

Jemena Electricity Networks (Vic) Ltd

2016-20 Electricity Distribution Price Review Regulatory Proposal

Attachment 4-1

Our customer, stakeholder and community
engagement

Public

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TABLE OF CONTENTS

Glossary	v
Overview	vii
1. Introduction	1
2. Our commitment to continued customer engagement	5
3. Designing our customer engagement	6
3.1 Who we should engage with?	6
3.2 How should we engage with them?	7
3.3 What issues should we engage on?	22
4. Undertaking our customer engagement	33
4.1 Scheduling the engagement	33
4.2 Building capacity to engage.....	34
4.3 Developing a customer engagement culture	35
4.4 Understanding customers' and stakeholders' views and preferences	36
4.5 Incorporating feedback into our decision making.....	42
5. Communicating the findings and outcomes	44
5.1 What we heard from customers	44
5.2 Communicating the results and our responses.....	56
6. Improving the effectiveness of our customer engagement processes	57
6.1 Measuring the success of our engagement	57
6.2 Improving our future engagement.....	62
6.3 Our planned engagement activities going forward.....	64

List of tables

Table 3–1: Large customers and stakeholders interviewed	20
Table 3–2: Pricing workshop attendance	21
Table 3–3: Major stakeholder forum attendance	21
Table 3–4: Overview of Jemena Electricity Customer Council meeting agenda items—2014 to 2015	23
Table 3–5: Issues for engaging with mass-market customers.....	26
Table 3–6: Issues for engaging with large customers and local governments	29
Table 3–7: Issues for engagement at pricing workshops	30
Table 3–8: Issues for engagement at major stakeholder forum	31
Table 3–9: Issues for engagement at public lighting forum	32
Table 5–1: What we heard through our engagement on key issues and how we're responding through our 2016 regulatory proposal	45
Table 6–1: Summary of what we heard about our engagement by forum	60
Table 6–2: Feedback on how we can improve our engagement	63

List of figures

Figure 1–1: Our role in serving our customers is evolving.....	1
Figure 1–2: Our customer engagement process	2
Figure 1–3: How our 2016 regulatory proposal responds to customer and stakeholder feedback	4

TABLE OF CONTENTS

Figure 2–1: We are committed to continued customer engagement.....	5
Figure 3–1: Who are JEN’s customers?	7
Figure 3–2: Per cent of households earning less than \$600 per week by statistical area (2011 Census)	8
Figure 3–3: Per cent of people with low proficiency in English by statistical area (2011 Census)	9
Figure 3–4: SEIFA index of relative social disadvantage by statistical local area (2011 Census).....	10
Figure 3–5: Key indicators of hardship in Braybrook (2011 Census)	11
Figure 3–6: Major customer engagement streams used in developing our five-year plan	13
Figure 3–7: Our deliberative forum in Moonee Ponds on 17 September 2014	17
Figure 3–8: Information stand at Broadmeadows Shopping Centre with Hume City Council as part of the Energy Smart Neighbourhoods program.....	19
Figure 4–1: Example of graphics used to explain to mass-market customers how they can change their usage behaviour to reduce their maximum demand.....	35
Figure 4–2: The trade-offs we must consider in developing our 2016 regulatory proposal.....	37
Figure 4–3: Example of slide from our deliberative forum presenting options for service reliability	40

GLOSSARY

ABS	Australian Bureau of Statistics
AER	Australian Energy Regulator
AMI	Advanced Metering Infrastructure
CUAC	Consumer Utilities Advocacy Centre
Customer Council	Jemena Electricity Customer Council
EDPR	Electricity Distribution Price Review
Guideline	Consumer Engagement Guideline for Network Service Providers (November 2013)
IAP2	International Association for Public Participation
JEN	Jemena Electricity Networks (Vic) Ltd
JGN	Jemena Gas Networks (NSW) Ltd
LRMC	Long Run Marginal Cost
SEIFA	Socio-Economic Indexes for Areas
TSS	Tariff Structure Statement

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OVERVIEW

This document describes how we, Jemena Electricity Networks (Vic) Ltd, have engaged with and reflected the views and preferences of our customers, stakeholders and the broader community in our 2016 regulatory proposal. We have considered feedback from a wide range of customers and stakeholders in relation to our services, costs and prices, to ensure that our 2016 regulatory proposal reflects our customers' priorities and long-term interests.

We are committed to continuing our engagement with customers, stakeholders and the broader community to understand and balance their expectations in our decision making.

In designing our engagement activities for our 2016 regulatory proposal, we built upon existing engagement activities and our relationships with key stakeholders, as well as the customer and stakeholder engagement processes of other utility businesses. We ensured that we tailored our engagement activities to each cohort's needs, interests and characteristics, taking into account some of the unique characteristics of our customers. Our Customer Council also played a key role in shaping the design of our engagement.

In undertaking our engagement, we ensured it was accessible, inclusive and transparent and that our communication with customers and stakeholders was clear, accurate and timely. We worked to build the capacity of our customers and stakeholders to engage with us in a meaningful way, and focussed on the use of 'customer-friendly' messages and graphics to explain important concepts through our engagement.

Our customers, stakeholders and broader community told us that they value us continuing to provide safe, reliable and responsive services. They also told us we should continue to look for ways to minimise our costs and charges, and empower customers to make more informed decisions about how they use energy.

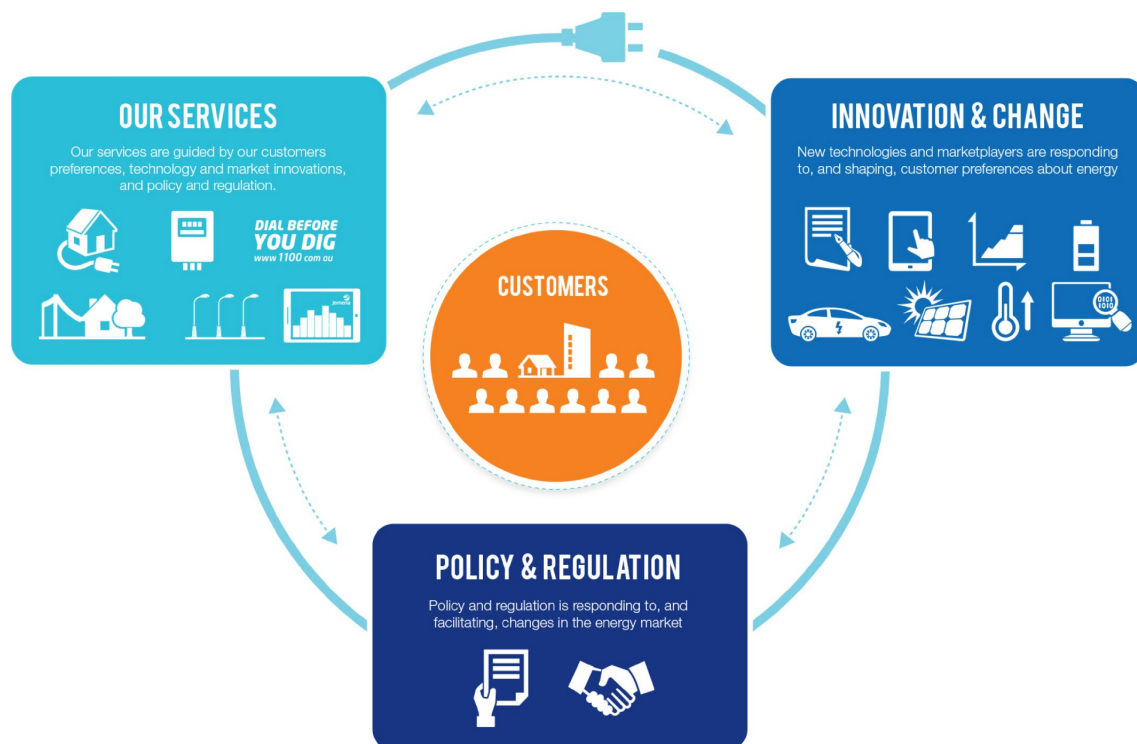
We also maintain a strong focus on measuring the effectiveness of and continuously improving our engagement. Overall, our customers and stakeholders have told us that they were satisfied with and valued our engagement with them, and that they want us to continue engaging with them in the future.

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1. INTRODUCTION

1. Australia's electricity markets are undergoing significant changes as new technologies emerge and customers' expectations and preferences regarding their electricity supply evolve. Jemena Electricity Networks (Vic) Ltd (**JEN**) is committed to engaging with its customers and stakeholders to ensure that we can continue to provide safe, reliable, affordable services that are responsive to our customers' priorities and preferences.
2. This document provides an overview of how we have engaged with customers for the purpose of developing our 2016 regulatory proposal¹. While this engagement was primarily undertaken to inform development of our 2016 regulatory proposal, we are committed to continuing our engagement with customers and stakeholders on an ongoing basis as our energy markets and customers' expectations continue to change (see section 2). Figure 1–1 illustrates how customer engagement² plays an important role in helping us better understand and respond to our customers' preferences and their long-term interests in our changing energy market.

Figure 1–1: Our role in serving our customers is evolving



3. In November 2013, the Australian Energy Regulator (**AER**) released its Consumer Engagement Guideline³ for Network Service Providers (**the guideline**). This guideline sets out the AER's expectations regarding how we engage with our customers and stakeholders, as well as a number of best practice principles for engagement. Following the release of the guideline, and as we developed our 2016 regulatory proposal, we reassessed and redesigned our approach to customer and stakeholder engagement. Our key objective in redesigning our

¹ When talking to some of our customers and stakeholders, we referred to our 2016 regulatory proposal as 'our five-year plan' or 'our 2016 plan'. The use of these terms in this document refer to JEN's 2016 regulatory proposal.

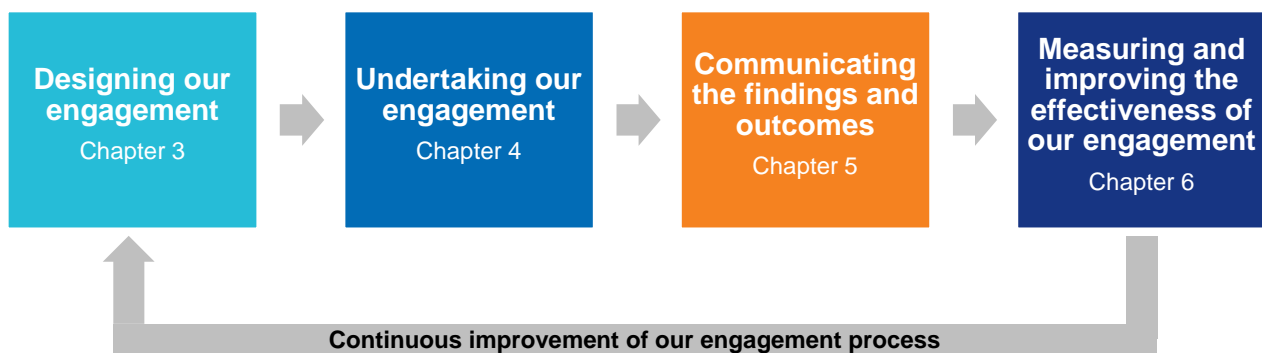
² In this document, we use the terms customer and consumer interchangeably. We also refer to 'customer engagement'—this refers to engagement by us with end-users of our services, as well as other stakeholders including consumer advocates, business groups and associations, energy retailers and local governments.

³ AER, *Better Regulation: Consumer Engagement Guideline for Network Service Providers*, November 2013

engagement approach was to better enable customers, stakeholders and the community to inform the decisions we make as a business.

4. Our customer engagement process comprised four stages, each of which is broadly applicable with the guideline:
 1. We designed our engagement by considering the cohorts which should be engaged, various methods of engaging them and the issues on which they wanted to engage
 2. We undertook our engagement in a way which was open and transparent
 3. We communicated the findings of our engagement and how we're responding to the feedback received
 4. We measured the success of our engagement in order to continuously improve its effectiveness.
5. We have employed (and will maintain) a continuous improvement approach to our customer and stakeholder engagement. The four stages of our process, along with the corresponding sections of this document, are summarised in Figure 1–2.

Figure 1–2: Our customer engagement process



6. Throughout our engagement process, we have drawn upon the guideline, advice from some of our key stakeholders and other utilities,⁴ and our own previous experience engaging with customers of JEN and also the Jemena Gas Network (**JGN**) in New South Wales. We also consulted with our Jemena Electricity Customer Council⁵ (**Customer Council**) about a number of aspects of our engagement.
7. During the design, delivery, measurement and evaluation of our customer engagement process, we have been mindful of the best practice principles for engagement identified in the guideline. Specifically, we have:
 - Ensured our engagement is accessible and inclusive to our broad range of customers and stakeholders, by:
 - Identifying and grouping cohorts and appropriate methods of engaging with them
 - Building the capacity of particularly challenging cohorts (such as residential and small-business customers) to engage
 - Tailoring some of our engagement activities to avoid excluding some of the most important segments of our customer base (including some groups of customers who are vulnerable to rising energy prices or have low levels of English)

⁴ In particular, we are grateful for the advice around our engagement approach provided by Gavin Dufty (St Vincent de Paul Society), the Consumer Utilities Advocacy Centre and Yarra Valley Water.

⁵ See section 3.2.1 for more information about the Customer Council.

- Ensured we communicated with customers and stakeholders in a clear, accurate and timely manner—by providing tailored information to customers and stakeholders in advance of meetings with them (allowing them time to form views about the questions we were asking) and by using graphics to communicate complex issues to residential and small-business customers
 - Been transparent when engaging with our customers and stakeholders, by:
 - Clearly outlining the objectives of our engagement⁶
 - Providing a number of opportunities for customers and stakeholders to ask questions of senior JEN representatives during or after engagement activities
 - Publishing material we developed for our customer engagement activities on our website
 - Clearly communicating to our customers and stakeholders what we heard and how their feedback has influenced our 2016 regulatory proposal
 - Measured the success of our engagement—by obtaining feedback from customers and stakeholders on the effectiveness of our engagement and using this feedback to improve our future engagement.
8. The sections below set out how we engaged with customers and stakeholders and how their feedback has influenced our 2016 regulatory proposal. Figure 1–3 summarises what we heard and how we have responded through our 2016 regulatory proposal.

⁶ How feedback will influence our decision making, using the International Association for Public Participation's Public Participation Spectrum.

Figure 1–3: How our 2016 regulatory proposal responds to customer and stakeholder feedback



2. OUR COMMITMENT TO CONTINUED CUSTOMER ENGAGEMENT

9. Jemena is committed to engaging with our customers, stakeholders and the broader community, to understand and balance their expectations in our decision making.
10. Our business plan objective in relation to our customers is to deliver energy services that are safe, reliable affordable and responsive to our customers' preferences. Customer and stakeholder engagement is therefore critical in enabling us to achieve this objective, and in 2013 we developed a business-wide Customer and Market Engagement Strategy to guide our activities in this area.
11. Additionally, Jemena's Asset Management Policy, which outlines how we will deliver on our commitment to be recognised as a world class owner and manager of energy delivery assets, sets out that we will actively engage with our customers and key stakeholders to understand and respond to their requirements to ensure outcomes are achieved that are in their long-term interests.
12. We are also working to ensure that our business develops a more customer engagement-focussed culture, as discussed further in section 4.3.

Figure 2–1: We are committed to continued customer engagement

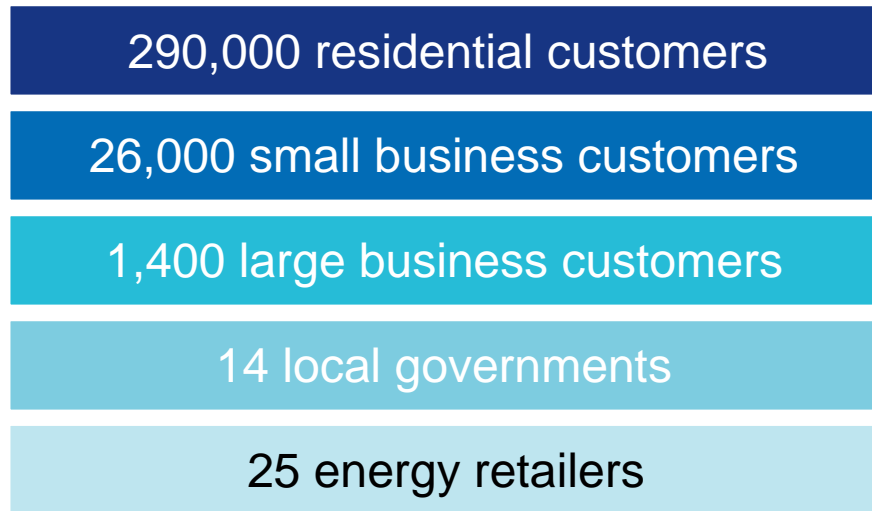


3. DESIGNING OUR CUSTOMER ENGAGEMENT

13. In designing our customer engagement activities, we adopted a multi-step process broadly consistent with the 'Priorities' section of the guideline. These steps are outlined below, and form the structure for the remainder of this section:
 1. Identify and prioritise relevant cohorts for engagement—see section 3.1
 2. Design suitable methods (collectively referred to throughout this document as forums) for engaging with each cohort, taking into account similar interests, levels of interest and knowledge etc.—see section 3.2
 3. Identify and prioritise issues we considered appropriate for each forum—see section 3.2.5.3.

3.1 WHO WE SHOULD ENGAGE WITH?

14. We have a large number of customers and stakeholders with diverse interests, levels of knowledge of our business, industry and services, expectations and preferences. Drawing upon our existing engagement with customers, stakeholders and the community, including our Customer Council, we identified the following cohorts for engagement on our five-year plan:
 - Users of the electricity we distribute, which may be residential (households) or business customers (either small, medium or large businesses)
 - Stakeholders and groups who represent our end-user customers, including consumer and technology advocacy groups and business associations
 - Other organisations or businesses we provide services to, such as local governments (public lighting services) and property developers (network connection services)
 - Energy retailers, who collect revenue from residential and some business customers on our behalf
 - The broader community of greater Melbourne's northern and western suburbs.
15. Our stakeholder mapping exercise also involved recognising that our business has a number of other external stakeholders, including regulators (both economic and technical), the Consumer Challenge Panel, State and Federal Government, ombudsmen, market operators and energy industry associations. While some of these stakeholders have been involved in our customer engagement activities (including the Energy and Water Ombudsman of Victoria, the Department of Economic Development, Jobs, Transport and Resources, a member of the Consumer Challenge Panel and industry associations), we have directly engaged with others, such as the AER and the Consumer Challenge Panel, on detailed regulatory issues when developing our five-year plan. Direct engagement with these stakeholders on regulatory issues has complemented our customer, stakeholder and community engagement program, but is generally outside the scope of the engagement discussed in this document.
16. As shown in Figure 3–1, we have a broad range of customers, many of which have different characteristics and needs.

Figure 3–1: Who are JEN’s customers?

3.2 HOW SHOULD WE ENGAGE WITH THEM?

17. In developing appropriate activities and methods to engage with these cohorts, we built on our past engagement with our customers, stakeholders and community⁷ and explored some of the unique characteristics of our customer base (see Box 3–2).

⁷ Including the Jemena Electricity Customer Council, partnerships with community organisations, industry associations and other utilities, our existing stakeholder and community relations activities and research examining customer and stakeholder experiences of JEN and our services.

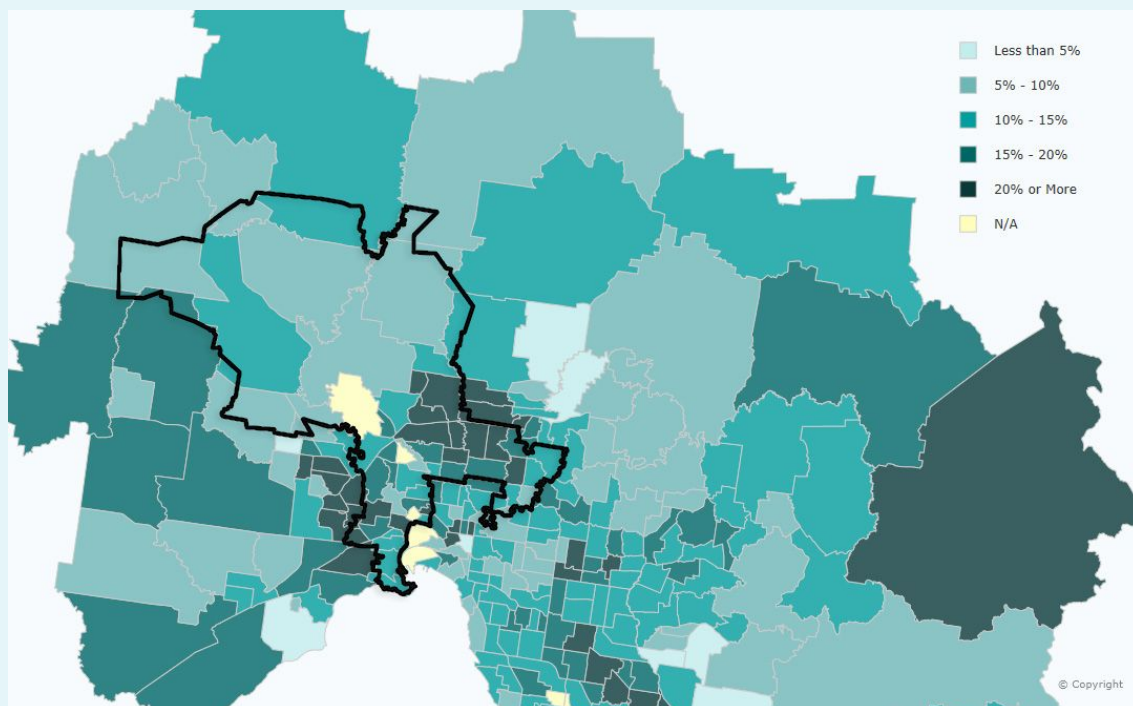
Box 3–2: Examining the unique characteristics of our customer base

We have one of the smallest customer bases of any electricity distribution network in Australia, covering a relatively small geographic area compared to other networks. This has assisted us when designing our engagement for our five-year plan, as we were able to explore some of the unique characteristics of our customer base and take these into account and ensure our engagement was appropriately targeted towards our customers. We responded to these unique characteristics by designing engagement forums to specifically include vulnerable customers (and groups representing vulnerable customers), as well as improving the accessibility of our engagement for customers with low proficiency in English.

While many of our customers are increasingly engaged in energy decision making, we found that a number of the local communities within our network are vulnerable to experiencing hardship due to energy bills. Customers may be particularly vulnerable to increases in energy prices where they have a low (or fixed) disposable income or when they are unable to manage their energy usage. Customers who may be unable to manage their energy usage include those with a low understanding of how their electricity service works (which could be a result of a customer having a low level of English and/or a low level of engagement with the issue), those who cannot improve their household's energy efficiency (including those in rented accommodation where a landlord is unwilling to make the house more energy efficient) or those who need to use certain amounts of energy for medical reasons.

The Australian Bureau of Statistics (ABS) publishes a range of Census data which provide high level insights into the potential for customer vulnerability across our network. For example, Figure 3–2 shows there are a number of local areas within our network where more than 20% of households earn less than \$600 per week.

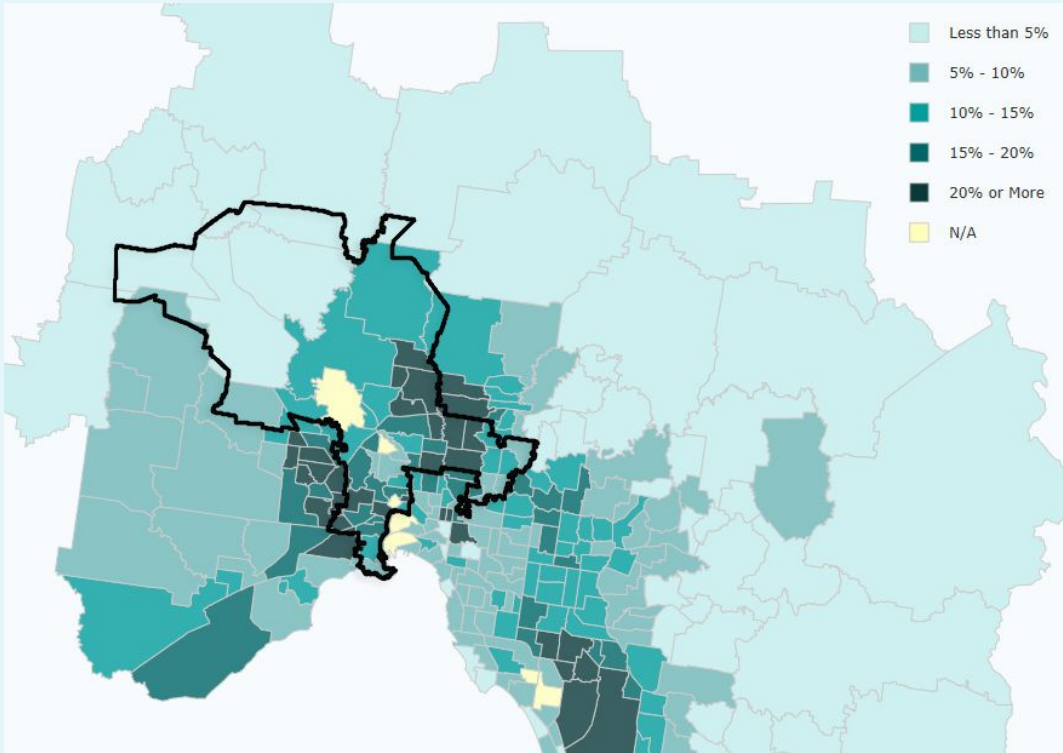
Figure 3–2: Per cent of households earning less than \$600 per week by statistical area (2011 Census)



Source: Based on Suburb Profile Tool, State of Victoria through the Department of Transport, Planning and Local Infrastructure 2013

A number of our stakeholders have outlined the importance of tailoring our services and support to meet the needs of culturally and linguistically diverse sections of the community, some of which face language barriers that increase their susceptibility to becoming vulnerable. Figure 3–3 shows that a number of local areas within our network have high proportions of people with low proficiency in English.

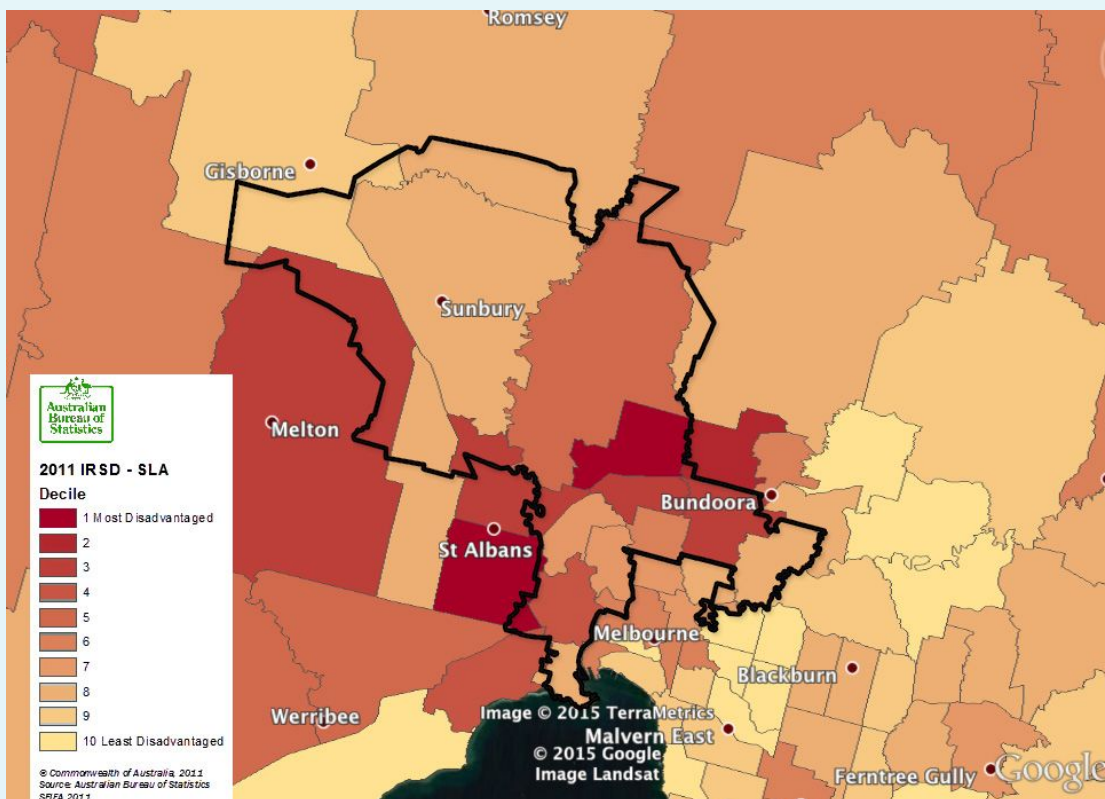
Figure 3–3: Per cent of people with low proficiency in English by statistical area (2011 Census)



Source: Based on Suburb Profile Tool, State of Victoria through the Department of Transport, Planning and Local Infrastructure 2013

The ABS also publishes indices based on data collected in the Census known as Socio-Economic Indexes for Areas (SEIFA), which are widely used to compare the relative socio-economic advantage or disadvantage of local areas. Disadvantage refers to multiple factors which together reduce the opportunities, life chances or health of individuals or communities. SEIFA results from the 2011 Census found the suburbs of Braybrook, Broadmeadows, Campbellfield-Coolaroo and Meadow Heights—all within our network area—as some of the most disadvantaged within Greater Melbourne. These results are shown in Figure 3–4.

Figure 3–4: SEIFA index of relative social disadvantage by statistical local area (2011 Census)



Source: Based on Australian Bureau of Statistics, 2011 Census

Case study—disadvantage in Braybrook

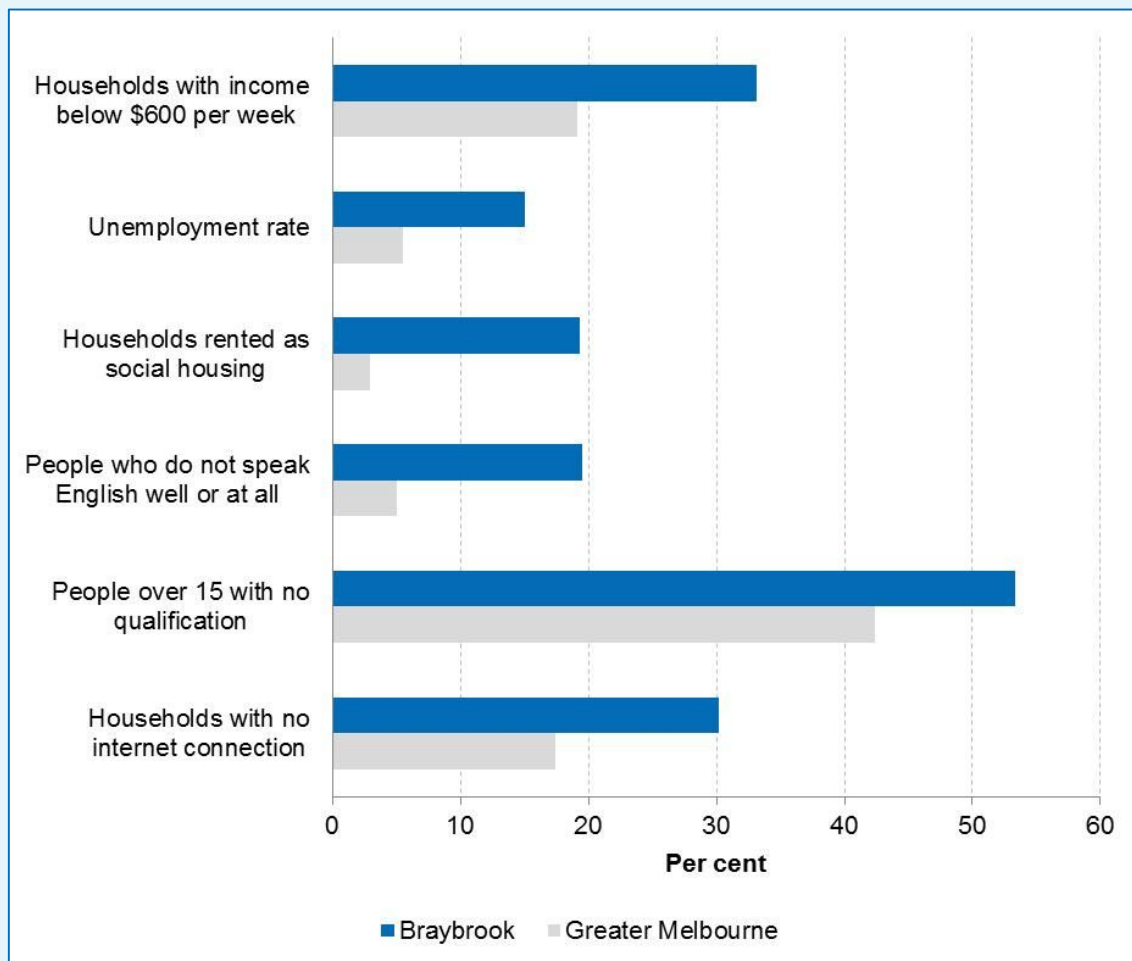
Braybrook is considered the second most disadvantaged suburb in Victoria under the SEIFA index using 2011 Census data, with little improvement despite growth and change in Melbourne's inner-west in recent years. The Maribyrnong City Council released a report in 2011⁸ about Braybrook to help identify some of the indicators of disadvantage facing its population. The report found that residents of the suburb were more susceptible to disadvantage in a number of areas, including health, education, employment and social inclusion.

The report identifies that Braybrook has:

- High levels of unemployment and significantly lower than average income levels
- Low proficiency in English, with a significantly higher than average proportion of residents born overseas
- A high proportion of public housing and low rates of home internet connection.
- Figure 3–5 summarises some of these key indicators of hardship in Braybrook compared to greater Melbourne.

⁸ Maribyrnong City Council, *Revitalising Braybrook: Investing to redress disadvantage and support the community through growth and change*, December 2011.

Figure 3–5: Key indicators of hardship in Braybrook (2011 Census)



Source: JEN analysis based on ABS 2011 Census data

- (1) Unemployment rate refers to the percentage of people who reported being in the labour force, aged 15 years and over, seeking employment

18. We designed each forum to appeal to discrete groups of customers or stakeholders, taking into account varied and common interests, and varied knowledge levels across different cohorts. This enabled us to focus on the way in which we presented information and sought feedback from customers and stakeholders, improving the accessibility of our engagement for each cohort. In several cases we were able to group similar cohorts together to discuss issues of common interest, however in other cases we favoured activities tailored to differing levels of knowledge on specific issues, rather than adopting a 'one-size-fits-all' approach.
19. For example, we learnt through our previous engagement activities and research that residential and small and medium business customers generally had a very low awareness of who JEN is and the role we play in delivering electricity to them. While we consulted about our price structures in several different forums, the way in which we engaged with residential and small and medium business customers (referred to in this document as **mass-market customers**) on this issue was markedly different to the way in which we engaged with retailers. Low levels of knowledge posed a barrier to engaging with mass-market customers on these topics, so we spent time building their understanding using targeted communications as part of our engagement with them. In contrast, retailers and consumer advocates we engaged with on this issue were highly knowledgeable and indicated a willingness to explore the detail of the issue, despite also being relatively time-poor, so for

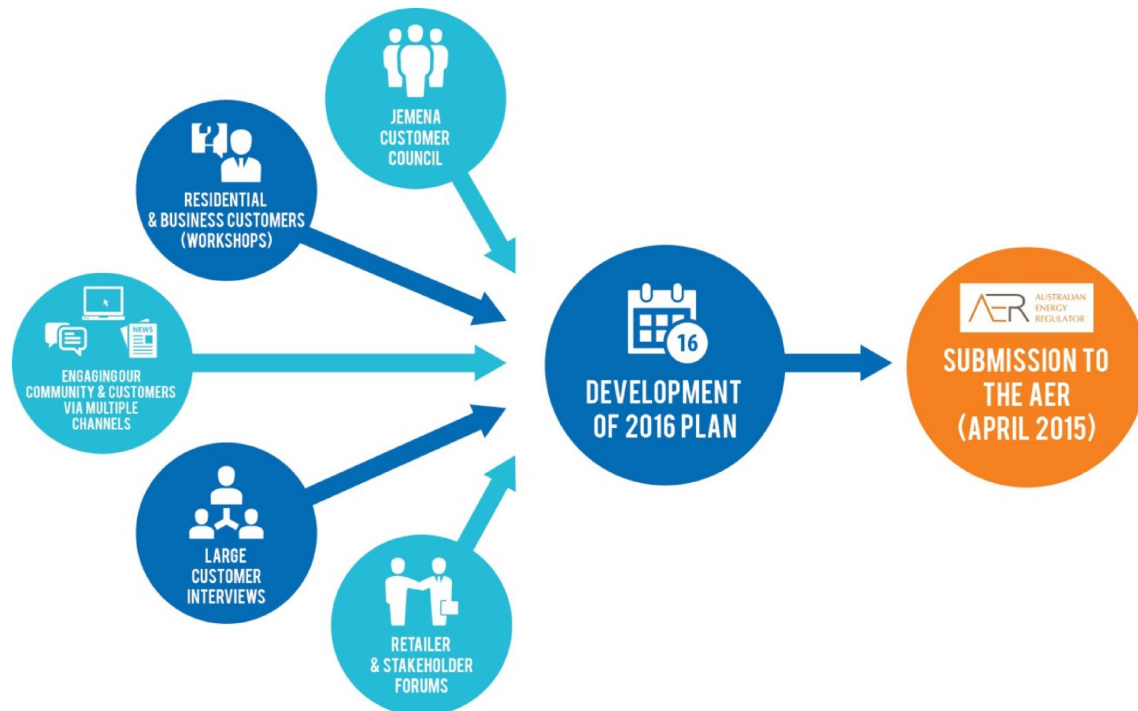
3 — DESIGNING OUR CUSTOMER ENGAGEMENT

forums with these stakeholders we were able to use the limited time available more effectively by focussing on their interests.

20. Consistent with the guideline, and learning from our past engagement—including the engagement we undertook for JGN in the development of its 2015-20 regulatory proposal—we then developed a range of different engagement forums which were tailored to each group. When designing these forums, we took into account the experience of other utilities whose engagement has been positively received by stakeholders (for example, Yarra Valley Water) and advice from our Jemena Electricity Customer Council members. One member, the Consumer Utilities Advocacy Centre⁹ (**CUAC**) provided in-depth insights from their research into meaningful and genuine customer engagement involving a number of stakeholder engagement experts.
21. When designing our engagement, we were also mindful of ensuring our approach represented ‘value for money’ for our customers, who ultimately contribute to the cost of engagement through their electricity bills. To do this, we undertook as much work as possible in-house, only relying on external consultants where we did not have the necessary specialist skills to deliver some forums (such as professional design and facilitation of our deliberative forum). We also drew upon our existing relationships with some of our key external stakeholders, in particular Kildonan UnitingCare and St Vincent de Paul, to provide feedback on our proposed engagement approach. Where possible in designing individual forums, we opted for longer (rather than additional) forums, in order to minimise the expense of holding additional events (and also ensuring participants have adequate times at meetings to gain an understanding of issues and provide meaningful feedback).
22. The five engagement streams which we engaged with when developing our five-year plan are summarised in Figure 3–6 and listed below:
 - The Jemena Electricity Customer Council—regular meetings of members who represent a broad cross-section of our customers and stakeholders
 - Mass-market customers, including vulnerable customers—through face-to-face engagement such as deliberative forums and focus groups
 - The broader community—through an online survey, our website and community relations activities
 - Large industrial and commercial customers, including local governments—through individual interviews, workshops and group meetings
 - Other stakeholders, including retailers, consumer advocates—through workshops and group meetings.
23. We presented an earlier version of our proposed engagement approach to the Customer Council in June 2014. Our approach was also refined over time as we continuously reviewed our methods of engagement (including the customers and stakeholders we were engaging with) and to reflect issues covered throughout our engagement process.

⁹ Consumer Utilities Advocacy Centre, *Meaningful & Genuine Engagement: Perspectives from consumer advocates*, November 2013.

Figure 3–6: Major customer engagement streams used in developing our five-year plan



3.2.1 JEMENA ELECTRICITY CUSTOMER COUNCIL

24. The Jemena Electricity Customer Council provides the opportunity to regularly engage with a group of peak bodies, organisations and individuals representing a broad cross-section of our customers and stakeholders on our services, costs and prices.
25. The Customer Council was originally launched in 2010 as the Stakeholder Consultative Committee. During 2013, we undertook a review of the Committee's objectives, function and membership. This review process involved direct engagement with each member to determine their priorities for engagement and areas in which the Customer Council could be improved (including how its membership could be broadened). As a result of this review, we:
 - Took steps to ensure the Customer Council had a stronger focus on more strategic issues of importance to customers, building the Council's influence on our business decisions
 - Developed a charter which clearly sets out the Customer Council's objectives, improving the transparency of the Customer Council
 - Broadened the Customer Council's membership, improving the accessibility and inclusiveness of the Customer Council.
26. The Customer Council's charter outlines its objectives and operation, and is reviewed annually. The Customer Council's objectives are set out in Box 3–3. Meetings are chaired by Jemena's Executive General Manager Strategy, Regulation & Markets, and during 2014 we also trialled the use of a professional facilitator at meetings.
27. Meetings generally run for three hours, however some of the meetings over the past year and a half were extended in order to allow time for in-depth discussions on issues related to the development of our 2016 regulatory proposal. The Council meets quarterly, although we undertook a field trip of our network and its

assets for interested members (as well as staff from the AER) in December 2014 and held an additional subject-specific meeting in February 2015.

Box 3–3: Jemena Electricity Customer Council objectives

- To enable Jemena to learn about the needs of its customers and community, including advice on how to increase the customer-focus of the organisation
- Provide an ongoing engagement channel that allows members to discuss issues that have the potential to significantly impact on customers that may influence price and service submissions across the 5 year electricity distribution price review (EDPR) cycle. These issues will be discussed in the Council and where appropriate, will be considered by Jemena to inform current, future and ongoing operational decisions and strategy direction, including the development of price and service submissions across the 5 year EDPR cycle
- Provide an opportunity for the interests of a broad range of Jemena’s customers to be represented
- Provide a transparent and inclusive engagement process, in which feedback is relayed to members to explain how their input is reflected in Jemena’s decision making
- Communicate in a way which builds the capability of Council members to enable them to effectively engage on a range of topics and issues
- Seek feedback from members to measure satisfaction with and the effectiveness of the Council, and ensure that members’ feedback shapes Jemena’s customer engagement activities.

28. Over the last 18 months, the Customer Council’s membership has included representatives from the following organisations:

- Alternative Technology Association
- Australian Industry Group
- Consumer Utilities Advocacy Centre
- Energy and Water Ombudsman of Victoria (as an observer only)
- Energy Users Association of Australia
- Kildonan UnitingCare
- Lead West
- Metro Trains
- Moonee Valley City Council
- Moreland Energy Foundation
- NORTH Link
- St Vincent de Paul Society.

3.2.2 RESIDENTIAL AND SMALLER BUSINESS CUSTOMER FORUMS

29. Engaging with residential and small and medium business customers (mass-market customers) presented a particular challenge—our past engagement and research demonstrated that not only do most mass-market customers have a low understanding of issues related to the development of our five-year plan—including our

services, costs and prices—but many do not know who JEN is or what we do.¹⁰ We were therefore careful to ensure when designing this engagement that we chose a method which allowed us to have a two-way dialogue with customers in order to provide them with sufficient background information (capacity building) and explain the issues on which we were engaging and why.

30. As explained in Box 3–2, we were also mindful of some of the unique characteristics of our customer base when designing our engagement, and therefore maintained a strong focus on ensuring that our forums were accessible and inclusive for vulnerable customers. This also presents a challenge when engaging with customers, as some commonly-used mediums—such as mail-outs or online surveys—can result in the exclusion of vulnerable customers.¹¹ For example, CUAC’s report observes that:
- Communications mailed to elderly customers may be disregarded as marketing material
 - Many vulnerable customers face barriers to accessing the internet, and therefore may not have the opportunity to participate in web-based engagement
 - Face-to-face engagement is appropriate and meaningful for customers who are vulnerable (including those with low levels of English).
31. Given the complexity of many of the issues relevant to our five-year plan,¹² the need for us to ensure that our engagement was accessible to a range of customer types (including vulnerable customers) and the importance of obtaining in-depth feedback from customers, we chose to base our engagement with mass-market customers (including vulnerable customers) around direct (face-to-face) activities. Deliberative forums have been used by a number of other utilities to engage with their mass-market customers, including Yarra Valley Water and JGN, and these activities have been positively received by participants and other stakeholders. Details of the four engagement events we undertook are contained in Box 3–4.

¹⁰ For example, we undertook an online survey in 2013 where 74% of respondents said they knew who their distributor was, however only 6% of the people who said they knew their distributor could correctly name it.

¹¹ This was noted by key members of our Customer Council, including CUAC in its November 2013 report on meaningful and genuine customer engagement, and also Kildonan UnitingCare.

¹² CUAC’s research report *Meaningful & Genuine Engagement: Perspectives from consumer advocates* (November 2013) also explains that ‘face-to-face engagement is particularly useful for complex issues’ (p.36).

Box 3–4: Our in-depth engagement with mass-market customers

- Workshop with energy and financial counsellors, 18 August 2014
 - Objectives were to engage in-depth with energy and financial counsellors (who work with vulnerable customers across our network area) on issues which are important to vulnerable customers, and in doing so gain insights into customer vulnerability, to shape and inform subsequent mass-market engagement (including future engagement with vulnerable customers) and to provide input to assist developing our five-year plan
 - Attended by eight energy and financial counsellors from Kildonan UnitingCare
 - Held at Kildonan UnitingCare's office in Epping
- Focus group with vulnerable customers, 27 August 2014
 - Primary objective was to engage in-depth with a 'hard to reach' yet critically important group within our customer base on issues which were important to them to inform the development of our five-year plan
 - Attended by 12 customers who were recruited by Kildonan UnitingCare and identified as vulnerable
 - Held at Kildonan UnitingCare's office in Broadmeadows
- Focus group with mass-market customers, 9 September 2014
 - Primary objective was to test engagement materials and methods to be used at a subsequent deliberative forum, in addition to testing mass-market customers' preferences on a range of issues to inform the development of our five-year plan
 - Attended by seven residential customers (segmented into different household income bands), with two business customers who were recruited but unable to attend at the last minute
 - Held in Coburg
- Deliberative forum with mass-market customers, 17 September 2014
 - Primary objective was to test mass-market customers' preferences on a range of issues to inform the development of our five-year plan
 - Attended by 41 mass-market customers, including 33 residential customers and eight small or medium business owners and managers
 - Residential attendees were recruited to represent a broad cross-section of our residential customer base, taking into account customer characteristics including household income, gender, age, life stage, energy retailer used, location within the network, home ownership status, language background and family situation. Three participants were also users of our Electricity Outlook web portal¹³
 - Small and medium business attendees were recruited from a range of industries, also taking into account employee number and premises types
 - Held in Moonee Ponds (see Figure 3–7).

¹³ Jemena's Electricity Outlook portal is a web-based tool which allows customers with a smart meter to monitor their electricity usage, set usage targets, compare retail offers and receive notifications about electricity outages. The portal can be accessed at <https://electricityoutlook.jemena.com.au/>

Figure 3–7: Our deliberative forum in Moonee Ponds on 17 September 2014



32. Each of these activities involved JEN representatives presenting information about our company, our services and our five-year plan. At the counsellor workshop and vulnerable customer focus group, this was followed by two-way discussions between us and the participants about the issues we had presented and specific questions we asked. At the mass-market customer focus group and deliberative forum, we made several short presentations, each followed by facilitated round-table discussions and participants providing answers to a number of specific questions (using hand-held electronic voting devices in the deliberative forum).
33. The length of deliberative forum (four hours) was chosen to allow us to cover all key issues affecting our 2016 regulatory proposal from a customer's perspective and was invaluable in giving participants time to ask questions and arrive at considered responses to our questions, allowing the engagement to be genuine and meaningful.
34. We believe that the depth of engagement achieved with customers on the issues we covered (including trade-offs between network service levels and prices, potential tariff structures) in our deliberative forum could not have been achieved through other, lower-involvement methods, such as surveys. We considered that, for a given cost, surveys and other engagement activities which prioritised breadth of customers engaged with (rather than the depth to which they were engaged) were more appropriate for engaging on issues such as customers' attitudes towards the way they want to use our services in the future. On high-level issues like this, we favoured hearing as large a number of views as possible.
35. To help us better understand the most effective ways of presenting information to and engaging with vulnerable customers, we were assisted by Kildonan UnitingCare. The workshop with energy and financial counsellors and the focus group with vulnerable customers were both facilitated by Kildonan UnitingCare, who also helped review the material we presented to the groups.
36. We also engaged social and market research firm Newgate Research to assist us engage with a broader selection of mass-market customers through a deliberative forum and focus group. Newgate arranged for the recruitment of suitable participants for these forums (based on demographic and other factors) to ensure that we

obtained a diverse range of opinions. Newgate also reviewed and contributed to developing the information we presented to customers, facilitated both forums and wrote a report detailing the outcomes. Full details of the method and results of these two activities are contained in Newgate's community and small business consultation qualitative research report (Attachment 4-2).

3.2.3 BROADER COMMUNITY

37. Given the essential nature of the services we provide, we recognise that our five-year plan will have an effect on and is likely to be of interest to the broader community in which we operate.

3.2.3.1 Online survey

38. We engaged a market research company, Nature Research, to undertake an online survey of 500 of our customers, 30 of which were also users of our Electricity Outlook portal. Nature assisted us to develop and undertake the online survey.
39. This research was designed to provide us with insights into the way our customers are thinking about and using energy, as well as how they may want to use electricity and our network in the future. Given the high-level nature of the issues we covered in this research, we chose to undertake the engagement using an online survey, as this allowed us to reach a larger number of people than a more in-depth research method could, while still being cost-effective. Nature sourced 482 of our customers from an online panel. We also sent links to complete the survey to customers who had registered for our Electricity Outlook portal, with 421 of this group completing the survey (a much larger sample than originally expected, but reflective of how highly engaged many portal users are). Fieldwork was conducted in late January and early February 2015, and the results analysis was undertaken by Nature.

3.2.3.2 Other community engagement activities

40. We have undertaken a range of community relations activities over the past several years (see Box 3–5), which have generally focussed on issues such as improving customer and community awareness about energy safety and energy literacy.
41. To improve the accessibility and inclusiveness of our engagement with our broader customer base and community, we incorporated elements of customer engagement around our 2016 regulatory proposal into these activities. We did this using fact sheets and having staff on-hand to explain to customers who we are and how our price review affected them. Given the complex nature of issues surrounding price reviews,¹⁴ we believe this method of direct engagement was appropriate, as it allowed us to gauge the level of customers' understanding of issues and then build their capacity to provide informed feedback. We also used postcards at our community events to direct interested customers to our customer engagement website (see below).
42. Over the past year, we have held information stands in Braybrook, Broadmeadows, Craigieburn, Footscray, Greenvale, Maidstone and Sunbury.

¹⁴ Supported by the fact that many of the customers we engage with during these activities do not understand the distinction between distributors and retailers. Our online survey in early 2015 found that only 50% of our customer sample claimed to know the difference between a distributor and a retailer, while only a quarter of this group could correctly name JEN as their distributor.

Box 3–5: Our existing community relations activities

JEN has been increasingly proactive over the past three years in engaging with our broader communities.

Initially, our community relations activities focussed on educating customers and community groups about how customers can benefit from advanced metering infrastructure (AMI). We have since expanded our community relations activities to now include around 20 events for the community each year, covering issues including electricity safety, AMI (smart meters) and smart electricity use, electricity prices and energy efficiency.

In undertaking these activities, we have partnered with a number of key stakeholder organisations which have a presence in the communities served by our network and/or work with or assist community members who are also our customers. These organisations include the Moreland Energy Foundation, Kildonan UnitingCare, Hume City Council, Braybrook Maidstone Community House and Anglicare Victoria (Broadmeadows Women’s Community House).

Focusing on customer empowerment through education, these events have targeted a number of different customer segments, including households, vulnerable customers and groups of customers interested in learning more about managing their energy usage, as well as stakeholders such as financial counsellors, community house coordinators and local government sustainability officers.

As well as aiming to increase awareness of JEN and the services we provide, these activities provided us with a starting point to build strategic partnerships and initiatives based on community feedback with key stakeholders. These partnerships have helped us carry out the engagement activities we’ve undertaken in developing our five-year plan, and also provide a solid foundation for us to continue strengthening our business-as-usual engagement with customers, stakeholders and the broader community.

Figure 3–8: Information stand at Broadmeadows Shopping Centre with Hume City Council as part of the Energy Smart Neighbourhoods program



43. Throughout our engagement process we have maintained a customer engagement website¹⁵ that provides information about JEN, the electricity supply chain, the process we use to develop our five-year plan and how we're engaging with our customers and stakeholders. It also holds information such as presentations and agenda papers from other engagement activities, and allows customers to submit any feedback they have directly to us using an online feedback form or via email.
44. We have promoted our website and email address¹⁶ to customers and stakeholders by providing postcards and handouts at customer engagement and other events, including references to it in newspaper advertisements and by including links to the website in the email signatures of relevant JEN staff. We also promoted our website and invited readers to find out more about our engagement process and 2016 regulatory proposal through our quarterly customer e-newsletter, which has around 7,000 subscribers.

3.2.4 LARGE CUSTOMER AND STAKEHOLDER INTERVIEWS

45. We held individual meetings with 12 of our largest industrial and commercial customers between December 2014 and February 2015. We believe this method was the most appropriate way of engaging these customers given they are knowledgeable about our services, they are relatively small in number (compared to our mass-market customers) and the fact that they are often quite time-poor. One-on-one engagement with these customers also allowed them to be more open about the issues they felt were important, as they were able to talk about things (such as their future operations or individual pricing arrangements) they otherwise may not want to discuss in an open forum which may include their competitors.
46. We also held meetings with eight of the local governments in our network area between December 2014 and March 2015. Local governments are not only large users of electricity (as operators of community recreation and sports facilities, libraries, offices and waste transfer stations), but also customers of our public lighting services and share an interest with us in considering local area growth trends. Additionally, local governments engage with a wide range of individuals in the community who are also our residential customers, and have previously taken an interest in issues such as household energy efficiency, energy literacy and demand management.

Table 3–1: Large customers and stakeholders interviewed

Type of stakeholder	Organisations interviewed
Large customers	ACI Operations, Allied Mills, Austin Health, Caterpillar of Australia, Coles, CSL Behring, Fenner Dunlop, G James Safety Glass, LaTrobe University, Melbourne Water, Metro Trains, Visy
Local Government	Banyule City Council, Darebin City Council, Hume City Council, Macedon Ranges Shire Council, Maribyrnong City Council, Melton City Council, Moonee Valley City Council, Moreland City Council

3.2.5 RETAILER AND OTHER STAKEHOLDER FORUMS

3.2.5.1 Pricing workshops

47. Given the importance, depth and (at times) complexity of issues related to our tariff structures and other pricing arrangements, and the significance of some of the changes we have proposed to the way we price our services, we decided to hold three workshops to engage on pricing issues with customers and stakeholders who have a high level of knowledge of these issues. We held workshops in the Melbourne central business district in May

¹⁵ <http://www.jemena.com.au/home-and-business/price-reviews>

¹⁶ haveyoursay@jemena.com.au

and October 2014, and March 2015. Each workshop was attended by between 22 and 37 stakeholders, and Table 3–2 summarises the stakeholders who attended.

Table 3–2: Pricing workshop attendance

Type of stakeholder	Organisations represented
Energy retailers	Alinta Energy, AGL, Click Energy, Dodo Power & Gas, EnergyAustralia, Lumo, Momentum Energy, Next Business Energy, Origin, Pacific Hydro, People Energy, Powershop, Progressive Green, Red Energy, Simply Energy, Sumo Power, WINenergy
Government and statutory authorities	Department of Economic Development, Jobs, Transport and Resources, Energy and Water Ombudsman of Victoria
Consumer advocates or representatives	Alternative Technology Association, Australian Industry Group, Consumer Utilities Advocacy Centre, Moreland Energy Foundation, St Vincent de Paul
Large customers	Austin Hospital, Coles, La Trobe University, Metro Trains, Orora, Owens-Illinois, Visy, Yarra Trams
Other	Energy Supply Association of Australia, Australian Energy Market Commission

- 48. A member of sub-panel 3 of the Consumer Challenge Panel also attended part of the October 2014 pricing workshop.

3.2.5.2 Major stakeholder forum

- 49. Similar to the approach we took with our pricing workshops, we also held one forum to engage with large customers and stakeholders with some level of existing knowledge on issues other than pricing or tariff structures. We held this meeting in Preston in August 2014. The forum was attended by 27 stakeholders, summarised in Table 3–3. In the months following this forum, we also engaged with many of these stakeholders through individual meetings (see section 3.2.4).

Table 3–3: Major stakeholder forum attendance

Type of stakeholder	Organisation represented
Large customers	Active Utilities, Austin Health, Australian Vinyls, BAE Systems, Cedar Meats, Fenner Dunlop Australia, G.James Glass & Aluminium, Innovia Films, La Trobe University, Melbourne Airport, Metro Trains Melbourne, Nestle Australia, Owens-Illinois, VicTrack
Local Government	Banyule City Council, Darebin City Council, Hobsons Bay City Council, Hume City Council, Maribyrnong City Council, Moonee Valley City Council
Other	Metropolitan Planning Authority, Moreland Energy Foundation

3.2.5.3 Public lighting forum

- 50. Local governments and VicRoads comprise the entire customer base of our public lighting services. In addition to meeting individually with local governments, we also held a forum with a number of our public lighting customers (local governments). The meeting was held in Preston in March 2015.
- 51. The forum was held after we had met individually with a number of local government representatives, therefore allowing us to further explore a number of public lighting issues raised by customers earlier in our engagement. Recognising from our previous meetings that local governments wished to engage with us on a wide range of issues, this forum was tailored to representatives with a specific interest in public lighting—holding a forum on

public lighting issues gave our customers the opportunity to select representatives with a high level of knowledge about these services and related issues.

52. The public lighting customers who attended the forum are listed below:

- Banyule City Council
- Darebin City Council
- Hume City Council
- Melbourne City Council
- Melton City Council
- Moonee Valley City Council
- Moreland City Council
- Yarra City Council.

3.3 WHAT ISSUES SHOULD WE ENGAGE ON?

53. The final step in designing our engagement was to determine the topics for discussion and questions we would seek feedback on (collectively referred to in this document as **issues**) at each engagement forum.
54. We also employed a collaborative approach with our customers and stakeholders to determining the priority issues for consultation. Because of the broad representation of members, their level of knowledge about specific issues and their ongoing relationship with us, the Customer Council played a key role in shaping the forward agenda of issues for itself and our other engagement forums.¹⁷ In some other forums involving recurring meetings, such as the pricing workshop, we took a suggested forward engagement agenda to the forum and then asked whether participants would like us to include any other issues or prepare information on other topics for them.¹⁸
55. When setting out the issues for engagement at each forum, we used the International Association for Public Participation's (IAP2) Public Participation Spectrum¹⁹ to clearly identify the level of engagement. When determining the appropriate level of engagement for each forum's issues, we considered the complexity of the issue and the cohorts' existing understanding of it (their capacity to engage), as well as the relevance of the topic to the participants in each forum. We ensured that we were transparent with customers and stakeholders about the IAP2 level of each issue when we engaged with them, so that participants clearly understood the purpose and scope of the engagement. We also clearly identified questions which we wished to ask forums where we sent out background material ahead of a meeting, in order to allow participants time to consider their responses.
56. We also built upon our understanding of the issues important to customers and stakeholders which we had gained through our past engagement activities. For example, our engagement with the Customer Council and

¹⁷ For example, as shown in Table 3–4, we engaged with the Customer Council in March 2014 (using the IAP2 level of *consult*) about what issues they wished to discuss regarding the development of our 2016 regulatory proposal. At the next meeting (June 2014), we presented a forward agenda for engagement and gave the Customer Council the opportunity to provide further feedback on our approach.

¹⁸ Participants who attended our first pricing workshop told us that they would prefer to focus on issues related to the recovery of our costs (i.e. pricing), rather than issues related to the determination of those costs themselves.

¹⁹ Available from the International Association for Public Participation, www.iap2.org

at community events in recent years, as well as our relationship with stakeholders such as Kildonan UnitingCare, indicated that many of our stakeholders wished to discuss issues around vulnerable customers struggling to pay their energy bills.

57. The sections below outline the issues and IAP2 engagement levels covered in each forum.

3.3.1 JEMENA ELECTRICITY CUSTOMER COUNCIL

58. Given the Council’s broad representation of stakeholders and their existing levels of knowledge about our business and services, we engaged with the Customer Council on a range of issues which affected our 2016 regulatory proposal at a high level, including:

- our approach to engaging with customers and stakeholders in developing our 2016 regulatory proposal, including the issues covered by the Customer Council itself
- The design of regulatory incentive schemes
- Assisting vulnerable customers
- The design of new ways of pricing our services and explaining these changes to mass-market customers
- Our service levels and expenditure forecasts
- Using performance metrics to measure our performance in customers’ interests
- Communicating our 2016 regulatory proposal and outcomes of our engagement program to customers and stakeholders.

Table 3–4 contains full details of the Customer Council meeting agenda items since the beginning of 2014.

Table 3–4: Overview of Jemena Electricity Customer Council meeting agenda items—2014 to 2015

Item	Issues and topics discussed	Objective ²⁰
March 2014		
Customer Council introductions and Charter	<ul style="list-style-type: none"> • Introduction of new members to the Customer Council • Endorsement of the Customer Council charter 	Consult
Regulatory proposal overview	<ul style="list-style-type: none"> • Introduction to the regulatory proposal process • How our prices influence customers’ electricity bills • How ‘building blocks’ are used to determine our costs and prices • What issues related to the development of our 2016 regulatory proposal would the Customer Council like to engage on over the next 18 months? 	Consult
Customer key performance indicators	<ul style="list-style-type: none"> • How we measure our performance in key attributes of our service to ensure they provide value for money in customers’ interests • Our current service key performance indicators • The use of customer satisfaction measurement 	Consult

²⁰ Defined using the IAP2 Public Participation Spectrum

3 — DESIGNING OUR CUSTOMER ENGAGEMENT

Item	Issues and topics discussed	Objective ²⁰
June 2014		
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> Overview of our customer and stakeholder engagement plan as we develop our 2016 regulatory proposal 	Inform
Our safety and service levels	<ul style="list-style-type: none"> Outline of the drivers of network investment How we prioritise network investment projects How our investment process is governed 	Inform
Our costs Our safety and service levels	<ul style="list-style-type: none"> How incentive schemes align our interests with those of our customers How the capital expenditure incentive scheme is likely to apply Whether uncontrollable costs should be excluded from the efficiency benefit sharing scheme 	Consult
Our safety and service levels	<ul style="list-style-type: none"> What our service offerings to customers consist of Whether JEN should go above minimum regulatory requirements in delivering some of its services by undertaking some level of community education and assisting vulnerable customers 	Consult
September 2014		
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> How our proposed method and content for our upcoming deliberative forum can be improved 	Consult
Assisting vulnerable customers	<ul style="list-style-type: none"> Whether JEN should have a role in supporting vulnerable customers The Customer Council's views on our proposed options for assisting vulnerable customers, and whether/how they could be improved 	Involve
Our safety and service levels	<ul style="list-style-type: none"> Drivers of network demand and how we plan network augmentation projects 	Inform
November 2014		
Our safety and service levels	<ul style="list-style-type: none"> Whether the Council believes that the feedback we've presented fairly represents customers' preferences in relation to service levels How we've considered customers' preferences in our forecast Our preliminary capital expenditure forecast Our approach to sharing forecasting risk of capital investments that are subject to considerable uncertainty 	Consult
Our costs	<ul style="list-style-type: none"> Determining the rate of return 	Inform
Our safety and service levels	<ul style="list-style-type: none"> How we forecast operating expenditure How we've considered customers' preferences in our forecast Our preliminary operating expenditure forecast, including key step changes 	Inform

Item	Issues and topics discussed	Objective ²⁰
Our prices Empowering customers to make informed energy decisions	<ul style="list-style-type: none"> • Our current thinking on proposed changes to the way we price our services • What we've heard from our engagement on these issues so far • Communicating changes in tariff structures to customers to extract the full benefits of our proposed changes 	Involve
December 2014 (field trip of our network)		
Our safety and service levels	We undertook a full-day field trip around the JEN area with a number of Customer Council members who had expressed interest in doing so, as well as with staff members from the AER. The day provided the group with the opportunity to see some of the physical assets we rely on to provide our services to customers and to ask our engineers any questions they had. During the day, we visited and discussed: <ul style="list-style-type: none"> • Key safety-related considerations • Greenfield commercial and industrial development occurring for large customers in the Melbourne Airport area • Greenfield residential development requiring the future construction of new zone substations at Craigieburn in Melbourne's northern growth corridor • Ageing assets requiring replacement in the 2016 regulatory period in Fairfield and Essendon • The conversion of the former industrial paper mill site in Fairfield to a new residential estate 	Inform
February 2015 (subject-specific meeting)		
Retail electricity prices	<ul style="list-style-type: none"> • Historical trends in Victorian retail electricity prices, including key factors influencing price movements • Outlook for likely future trends in retail price components 	Inform
Our prices Empowering customers to make informed energy decisions	<ul style="list-style-type: none"> • Overview of our proposed changes to network tariff structures for residential customers • What we've heard so far from customers and stakeholders in relation to tariff structures, and how we're proposing to respond • Potential impacts of our proposed changes on a range of residential customer archetypes • Whether a price path that minimises customer bill shock in 2018 (when our new tariff structures are introduced) best promotes the long-term interests of customers 	Consult
March 2015		
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> • How we've engaged with our customers, stakeholders and the community and how we've sought to address their views and concerns through our 2016 regulatory proposal (this document) 	Consult

3 — DESIGNING OUR CUSTOMER ENGAGEMENT

Item	Issues and topics discussed	Objective ²⁰
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> How we've summarised our 2016 regulatory proposal with small customers in mind through our 'consumer overview' document 	Consult

3.3.2 RESIDENTIAL AND SMALLER BUSINESS CUSTOMER FORUMS

59. As our customers are uniquely placed among all of our stakeholders to express their preferences about the service levels they receive and the prices they pay, we focussed on a number of issues related to our service levels and prices when engaging with this cohort. These issues included:

- Our safety levels
- The network service levels we provide, including the trade-offs between service levels and prices
- The visual amenity of the network
- The structure of our network tariffs (our prices)
- Our role in assisting vulnerable customers
- Engaging and responding to our customers, stakeholders and the community.

60. Table 3–5 details the issues we discussed with mass-market customers at each forum.

Table 3–5: Issues for engaging with mass-market customers

Item	Issues and topics discussed	Objective
August 2014	Workshop with energy and financial counsellors	
About us and the price review process	<ul style="list-style-type: none"> Introduction to JEN How our prices influence customers' electricity bills The price review process, including how we're engaging with customers and stakeholders as we develop our 2016 regulatory proposal 	Inform
Assisting vulnerable customers	<ul style="list-style-type: none"> What we currently do to assist vulnerable customers Options for assisting vulnerable customers under our five-year plan 	Involve
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> How can we best engage with vulnerable customers, including ways to make our information clear and accessible to this group 	Involve
August 2014	Focus group with vulnerable customers	
About us and the price review process	<ul style="list-style-type: none"> Introduction to JEN How our prices influence customers' electricity bills The price review process, including how we're engaging with customers and stakeholders as we develop our 2016 regulatory proposal 	Inform

Item	Issues and topics discussed	Objective
Assisting vulnerable customers	<ul style="list-style-type: none"> What we currently do to assist vulnerable customers Options for assisting vulnerable customers under our five-year plan 	Involve
September 2014	Focus group with mass-market customers	
About us and the price review process	<ul style="list-style-type: none"> Introduction to JEN How our prices influence customers' electricity bills The price review process, including how we're engaging with customers and stakeholders as we develop our 2016 regulatory proposal 	Inform
Our safety and service levels	<ul style="list-style-type: none"> The factors we consider and the trade-offs we must make when developing our 2016 regulatory proposal Why safety is important Customers' preferred service levels (in the areas of reliability and responsiveness) over the long-term 	Consult
Our prices Empowering customers to make informed energy decisions	<ul style="list-style-type: none"> Introduction to peak demand Designing prices that are fair, efficient and create incentives for customers to make informed energy decisions Trials of new technology to help customers reduce their peak usage 	Consult
Our safety and service levels	<ul style="list-style-type: none"> Ways we could improve the visual amenity of our network 	Consult
Assisting vulnerable customers	<ul style="list-style-type: none"> What we currently do to assist vulnerable customers Options for assisting vulnerable customers under our five-year plan 	Involve
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> Issues customers would like to be informed or consulted about in the future How we communicate with customers 	Involve
September 2014	Deliberative forum with mass-market customers	
About us and the price review process	<ul style="list-style-type: none"> Introduction to JEN How our prices influence customers' electricity bills The price review process, including how we're engaging with customers and stakeholders as we develop our 2016 regulatory proposal 	Inform
Our safety and service levels	<ul style="list-style-type: none"> The factors we consider and the trade-offs we must make when developing our 2016 regulatory proposal Why safety is important Customers' preferred service levels (in the areas of reliability and responsiveness) over the long-term 	Consult
Our prices Empowering customers to make informed energy decisions	<ul style="list-style-type: none"> Introduction to peak demand Designing prices that are fair, efficient and create incentives for customers to make informed energy decisions Trials of new technology to help customers reduce their peak usage 	Consult

3 — DESIGNING OUR CUSTOMER ENGAGEMENT

Item	Issues and topics discussed	Objective
Our safety and service levels	<ul style="list-style-type: none"> Ways we could improve the visual amenity of our network 	Consult
Assisting vulnerable customers	<ul style="list-style-type: none"> What we currently do to assist vulnerable customers Options for assisting vulnerable customers under our five-year plan 	Involve
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> Issues customers would like to be informed or consulted about in the future How we communicate with customers 	Involve

3.3.3 BROADER COMMUNITY

3.3.3.1 Online survey

61. We undertook an online survey of 500 customers to obtain a broad range of views about customers' likely future energy preferences (*consult*), including:
- Their awareness, consideration and use of alternatives to sourcing energy from the network
 - How engaged they were in actively considering or managing their household's energy usage
 - Ways in which customers are changing the way they use energy
 - Factors which drive how they change the way they use or manage energy.
62. A separate section of the survey was also designed to assess customers' awareness and perceptions of JEN, as well as customers' satisfaction with our services. The results of this part of the survey will provide a baseline for the ongoing measurement of customer satisfaction and JEN's reputation among stakeholders (further explained in section 6.1).

3.3.3.2 Other community engagement activities

63. We also engaged the broader community through our website and our business-as-usual community relations activities. On our website and at these events, we provided introductory information about who we are, the price review process and how our prices influence customers' electricity bills (*inform*).
64. On our website, we also:
- Provided information, such as presentations and agenda papers, delivered to other engagement forums (*inform*)
 - Invited customers and stakeholders to submit questions, comments and feedback in relation to the material on our website via an online form (*consult*).
65. At our community events, we asked customers to tell us what they felt were the most important attributes of their electricity supply through a brief survey (*consult*), as well as directing them to our website (through postcards and fact sheets) if they wished to obtain further information (*inform*) or provide any other feedback (*consult*).

3.3.4 LARGE CUSTOMER AND STAKEHOLDER INTERVIEWS

66. Our large customer interviews focussed on the two key issues we considered most important for our large customers:
- Our service levels
 - Our prices and charges.
67. Additionally, we allowed time in each interview to discuss any other issue which the customer wanted to engage on.
68. Our interviews with local governments covered a wide range of topics (reflecting their diverse interests). Our past engagement with representatives of local governments (including through other forums described in this document) helped us prepare information for discussion ahead of each meeting, however we also provided each interviewee the opportunity to raise other issues for discussion.

Table 3–6: Issues for engaging with large customers and local governments

Item	Issues and topics discussed	Objective
Large customer interviews		
About us and the price review process	<ul style="list-style-type: none"> • Introduction to JEN • The price review process, including how we're engaging with customers and stakeholders as we develop our 2016 regulatory proposal 	Inform
Our prices	<ul style="list-style-type: none"> • Changes we're proposing to make to our prices to make them more reflective of our costs • What our 2016 regulatory proposal to introduce kVA-based capacity demand charges means for large customers • How we propose to implement our changes • How customers can reduce their demand charges by improving their power factor 	Inform
Our safety and service levels	<ul style="list-style-type: none"> • The trade-offs we must make when determining service levels under our 2016 regulatory proposal • Customers' satisfaction with current network service levels 	Consult
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> • Engaging with our large customers on an ongoing basis 	Consult
Local government interviews		
About us and the price review process	<ul style="list-style-type: none"> • Introduction to JEN • The price review process, including how we're engaging with customers and stakeholders as we develop our 2016 regulatory proposal 	Inform
Our safety and service levels	<ul style="list-style-type: none"> • Our plans for public lighting services over the next period—new initiatives or services JEN should consider offering 	Consult

3 — DESIGNING OUR CUSTOMER ENGAGEMENT

Item	Issues and topics discussed	Objective
Our safety and service levels	<ul style="list-style-type: none"> Key growth areas where we are planning to augment our network during the next period 	Inform
Empowering customers to make informed energy decisions Our prices	<ul style="list-style-type: none"> Changes occurring in our energy market and the way our customers use electricity How we want to empower customers to make more informed energy decisions 	Inform
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> Engaging with you on an ongoing basis 	Consult

3.3.5 RETAILER AND OTHER STAKEHOLDER FORUMS

3.3.5.1 Pricing workshops

69. We invited a range of stakeholders with a reasonable level of existing knowledge about network pricing to our pricing workshops, and as such we covered a range of specific issues related to pricing. At the first meeting, participants indicated that they wanted this forum to focus on issues related to the recovery of our costs, as opposed to the forecasting of those costs themselves.

Table 3–7: Issues for engagement at pricing workshops

Item	Issues and topics discussed	Objective
May 2014		
About us and the price review process	<ul style="list-style-type: none"> Overview of the price review process and our engagement program 	Inform
Framework and approach	<ul style="list-style-type: none"> Our proposed service classification for the regulatory period Our preferred control mechanisms for the regulatory period 	Inform
Empowering customers to make informed energy decisions	<ul style="list-style-type: none"> Our demand side engagement process Potential changes to the Demand Management Incentive Scheme Demand management initiatives under our 2016 regulatory proposal 	Consult
Our prices	<ul style="list-style-type: none"> Our pricing objectives Our existing tariff structures and classes Our preliminary thinking on new tariff options 	Consult
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> What issues does the group wish to discuss at future meetings? 	Consult

Item	Issues and topics discussed	Objective
September 2014		
Our prices Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> Consulting with customers and stakeholders through our 'Approach to pricing' document The principles which underpin our pricing approach 	Consult
Our prices	<ul style="list-style-type: none"> Feedback we've received from customers about maximum demand-based pricing Our proposed tariff structure changes and implementation approach How our proposed changes may impact the group 	Consult
Our prices	<ul style="list-style-type: none"> Our approach to pricing user pays services 	Inform
March 2015		
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> What engagement we undertook in developing our 2016 regulatory proposal in relation to tariff structures How we've balanced and incorporated feedback into our 2016 regulatory proposal 	Inform
Our prices	<ul style="list-style-type: none"> Our approach to pricing distribution and metering services for the 2016 regulatory period Our approach to charging residential customers who don't have AMI installed at their premises How our proposed price path mitigates potential customer impacts of cost-reflective tariff structures Communicating our proposed pricing approach to customers 	Consult
Our prices Our costs	<ul style="list-style-type: none"> Our electricity consumption and maximum demand forecasts for the 2016 regulatory period (presented by our demand forecasting consultant ACIL Allen) 	Inform

3.3.5.2 Major stakeholder forum

70. Similar to our pricing workshop, our major stakeholder forum was targeted towards (large) customers and stakeholders with existing knowledge about electricity distribution issues. However, in our major stakeholder forum we covered issues other than those related to network pricing, to avoid overlap between groups and ensure that customers and stakeholders could attend forums that were best tailored to their interests.

Table 3–8: Issues for engagement at major stakeholder forum

Item	Issues and topics discussed	Objective
About us and the price review process	<ul style="list-style-type: none"> Overview of the price review process and our engagement program 	Inform
Our safety and service levels Our costs	<ul style="list-style-type: none"> What drives network demand and how we plan network augmentation projects 	Inform

Item	Issues and topics discussed	Objective
Empowering customers to make informed energy decisions	<ul style="list-style-type: none"> Our demand side engagement process Potential changes to the Demand Management Incentive Scheme Demand management initiatives under our 2016 regulatory proposal 	Consult
Our prices	<ul style="list-style-type: none"> Overview of our proposed policy How we determine the shared network augmentation threshold Proposing a high voltage equalisation scheme 	Consult

3.3.5.3 Public lighting forum

71. This meeting explored issues concerning our public lighting services in greater depth than we had been able to cover earlier during individual meetings with these customers. The forum also allowed us to relay back to customers what we had heard from them to date and how we planned to respond to their feedback.

Table 3–9: Issues for engagement at public lighting forum

Item	Issues and topics discussed	Objective
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> Overview of our approach to engaging our customers, stakeholders and the broader community What we've heard from your in relation to our public lighting services so far 	Inform
Our safety and service levels	<ul style="list-style-type: none"> How we're proposing to respond to the outcomes of our engagement so far How we propose to provide better a public lighting service Your feedback on our 2016 regulatory proposal 	Consult
Our safety and service levels	<ul style="list-style-type: none"> Changes in our regulatory framework and what they mean for you and our public lighting services Our draft prices for public lighting alternative control services and our approach to services newly classified as negotiated 	Inform

4. UNDERTAKING OUR CUSTOMER ENGAGEMENT

72. The second stage of our engagement process was to effectively undertake the engagement. The stage is broadly consistent with the 'delivery' section of the guideline. In order to maximise the effectiveness of our engagement we:
- Scheduled our engagement activities to allow enough time for customers and stakeholders to consider issues and for us to incorporate their feedback into our decision making
 - Built the capacity of our cohorts to engage meaningfully and effectively with us
 - Provided strong internal support for the engagement
 - Ensured our engagement on a number of issues was at a 'consult' or 'involve' level on the IAP2 Public Participation Spectrum (rather than 'inform') and that customers and stakeholders understood the levels we used
 - Incorporated customer and stakeholder feedback into our decision making.

The sections below provide further detail about how we undertook our engagement.

4.1 SCHEDULING THE ENGAGEMENT

73. We took care when scheduling our engagement activities to ensure that we allowed sufficient time to:
- Analyse customer and stakeholder feedback and ensure it was incorporated into our decision making around our five-year plan
 - Build customers' and stakeholders' capacity to engage (see also section 4.2)
 - Relay information about our 2016 regulatory proposal back to customers and stakeholders (including how we've incorporated their feedback into our plan)
 - Continually review the design of our engagement forums, the customers and stakeholders we engaged with and the issues proposed for discussion.
74. There were instances where the early scheduling of our engagement activities also created some challenges when engaging with some cohorts. In some cases, we had to balance the need to engage early enough to properly incorporate feedback into our decisions and the desire of some customers and stakeholders to be able to consider close-to-final regulatory 2016 regulatory proposal information (such as our future network prices) in their feedback.
75. For example, our engagement with mass-market customers on the introduction of maximum demand-based prices was undertaken whilst we were still relatively early in the process of designing our price structures, in order to maximise our ability to incorporate their feedback in our final 2016 regulatory proposal. Some of the mass-market customers we talked to, however, indicated that they would have also liked to know what our proposed tariff levels would be under such a scenario, despite it being too early in our overall price review process to accurately calculate final tariff levels. We have now provided customers with this information in an accessible format through the fact sheets published with our 2016 regulatory proposal.

4.2 BUILDING CAPACITY TO ENGAGE

76. Building our customers' and stakeholders' capacity to engage was critical to us engaging in a way which was genuine and meaningful to them.
77. Our past community engagement and research²¹ told us that many of our mass-market customers, for example, had a very low level of knowledge about the electricity supply chain, not to mention knowledge about what we do and issues relating to price determinations.²² Despite this, our five-year plan is important to those customers as it will determine the levels of our essential service to customers and their electricity bills over the next five years and into the future.
78. As highlighted in chapter 3, research we undertook in 2013 found that almost half of the 1020 participants surveyed thought about their energy bills at least every week. We therefore considered it important to build mass-market customers' knowledge about these issues and ensure that they could appropriately contribute to the development of our five-year plan. Box 4–1 discusses further how we built the capacity of mass-market customers to engage.
79. For forums which had recurring meetings, such as the Customer Council, we were able to sequence the issues we covered over several meetings (for example, network expenditure) and build members' capacity to engage on those issues over time—this meant they were able to engage on more complex issues and questions as we progressed with developing our 2016 regulatory proposal. When we discussed the rate of return, a particularly complex issue, with the Customer Council, we also offered to hold a specialised briefing session to go further into depth with interested members.
80. We were also able to further build on the existing knowledge bases of some stakeholders at forums including the Customer Council, pricing workshop, major stakeholder forum and large customer and stakeholder interviews by sending pre-reading agenda papers or presentations to them ahead of each meeting. As we heard and responded to feedback throughout our engagement process, we began to ensure that pre-reading material clearly outlined any engagement questions, in order to allow stakeholders time to consider the issue prior to their discussions with us.

²¹ We undertook qualitative and quantitative research with customers and stakeholders in early 2013 as part of the development of our Customer and Market Engagement Strategy.

²² Mass-market customers' baseline knowledge of electricity industry issues was tested at the beginning of our second focus group and deliberative forum, and the results confirmed that many participants had a generally low level of existing knowledge.

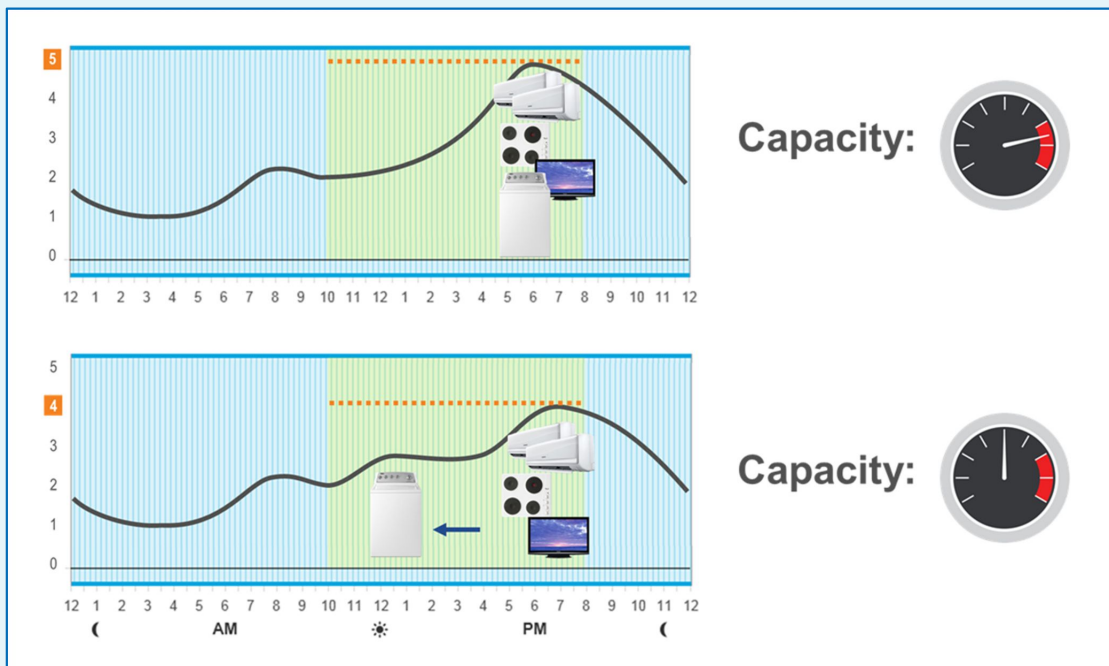
Box 4–1: Improving the accessibility of our engagement and building mass-market customers’ capacity to engage

Recognising the low level of knowledge of electricity distribution issues among mass-market customers and the importance of them understanding these issues in order to engage meaningfully, we put considerable effort into distilling key concepts down to simple, ‘customer-friendly’ messages. Where possible, we did this through the use of:

- Analogies to explain complex topics, such as the difference between operating and capital expenditure, the difference between return of and return on capital and the significance of coincident peak demand on our costs
- Graphics in documents and presentations to draw attention to or summarise key concepts and ideas (see example below which was used to explain the concept of maximum demand (capacity) to mass-market customers).

We found that both of these tools were well received, and helped us to build customers’ and stakeholders’ capacity to engage in a way which made best use of the limited time or space available when engaging directly or in printed material. These methods were also more accessible to them (for example using graphics instead of large sections of text), which meant they were more likely to absorb the information we were presenting and then provide a better-informed opinion.

Figure 4–1: Example of graphics used to explain to mass-market customers how they can change their usage behaviour to reduce their maximum demand



We involved the Customer Council in a discussion at the November 2014 meeting about a range of ways we could potentially communicate changes to our price structures to mass-market customers, which included testing specific messaging and graphics. We will continue to engage on issues such as this throughout the next period, in order to continuously improve the way we communicate with our customers.

4.3 DEVELOPING A CUSTOMER ENGAGEMENT CULTURE

81. Jemena is committed to ongoing engagement with our customers and stakeholders (see section 2). One of our business objectives is to deliver energy services that are safe, reliable, affordable and *responsive to our*

customers' preferences. In 2013, we developed a customer and market engagement strategy to help us engage more proactively with our customers and stakeholders, a key part of which is to develop a customer engagement culture within our business. Early on in this journey, our focus has been on increasing understanding across the business of our customer base (including who our customers are and some of their unique characteristics). Specific measures we have undertaken to build a customer engagement culture and provide strong internal support for customer engagement activities include:

- Senior managers attending and participating in a range of our engagement forums and activities (often through chairing meetings and giving introductions, and also providing them the opportunity to meet and talk to individual customers in an informal environment after meetings)
 - Inviting staff from across the business who would otherwise have little engagement with customers to observe key engagement activities, such as our deliberative forum and other workshops
 - Implementing 'Customer Focus' as one of Jemena's five organisational Values²³
 - Implementing the regular reporting of key customer performance indicators to Jemena's leadership team
 - Inviting key external stakeholders, including some of our Customer Council members, to present to the Jemena leadership team
 - All staff in JEN's teams responsible for regulatory management, commercial arrangements, business strategy and external affairs visit JEN's largest customer (Melbourne Airport) to hear about Melbourne Airport's strategic plan and their perspectives on how JEN should play a role in helping them achieve their goals
 - Using internal communications channels for internal stakeholder engagement, building awareness about why and how we are engaging with JEN's customers as part of developing our 2016 regulatory proposal
 - Building internal customer and stakeholder engagement skills, to ensure customer and stakeholder feedback continues to play an important role in the prudent optimisation of our costs, services and prices.
82. By involving some staff members in both the implementation of JEN's engagement activities as well as an internal working group responsible for driving cultural change throughout our business, we have also been able to use the results and outcomes of key engagement activities to build a stronger customer engagement culture.

4.4 UNDERSTANDING CUSTOMERS' AND STAKEHOLDERS' VIEWS AND PREFERENCES

83. When consulting with our customers and stakeholders to understand their views and preferences, we ensured that customers were aware of the inherent trade-offs which must be made in many decisions (see Figure 4-2). For example, when we engaged mass-market customers on their preferences for service levels over the long-term, we explained the trade-offs between service levels and prices, such that higher service levels typically involve higher costs and prices.

²³ The Jemena Values support our organisation's vision and strategy, and underpin what we do as an organisation. We ensure a strong internal focus on our Values by recognising and discussing 'Values moments' at the beginning of internal meetings. The Jemena Values are also used for employee recognition and performance evaluation.

Figure 4–2: The trade-offs we must consider in developing our 2016 regulatory proposal



84. When we engaged with customers and stakeholders about issues affecting service or price levels, we presented options and clearly explained the customer impacts (in terms of changes in levels of service and the relative impact on prices and bills) of each option. During our process of engaging with mass-market customers, we learnt that presenting the cost implications of options was best received by customers if presented in a ‘dollars per quarterly bill’ basis, so we modified the way in which we presented this information to improve its clarity for customers. We also took the time to explain several key attributes of our service levels to customers, in order to make conversations about trade-offs between prices and service levels more meaningful for them (see Box 4–2 for further detail).
85. As explained in Figure 1–3, we have consulted on a number of issues:
- Our safety and service levels
 - Our costs and average prices
 - Our individual price components (the way our prices are designed)
 - Empowering customers to make informed energy decisions
 - Assisting vulnerable customers
 - Engaging and responding to our customers, stakeholders and the community.
86. The details of what we heard from customers and stakeholders are reported in detail in section 5.1 below.

87. We note that the guideline suggests network service providers could engage on setting reliability targets where appropriate.²⁴ Under jurisdictional arrangements in Victoria, network service providers do not set our own reliability targets—the service target performance incentive scheme incentivises us to outperform our performance in the previous regulatory period. Therefore, it was not appropriate for us to consult with customers or stakeholders on setting these targets for the 2016 regulatory period. However, we note the work currently underway to develop a national framework for distribution reliability standards, and we support the principle of reliability standards reflecting customers' expectations.

²⁴ AER, *Better Regulation: Consumer Engagement Guideline for Network Service Providers*, November 2013, p. 11

Box 4–2: Understanding customers’ preferences for network service levels

Engaging with our mass-market customers on their preferred network service levels (including the associated average price impacts) over the long-term was a key part of our program. Our primary mechanism for obtaining this feedback from customers was through our deliberative forum and second focus group. During these forums, we explained to customers how we must consider and make trade-offs between service levels and prices as we develop our future plans.

With the objective of understanding how customers would like us to achieve their preferred balance between these three elements, we outlined how each of them affected customers. We explained to the customers how safety is our highest priority as a business, and why safety is important for our customers, the wider community and our employees. Because of the importance of safety, we did not consider it appropriate to present potential options to customers which involved compromising safety—our engagement therefore focussed on trade-offs between service levels and the costs of achieving those service levels.

Recognising the low levels of understanding among our customer base about what we do to make our discussion of our ‘service levels’ meaningful for mass-market customers, we based our discussions around four key attributes of our services:

1. Reliability—making sure customers’ electricity is available when they need it (referring to the frequency of supply interruptions, or ‘blackouts’ as we referred to them as with these groups)
2. Responsiveness—the time it takes to respond to blackouts
3. Public amenity—considering the visual fit of our network with your local area
4. Empowering customers—assisting customers to better manage their electricity use and costs.

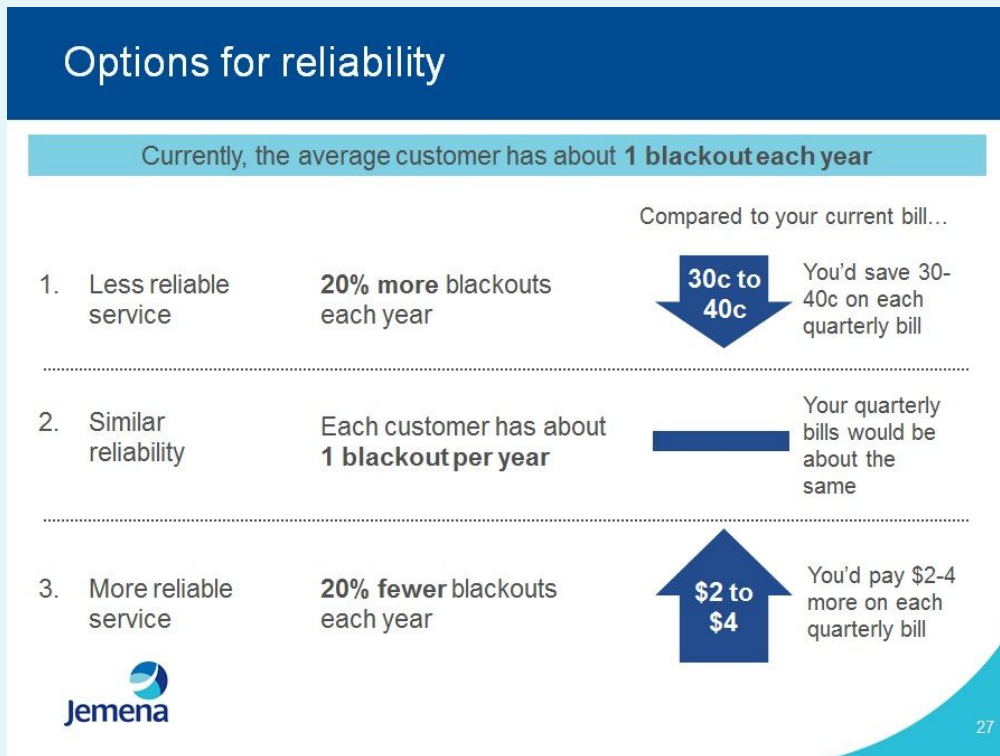
Engagement with customers about their preferred network service levels focused on the ‘reliability’ and ‘responsiveness’ attributes of our service. For each of these attributes, we developed options by firstly undertaking analysis to estimate the scope of capital works and/or operating activities (and associated expenditure) required to achieve different service level outcomes over the long-term. We then refined these options after considering the safety impacts (given we did not consider it appropriate to present options which would involve compromising safety) and practical deliverability of each option, and used the required expenditure to estimate the marginal cost impact of each option on a customer’s retail bill.

When engaging with customers, for each option we:

- Explained what that service attribute means for customers—such as the impacts on customers of more or less supply interruptions
- Explained the things we do to determine the level of service for that attribute—such as how changes in our investments in the network can lead to changes in reliability levels
- Explained (in simple terms) the current level of service we provide—for example, that currently, the average customer on our network has about one blackout each year
- Presented three options for different levels of service for that attribute which could be achieved over the longer-term, including the relative bill impact of each option—see example in Figure 4–3.

The costs of the options we presented were calculated to represent the incremental capital or operating expenditure which would be required to broadly achieve the associated service level outcome over the longer-term at an average network level.²⁵ As well as presenting the cost of options, we also explained the service impact of options in customer terms, recognising that percentage changes in reliability outcomes may not be meaningful to customers. For example, we explained to them that, for example under option 1 in Figure 4–3, a 20% less reliable service would mean that two customers sitting at every table of 10 in the room would experience an additional blackout every year.

Figure 4–3: Example of slide from our deliberative forum presenting options for service reliability



The full set of presentations made at our deliberative forum and the discussion guide used by facilitators during the forum are provided as Attachment 4-2.

²⁵ This analysis was undertaken at a network level as it would not be technically feasible to achieve increases or decreases in reliability (the number of supply interruptions each customer experiences in a year) or responsiveness (the length of time taken to restore supply following an interruption) of exactly 20% for each individual customer. Some of our customers and stakeholders have noted that the incremental costs of options one and three in the example below are asymmetric (that is, the costs of achieving an increase in reliability are larger than the savings of a decrease of the same magnitude)—this reflects the increasing incremental costs of continuing to improve reliability (as after a point in time, options available to continue to improve network reliability become limited and increasingly expensive). When engaging with mass-market customers, we explained this concept using the analogy that a Ferrari costing \$400,000 is not 10 times as fast or reliable than a car which costs \$40,000.

Box 4–3: Engaging with our customers and stakeholders on our tariff structure statement

Changes to our individual price components are of significant interest to customers, and we therefore undertook extensive engagement on this issue. This box provides an overview of our engagement to date in developing our tariff structures and their communication through our draft tariff structure statement (TSS)²⁶ (Attachment 10-1).

In developing our tariff structures, we have engaged with a range of customers, retailers, consumer advocates and other stakeholders (including State Government and energy industry associations). This engagement was undertaken through a deliberative forum, individual meetings and workshops, each of which was tailored to ensure maximum effectiveness with each cohort and taking into account different interests and knowledge levels.

As explained in Box 4–1, we had to ensure we effectively relayed relevant important concepts, such as maximum demand-based pricing, to mass-market customers during our engagement. Further detail about which customers and stakeholders we engaged with and how we engaged with them in relation to our tariff structures can be found in sections 3.1, 3.2.1, 3.2.2, 3.2.4 and 3.2.5.1 of this document.

Issues relevant to our tariff structures that we engaged on with these customers and stakeholders include:

- Our pricing objectives (referred to in engagement with mass-market customers as ‘making our prices more-closely reflect the costs of providing our services’)
- Our proposed changes to our distribution service tariff structures for residential and medium and large business customers
- Our approach to pricing user pays services
- Impacts of our (distribution services) tariff structures on residential customers, including how we can mitigate these through our price path and transition and how customers can mitigate these by behavioural change
- Our price path for distribution services.

We also engaged on our ‘Our approach to pricing’ document, which we developed as a forerunner to our TSS. We provided copies of this document to customers and stakeholders ahead of our second pricing workshop (September 2014) in order to allow them time to fully understand key issues we wished to engage on with them. Following this workshop, we also allowed adequate time for interested stakeholders to make written submissions on the document, and we received two submissions.

The specific engagement issues relevant to our tariff structures engaged on at each forum are outlined in sections:

- 3.3.1 for the Customer Council
- 3.3.2 for the residential and smaller business customer forums
- 3.3.4 for the large customer and stakeholder interviews
- 3.3.5.1 for the pricing workshops.

Details about how we’ve addressed the concerns of customers and stakeholders in relation to our tariff structures in our 2016 regulatory proposal are contained in the ‘Our individual price components’ section of Table 5–1.

Publishing our draft TSS with our regulatory 2016 regulatory proposal also allows our customers, stakeholders and the AER time to provide additional feedback prior its formal submission in September 2015.

²⁶ Consistent with clauses 6.8.2(c1a) and 11.76.2 of the National Electricity Rules.

We found that the customers and stakeholders we engaged with were generally satisfied with our engagement with them. For example, one attendee at our third pricing workshop provided the following feedback:

“Jemena is leading the energy market in cost reflective pricing and continues to show its professional approach to stakeholder engagement.”

Further details about how we've measured the success of our engagement program are contained in section 6.1.

4.5 INCORPORATING FEEDBACK INTO OUR DECISION MAKING

88. Considering and incorporating customer and stakeholder feedback into our decision making is an essential step in ensuring our 2016 regulatory proposal reflects their preferences and promotes the long-term interests of customers. This involved relaying what we heard from customers and stakeholders during our engagement back to our business and then considering this feedback when developing our key strategies, plans and forecasts which shape our 2016 regulatory proposal.
89. Consideration of feedback was generally undertaken in debrief sessions by internal groups of key staff following individual engagement meetings or forums. At these meetings, key take-outs from the forum, including how they can be reflected in existing or future strategies, were discussed. In cases where customer and stakeholder feedback had significant implications for our 2016 regulatory proposal, internal owners were assigned actions to assess ways of incorporating this feedback into their strategies or plans.
90. Additionally, updates summarising progress on our customer engagement program, including summaries of what we'd heard from customers and stakeholders at certain points of time, were provided to internal strategy and leadership groups comprising senior managers involved in our electricity distribution price review project.
91. To enhance the transparency of how and where customer and stakeholder feedback was incorporated into our decision making in a key area with significant implications for customers (changes to the way our network tariffs are structured), we provided our pricing workshop participants with a draft document for consultation which set out our proposed approach to pricing.²⁷ This document, which contained a number of specific questions where we were seeking customers and stakeholders on key parts of our approach, was sent to attendees prior to a meeting, where the document was then discussed and interested customers and stakeholders were invited to provide any further written feedback to us over the two weeks following the meeting.
92. We also sought to incorporate customer feedback into high-level objectives which guide key areas of our 2016 regulatory proposal and longer-term strategies. An example of this is JEN's investment objective, contained in our asset management strategy and objectives as well as its 20-year strategic asset management plan—to provide network services that are safe, reliable, affordable and responsive to our customers' preferences. The other documents in JEN's asset management system then set out how we propose to achieve outcomes for customers over the long-term that reflect their preferences for safety, reliability and affordability.

²⁷ Jemena Electricity Networks (Vic) Ltd, *Our approach to pricing: Basis for a future tariff structures statement (draft for discussion)*, September 2014.

Box 4—4: Issues where we significantly changed our 2016 regulatory proposal in response to customer and stakeholder feedback

Our 2016 regulatory proposal reflects a wide range of feedback we've received from our customers and stakeholders. This feedback and our responses to it are detailed in Table 5–1. Some of the feedback we received was broadly consistent with our initial thinking and approaches that we took to our customers and stakeholders when engaging with them. However, this box highlights three key areas where we also significantly changed our proposed approach to an issue in response to customer and stakeholder feedback.

Our prices

We had originally planned (and began engaging on) a transition to our new cost-reflective tariffs over a 13 year period, however customers told us that they saw value in improving the fairness and price signals for more efficient network use of our tariffs, and that these benefits should be realised sooner rather than later. We have proposed a shorter, less gradual transition period in response to this feedback.

After receiving this feedback, we recognised that an accelerated transition to our new tariffs had the potential to negatively impact some customers under the types of price paths that have historically been adopted. We therefore undertook analysis on the potential customer impacts under this price path approach, and then developed and analysed an alternative price path designed to help mitigate these impacts.²⁸ We presented this analysis to our Customer Council in February 2015²⁹ and sought their feedback on which price path option they believed was most in the long-term interests of our customers. The Customer Council's strong support for the alternative price path to minimise any adverse impacts of an accelerated transition to our new tariffs is reflected in our 2016 regulatory proposal.

Assisting vulnerable customers

We have not proposed to implement some vulnerable customer assistance options which we considered internally (such as a significantly larger in-home energy display program), based on customer and stakeholder feedback around ensuring that any assistance we provide 'plays to our strengths' and provides the best possible value for money. We developed and then tested a number of vulnerable customer assistance options with a range of our engagement forums, and our 2016 regulatory proposal reflects the measures our customers and stakeholders told us they valued.

Engaging and responding to our customers, stakeholders and the community

We have modified our engagement approach both during the current process (when we took on a number of suggestions during 2014) and in relation to our proposed engagement activities for the 2016 regulatory period.

Early in our engagement process, we presented our engagement plans to the Customer Council and received feedback about additional cohorts we should engage with (such as small and medium business owners and energy and financial counsellors) and different methods we should consider employing. We subsequently modified our engagement approach to include these additional cohorts and to use our existing community relations activities to engage the broader community instead of planned 'town hall' meetings.

We have also responded to customer and stakeholder feedback about how they wish to be engaged as we develop our proposed engagement activities for the 2016 regulatory period. For example, we have responded to feedback around continuing and strengthening our engagement activities by including a step change in our operating expenditure forecast to enable us to undertake engagement with a larger number of mass-market customers more frequently in the future.

²⁸ Consistent with the network pricing principle requiring us to consider the impact on customers of changes in our network prices.

²⁹ Representatives from the AER were also present at this Customer Council meeting as observers.

5. COMMUNICATING THE FINDINGS AND OUTCOMES

93. The third stage of our engagement was to capture what we heard from customers and then communicate these findings, along with how we have responded, back to our customers and stakeholders. This is broadly consistent with the 'Results' section of the guideline. Section 5.1 summarises what we heard during our engagement and how we have responded through our 2016 regulatory proposal, and section 5.2 outlines how we have communicated this to our customers and stakeholders.

5.1 WHAT WE HEARD FROM CUSTOMERS

94. Figure 1–3 summarises what we heard from our customers and stakeholders through our engagement, and how we're responding to these views and preferences through our 2016 regulatory proposal. Broadly, our customers and stakeholders told us that:

- Safety should remain our top priority
- They value our current levels of service, and prefer they be maintained over the long term
- They want us to be transparent about our costs, continually improve our efficiency and explore innovative technologies to help lower our costs over the long term
- They want prices which better reflect and more equitably share the costs of using the network, and they support measures we have developed to minimise any adverse customer impacts of this change
- They want to be informed, active decision energy makers to take control of their energy decisions
- Some customers are struggling to pay electricity bills, and customers think we have a role to play in assisting vulnerable customers
- They value us engaging with them on a range of issues.

95. Table 5–1 provides more detail about what we heard and how we're responding to key issues in our 2016 regulatory proposal.

Table 5–1: What we heard through our engagement on key issues and how we’re responding through our 2016 regulatory proposal

Issue	What we heard	Which groups told us	How we’re responding
Our safety and service levels			
Safety	Customers told us that: <ul style="list-style-type: none"> • They almost unanimously felt safety should be our number one priority • They saw safety as important not just for the community, but also for our employees 	Mass-market customers Large customers	We have: <ul style="list-style-type: none"> • Developed our works programs (reflected in our capital and operating expenditure forecasts) to undertake the activities required to continue to ensure that we can deliver network services which maintain the safety of our customers, the community and our employees

5 — COMMUNICATING THE FINDINGS AND OUTCOMES

Issue	What we heard	Which groups told us	How we're responding
<p>The service levels provided by the network</p>	<p>Customers told us that:</p> <ul style="list-style-type: none"> • Mass-market customers generally considered the current levels of reliability and responsiveness we provide as very good • Mass-market customers considered that the bill savings of providing a lower level of service over the longer-term were not valued • Mass-market customers considered that although increased service levels over the longer-term would be beneficial, the costs of achieving those outcomes was generally too high • Mass-market customers generally considered it either very or completely acceptable to maintain our current network service levels (reliability and responsiveness) in our 2016 regulatory proposal • Our large commercial and industrial customers are highly reliant on us to provide a reliable and responsive electricity supply. A number of these customers told us they desired services which are differentiated from average network service levels in areas such as reliability, responsiveness, power quality, network information reporting and project management. However, only a few expressed a willingness to pay a material amount for improvements to these services • Some of our large commercial and industrial customers would value more information about operational network issues, including times when outages occur 	<p>Mass-market customers Large customers</p>	<p>We have:</p> <ul style="list-style-type: none"> • Developed our works programs (reflected in our capital and operating expenditure forecasts) to undertake the activities required to continue to ensure that we can maintain our current network service levels which customers have told us they value • Recently undertaken an organisational restructure to strengthen our focus on ongoing proactive account management for more large customers. This will allow us to: <ul style="list-style-type: none"> – Continue engaging with individual large customers to better understand their needs and preferences, and explore tailored solutions to provide higher service levels where these customers are willing to pay for them – Provide more of our larger customers with a single point of contact for any issues they wish to discuss with us – Develop a priority hotline service for larger customers to obtain more information during outages

Issue	What we heard	Which groups told us	How we're responding
The visual amenity of the network	<p>Customers told us that:</p> <ul style="list-style-type: none"> • They generally didn't value improvements to the visual amenity of the network • They strongly felt that specific customers who wanted improved visual amenity should bear the cost of those improvements 	Mass-market customers	<p>We have:</p> <ul style="list-style-type: none"> • Not proposed expenditure to improve the visual amenity of our network, other than where the costs of doing so will be recovered through customer contributions or where we are required to comply with planning or other requirements in order to undertake a project which is otherwise necessary to maintain reliability or responsiveness
Public lighting services	<p>Public lighting customers told us that:</p> <ul style="list-style-type: none"> • They think we can improve the public lighting services we provide, including being more innovative and responsive to public lighting customers' needs and communicating more effectively with them • They want to be able to reduce their electricity expenditure and carbon emissions by utilising more energy-efficient types of public lighting 	Local Government	<p>We have:</p> <ul style="list-style-type: none"> • Committed to improving our communication and working collaboratively with our public lighting customers to address a range of specific issues they have raised, including replacement times and the length of time to resolve outstanding queries and faults • Nominated a single point of contact for all queries about public lighting maintenance, outages, faults and non-standard assets • Committed to continuing to engage with these customers to explore public lighting-related services which leverage new technology and are specially tailored to each customer's needs • Proposed new charges for approval by the AER for the operation, maintenance, repair and replacement of shared public lighting assets of new energy-efficient light types, including LED, T5 and compact florescent lights • Committed to replacing all failed minor road lights with new energy efficient lights, resulting in lower carbon emissions, energy costs (and therefore also distribution use of system charges) and operation, maintenance and replacement charges for local governments • Committed to improving the ability of public lighting customers to import asset data from our geographical information system database

5 — COMMUNICATING THE FINDINGS AND OUTCOMES

Issue	What we heard	Which groups told us	How we're responding
Our costs			
Our cost efficiency	<p>Stakeholders told us they:</p> <ul style="list-style-type: none"> Want to see us strive to continually improve our efficiency so our services provide more value for money Want to see downward pressure on our prices Want us to be transparent about our costs 	<p>Mass-market customers Customer Council</p>	<p>We have:</p> <ul style="list-style-type: none"> Incorporated annual productivity gains averaging 0.89% per year into our forecast operating expenditure Passed through the benefits of lower funding costs to our customers Obtained independent cost estimates for a cross-section of capital projects to test the efficiency of our project costings
Demand management	<p>Customers and stakeholders told us they:</p> <ul style="list-style-type: none"> Think we should be proactive in exploring trials of new technologies and other programs which can help lower costs over the long-term Thought we should consider offering incentives for customers to reduce their usage at peak times In the case of local governments and some large customers, would like the opportunity to participate in demand management trials and projects 	<p>Mass-market customers Large customers and stakeholders Local Government</p>	<p>We have:</p> <ul style="list-style-type: none"> Proposed cost-reflective tariff reforms for all network customers, and engaged with the Victorian Government about how best to educate customers about demand management. Refer to our three 'Our network prices are changing' fact sheets for more information Proposed a number of demand management initiatives which will build our understanding of potential technologies that may help reduce the need for future network investment, leading to lower costs for customers over the long-term. See our fact sheet titled for more information on demand management and innovation Engaged directly with some customers and stakeholders who expressed interest in participating in demand management trials, and will continue to do so Committed to continuing to collaborate with local governments on demand management trials for small customers Published our 20 year strategic asset management plan to show how we are prudently managing our long-lived network assets to invest in a manner that is cognisant of changes in how our customers source and use electricity, including the increasing pattern of localised energy exports from smaller customers

Issue	What we heard	Which groups told us	How we're responding
Incentive schemes	<p>Stakeholders told us they:</p> <ul style="list-style-type: none"> Supported the use of schemes to align our incentives with customers' interests Supported our 2016 regulatory proposal to exclude uncontrollable operating expenditure from the efficiency benefit sharing scheme 	Customer Council	<p>We have:</p> <ul style="list-style-type: none"> Proposed that an efficiency benefit sharing scheme and capital expenditure sharing scheme apply to JEN in order to best align our incentives with customers' interests Proposed that uncontrollable operating expenditure be excluded from the efficiency benefit sharing scheme
Managing uncertainty in our proposed expenditure	<p>Stakeholders told us they:</p> <ul style="list-style-type: none"> Thought that, for investments subject to significant uncertainty, it is appropriate to wait and then seek cost recovery later when there is greater certainty about the investment 	Customer Council	<p>We have:</p> <ul style="list-style-type: none"> In the face of a complex and changing external environment (including changing regulations), withheld an IT project which would be required in the event metering contestability is introduced from our capital expenditure proposal. We will instead seek cost recovery for this project through a pass-through application if the need for the investment materialises during the 2016 regulatory period.

5 — COMMUNICATING THE FINDINGS AND OUTCOMES

Issue	What we heard	Which groups told us	How we're responding
Our prices			
Making our prices more-closely reflect the costs of providing our services	<p>Customers and stakeholders told us they:</p> <ul style="list-style-type: none"> Understood the benefits of us moving towards fairer and more cost-reflective prices and supported the objectives of us doing so <p>Customers told us they:</p> <ul style="list-style-type: none"> Strongly preferred incentivising customers to reduce their peak usage rather than just continuing to build network capacity to meet growing peak demand Felt prices which better-reflect the costs a customer imposes on the network were a fairer way of charging for our services than current prices Were likely to respond to our price signals by reducing their maximum demand during peak times <p>Retailers told us they:</p> <ul style="list-style-type: none"> Were generally likely to reflect our the signals provided by our network prices in the retail prices they offer to mass-market customers <p>Large customers told us they:</p> <ul style="list-style-type: none"> In some cases, were unsure about what the introduction of kVA-based charges would mean for them, and would value more information Would value more information about our future tariff levels to assist them in planning their own businesses Thought we should investigate whether a 'traction supply' tariff for a specific type of large customer with unique connection characteristics would be more cost-reflective 	<p>Pricing workshop</p> <p>Mass-market customers</p> <p>Large customers and</p> <p>Local Government</p> <p>Customer Council</p>	<p>We have:</p> <ul style="list-style-type: none"> Proposed changes to our tariff structures which will allow them to more closely reflect the costs of providing our services, therefore encouraging and providing an incentive for customers to make informed decisions about the way they use (and generate) electricity. Refer to our pricing fact sheet for more information Provided information about our prices over the 5-year period in our draft TSS <p>We will:</p> <ul style="list-style-type: none"> Continue to work with retailers and other stakeholders to overcome barriers and provide customers with the greatest opportunity to respond to network price signals Continue to meet individually with our large customers, including local Government, provide them with more information about our proposed kVA charges and outline options available to them to improve their power factor (in order to lower their kVA charges) Investigate whether the introduction of a traction supply tariff would improve cost reflectivity and not disadvantage other large customers, and if its introduction is found to be feasible, consult with affected customers on its introduction

Issue	What we heard	Which groups told us	How we're responding
<p>Our approach to implementing changes to our tariff structures</p>	<p>Customers and stakeholders told us they:</p> <ul style="list-style-type: none"> • Thought we should introduce maximum demand-based network tariffs sooner rather than later • Were concerned about the possibility of some residential customers experiencing 'bill shock' under maximum demand-based network tariffs (i.e. due to a single short period of very high usage) • Thought that introducing these new tariffs on an 'opt-in' basis was likely to lead to an outcome which is not in customers' long-term interests, as this would delay the realisation of benefits by all customers • Thought that we should propose a price path that delivers a real price reduction to small customers in the same year as cost-reflective prices are introduced to minimise the potential for 'bill shock', as this struck a good balance between cost-reflectivity and the potential impact on customers • Supported our approach to implementing maximum demand-based charges for customers who don't have AMI installed at their premises 	<p>Pricing workshop Mass-market customers Customer Council Local Government</p>	<p>We have:</p> <ul style="list-style-type: none"> • Changed our initial approach to introducing our new tariff structures. Rather than phasing the new charge in over an extended period, we have proposed a maximum-demand charge to be set at 50% of long run marginal cost (LRMC) in 2018, and then increasing in 10% increments annually • Designed our maximum demand-based network tariffs for residential customers to minimise any potential impact of 'bill shock' by: <ul style="list-style-type: none"> – Proposing a price path which will mitigate the potential for 'bill shock' by giving customers a real price reduction in 2018 when the new charges are introduced³⁰ – Proposing to reset residential customers' maximum chargeable demand on a rolling monthly basis – Committing to developing information for small customers about how they can make maximum demand-based charging work for them, and by working with retailers and other stakeholders to enhance customer understanding of these new tariffs

³⁰ We are proposing maximum-demand charges be introduced to residential tariff structures in 2017, however the dollar per kilowatt rate in will be set at zero for 2017 to allow for billing systems changes to occur. A non-zero maximum-demand charge based on 50% of LRMC will be introduced in 2018.

5 — COMMUNICATING THE FINDINGS AND OUTCOMES

Issue	What we heard	Which groups told us	How we're responding
Communicating changes to our tariff structures to customers	<p>Customers and stakeholders told us:</p> <ul style="list-style-type: none"> • They supported our multi-pronged approach to tariff reform of price signals and customer education • They saw customer understanding and acceptance as key to realising the benefits of maximum demand-based network tariffs for mass-market customers • Ways in which we could meaningfully communicate changes to our tariff structures to customers, including key messages, concepts and graphics 	<p>Pricing workshop Customer Council Local Government</p>	<p>We have:</p> <ul style="list-style-type: none"> • Been transparent in providing information about our future prices through our “approach to pricing” document • Developed targeted communications for mass-market customers which explains how they can make maximum demand-based prices work for them • Been working (and will continue to work) with retailers, Government and customer representatives in order to improve all customers’ understanding of new tariff structures and maximise the benefits to all customers of these changes
Large customer chargeable demand resets	<p>Customers and stakeholders told us they:</p> <ul style="list-style-type: none"> • Were concerned about the length of time it takes for large customers’ minimum chargeable demand level to be reset 	<p>Large customers and stakeholders Customer Council</p>	<p>We have:</p> <ul style="list-style-type: none"> • Committed to resetting levels of contracted/chargeable demand for all relevant customers as part of the introduction of our new tariff structures • Updated our policy for resetting to shorten the time it takes for demand resets to occur

Issue	What we heard	Which groups told us	How we're responding
Empowering customers to make informed energy decisions			
The way our customers use electricity	<p>Customers, stakeholders and our research told us:</p> <ul style="list-style-type: none"> • They are increasingly using alternative energy sources, such as solar PV, and that around half our customers who have not yet installed solar PV would consider installing it • Some customers who are more highly engaged in energy issues are also considering further changing the way they use electricity, including battery storage technology • Customers' decisions to change the way they use energy are most commonly in response to the price of electricity • Larger customers, including local governments, were increasingly interested in installing larger distributed generators, including co-generation systems. They also want clearer and more accessible information about areas of the network where there may be impediments (or indeed advantages) to installing larger embedded generators 	<p>Mass-market customers Local Government</p>	<p>We have:</p> <ul style="list-style-type: none"> • Proposed changes to our tariff structures which will allow them to more closely reflect the costs of providing our services, therefore encouraging and providing an incentive for customers to make informed decisions about the way they use (and generate) electricity • Proposed trials to explore new ways of allowing the network to accommodate more and larger embedded generators without reducing the quality and reliability of our service to other customers • Proposed to continue not levying a site inspection charge for customers who wish to connect a micro embedded generator (such as a typical solar PV system), avoiding barriers to customers installing solar PV <p>We will:</p> <ul style="list-style-type: none"> • Improve the accessibility of the information we publish about constraints, utilisation and fault levels on our network, and will explore new ways of presenting this information (such as network 'heat maps'). This will provide prospective customers (including customers wanting to connect generators) with better information they need to make efficient decisions about the way they use our network

5 — COMMUNICATING THE FINDINGS AND OUTCOMES

Issue	What we heard	Which groups told us	How we're responding
Providing information about customers' energy usage to facilitate informed decision making	<p>Customers, stakeholders and our research told us:</p> <ul style="list-style-type: none"> • Customers want innovations, technologies and information which enable them to take more control of their energy needs • They supported and valued our Electricity Outlook portal. Customers were more likely to change the way they used electricity (and participate in retail energy markets by shopping around for a better deal) when they had access to tools such as our Electricity Outlook portal • They saw tools which increased the accessibility of customers' usage information (such as in-home energy displays) as powerful for helping enable customers make informed energy decisions 	<p>Mass-market customers Pricing workshop Customer Council Local Government</p>	<p>We have:</p> <ul style="list-style-type: none"> • Proposed a trial with residential customers to explore combinations of education, financial incentives and technology (for example, in-home energy displays) to best help customers better manage their usage and reduce their peak demand • Proposed a trial of 500 in-home energy displays with vulnerable customers to overcome the barriers some vulnerable customers face in accessing this information, allowing them to reduce their energy usage and bills
Improving customers' energy literacy to make better-informed energy decisions	<p>Stakeholders told us they:</p> <ul style="list-style-type: none"> • Supported us doing 'more than the minimum required' to educate customers about energy literacy • Saw long-term value in these activities, as improved community acceptance and social capital would allow us to deliver our services more efficiently in the future 	<p>Customer Council</p>	<p>We have:</p> <ul style="list-style-type: none"> • Proposed (through our operating expenditure) to continue these activities throughout the next regulatory period • Proposed (through an operating expenditure step change) to expand some of these activities which improve the ability of vulnerable customers (such as those with low levels of English) to make informed energy decisions

Issue	What we heard	Which groups told us	How we're responding
Assisting vulnerable customers			
Strengthening the role we play in assisting vulnerable customers	<p>Customers and stakeholders told us they:</p> <ul style="list-style-type: none"> • Know some of our customers are facing hardship and struggling to pay their energy bills • Thought we should be proactive in assisting these vulnerable customers • Thought that we were particularly well-placed to offer some forms of assistance to vulnerable customers, such as in-home energy displays which use AMI • Saw a strong and growing need for funding to assist no-interest loan schemes • Thought we should adopt a targeted and cost-effective approach to assisting vulnerable customers 	<p>Customer Council</p> <p>Mass-market customers (including vulnerable customers)</p> <p>Energy and financial counsellors</p>	<p>We have proposed three initiatives to help vulnerable customers better understand and manage their energy usage, through:</p> <ul style="list-style-type: none"> • A trial of 500 in-home energy displays, which we will provide to vulnerable customers through partnerships with local governments or other community organisations • Improving the way we communicate with customers who are culturally and linguistically diverse, using methods such as low-literacy visual communications • Providing funding to a no-interest loan scheme, to assist vulnerable customers to replace old, inefficient appliances which contribute to higher electricity bills
Engaging and responding to our customers, stakeholders and the community			
Our customer and stakeholder engagement going forward	<p>Customers and stakeholders told us they:</p> <ul style="list-style-type: none"> • Valued our engagement with them • Would like to be consulted on certain issues going forward (see Table 6–2) 	<p>Generally all customers and stakeholders consulted</p>	<p>We have:</p> <ul style="list-style-type: none"> • Proposed to continue to strengthen our customer and stakeholder engagement throughout the 2016 regulatory period, to strive to understand and meet the reasonable expectations of customers and customer groups and reasonably balance their competing interests, and to ensure that customer and stakeholder engagement plays an important role in the prudent optimisation of our costs, services and prices

5.2 COMMUNICATING THE RESULTS AND OUR RESPONSES

96. Communicating what we heard from and how we've incorporated feedback into our 2016 regulatory proposal back to the customers and stakeholders we engaged with is key to effective and meaningful consultation. As well as helping the cohorts we engaged with understand how their feedback has influenced our 2016 regulatory proposal, this also helps us build ongoing relationships with our customers and stakeholders based on trust and transparency.
97. This document provides a complete view of what we heard through our engagement over the past year and a half and how it has influenced our 2016 regulatory proposal. However, we have also worked to ensure that our customers and stakeholders have been kept informed throughout our engagement program. The remainder of this section explains how we communicated our findings and responses to each forum.
98. For the Customer Council, we circulated minutes after each meeting. Minutes were then put to the next meeting for acceptance. For other forums with customers or stakeholders who had an existing level of knowledge about us and our services (the pricing workshops and major stakeholder forums), we circulated a memorandum following each meeting which summarised what we heard during (and in some cases, after) each session. As these forums involved multiple meetings with the same groups of customers and stakeholders, we were also able to design the sequencing of topics for discussion in order to consult (or involve) on key issues early in the process and then inform on how our 2016 regulatory proposal responds later in the process.
99. For engagement with other forums and cohorts, including mass-market customers, we have communicated our findings and responses through our customer engagement website. We provided material directing interested customers to our website at our focus groups, deliberative forum and broader community engagement. We recently updated this website to provide a range of material which describes what we heard during our 2016 regulatory proposal and how we've responded, including a customer overview of our 2016 regulatory proposal, a fact sheet on the key issue of tariff changes and this document. We also recently notified customers and stakeholders who have elected to join our mailing list that this material is now available on our website.
100. We are also providing briefings to a number of key stakeholders around the time of our 2016 regulatory proposal's submission. These briefings will summarise what we heard during our engagement and how we've responded.

6. IMPROVING THE EFFECTIVENESS OF OUR CUSTOMER ENGAGEMENT PROCESSES

101. The final stage in our engagement process is to review our engagement in order to continuously improve the effectiveness of our engagement with customers and stakeholders on an on-going basis. This stage includes three main activities:
- Measuring the success of our engagement, to determine whether customers and stakeholders felt these activities were a valuable opportunity for them to provide input into our decision making
 - Identifying ways we can improve our future customer and stakeholder engagement
 - Reaffirming our commitment to engage with our customers and stakeholders on an ongoing basis.
102. These activities are broadly consistent with the 'evaluation and review' stage outlined in the guideline.

6.1 MEASURING THE SUCCESS OF OUR ENGAGEMENT

103. We measured the success of our engagement through three main methods:
- Feedback forms completed by customers and stakeholders at the end of engagement activities³¹
 - By obtaining verbal feedback on the engagement in the case of meetings or interviews
 - An online survey sent to a range of customers and stakeholders in March and April 2015 who had been involved in our engagement, to assess the effectiveness of our overall program.
104. When asking questions of our customers and stakeholders to evaluate the effectiveness of our engagement, we focussed on whether participants felt we had incorporated the best practice principles outlined in the guideline.
105. The survey about our overall engagement program was provided to customers and stakeholders we engaged with through the Customer Council, large stakeholder forums (including the pricing workshops) and individual interviews. The results of the survey are summarised below.
106. In addition to covering the themes below, the final question of this survey asked respondents to provide a score indicating their satisfaction with how we had engaged on our 2016 regulatory proposal (between zero and 10, where higher scores indicate higher satisfaction). The average score given by participants was 7.9, indicating that our customers and stakeholders are highly satisfied with our engagement.
107. Overall, our customers and stakeholders told us that they:
- Valued the opportunity to engage with us in the development of our 2016 regulatory proposal
 - Felt that our commitment to engaging with them was genuine
 - Felt that we had helped them to engage with us in a meaningful way (through our openness and communications with them)

³¹ Due to the nature of these activities, feedback forms were not used for our website or broader community engagement activities (e.g. information stands). However, we obtained positive verbal feedback in relation to us informing customers about our role in delivering energy to them and making staff available to answer questions during the course of our face-to-face engagement activities.

6 — IMPROVING THE EFFECTIVENESS OF OUR CUSTOMER ENGAGEMENT PROCESSES

- Felt we had been open and transparent during our engagement, including that:
 - We had clearly defined the purpose (using the IAP2 spectrum) and scope of our engagement with them, and how these discussions related to and would influence our 2016 regulatory proposal
 - Our communications, including responses to customers' and stakeholders' questions during engagement activities, were open and transparent
- Were generally interested in the issues and topics we discussed, and if not, often felt that they were able to raise other issues with us
- Felt we had engaged with the appropriate customer and stakeholder cohorts
- Felt our engagement activities were accessible and inclusive for those cohorts, including that:
 - The timing of our engagement allowed us to hear customers' and stakeholders' views and incorporate them into our decision making where appropriate
 - We had built the capacity of our cohorts to engage by providing information in a timely manner which allowed them to give informed feedback
 - We had provided materials which were easily understandable by customers without background knowledge of the industry
 - Tailoring specific engagement activities to vulnerable customers was valuable
- Felt we had organised and facilitated our engagement forums or activities appropriately
- Felt they had adequate opportunities to provide input to our 2016 regulatory proposal
- Felt that we had shared what we had heard during our engagement and how it has influenced our 2016 regulatory proposal
- Felt that our 2016 regulatory proposal appropriately reflects the feedback we've received from our customers and stakeholders.

108. Box 6–1 provides some quotes from customers and stakeholders in relation to our engagement activities and Table 6–1 provides further details on what we heard about our engagement program from each forum.

Box 6–1: Specific feedback from customers or stakeholders in relation to our engagement

“The presentation was informative and eye opening, keep it up”

“The presenters were all professional, open to all questions and discussions”

Participant in workshop with energy and financial counsellors, Epping, 18 August 2014

“Very good dialogue”

Attendee at major stakeholder forum, Preston, 26 August 2014

“I never thought you’d come down to the grass roots. I thought you just sat there in your glass towers...it’s good that you give us, the common man, your customers and not just big customers, the chance to say what we feel”

Residential customer at deliberative forum, Moonee Ponds, 17 September 2014

“As part of the process of designing tariffs, it is positive to see Jemena engaging early and broadly”

“The documents prepared as part of the consultation process provide useful background information...”

Written submission in response to ‘Our approach to pricing’ document, 31 October 2014

“Genuine. Put effort in. Very receptive to feedback, and keen to improve. Sensitive to the needs of different groups. Meaningful. Credible. Reflective of good internal culture”

Customer Council member, 18 March 2015

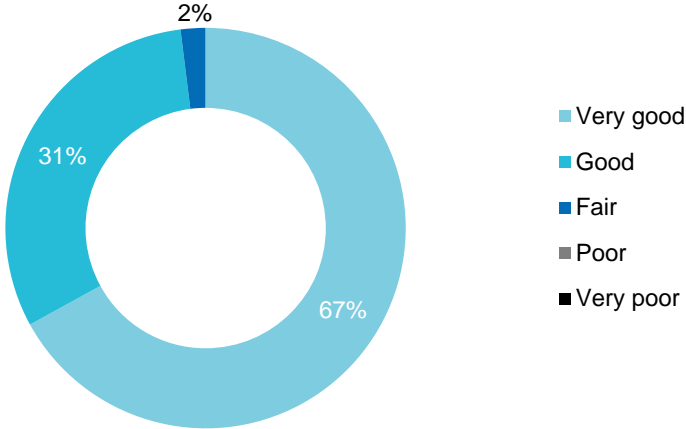
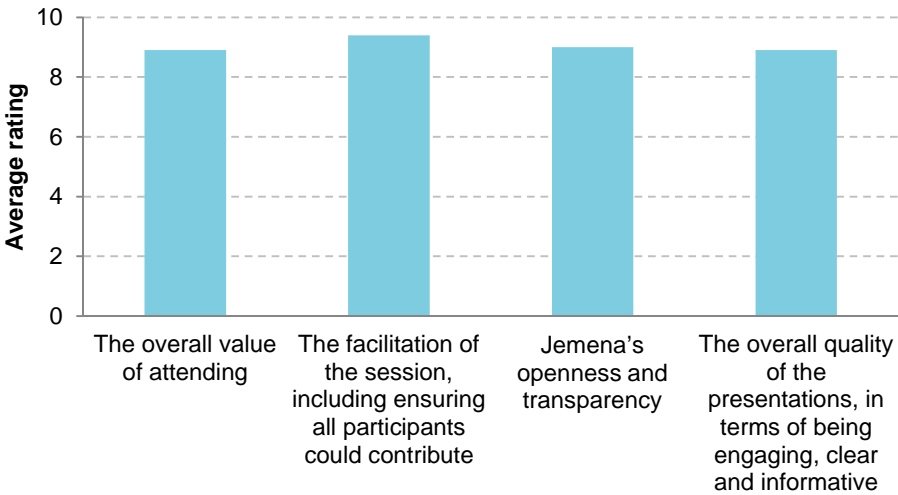
“Engaging stakeholders across many months ... has given you the opportunity to adapt your engagement approach”

Customer Council member, 18 March 2015

6 — IMPROVING THE EFFECTIVENESS OF OUR CUSTOMER ENGAGEMENT PROCESSES

Table 6–1: Summary of what we heard about our engagement by forum

Forum	What we heard																				
Customer Council	<p>Feedback from the Customer Council has been positive. Customer Council members were asked to fill out an evaluation form at the conclusion of all meetings between June 2014 and March 2015 (except for the mini meeting in February 2015). These surveys asked members to provide a rating (where a higher number indicates greater satisfaction) in response to a number of questions, and key indicators of members' satisfaction with Customer Council meetings are shown on the graph below.</p> <p>Members generally felt that meetings were valuable for them or their organisation to attend. Our approach of sending pre-meeting information packs to members was well received, with members saying that we were open and transparent in our engagement and generally provided adequate information to enable them to provide informed feedback.</p> <p>Over time, as we took on members' feedback, feedback received in relation to each meeting has generally improved.</p> <p style="text-align: center;">Customer Council attendee feedback</p> <table border="1"> <caption>Customer Council attendee feedback ratings</caption> <thead> <tr> <th>Category</th> <th>Jun 2014</th> <th>Sep 2014</th> <th>Nov 2014</th> <th>Mar 2015</th> </tr> </thead> <tbody> <tr> <td>Overall value of attending</td> <td>7.5</td> <td>7.6</td> <td>8.0</td> <td>8.8</td> </tr> <tr> <td>Jemena's openness and transparency</td> <td>8.3</td> <td>8.6</td> <td>9.0</td> <td>9.3</td> </tr> <tr> <td>Quality of event</td> <td>7.7</td> <td>8.0</td> <td>8.8</td> <td>8.5</td> </tr> </tbody> </table>	Category	Jun 2014	Sep 2014	Nov 2014	Mar 2015	Overall value of attending	7.5	7.6	8.0	8.8	Jemena's openness and transparency	8.3	8.6	9.0	9.3	Quality of event	7.7	8.0	8.8	8.5
Category	Jun 2014	Sep 2014	Nov 2014	Mar 2015																	
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Quality of event	7.7	8.0	8.8	8.5																	

Forum	What we heard																						
<p>Residential and small business customers</p>	<p>Attendees at our focus group and deliberative forum were asked to rate the overall quality of the sessions using their handheld voting devices (deliberative forum) and paper-based surveys (deliberative forum and focus group).</p> <p>The sessions were positively received by attendees. Participants felt they were able to provide meaningful feedback on our draft plans, and said they left feeling they knew where to go to obtain more information, ask questions or provide further feedback.</p> <p>Further detail of the evaluation of these events is contained in Newgate’s report (Attachment 4-2).</p> <div data-bbox="651 611 1257 640" style="text-align: center;"> <p>Overall quality of focus group and deliberative forum</p> </div>  <table border="1" data-bbox="1225 779 1356 992"> <caption>Overall quality of focus group and deliberative forum</caption> <thead> <tr> <th>Quality</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Very good</td> <td>67%</td> </tr> <tr> <td>Good</td> <td>31%</td> </tr> <tr> <td>Fair</td> <td>2%</td> </tr> <tr> <td>Poor</td> <td>0%</td> </tr> <tr> <td>Very poor</td> <td>0%</td> </tr> </tbody> </table> <div data-bbox="738 1193 1169 1223" style="text-align: center;"> <p>Deliberative forum attendee feedback</p> </div>  <table border="1" data-bbox="507 1238 1409 1731"> <caption>Deliberative forum attendee feedback</caption> <thead> <tr> <th>Category</th> <th>Average rating</th> </tr> </thead> <tbody> <tr> <td>The overall value of attending</td> <td>9</td> </tr> <tr> <td>The facilitation of the session, including ensuring all participants could contribute</td> <td>9.5</td> </tr> <tr> <td>Jemena’s openness and transparency</td> <td>9</td> </tr> <tr> <td>The overall quality of the presentations, in terms of being engaging, clear and informative</td> <td>9</td> </tr> </tbody> </table>	Quality	Percentage	Very good	67%	Good	31%	Fair	2%	Poor	0%	Very poor	0%	Category	Average rating	The overall value of attending	9	The facilitation of the session, including ensuring all participants could contribute	9.5	Jemena’s openness and transparency	9	The overall quality of the presentations, in terms of being engaging, clear and informative	9
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Jemena’s openness and transparency	9																						
The overall quality of the presentations, in terms of being engaging, clear and informative	9																						
<p>Broader community</p>	<p>Our customer engagement website has been viewed by around 1,600 external visitors since it was launched in May 2014. The visit rate has been relatively consistent since the site was launched, indicating a sustained level of interest of customers and stakeholders in this information.</p>																						
<p>Large customers and local governments</p>	<p>The effectiveness of our engagement with large customers and local governments was evaluated through the online survey we undertook in March to April 2015, the results of which are summarised earlier in this section.</p>																						

6 — IMPROVING THE EFFECTIVENESS OF OUR CUSTOMER ENGAGEMENT PROCESSES

Forum	What we heard																				
Retailers and other stakeholders	<p>In a similar approach to the Customer Council, customers and stakeholders who attended our pricing workshops and major stakeholder forum were asked to complete an evaluation form at the conclusion of the meeting. Feedback from attendees was again broadly positive, with attendees generally saying they found the event valuable to attend and of a high quality, and that we were open and transparent and provided adequate information to facilitate consultation.</p> <p>A summary of the feedback received is shown in the graph below.</p> <p style="text-align: center;">Retailer and other stakeholder forum feedback</p> <table border="1"> <caption>Retailer and other stakeholder forum feedback</caption> <thead> <tr> <th>Category</th> <th>Pricing Workshop - May 14</th> <th>Pricing Workshop - Oct 14</th> <th>Pricing Workshop - Mar 15</th> <th>Major Stakeholder Forum - Aug 14</th> </tr> </thead> <tbody> <tr> <td>Overall value of attending</td> <td>7.5</td> <td>7.4</td> <td>8.2</td> <td>7.3</td> </tr> <tr> <td>Jemena's openness and transparency</td> <td>7.7</td> <td>7.9</td> <td>8.5</td> <td>7.9</td> </tr> <tr> <td>Quality of event</td> <td>7.9</td> <td>7.6</td> <td>8.0</td> <td>7.5</td> </tr> </tbody> </table>	Category	Pricing Workshop - May 14	Pricing Workshop - Oct 14	Pricing Workshop - Mar 15	Major Stakeholder Forum - Aug 14	Overall value of attending	7.5	7.4	8.2	7.3	Jemena's openness and transparency	7.7	7.9	8.5	7.9	Quality of event	7.9	7.6	8.0	7.5
Category	Pricing Workshop - May 14	Pricing Workshop - Oct 14	Pricing Workshop - Mar 15	Major Stakeholder Forum - Aug 14																	
Overall value of attending	7.5	7.4	8.2	7.3																	
Jemena's openness and transparency	7.7	7.9	8.5	7.9																	
Quality of event	7.9	7.6	8.0	7.5																	

109. As explained in section 3.3.3.1, we have also recently undertaken research to determine a 'baseline' for the ongoing annual measurement of JEN's reputation and customer satisfaction through an online survey. Over the medium to longer-term, we expect that engagement which is valued and viewed as genuine and meaningful by our customers, stakeholders and broader community would be reflected in improvements to metrics such as customer satisfaction and reputation.

6.2 IMPROVING OUR FUTURE ENGAGEMENT

110. We are committed to continually improving our engagement with customers and stakeholders.
111. Going forward, we will continue to work closely with our Customer Council to design engagement which meets our customers' and stakeholders' expectations and is consistent with our commitment to ongoing engagement.
112. During our survey of customers and stakeholders in March 2015, we also provided respondents with the opportunity to suggest ways we could improve our engagement in the future, as well as allowing them to

suggest any issues they would like us to cover in our future engagement. We also asked our mass-market customers a number of specific questions about their preferences for how we engage with them and on what issues (see Table 6–2).

113. We are also aiming to play a leadership role in sharing our learnings with the energy distribution industry, by participating in industry-wide activities (such as through the Energy Networks Associations’ Consumer Engagement Working Group) and sharing our learnings through forums provided by our stakeholders.

Box 6–2: Challenges in engaging with our customers and stakeholders

We faced several challenges when engaging with our customers and stakeholders. These included:

- Relatively low levels of knowledge (and therefore initial interest) of who we are and what we do among mass-market customers. When engaging with mass-market customers, we subsequently focussed on explaining who JEN is, what we do and how we fit into the broader electricity supply chain. In particular, mass-market customers were often unclear about the split in responsibilities between distribution businesses and energy retailers, and raised a number of questions and concerns with us about retail issues, which could at times take conversations off course
- Communicating difficult concepts, such as those related to maximum demand-based prices and its long-term benefits, to mass-market customers (see Box 4–1)
- Engaging with mass-market customers on our tariff structures was complicated by the fact that mass-market customers do not see our tariffs on their retail electricity bill, meaning we had to explain that retailers may choose not to reflect the structure of our network tariffs in the retail prices that customers see
- Understanding the preferences of our mass-market customers around service levels, especially in relation to options or scenarios with potential changes in future capital expenditure. In our deliberative forum and second focus group, we presented three options for network reliability outcomes over the longer-term (an increase in reliability of 20%, a decrease of 20% and the maintenance of current reliability levels), including the cost of these options. Some of our stakeholders have noted that the relative costs and service outcomes of these options were relatively small, and questioned why we did not provide a wider range of choices to customers. When we were engaging with our mass-market customers on these issues, we therefore had to explain how capital expenditure is recovered from customers over long periods of time, and that it is technically very difficult (and potentially would result in unacceptable safety risks) to significantly change (i.e. reduce or increase by 50%) network reliability outcomes for customers through future capital expenditure.

Table 6–2: Feedback on how we can improve our engagement

Feedback	Who told us	How we could respond in our future engagement
Although stakeholders acknowledged the trade-offs which need to be made between the depth, breadth and cost of engagement, we should endeavour to continue improving the accessibility of our engagement by reaching a larger number of mass-market customers in the future	Customer Council	Expand our direct engagement with mass-market customers, strengthen our understanding of their needs and preferences through targeted research and continue to explore how existing channels for communicating with customers can be used for two-way engagement

6 — IMPROVING THE EFFECTIVENESS OF OUR CUSTOMER ENGAGEMENT PROCESSES

Feedback	Who told us	How we could respond in our future engagement
<p>Mass-market customers would most like to be:</p> <ul style="list-style-type: none"> <i>Informed</i> about how they can reduce their bills and how our decisions will affect the prices they pay <i>Consulted</i> about decisions we make around trade-offs between costs and services which will affect prices and changes to the network which affect their local area 	Mass-market customers	Continue to undertake mass-market engagement over the 2016 regulatory period (as per our operating expenditure step change for customer engagement activities), with a view to both providing the types of information customers have told us they find valuable as well as consulting on issues important to them
Where Customer Council members have differing levels of knowledge on a particular issue, detailed discussions should be held with more involved members offline	Customer Council	Continue to engage with members on issues important to them in and between meetings and facilitate meetings to ensure all members have the opportunity to put their views on an issue forward
Although we improved our approach to presenting complex issues to customers with no background knowledge during the process, we should continue to focus on making our engagement sessions as interactive (and visual) as possible	Mass-market and vulnerable customers	Continue to build our mass-market customer engagement skills and capabilities internally. Share our customer engagement learnings and challenges with our industry associations, consumer representatives, government, regulators and other businesses in the utility sector. Continue to learn from engagement with mass-market customers, including with vulnerable customers and in developing enhanced low-literacy communications. Utilise external expertise where necessary
Ensure customers and stakeholders are appropriately segregated into groups to discuss issues important to them	Large customers and stakeholders (major stakeholder forum)	Determine relevant issues for customers and stakeholders during individual engagement, and then use our greater understanding of stakeholders' priorities to refine our engagement cohorts for the future
Seek feedback from individual customers/stakeholders on key issues prior to engaging on those issues at larger forums	Large customers and stakeholders (major stakeholder forum)	Strengthen our approach to engaging individually with our largest customers and stakeholders (including local governments), and feed outputs of this engagement into future public forums
Consider alternative ways for attendees at forums to provide feedback, other than speaking in front of the forum or providing email feedback afterwards. Consider holding more individual meetings with retailers, rather than forums, to obtain more open feedback	<p>Large customers and stakeholders (major stakeholder forum)</p> <p>Online survey respondent</p>	Explore new ways of improving the accessibility of our engagement during public forums, potentially using electronic voting or other technology. Consider expanding direct engagement with retailers

6.3 OUR PLANNED ENGAGEMENT ACTIVITIES GOING FORWARD

114. As our customer and stakeholder engagement activities described in this document have been undertaken as part of our 2016 regulatory proposal project, their cost will not be reflected in JEN's base year (2014). In order

to obtain funding for these activities going forward, we have therefore included a step change in our forecast operating expenditure. This expenditure will allow us to:

- Continue holding quarterly meetings of our Customer Council
 - Expand our engagement with mass-market customers, including through direct engagement as we have done recently, in addition to exploring new ways of engaging our customers and undertaking further targeted research into our customer base
 - Continue and strengthen our engagement with large customers and other stakeholders, through both forum events and direct engagement
 - Work to analyse, address and respond to feedback we receive through this engagement.
115. Throughout the next regulatory period, we will continue to work with each of these groups (and other individual stakeholders) in order to further improve the way we engage with them, so we can continue to provide services which are safe, reliable, affordable and responsive to our customers' changing preferences.

Box 6–3: Our thinking on how to overcome challenges we've identified in our engagement

- Do more to build mass-market customers' awareness and knowledge of JEN and what we do, in order to help build their capacity to engage over the longer-term
- Continue to work with retailers (including through our industry associations and in conjunction with the Victorian Government) to determine how best to communicate issues related to network tariff reform to mass-market customers, to minimise customer confusion and maximise the shared benefits of these changes
- Continually improve our targeted communications, customer-friendly language and graphics in our engagement with mass-market customers to improve accessibility and this cohorts' capacity to engage.