is of increasing deterioration in the infrastructure leading to a significantly high remedial cost between 2050 and 2090.

To cushion against this cost, instead of passing the full savings of \$11/per year, perhaps ActewAGL could pass a portion, say \$6/year to consumers and create a sinking fund of the remaining \$5/year to partially fund the increased remedial cost of future.

Alternatively, the current maintenance approach should be maintained with a guarantee that the expected small increase in remedial cost is not passed onto the consumer.

COTA ACT notes that all three Opex options relate to maintenance of above ground network infrastructure. The plan does not mention frequency and cost of maintaining the underground network that is being installed in newer suburbs.

Based on recent power outages in Gungahlin over several days, COTA ACT is concerned that exclusion of maintenance of underground network may not reflect the actual cost and reliability of the network. COTA ACT suggests that a maintenance program of the underground network should be included in the five year plan.

INVESTMENT IN THE NETWORK: CASE STUDY (p24) How should we support customers with solar PV generation?

While cross-subsidisation of households with PV generators seems unfair, PV generation benefits all including those without PV because it reduces the ACT's overall carbon-foot print.

COTA ACT is of an open mind on demand tariff but needs more information on smart meters that are required to manage demand. For example, who would bear the cost of smart meters, would household need to re-wire their appliances or would they need to purchase smart appliances able to communicate with smart meters. Further, COTA ACT asks what returns can householders expect if they reduce demand and over what period

those returns ameliorate cost of smart appliances/re-wiring etc.

COTA ACT is of the view that if the cost of installation of smart meters is to be borne by consumers, it should be subsidized for older vulnerable people, and an education program should be on-going as to how older folk can reduce their power usages.

There have also been concerns expressed to COTA ACT about security concerns around the use of smart meters. COTA ACT believes that it could work with ActewAGL to teach senior Canberrans how to use smart meters and introduce older people to them and understand the ramifications of their use.

COTA also thinks that the use of batteries to store PV power should be encouraged/ subsidised as this could make a significant impact on peak demand usage during winter and during hot days in summer.

COTA ACT, however, considers consumers will still need to draw power from the grid for about 25 days per year when they cannot generate PV power for their needs. This reliance on the grid should be taken into account while planning for battery usage in setting demand based tariff.

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

We consider the following issues of importance:

- Customer control on their usage of energy.
- Capacity to trade surplus energy.
- Protection of customer privacy under smart metering.
- Reliability of network.
- Transparent billing – clearly identifying usage and cost elements.

NETWORK TARIFFS (p25) *Are there particular reforms to the existing suite of tariffs that you consider important?*

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

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

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

COTA ACT is of the view that the new tariff structure statement as listed on p. 25 (five dot points) is fair. However, we wish to again emphasize that smart metering should protect customer privacy and pricing should be transparent.

COTA ACT is also concerned about the current state of “bill shock” resulting from ActewAGL not reading the meters and sending bills on an estimate basis. Many older residents are unable to read meters to cross check their usage.

ActewAGL should include accurate billing as part of its smart meters and should also include an easy to use method of cross checking usage.

There has also been feedback to COTA ACT about:

- Lack of consumer understanding of what component of the bill a discount will apply to
- The fact that discounts vary through the life of a contract
- Difficulties in comparing offers as the underlying tariff that the discount is taken from differs from offer to offer
- The level of “pay on time” discounts.

CUSTOMER ENGAGEMENT (p28) How would you prefer to engage with ActewAGL Distribution?

Face to Face and by phone, and lastly by web site. Many older Canberrans do not use computers or smartphones so are at a disadvantage if information can only be accessed on the website.

What electricity network related topics are most important to you?

Reliability of electricity supply, cost, how to read bills, available concessions and discounts and face to face customer engagement and information.