Attachment 2: Consumer engagement

Regulatory proposal for the ACT electricity distribution network 2019–24 January 2018



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Appendix 2.1 2019–24 Regulatory proposal consumer engagement strategy

Appendix 2.2 Written submissions to discussion paper

2.1 Introduction

Evoenergy's consumer engagement provided an important contribution to developing its 2019–24 regulatory proposal. The engagement was delivered within the context of Evoenergy's ongoing consumer engagement program.

Evoenergy's consumer engagement journey commenced in 2014 with the development of the Stage 1 Consumer Engagement Strategy. Since that time, the consumer engagement program has expanded: Stage 1 has been reported upon and Stage 2 has been developed and is currently being put into practice. The journey continues, however, as consumer engagement plays a key role in continued business transformation.

The consumer engagement program for the 2019–24 regulatory proposal was developed in 2016 and has guided activities that provided stakeholders from a range of consumer groups input to Evoenergy's electricity network *five-year plan*.¹ Key elements of the consumer engagement program to date have included:

- consumer publications to provide background information, raise questions and seek feedback from consumers;
- presentations to and feedback from Evoenergy's Energy Consumer Reference Council (ECRC);
- consumer workshops;
- online surveys; and
- written submissions from stakeholder groups.

These consumer engagement activities were supported by website information, social media promotions and communication through industry and community organisations.

The following key themes were raised by consumers during the development of Evoenergy's 2019-24 electricity network regulatory proposal.

- Throughout consultation, Evoenergy customers emphasised the importance they place on **meaningful involvement in the regulatory determination process**.
- **Predictability and certainty** across many aspects of Evoenergy's five-year plan is important, particularly with respect to price changes.
- **Technology** has the potential to be an important enabler for the electricity network and should play a role in the future of Evoenergy; with the potential to provide innovative solutions and cost-effective outcomes.
- **The cost/reliability trade-off** approach with respect to operating expenditure currently adopted by Evoenergy is supported by consumers.
- **Maintaining security of supply** is important, particularly during the adoption of new technology.
- Most consumers are prepared to modify their electricity consumption in response to price signals.

¹ The term 'five-year plan' has been used extensively during customer consultation to describe the development of policies and strategies for the 2019–24 period to which the Evoenergy regulatory proposal relates. It includes consideration of customer expectations, service delivery, reliability, cost-effectiveness, asset management, operation of the network and continued customer engagement.

- Evoenergy's customers **support cost-reflective tariffs** as they provide a price signal to encourage consumers to consider changing their electricity consumption.
- Support for consumers during the transition to more cost-reflective tariffs is important.
- It is important that price signals are supported by **consumer information and** education to allow consumers to take advantage of potential savings.
- · Consumers identified as important price predictability and certainty.

Evoenergy has worked closely with its consumers, particularly through its ECRC, to ensure that consumer feedback has been taken into consideration during the development of its 2019–24 electricity network regulatory proposal.

This attachment provides information on Evoenergy's consumer engagement activities, feedback received from consumers and how Evoenergy has responded to that feedback.

2.2 Engagement strategy

Evoenergy has an ongoing program of consumer engagement activities. Evoenergy's Consumer Engagement Strategy can be found online at https://www.evoenergy.com.au/consumer-engagement-program.

Consumer engagement associated with the development of the 2019–24 regulatory proposal was delivered within the context of business-as-usual consumer engagement.

All consumer engagement at Evoenergy is guided by the engagement principles, identified in Table 2.1, which in turn reflect the Australian Energy Regulator's (AER's) Consumer Engagement Guideline.²

Drawing on the International Association of Public Participation (IAP2) Public Participation Spectrum, as illustrated in Figure 2.1, the consultation for the regulatory proposal sought to:

- inform, consult and involve electricity consumers and other members of the ACT community; and
- collaborate with the ECRC and other key stakeholder representatives to ensure the input of these consumers is reflected in the regulatory proposal.

² AER 2013, *Consumer Engagement Guideline for Network Service Providers*, November. See https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/consumer-engagement-guideline-for-network-service-providers.

Principle	How we will do this	What it means for our customers
Clear, accurate and timely information	Information will be provided that is useful, relevant and easy to understand.	Customers can make informed choices and contribute effectively to the conversation.
Accessible and inclusive	Customers will be engaged broadly across a range of communities and through a variety of interactions.	All customers have the opportunity to participate in discussions, express opinions and understand outcomes of our conversations.
Transparent	Our engagement with customers will be open and honest, with regular and meaningful reporting.	Allow our customers to understand how their views and comments were taken into consideration.
Measurable	Each customer engagement activity will establish clear and (where possible) measurable criteria against which the success of the engagement can be measured.	Customers will be able to hold us accountable against the objectives of each engagement activity, and work with us to continually improve our engagement activities.
Long-term	Engagement with our customers will be on-going and regular, recognising that our customers will be at different levels of understanding and involvement in our organisation over time.	Customers will be able to meaningfully engage with us at any time.

Table 2.1 Evoenergy engagement principles





Source: Energy Networks Association Consumer Engagement Handbook

By adopting these objectives, Evoenergy was able to ensure that consumer feedback was gathered in a useful way to allow consideration when preparing the regulatory proposal. An important part of achieving this has been regular updates to the ActewAGL Distribution (AAD) project board overseeing the regulatory review for 2019–24 on consumer feedback as part of developing the regulatory proposal.

Figure 2.2 Consumer input to the regulatory proposal



The Consumer Engagement Strategy for the 2019–24 regulatory proposal was prepared in consultation with the ECRC and was delivered with regular reference to this group. A copy of the strategy is included at Appendix 2.1 to this attachment.

2.3 Consumer engagement activities

The four phases of the consumer engagement program for the 2019–24 regulatory proposal are outlined below.

- 1. Community informing and scoping of issues
 - Issues paper A Safe, Reliable and Cost-Effective Electricity Network: AAD Electricity Network 2019–24 Five-year plan
 - Presentations to ECRC meetings
 - Inclusion of information in industry publications
 - Distribution of information to community councils in the ACT
- 2. Gathering feedback from consumers
 - Discussion Paper Priorities for the ACT Electricity Network; ActewAGL Distribution Electricity Network 2019–24 Five-year plan
 - Discussions at ECRC meetings
 - Consumer workshops
 - Written submissions
 - PowerPanel Surveys
- 3. **Responding** to community feedback, demonstrating the influence the consumer feedback has had on 2019–24 electricity network regulatory proposal
- 4. Post submission AER draft determination consultation

The program of engaging with consumers began in August 2017 with discussions at the ECRC meeting around tariff setting. The proposed approach to consumer engagement for the 2019–24 regulatory proposal was presented to the ECRC in October 2017.

Throughout the consumer engagement program, regular updates were provided to, and input received from, the ECRC. A summary of consumer feedback heard during the consumer engagement and how this feedback is reflected in the regulatory proposal was presented to the ECRC in December 2017.

The range of consultation activities, target stakeholder group, supporting promotional activities and how feedback was obtained is documented in Table 2.2.

Table 2.2 Summary of consultation activities

		Та	rget sta	akeholo	ler gro	up			Promo	otion			Feedback mechanisms				IAP2 Spectrum*					
Activity	Topics of engagement	Residential	Vulnerable consumers	Small business	Large consumers	Retailers	Website	Industry newsletters	Mailing list	Social media	Community presentation	Social services	ECRC	Consumer workshops	One-on-one meetings	Written submissions	Inform	Consult	Involve	Collaborate	Empower	
							Comm	nunity ir	nforming	g and so	oping is	ssues	,				,					
Issues Paper - 'A Safe, Reliable and Cost- Effective Electricity Network: ActewAGL Distributio n Electricity Network 2019–24 Five-year plan'. December 2016	Background information on: • electricity network • regulatory process • concepts of operating & capital expenditure • tariffs, peak demand Sought feedback on what issues should be explored in the discussion paper	✓		✓	1		•	•	•				1			1	√ ✓	✓				

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		Та	rget st	akehol	der gro	up	Promotion							Feedback mechanisms				IAP2 Spectrum*					
Activity	Topics of engagement	Residential	Vulnerable consumers	Small business	Large consumers	Retailers	Website	Industry newsletters	Mailing list	Social media	Community presentation	Social services	ECRC	Consumer workshops	One-on-one meetings	Written submissions	Inform	Consult	Involve	Collaborate	Empower		
Discussio ns with ECRC e August 2 2016 – S April 2017 S	Approach to consumer engagement 2017/18 Tariff Structure Statement Cost reflective ariffs Framework & Approach Regulatory approach	√	1	1	√								`					✓	 ✓ ✓ 				
ACTCOS S / Canberra Business Chamber workshop. February 2017	Review of the issues paper	√	✓	✓				6	thoring	foodb	ack	✓		✓		✓			√ ✓				

	Та	rget st	akehol	der gro	up	Promotion							Feedback mechanisms				IAP2 Spectrum*					
Activity	Topics of engagement	Residential	Vulnerable consumers	Small business	Large consumers	Retailers	Website	Industry newsletters	Mailing list	Social media	Community presentation	Social services	ECRC	Consumer workshops	One-on-one meetings	Written submissions	Inform	Consult	Involve	Collaborate	Empower	
Discussio n Paper - 'Priorities for the ACT Electricity Network: ActewAGL Distrib- ution Electricity Network 2019-24 Five-year plan'. July 2017	Cost/reliability trade-off Operating expenditure Approach to maintenance Capital expenditure Technology Network prices Support for consumers while implementing	√	•	•	✓		•	•	√	•	•		~	1		1	*	 ✓ ✓ 				
Consumer workshops . July 2017	cost-reflective tariffs.	1		1	✓		✓	✓	✓	✓	✓	✓	✓	✓				✓	√			
Online surveys - general residential + a targeted vulnerable consumer survey. Septembe r- October 2017		1	1				•					•						 ✓ ✓ 				

		Та	rget st	akehol	der gro	up	Promotion							Feedback mechanisms				IAP2 Spectrum*				
Activity	Topics of engagement	Residential	Vulnerable consumers	Small business	Large consumers	Retailers	Website	Industry newsletters	Mailing list	Social media	Community presentation	Social services	ECRC	Consumer workshops	One-on-one meetings	Written submissions	Inform	Consult	Involve	Collaborate	Empower	
Retailer meetings October 2017	Tariff design Preservation of network tariffs in retail tariffs Consumer responses to price signals Communicati on to retail customers					1									1				√			
Discussio ns with ECRC June – December 2017	Capital expenditure Operating expenditure Technology impacts Tariff options Implementing new tariffs Transition arrangements	√	1	1	1		√		√				✓						✓ ✓			
								Respon	ding an	d repor	ting bac											
Discussio ns with ECRC. October – December 2017	Summary of feedback received to date	1	1	1	1		✓		√				√				✓	< ✓				

		Та	rget st	akehol	der gro	up	Promotion							Feedback mechanisms				IAP2 Spectrum*					
Activity	Topics of engagement	Residential	Vulnerable consumers	Small business	Large consumers	Retailers	Website	Industry newsletters	Mailing list	Social media	Community presentation	Social services	ECRC	Consumer workshops	One-on-one meetings	Written submissions	Inform	Consult	Involve	Collaborate	Empower		
Consult- ation summary		1	1	1	1		✓	✓					~				√						
									Post sub	omissio													
Consult on AER draft determin- ation	Yet to be undertaken																						

*Under IAP2 Spectrum, coloured ticks represent a target in the proposed strategy.

2.4 Consumer feedback and Evoenergy's response

Consumer engagement activities were designed to encourage the involvement of representatives from a cross-section of customer segments.

The continued shift towards more cost-reflective pricing is an important component of Evoenergy's five-year plan. Consumer feedback was gathered during consultation on the Tariff Structure Statement (TSS) applying to 2017/18 and 2018/19. Based on consumer support for cost-reflective tariffs, the focus of this consumer engagement was on the implementation of cost-reflective tariffs and the ability of consumers to adjust energy consumption in response to price signals.

The themes arising from consumer feedback and how Evoenergy has responded to this feedback are detailed in Table 2.3.

Key theme of consumer feedback	How this has been addressed in the regulatory proposal
Throughout consultation, Evoenergy consumers emphasised the importance they place on meaningful involvement in the regulatory submission process (including the TSS).	 Evoenergy recognises the need for its consumers to contribute to the regulatory process. It has sought to engage with consumers using a number of methods with the objectives of: conveying to them a greater understanding of the electricity sector and the regulatory process; and seeking their preferences on the issues that are most important to them. In this way, Evoenergy believes consumers will be more engaged and can provide more informed and valuable contributions to the regulatory process.
Reliability and security of supply	
Maintaining security of supply is important, particularly during the adoption of new technology.	Evoenergy's regulatory proposal reflects the capex and opex required to maintain the quality and reliability of the ACT power supply. Key areas of expenditure include the refurbishment or replacement of ageing assets to meet safety and reliability standards, increasing network capacity to accommodate major urban developments, and installing a second connection point to the NSW transmission network to meet the ACT Government's system security requirements. Evoenergy is also proposing expenditure on systems to support the adoption of new technologies.
Cost/reliability trade-off	
The cost/reliability trade-off approach with respect to opex currently adopted	Evoenergy's regulatory proposal largely maintains the current risk-based maintenance strategies, an approach

Table 2.3 Consumer feedback received

Key theme of consumer feedback	How this has been addressed in the regulatory proposal
by Evoenergy is supported by consumers.	supported by nearly half of residential consumers surveyed with the remainder of respondents split roughly equally between the reactive and proactive approaches.
	With respect to capex, Evoenergy has sought to find the right balance between cost optimisation and reliability of supply by optimising its capex program using a top-down assessment methodology. This approach has resulted in \$46 million in opportunities to reduce expenditure while maintaining the same risk profile.
Supporting new supply technology	
Consumers recognise that technology has the potential to be an important enabler for the electricity network and should play a role in the future of Evoenergy, with the potential to provide innovative solutions and cost- effective outcomes.	The rapid adoption of new technologies poses a number of challenges and opportunities for Evoenergy. Additional expenditure on systems is required to manage two-way power flows in the network, while expenditure in relation to network capacity may be reduced or deferred. Evoenergy is also undertaking a number of pilot studies and trials that will allow it to better support new technologies.
Networking pricing	
Evoenergy's customers support cost- reflective tariffs as they provide a price signal to encourage consumers to consider changing their electricity consumption.	Evoenergy proposes to continue on its journey towards cost-reflective network tariffs during the 2019–24 regulatory control period. It does not propose to implement tariffs or tariff changes where it is not certain that consumer behaviour has a direct impact on network costs.
Most consumers are prepared to modify their electricity consumption in response to price signals.	
Support for consumers during the transition to more cost-reflective tariffs is important.	Evoenergy will continue to engage with consumers and retailers once the Proposed TSS is lodged, through to the implementation of tariff changes.
It is important that price signals are supported by consumer information and education to allow consumers to take advantage of potential savings	
Consumers identified price predictability and certainty as important.	Evoenergy will continue to ensure that consumer impacts are considered when setting network prices.

2.4.1 Energy Consumer Reference Council

The ECRC was established by Evoenergy (then ActewAGL Distribution) in 2014 and its membership reflects the customer segments identified in Figure 2.3.



Figure 2.3 ECRC membership represented by consumer sector

The ECRC meets every two months and has an independent chairperson. For more than 12 months, the development of the 2019–24 regulatory proposal has been a standing agenda item. The ECRC provided input to the development of the approach to consumer engagement and provided feedback that directly informed the regulatory proposal.

Key themes of feedback from the ECRC

- Importance of educating consumers to build understanding and allow effective contributions to consultation processes.
- Importance of predictability and certainty to avoid price shocks wherever possible.
- Cost-reflective tariffs are supported as they provide important price signals. However, it is important that consumers (particularly vulnerable consumers) are supported to change their behaviour and realise the benefits of the new tariffs.
- Technology should play an important role in the future of the network, both in terms of innovative solutions, but also as a means to be more cost effective.

Table 2.4 details the topics discussed at each ECRC meeting and feedback provided during those meetings. 3

³ Copies of ECRC agendas, minutes and presentations are available online at <u>https://www.evoenergy.com.au/consumer-engagement-program/energy-consumer-reference-</u> <u>council/ecrc-meeting-papers</u>. For reasons of confidentiality, some commercial-in-confidence information is removed from presentations before they are posted to the website.

Table 2.4 ECRC feedback

CRC neeting	Topic discussed	Feedback received
0 August 2016 <i>M</i> eeting #13	Tariff structure	 With respect to Residential Demand Tariff and possibility of different winter and summer 'peaks' Need to consider what is best for consumers. Outcomes need to be simple and easy to understand; seasonable structure does not sound simple. Capacity of consumers to respond needs to be taken into consideration. Recent survey by COTA noted that workers didn't care about price signals, but older people were concerned about price changes. COTA survey found older Canberrans 'sleep late, go to the mall to keep warm and go to bed earlier'. Recommend no winter morning peak and remain revenue neutral; not having a morning peak is good for simplicity. If it has an influence on consumption, then it is important to give those signals, and help people to adjust, or support concessions, through other means. If there is no overall increase in cost to the consumers, agree to no morning peak.
	2019–14 Framework & Approach paper	The priority of renewables and the effect on business costs need to be discussed.
	Proposed Rule change to smooth revenue (participant derogation)	 Predictability of costs is very important to small businesses; a consistent understanding of costs is preferable to even small budget savings. Any changes need to be socialised and it is very important that these are communicated to business. The key message is that price stability and predictability is the key. Issues need to be on the table early. Business can incorporate costs if they are known; otherwise there is a price shock. Smooth impact is recommended. Lower percentage spread over five years would be good. Savings made on administration should be passed on to consumers.
2 October 2016	2019–14 Framework & Approach – update provided	No additional feedback received.
Neeting #14	Proposed rule change to smooth revenue (participant derogation) – update provided	No additional feedback received.

ECRC meeting	Topic discussed	Feedback received	
	Draft Consumer Engagement Strategy	 Need to educate consumers to have an informed conversation. A consumer briefing process is needed early in the process (i.e. early in 2017); after which input should be sought. Two phases should be used: 1) information and 2) engagement. If early in the new year work was done to brief the consumers, then consumer engagement can occur. Need to allow several months for the information phase. 	
7 December	Ring-fencing	Keen to understand the impacts on Evoenergy.	
2016 Meeting #15	Issues paper	Suggested that a 'voice-feedback' option be established to provide a verbal or phone-call submission for future discussion papers rather than just a written option.	
8 February 2017	Update on development of regulatory proposal	No further feedback received.	
Meeting #16	Encourage submissions on the Issues Paper	It was noted that ACTCOSS, in partnership with the Canberra Business Chamber and other organisations, was hosting a workshop to gather feedback on the Issues Paper from a number of organisations.	
5 April 2017 Meeting #17	Feedback on issues paper/ACTCOSS workshop	 Practical examples should be developed to assist during the consultation on the plan for 2019–24. For example showing that if X level of service is provided/expected then Y would be the price, this same practical example needs to be reflected across a range of demographics and in different locations across Canberra. It would be good to be able to explore impacts on vulnerable consumers. Has there been any noticeable difference in service levels since the operational budget cuts to Evoenergy from the last regulatory decision? Did the cuts to operating expenditure impact on asset replacement/capital expenditure? How do the costs compare between building infrastructure in Greenfields versus infill areas? In relation to the capex figures shown (20% for replacing aging infrastructure and 17% for growing our capacity) is there a potential for savings if capex is deferred due to advances in technology? What is returned to shareholders from capex? What is the profit target? 	
	Regulatory approach – update provided	No additional feedback received.	

ECRC meeting	Topic discussed	Feedback received	
	Framework & Approach – update provided	No additional feedback received.	
21 June 2017 Meeting #18	Capex	To what extent does Evoenergy's forecasting incorporate some of the incentives that they may offer for embedded generation in addition to incentives related to photovoltaic panels?	
	Opex – cost/reliability trade-off	In the case study that considers the timing of spending opex in the coming years and how those decisions will affect the reliability in the future (in this case 2070), surely those decisions can only be based on the technology available today and may not be relevant in the future. Do the predictions not indicate excessive risk aversion? Would a shorter period (e.g. 15 years) not be more accurate?	
	Tariff structure options	Are there any plans to provide people with log books to monitor their usage, perhaps as part of the customer portal trial?	
9 August 2017 Meeting #19	Capex	 It is important that Evoenergy consider the carbon neutral goals of the ACT Government and the potential impacts of achieving this target on the network. It was suggested that the ACT was in a unique position, where investing significantly in future maintenance or new technology doesn't significantly increase costs to the consumer, due to the regulatory framework. 	
	Opex	 Safety is an important consideration when planning maintenance programs. With respect to maintenance, Evoenergy should be mildly reactive, avoiding any 'gold-plating', while focusing on areas of increased cost and taking the opportunities that technology may present to be more cost effective. 	
	Technology	 Technology presents many unknowns with respect to long-term planning. The case-study referred to 2070 was considered too far away to influence current thinking as technology is likely to change significantly between now and then. Perhaps there are ways Evoenergy can help increase energy ratings of consumers' premises through activities such as light-bulb replacement programs, capitalising on new technology. Seeking solutions to network constraints through technology should be a priority. Technology-led disruptions should not be under-estimated, as the commercial viability of new technology can change very quickly. 	

ECRC meeting	Topic discussed	Feedback received	
	Tariff pricing options	 It is important that Evoenergy continue to reward consumers for their improved energy efficiency. It is important that the cost of new technology and the impacts on the network are shared equitably across consumers. Retrospective charges to consumers should be avoided. Interest in peak demand tariffs depends upon the ability of consumers to change energy usage and the financial reward associated with that change. Metering is a key component of cost-reflective tariffs being effective. This needs to involve the retailers and their approach to encouraging smart meters. Impacts on vulnerable consumers and renters should be considered. Perhaps consider partnerships with retailers, or the government, to focus on upgrading meters in public housing and other vulnerable consumers first. Connections could be made with government policy in this area. 	
11 October 2017 Meeting #20	TSS	 Retrospective calculation of alternate electricity bills (using alternative time-of-use tariffs) for consumers concerned about the costs associated with the peak demand tariff were well received and seen as a positive approach to allowing consumers time to adjust to more cost-reflective tariffs. It was suggested that information be provided to financial counsellors to help them explain electricity bills and, in particular, the option of having an alternate bill generated. 	
	Framework and Approach	No additional feedback received.	
	Forecasts of customer numbers and energy volumes	ECRC noted that even though customer numbers continue to increase, due to energy efficiency, total consumption does not increase as quickly.	
	Initial consumer feedback to date	No additional feedback received.	
6 December 2017 Meeting #21	TSS	 It was noted that as change of use tariffs are introduced it may become more difficult to understand the retail versus distribution component of the bill. ECRC members expressed concern about the lack of requirement for retailers to clearly show the distribution elements of their fees and believe it is important that electricity bills be clear and easy to understand. Members of the ECRC suggested that a short summary of the tariff changes and their likely impact on a typical consumer be prepared to better inform consumers. 	

ECRC meeting	Topic discussed	Feedback received
	Opex, capex, rate of return, impact on the regulated asset base and impact on prices	 What consideration is given to more people going off the grid in the future? As the Evoenergy continues to operate more efficiently why does the price of service keep rising? Answer provided: a large part of the increase in operating expenditure over the next period can be attributed to the shift of vegetation management and associated costs from the ACT Government to Evoenergy. Noting that consumer feedback was to continue to adopt the same operational management environment going forward, why do we see an increase in the forecast for replacement of assets, particularly against the actual figures achieved during 2014–19? Answer provided: It is largely due to the impacts of an aging network and the need to invest in new ICT technology. While the new technology has a shorter depreciable life, it will also allow Evoenergy to better direct its asset replacement program and therefore better optimise asset replacement expenditure. Evoenergy could considered raising capital finance through its customers to keep financing costs down. It would be useful to understand how much of the estimated 1% price rise (less inflation) is attributable to the increased costs associated with the vegetation management and what the price increase looks like across a range of consumer types.

2.4.2 Consumer workshops

Four workshops were hosted as part of the consumer engagement program:

- 18 July 2017 business workshop
- 19 July 2017 one daytime and one evening residential workshop
- 25 July 2017 large customers.

There were 30 participants across the four workshops. Workshops were promoted through community and industry organisations, online using social media and by direct invitation to participants in previous Evoenergy consumer engagement activities.

The workshops included a presentation component and professionally facilitated feedback exercises. The workshop content drew on the themes and questions as presented in the Evoenergy discussion paper. The discussion paper was provided to all participants prior to the workshop as well as being available at the workshop.

The format for each workshop included:

- 1. **introductory information** on Evoenergy, the energy market, the AER five-year determination regulatory process;
- presentation, case-study, workshop exercise and discussion on opex and reliability (in particular, the cost/reliability trade-off);
- 3. presentation, workshop exercise and discussion around **capital expenditure and technology** drawing on a solar photovoltaic (PV) case-study;
- 4. presentation, workshop exercise and discussion seeking views on the continued movement towards **cost-reflective pricing**; and
- 5. workshop evaluation exercise.

The workshop exercises were modified slightly across different audiences, such as the residential tariff exercises versus the high voltage (HV) customer tariff exercises.

Key themes of feedback from the consumer workshops

- Evoenergy's current approach to maintenance and the cost/reliability trade-off is appropriate.
- Maintaining security of supply is a key issue in terms of the approach to new technology.
- Supportive of Evoenergy taking a balanced approach to the adoption of new technology—neither too aggressive, nor being a reluctant adopter of technology.
- Important to understand the consumer impacts of any new technology.
- Supporting environmentally sustainable energy generation through the adoption of emerging technology is a priority.
- Most consumers are willing/able to adjust their energy consumption in response to price signals.
- Consumer information and support during the transition to cost-reflective pricing is important.

• HV customers were interested in discussing a critical peak tariff.

2.4.2.1 Cost/reliability trade-off

Opex and the cost/reliability trade-off was illustrated through a power pole maintenance and replacement scenario.

Following a presentation, question and answer session and small-group discussion, workshop participants were asked to plot their preferred cost/reliability balance in relation to the diagram shown in Figure 2.4 (as a representative case-study) and to explain what was important to them about cost and reliability.

Figure 2.4 Cost/reliability trade-off exercise



Over 40 per cent of workshop participants supported the current strategy, with the balance of participants fairly evenly split between a more proactive or more reactive approach, as illustrated in Figure 2.5.



Figure 2.5 Preferences for cost/reliability trade-off

Workshop participants were asked what is important with respect to reliability and Evoenergy's approach to maintenance. This open-ended question generated a wide range of answers, many of which are detailed in Table 2.5.

Table 2.5	Comments by workshop participants on cost/reliability trade-off
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Customer segment	Comments on cost/reliability trade-off
Residential	Measure of reliability is an average.
	 There may be cheaper ways of increasing reliability by changing the structure of the network.
	 Reliability of underground network vs the above ground network?
	It depends on the time of the day.
	I'd like to hear more about the data in the space between current and proactive.
	Changing technology means poles may be irrelevant.
	It depends on how the money is obtained.
	• Pay now. It will be more expensive in the future = allows proper planning and avoiding the 'bump' in the future.
	Extra cost is very small per year.
	Greater variation in usage charges.
	Still some increase in reliability.
	Need to factor in future technologies; more reactive approach leaves better funds.
	 About right now, need to know how the reliability changes when the wires are put underground.
	• I don't think \$10 per year is significant in the context of the total cost.
	Overall small difference in cost, regardless of strategy.
	Depends on the details: cost of inaction; 2 pole failures affect how many people?

Customer segment	Comments on cost/reliability trade-off		
	Set up a fund for future contingency measures.		
	 If proactive approach, will the money be used for just pole replacement or used towards new technologies? 		
	What role will the Regulator play? Will they override consumers' wishes?		
Small business	• Trade-off between cost and reliability needs to take into consideration innovation and the potential use of technology.		
Large	 Private consumer – lower cost, willing to accept some reduction in reliability. 		
customers	• Business consumer – lower costs are very important; reliability is also very important.		
	ANU Strategic Plan – Facilities Management: high reliability.		
	Parliament House – same as above.		
	 More brown-outs/dips (poor quality). Issues past few years. 		
	Highest reliability paramount.		
	• HV consumers have (some funding for Capex to control own energy (reliability/usage).		
	 Evoenergy's network infrastructure is ageing and failing. 		
	 Improved reliability reduces business risk and exposure. 		
	 Consider the longer-term strategy over 50 years, not just the immediate 5 years – they need to fit together. 		
	• We feel that the middle option (the current strategy) is a good balance between the other options and does not result in major increase in cost to the user. Option to be reviewed regularly.		
	• We already invest in energy back-up so we can handle slightly lower availability. This is based on our risk profile at each site. We experience high availability and competitive tariffs. This saves money as our alternative is on site diesel generators.		

2.4.2.2 Consumer feedback on capex and technology

The subjects of capex and Evoenergy's approach to technology were explored through the use of a case-study based on the increased adoption of solar PV panels, in particular drawing on the Canberra suburb of Denman Prospect, which is currently under development, where solar PV will be mandated for all single dwellings.

Participants were asked three questions:

- 1. What issues are important to you about ActewAGL Distribution's future adoption of technology?
- 2. How do you expect to use the network in the future?
- 3. What are your top three priorities regarding ActewAGL Distribution's adoption of emerging technology in the future?

Table 2.6 captures the responses to question 1 and Table 2.7 captures the responses to question 2. Figure 2.6 shows the priorities provided by respondents in response to question 3, the three most important of which were ensuring reliability, management of cost in the long term, and supporting environmentally sustainable energy generation.

Customer segment	What issues are important in terms of technology adoption?
Residential	Should adopt technologies that have a future.
	Should be the renewable energy business.
	Should finance Capex from raising funds from consumers.
	Should be in the smart metering business.
	• The network should facilitate peer-to-peer trading/ micro-grids/ distributed generation.
	What are the legislative barriers?
	Evoenergy should have a direct relationship with interests.
	 Access, equity and fairness, including programme for renters, public housing, low income, community housing, supported accommodation.
	 Measure ecological benefits as well as monetary benefits (i.e. not penalising those who pay to set up and use solar power to overall reduce their energy consumption footprint).
	Support people in their alternative choices.
	 Ensure not to alienate solar users so that they go off-grid; need balance that ensures low income not subsidising, but sufficient incentives to stay engaged.
	 Evoenergy needs to be in a position to adopt new technologies when they are appropriate.
	 Evoenergy should encourage the ACT Government to support research into new technologies.
	• Reliability: Decarbonisation while keeping quality high; local/mild grid independence.
	Costs: Balance with returns—incentives to move to new technology.
	 Privacy safeguards for meters, currently a semi-government agony, but a private enterprise might sell data.
	Reliability of supply.
	Support new technologies.
	Support battery storage.
	Cost effective.
	Grid independence.
	Reward balance between money back from grid vs savings of using battery power.
	 Share spare power with neighbours and community instead of sending to local power grids; we want the control to decide where it goes.
	Solar and battery storage with back-ups as necessary.
	Rewards—incentives.
Small business	 Trade-off between cost vs reliability vs innovation vs more information vs new and different.
	Have an expectation that Evoenergy is at the frontier of innovative energy solutions.

Table 2.6 Important aspects of technology adoption

Customer segment	What issues are important in terms of technology adoption?
Customer segment Large consumers	 What issues are important in terms of technology adoption? Reliability and security of supply. Cost to end user. Consistency vs timeframe— no change. Risk adversity is important. SCADA and remote switching for large consumers and knowledge of Network Capacity. Security of supply. Opportunity to generate and feed into utility and save money. Intelligent protection systems to reduce false trips and limit fault energy. Adaptive/consultative in behaviour. Many organisations have embedded generation below the National Electricity Market level. Evoenergy could make use of these in the market and pay the market rate. Risk aversion—balance of adopting new technology vs adopting technology that is already proven—concept testing. Doesn't increase the risk of supply and expose businesses.
	Balance between cutting edge and products that are trusted.Partnering opportunities—use to off-set.

Table 2.7 Consumer use of the network in the future

Customer segment	How do you expect to use the network in the future?
Residential	• Will be the same as I am currently a producer and consumer.
	More efficiently with greater education and awareness.
	• However, concerned that not all can access more efficient technologies due to renting, or
	lack of income.
	Feed power into network.
	Greater flexibility in adjusting usage to reflect consumption.
	Smooth transition.
	Maybe less because of the use of battery storage.
	Smart meter to avoid peak and cost.
	Reward balance between money back from grid vs savings of using battery power.
	Share spare power with neighbours and community instead of sending to local power
	grids; we want the control to decide where it goes.
	Solar and battery storage with back-ups as necessary.
	Rewards—incentives.
Small	• Wind energy—use for household and some businesses with lower energy need.
business	Wind generation on their buildings.
	Increased control for consumers.
	De-centralisation—more innovative solutions.

Customer segment	How do you expect to use the network in the future?
Large	Look to use more energy efficient infrastructure: LED & solar.
consumers	• Environmental impact—costs presented in categories like network, generation, broader
	climate impact—business planning informed.
	Much more embedded generation.
	Timing of usage to control costs.
	Continue to use utility power for supply diversity (with generation) and to save money.
	Feed in to save money.
	Regularly change to enable micro grids.
	ANU—not vastly different.

• Ensuring reliability and security of supply.

Figure 2.6 Order of priority for Evoenergy's adoption of emerging technology as suggested during consumer workshops



2.4.2.3 Reducing energy consumption

More than 50 per cent of workshop participants indicated they were willing or able to change their energy usage to receive a saving on their electricity bill. This is illustrated in Figure 2.7.





Agree Agree somewhat Undecided Disagree somewhat Disagree

2.4.2.4 Transition to cost-reflective tariffs

Workshop participants felt it is important to provide good support to consumers during the transition to cost-reflective tariffs.

When asked about the relative importance of opt-in and opt-out provisions, the consideration of consumer impacts, and providing choice of tariffs, all were considered by participants to be generally important, with most participants rating each of these above five where one was not important and 10 was very important.

When workshop participants were asked to select from a pick-list the most effective ways to support consumers during the transition to more cost-reflective tariffs, there was an even spread of responses from workshop participants, as shown in Figure 2.8.

Figure 2.8 Most effective ways to support consumers in transition to more costreflective tariffs



Other suggestions made by consumers about supporting the transition to more cost-reflective tariffs were:

- work with consumer advocates who understand and can pass on information, perhaps through workshops;
- contact centre (phone line) with well-briefed staff, including being able to tell the consumer about their pattern of energy use is;
- website;
- help people to understand the effects of their electricity usage on their bill; and
- information on energy rating of homes and appliances as well as information on available rebates.

2.4.2.5 Reform of existing network tariffs

During the consumer workshops, participants were invited to identify any reforms to network tariffs that Evoenergy should consider. Comments received in response to this open-ended question include the following quotes.

- A new suite of tariffs has the potential to create more confusion.
- Tariffs should reflect the principle of less consumption, lower unit price; that is, reward consumers for lowering their consumption (avoid punishing them).
- Fixed charge should be minimised; focus on people using less power rather than increasing supply charges.
- General focus on reducing energy by rewarding not just those reducing consumption in the peak, but overall consumption decreases too.
- Survey those of high risk, particular industry sectors (government buildings, gyms); responding to people in holistic solutions.
- Consider which consumers are relevant to achieving reduced peaks.

- A higher 'risk' option for full exposure to energy market or other capacity management drivers could be considered.
- Don't apply rebating demand tariffs as used in Victoria, that is, maximum demand in January is billed for 12 months.

Large consumers were also asked to provide feedback on the use of critical peak pricing, such as through the establishment of critical peak tariff. Although feedback was mixed, participants generally expressed interest in considering such tariffs. Feedback included the following points.

- This type of tariff could be a driver of innovation or change.
- The detail would need to be considered carefully, it has to make financial sense.
- Pricing has to recognise cost to run alternative power sources—fuel, maintenance, depreciation, etc.
- Important for cost saving but often operations are time dependent. Therefore, may have limited control of load/demand at any given point in time.

2.4.3 Consumer surveys

Two surveys were conducted which drew on the issues explored in the discussion paper and consumer workshops. A general online residential survey was promoted to about 800 consumers and a targeted vulnerable consumer survey was facilitated by the ACT Council of Social Service Inc (ACTCOSS) and affiliated organisations.

2.4.3.1 General residential survey

The residential online survey attracted 287 completed responses.

- Over 51 per cent of respondents understood that the two components of network and retail charges appear on their electricity bill.
- Nearly 56 per cent of respondents had an electricity bill between \$1,000 and \$2,000 per annum.
- Respondents were spread from across the ACT with no single suburb having more than three per cent of total participants.

Key themes from the online survey

- Consumers support Evoenergy's current approach to the cost/reliability tradeoff as illustrated through a maintenance case-study.
- Understanding consumer impacts and supporting environmentally sustainable energy generation are important considerations with respect to Evoenergy's adoption of emerging technology.
- Most consumers are willing to modify their electricity usage in response to a saving on their electricity bill.
- Information brochures and log books or mobile apps were the preferred method of supporting consumers.

COST/RELIABILITY TRADE-OFF

Survey participants were asked to respond to the same questions used in the consumer workshops. Once again the current approach was supported by most survey participants as shown in Figure 2.9.



Figure 2.9 Preferred approach to cost/reliability trade-off

CONSUMER FEEDBACK ON CAPEX AND TECHNOLOGY

Figure 2.10 shows the top priorities with respect to ActewAGL Distribution's adoption of emerging technology in the future, the two most important of which were, again, ensuring reliability, management of cost in the long term, and supporting environmentally sustainable energy generation.

Figure 2.10 Top three priorities for Evoenergy's adoption of emerging technology



REDUCING ENERGY CONSUMPTION

Survey participants were asked how willing and able they are to reduce their electricity usage at peak times (5–8pm) for different levels of savings to the household electricity bill. The results are illustrated in Figure 2.11.





SUPPORTING CONSUMERS TO TRANSITION

Survey participants were asked to select the most effective ways ActewAGL Distribution can support consumers during the transition to more cost-reflective tariffs.

Information brochures, log books and mobile phone applications were the most preferred method of supporting consumers.

2.4.3.2 Vulnerable consumers survey

Vulnerable consumers were identified early in the consultation program as an area of special need within the Canberra community. To better understand the potential impact of cost-reflective tariffs on vulnerable consumers, Evoenergy partnered with ACTCOSS to undertake a survey of vulnerable consumers.

The following steps were undertaken.

- A workshop was held with ACTCOSS members and affiliated organisations to work through the existing consumer survey and identify areas that required adapting to suit the target audience.
- Representatives of Care Financial, Unions ACT and the Conservation Council of the ACT promoted the survey to stakeholders supported by information requesting the survey be completed by low income households.
- Care Financial worked with consumers on a one-on-one or small-group basis to complete the survey as part of providing other advice and support.

The survey was completed by 36 consumers and the results generally reflect the same themes as for the general consumer survey.

Vulnerable consumers supported Evoenergy's current approach to maintenance and the cost/reliability trade-off as shown in Figure 2.12.



Figure 2.12 Preference for cost/reliability trade-off (vulnerable consumers)

Supporting environmentally sustainable energy generation was considered most important with respect to Evoenergy's adoption of emerging technology, followed by management of costs in the long term and maintaining security of electricity supply, as shown in Figure 2.13.





Most vulnerable consumers were willing to modify electricity consumption in return for a saving on their bill, as shown in Figure 2.14.

Figure 2.14 Willingness to reduce electricity usage in order to obtain a saving on electricity bill (vulnerable consumers)



Vulnerable consumers also suggested that all methods of communicating with consumers were important, with particular interest in the use of log books or mobile phone applications, as shown in Figure 2.15. Additional suggestions from vulnerable consumers included the use of electronic distribution and social media channels. Vulnerable consumers also suggested that smart meters should be able to provide information and alerts to consumers when certain energy usage thresholds are reached.



Figure 2.15 Most effective ways to support consumers in transition to more costreflective tariffs (vulnerable consumers)

2.4.4 Other feedback

Consumer and representative organisations were invited to provide written submissions during the consumer engagement program, particularly in response to the Issues Paper and the Discussion Paper. Written submissions received during the consumer engagement period are listed in Table 2.8.

Submission in response to:	Organisation	Customer segment
Issues Paper	 ACTCOSS submission, drawn from workshop involving: ACTCOSS Canberra Business Chamber Community Councils Conservation Council of the ACT Council on the Ageing Property Council ACT SeeChange 	Residential Commercial Developers Environmental
Online content	Individual consumer x 2 (social media comments)	Residential
Discussion Paper	ACTCOSS Council for the Ageing	Residential

Table 2.8 Written submissions from consumer and representative organisations

Feedback in the written submissions cover a diverse range of topics making it difficult to draw key themes from the content. Copies of the written submissions are included at Appendix 2.2.

However, three overarching comments related to network pricing are highlighted below.

- During consultation, provide consumers with realistic scenarios and case-studies to make informed contribution to potential options.
- Evoenergy needs more up-to-date, disaggregated data on the basis of income to better understand the consumer impacts and tolerance for reduced reliability for a lower distribution cost.
- Need to educate the consumer to have better understanding of the different components of the electricity bill and how to manage their bills through changed energy consumption patterns.

Evoenergy developed case-studies for use in the discussion paper following this feedback from consumers. Submissions to the discussion paper were responded to on an individual basis.

2.4.5 Future engagement

As part of Evoenergy's response to consumer feedback highlighting the importance of continued consumer engagement, Evoenergy sought feedback from the ECRC at its December 2017 meeting about what future engagement would be useful. The ECRC expressed interest in being part of further consultation activities when the AER releases its draft determination.

Evoenergy will progress with planning this next stage of its consumer engagement program in keeping with its original program of activities, as illustrated in Figure 2.16 below.



Figure 2.16 Evoenergy consumer engagement program

Evoenergy will also continue to build a program of business-as-usual engagement with consumers to ensure that it is responding to feedback from consumers throughout the regulatory period.

2.5 Evaluation of the Consumer Engagement Program

Evoenergy's Consumer Engagement Program was developed with reference to the recommendations of the Consumer Challenge Panel (CCP) with respect to network businesses' approach to consumer engagement.

The checklist in Table 2.9 was developed as part of the Consumer Engagement Program and has been used as a basis for evaluating the success of the Consumer Engagement Strategy.

CCP Criterion	How did the Consumer Engagement Strategy address this?
Design of the Consumer Engagement Program to identify and effectively respond to specific issues and concerns of different consumer cohorts	Feedback from the ECRC was considered in the design of the Consumer Engagement Program and associated content. The Issues Paper provided an opportunity for early consumer feedback on what issues were to be explored in the Discussion Paper and associated workshops.

Table 2.9 Consumer Challenge Panel Checklist

CCP Criterion	How did the Consumer Engagement Strategy address this?
Identification of each cohort and what processes they used to get feedback from each cohort	During the development of the AAD Consumer Engagement Strategy, stakeholder identification and analysis identified customer cohorts. Throughout the engagement program, attention was paid to ensuring different cohorts were targeted and represented. Which consumer cohort was involved in each aspect of the program is documented in this consultation chapter.
Active involvement of the CEO, Board and senior management in understanding and responding to consumer issues on an ongoing basis	Consumer feedback was reported regularly to the Project Board. AAD senior management was involved in consumer workshops, including the ECRC meetings.
Transparent and accurate reporting of the concerns and expectations provided by each consumer cohort	A principle of AAD consumer engagement is to be transparent. Accurate reporting was made of discussion at consumer workshops and verbatim comments have been incorporated throughout this report. A comprehensive list of written input is included at Appendix 2.5.
Clear explanations to consumers of any trade-offs and cost implications associated with their issues/concerns /preferences	For the first time in AAD's engagement program a cost/reliability trade-off case-study was developed to better inform consumers on the nature of this trade-off. All network pricing scenarios and questionnaires were modelled around realistic customer billing.
Clear and transparent identification of how AAD has responded (or will respond) to the issues raised by consumer	This consumer engagement report provides information on how AAD has responded to consumer feedback. This is supported by a consumer summary which was provided to all participants in the consumer engagement activities and is available on the website.
Clear evidence of all of its claims regarding consumer preferences, including evidence of consumers' willingness to pay for those preferences	Evidence of consumer feedback, as documented in this consultation report, is available in the attachments to the report, or maintained in AAD records for further scrutiny as required.
Clear demonstration of how consumer feedback has resulted in changes to its relevant strategies/decisions	This report provides clear information on how consumer feedback has been reflected in the regulatory submission.

CCP Criterion	How did the Consumer Engagement Strategy address this?
Clear demonstration of how consumer feedback has informed, and been reflected in, the development of its revenue proposal	This report provides clear information on how consumer feedback has been reflected in the regulatory submission.
Where AAD's regulatory proposals do not align with its consumers' expectations/preferences, provide clearly explanation why	This report provides information on when consumer feedback has not influenced the regulatory submission.
Is consumer engagement integrated into the activities of the business, or is it an 'add on' with an additional budget?	Stage 2 of the ADD Consumer Engagement Strategy defines a pathway to integrate consumer engagement into the activities of the business.

Since the above checklist was developed, the CCP has provided further advice on how energy network businesses should approach consumer engagement. Most recently the CCP paper 'AER Signals to Encourage High Calibre Consumer Engagement by Energy Network Businesses' was released and highlighted the importance of consumer engagement ensuring:

- regulatory proposals are lodged on the basis of 'no surprises' for stakeholders, including consumers; and
- processes for the development, submission and review of proposals are transparent, provide stakeholders with the opportunity to participate, and ensure that the views expressed are considered.

Evoenergy will work towards reaching these goals as it delivers business-as-usual engagement throughout the regulatory period, as well as with respect to regulatory submissions.

Shortened forms

Term	Meaning
AAD	ActewAGL Distribution
ACT	Australian Capital Territory
ACTCOSS	ACT Council of Social Services
AER	Australian Energy Regulator
capex	capital expenditure
ССР	Consumer Challenge Panel
DNSP	Distribution Network Service Provider
DSO	Distribution Services Organisation
ECRC	Energy Consumer Reference Council
HV	high voltage
IAP2	International Association of Public Participation
ICT	information and communications technology
opex	operating expenditure
PV	photovoltaic
TSS	Tariff Structure Statement