

Jemena Electricity Networks (Vic) Ltd

How we engaged with our customers and stakeholders in developing our tariff structure statement

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GLOSSARY

AER	Australian Energy Regulator
AMI	Advanced Metering Infrastructure
CUAC	Consumer Utilities Advocacy Centre
Customer Council	Jemena Electricity Customer Council
DNSP	Distribution Network Service Provider
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
TSS	Tariff Structure Statement

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OVERVIEW

This document provides an overview of how we, Jemena Electricity Networks (Vic) Ltd (**JEN**), have engaged with and reflected the views and preferences of our customers, stakeholders and the broader community in the development of our Tariff Structure Statement (**TSS**).

Our TSS seeks to provide clear and accessible information on our network tariffs and how these may change in the future. Tariffs are currently undergoing a period of reform led by policy makers. Victoria, having rolled out smart meters, is well placed to implement tariff reform and realise the benefits of its investment. However, thorough and considered engagement is important to ensure customers and stakeholders understand the reform and the benefits it can bring, and have an opportunity to shape the reform through their valuable insights.

In reading and considering this overview, and our engagement activities, it is important to note the majority of our tariff design consultation was planned and executed in parallel with our broader Electricity Distribution Price Review (**EDPR**) consultation. As such, this document draws on information from Attachment 4.1 of our regulatory proposal to the AER, which contains a full summary of our EDPR engagement.

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

In designing our engagement, 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. Our Customer Council also played a key role in shaping the design of our engagement.

We endeavoured to make our engagement accessible, inclusive and transparent and for communication with customers and stakeholders to be 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 such as ‘monthly maximum demand’ and the ‘demand based pricing’.

Importantly, we listened and believe our engagement was genuine and that it shaped key elements of our tariff design. Broadly our engagement found our customers and stakeholders generally supported prices that better reflect and more fairly share the cost of using our network, and specifically we heard that consumer advocates, retailers and other stakeholders want Victorian network businesses to align their network tariffs as much as possible—this directly influenced elements of our tariff structures such as the demand charging window proposed in our TSS for residential customers.

Throughout our consultation process, we maintained 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

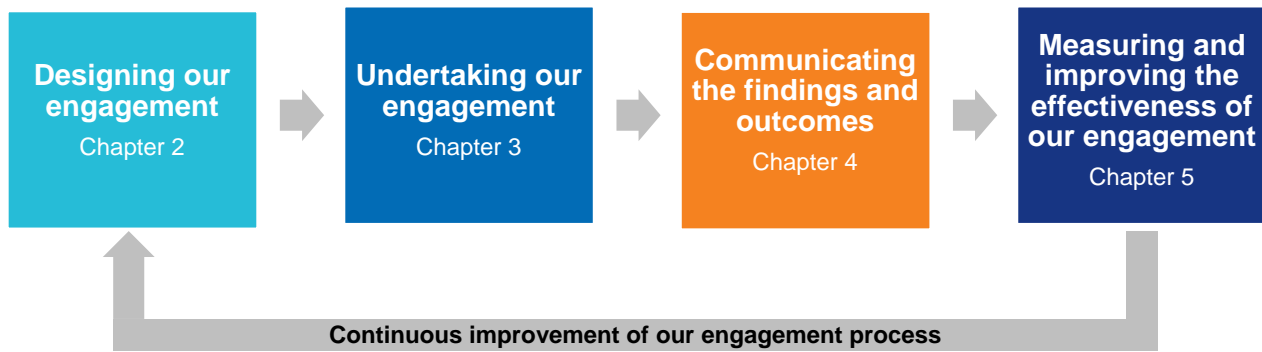
1. Changes to our individual price components are of significant interest to customers, and we therefore undertook extensive engagement on our tariff design. This document provides an overview of our engagement in developing our tariff structures.¹
2. In developing our tariff structures, we have engaged 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 a series of Jemena Electricity Customer Council (**Customer Council**) meetings and pricing specific workshops, each of which was tailored to ensure maximum effectiveness with each cohort and taking into account different interests and knowledge levels.
3. The majority of our tariff design consultation was planned and completed in parallel with our broader EDPR consultation. As such, this document draws on information from Attachment 4-1 of our regulatory proposal² to the AER which contains a full summary of our EDPR engagement.
4. The decision to include our network tariff design consultation as part of our broader EDPR engagement was made recognising the impact and importance of changes to our network prices to customers; it allowed JEN to undertake more extensive engagement on tariff related issues over a greater period of time.
5. Our approach to customer and stakeholder engagement was designed to meet the requirements of the Australian Energy Regulator's (AER) 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. Our key objective in designing our engagement approach was to better enable customers, stakeholders and the community to influence the decisions we make as a business and understand our proposed new tariffs.
6. 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.
7. 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 1–1.

¹ Describing our engagement with customers, retailers and stakeholders in developing the TSS is a requirement under National Electricity Rules 6.8.2(c1a) & 11.76.2.

² JEN, *Regulatory Proposal, 1 January 2016 – 31 December 2020*, 30 April 2015, Attachment 4-1.

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

Figure 1–1: Our customer engagement process



8. 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 2.1 and 2.2 of this document.
9. Issues relevant to our tariff structures that we engaged on with these customers and stakeholders include:
 - Our pricing objectives
 - Our proposed changes to our distribution service tariff structures for residential and medium and large business customers, and how we are planning to implement them
 - Our approach to pricing user pays services (alternative control services and negotiated services)
 - Impacts of our 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
 - Aligning with other Victorian distributors on tariff structures, most notably the peak demand charging window for residential customers.
10. We also engaged on our ‘Our approach to pricing’ document⁴ and draft TSS⁵, which were both developed as a forerunners to our TSS.
11. We provided copies of ‘Our approach to pricing’ 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.
12. We submitted our draft TSS with our regulatory proposal on 30 April 2015. We provided three months for customer and stakeholder feedback. We received some minor comments which we have incorporated into our TSS.
13. Proactively publishing ‘Our approach to pricing’ and a draft TSS gave our customers and stakeholders a transparent view of our developing thinking and approach to network pricing. It also provided adequate time for our customers, stakeholders and the AER to understand our proposed tariffs and provide informed feedback

⁴ Jemena Electricity Networks (Vic) Ltd, *Our approach to pricing: Basis for a future tariff structures statement (draft for discussion)*, September 2014.

⁵ JEN, *Regulatory Proposal, 1 January 2016 – 31 December 2020*, 30 April 2015, Attachment 10-1.

prior to our formal submission in September 2015. It also enabled Jemena to target engagement activities between April and the submission of our September TSS on specific matters that needed to be finalised. We could also respond effectively to feedback, which called for greater alignment on tariff design between Victorian distribution businesses.

14. The specific engagement issues relevant to our tariff structures consulted on at each forum are outlined in the below sections:
 - 2.3.1 Jemena Electricity Customer Council
 - 2.3.2 Residential and smaller business customer forums
 - 2.3.3 Broader community
 - 2.3.4 Large customer and stakeholder interviews
 - 2.3.5 Pricing Workshops
15. Broadly, our engagement found customers and stakeholders support prices that 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.
16. Details about how we've addressed the concerns of customers and stakeholders specifically in relation to our tariff structures are contained in section 4.1. We heard a desire, during our pricing workshops for Victorian network businesses to align their network tariffs as much as possible, and this directly influenced elements of our tariff structures such as the demand charging window proposed for residential customers.
17. 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.”
18. Throughout our engagement process, we have drawn upon the guideline, advice from some of our key stakeholders and other utilities,⁶ 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 Customer Council⁷ about a number of aspects of our engagement.
19. 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)

⁶ 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.

⁷ See section 2.2.1 for more information about the Customer Council.

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- 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 engagement⁸
 - 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 decision making
 - 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.
20. The sections below set out how we implemented the four stages of our customer and stakeholder engagement process as part of our broad regulatory proposal, focussing on the aspects that influenced the design of our tariff structures and content of TSS.

⁸ How feedback will influence our decision making, using the International Association for Public Participation's Public Participation Spectrum.

2. PRIORITIES: DESIGNING OUR CUSTOMER ENGAGEMENT

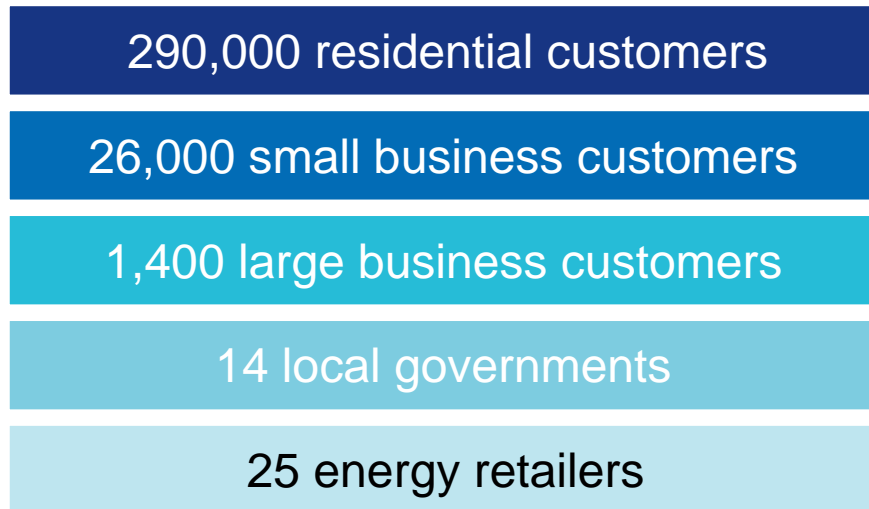
21. In designing our customer engagement activities, we adopted a multi-step process that addresses the ‘Priorities’ section of the guideline. These steps are outlined below, and form the structure for the remainder of this section:
1. Identify and prioritise relevant cohorts for engagement—see section 2.1
 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 2.2
 3. Identify and prioritise issues we considered appropriate for each forum—see section 2.3

2.1 WHO WE SHOULD ENGAGE WITH?

22. 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 TSS:
- 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
 - Energy retailers, who collect revenue from residential and some business customers on our behalf
23. Our stakeholder mapping exercise also involved recognising that our business has a number of other external stakeholders.⁹ Much of our direct engagement with these stakeholders on regulatory issues and our tariff structure has complemented our customer, stakeholder and community engagement program, but is generally outside the scope of the engagement discussed in this document.
24. As shown in Figure 2–1, we have a broad range of customers, many of which have different characteristics and needs.

⁹ Including regulators (both economic and technical), the Consumer Challenge Panel, State and Federal Government, ombudsmen, market operators and energy industry associations (including the Energy and Water Ombudsman of Victoria, the Department of Economic Development, Jobs, Transport and Resources and industry associations and the AER)

Figure 2–1: Who are JEN’s customers?



2.2 HOW SHOULD WE ENGAGE WITH THEM?

25. In developing appropriate activities and methods to engage with these cohorts, we built on our past engagement with our customers, stakeholders and community¹⁰
26. Where we had broad engagement on our regulatory proposal (refer to Section 2 of Attachment 4-1 of our regulatory proposal), we tailored our TSS-specific engagement based, in part, on advice from our Customer Council.¹¹ This came in four main parts:
 - A deliberative forum with a cross section of our residential and small business customer base with little or no previous network pricing experience
 - Pricing workshops for those customers and stakeholders with an interest and understanding of specific network pricing issues.
 - One-on one meetings with large customers and other stakeholders
 - Meetings with other Victorian distribution businesses to reach alignment on key elements of our final TSS.
27. We designed each engagement activity 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. We also took key pricing elements, such as development of the proposed price path, to our Customer Council.
28. We presented our proposed initial engagement approach to the Customer Council in June 2014. Our approach was 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.

¹⁰ 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.

¹¹ The use of pricing workshops was a recommendation of our Customer Council, who considered that these would best help engage and develop our detailed tariff design.

2.2.1 JEMENA ELECTRICITY CUSTOMER COUNCIL

29. 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.
30. 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.
31. The Customer Council's charter outlines its objectives and operation, and is reviewed annually. The Customer Council's objectives are set out in Box 2-1. 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.

Box 2-1: 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 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.

32. Over the last 18 months, the Customer Council's membership has included representatives from the following organisations:
 - Alternative Technology Association
 - Australian Industry Group

2 — PRIORITIES: DESIGNING OUR CUSTOMER ENGAGEMENT

- 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.

2.2.2 RESIDENTIAL AND SMALLER BUSINESS CUSTOMER DELIVERATIVE FORUM

33. 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 network tariffs but many do not understand the electricity industry and the difference between their distributor and retailer.¹² 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.
34. Given the complexity of issues related to our tariff structure design,¹³ 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 2–2.
35. We were also mindful of some of the unique characteristics of our customer base when designing our deliberative forum, and therefore maintained a strong focus on ensuring it was accessible and inclusive for vulnerable customers.¹⁴

¹² 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.

¹³ 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).

¹⁴ 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. For example: 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; and face-to-face engagement is appropriate and meaningful for customers who are vulnerable (including those with low levels of English). 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.

Box 2–2: Our engagement with mass-market customers

Throughout our regulatory proposal, we had a wide range of workshops and focus groups with our mass market customers. This includes our Deliberative forum with mass-market customers on 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 portal¹⁵
 - 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 2–2).

Figure 2–2: Our deliberative forum in Moonee Ponds on 17 September 2014



¹⁵ 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/>

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36. At the 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).¹⁶
37. The length of deliberative forum (four hours) was chosen to allow us to cover all key issues affecting our 2016 regulatory proposal and key elements of our initial tariff design 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.
38. We believe that the depth of engagement achieved with customers on the issues we covered (including the move to more cost reflective 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. However, this engagement would not have been appropriate for complex issues such as tariff design where more upfront education and information sharing is required.
39. We engaged social and market research firm Newgate Research to assist us engage with the customers at the deliberative forum. 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.¹⁷

2.2.3 BROADER COMMUNITY

40. Given the essential nature of the services we provide and the level of tariff reform, we recognise that our tariff design will have an effect on, and is likely to be of interest to, the broader community in which we operate.
41. We developed network pricing fact sheets to inform interested residential, small business and large business customers on our proposed tariff changes and ways they can benefit, and published these on our website.
42. To ensure information is available, we have maintained a customer engagement website 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.
43. We have promoted our website and 'haveyoursay' email address 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 processes through our quarterly customer e-newsletter, which has around 7,000 subscribers.

2.2.4 LARGE CUSTOMER AND STAKEHOLDER INTERVIEWS

44. 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-

¹⁶ To help us better understand the most effective ways of presenting information to and engaging with vulnerable customers, we were assisted by Kildonan UnitingCare.

¹⁷ See Attachment 4-2 of our 30 April 2015 regulatory proposal.

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 and power factor correction) they otherwise may not want to discuss in an open forum which may include their competitors.

Table 2–1: 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

2.2.5 PRICING WORKSHOPS

- 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 it was necessary to hold 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 and October 2014, and March and August 2015. Each workshop was attended by between 22 and 37 stakeholders. Table 2–2 summarises the stakeholders who attended.

2.2.6 TABLE 2–2: 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, M2M
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, Brotherhood of St Laurence, Northern Alliance for Greenhouse Action, Victorian Council of Social Service
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

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

2.2.7 MEETINGS BETWEEN VICTORIAN DISTRIBUTION BUSINESSES

- Victoria has five electricity distribution businesses. Most stakeholders, such as consumer advocates and retailers have constituents/customers across all distributors and are therefore interested in all tariff plans and how they align and where they differ.
- It was, therefore, critical for the Victorian distributors to meet to discuss common issues and to seek alignment where possible. A pricing group was set up across the five distributors and met frequently throughout the TSS development process. It proved effective to meet some key customer and stakeholder concerns (see Table 4-1).

2 — PRIORITIES: DESIGNING OUR CUSTOMER ENGAGEMENT

49. The objective to seek alignment with other Victorian distributors was based on feedback from consumer advocates, retailers and Victorian Government. In particular, that alignment was in the long term interests of our customers as it would:
- Simplify future customer messaging, assisting implementation and customer acceptance
 - Increase the likelihood of customers understanding our tariff changes and choosing whether to adopt behavioural change to benefit from them.

2.3 WHAT ISSUES SHOULD WE ENGAGE ON?

50. 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.
51. We also employed a collaborative approach with our customers and stakeholders to determining the priority issues for consultation. In the case of the pricing workshops, we took a suggested forward 'strawman' 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
52. When setting out the issues for engagement at each engagement 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.
53. The sections below outline the issues specific to the design of our TSS, and IAP2 engagement levels covered in each forum.

2.3.1 JEMENA ELECTRICITY CUSTOMER COUNCIL

54. 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 TSS, including the items shown in Table 2–3.

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

Table 2–3: Overview of Jemena Electricity Customer Council meeting agenda items relevant to tariff design—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"> • 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
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
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
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 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
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

²⁰ Defined using the IAP2 Public Participation Spectrum.

2 — PRIORITIES: DESIGNING OUR CUSTOMER ENGAGEMENT

Item	Issues and topics discussed	Objective ²⁰
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
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

2.3.2 RESIDENTIAL AND SMALLER BUSINESS CUSTOMER FORUMS

55. Our customers are uniquely placed among all of our stakeholders to express their preferences about the prices they pay. We engaged specifically on the structure of our network tariffs (our prices) as well as focussed on a number of other issues related to our service levels.
56. Table 2–4 details the issues we discussed with mass-market customers at each forum.

Table 2–4: Issues for engaging with mass-market customers relevant to tariff design

Item	Issues and topics discussed	Objective
August 2014	Workshop with energy and financial counsellors	
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 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
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 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
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

2.3.3 BROADER COMMUNITY

57. We provided information to the broader community through our website and our business-as-usual community relations activities.
58. On our website, we:

2 — PRIORITIES: DESIGNING OUR CUSTOMER ENGAGEMENT

- 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*).
- Published network pricing fact sheets to inform interested residential, small business and large business customers on our proposed tariff changes and ways to benefit.

2.3.4 LARGE CUSTOMER AND STAKEHOLDER INTERVIEWS

59. Our one-on-one large customer interviews focussed on the two key issues we considered most important for our large customers:
- Our service levels
 - Our prices and charges.
60. Additionally, we allowed time in each interview to discuss any other issue which the customer wanted to engage on. The following items were specific to the development of our TSS.

Table 2–5: Issues for engaging with large customers relevant to tariff design

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
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

2.3.5 PRICING WORKSHOPS

61. 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.

Table 2–6: 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
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 Advanced Metering Infrastructure (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

Item	Issues and topics discussed	Objective
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
August 2015		
Engaging and responding to our customers, stakeholders and the community	<ul style="list-style-type: none"> • A summary of our draft TSS, the consultation process to date, and feedback heard • Outline of efforts to align with other Victorian distribution businesses 	Inform
Our tariff design	<ul style="list-style-type: none"> • Elements to finalise new tariffs for residential customers: <ul style="list-style-type: none"> – Aligning with other distributors on a residential demand charging window of 3pm-9pm – Aligning with other distributors on a residential demand charging window of 'business day' vs 'week day' vs 'any day' – Use summer and non-summer demand charges – Transition to cost reflective prices in 2017 to align with other distributors • Key elements to finalise new tariffs for business customers, and overview of potential future tariffs 	Consult
Customer impact analysis	<ul style="list-style-type: none"> • Assessment of customer impacts 	Inform

3. DELIVERY: UNDERTAKING OUR CUSTOMER ENGAGEMENT

62. The second stage of our engagement process was to effectively undertake the engagement. The stage addresses 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
 - Sought to build 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.

3.1 SCHEDULING THE ENGAGEMENT

63. 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 TSS
 - Build customers' and stakeholders' capacity to engage (see also section 3.2)
 - Relay information about our TSS back to customers and stakeholders (including how we've incorporated their feedback into our tariff structure design)
 - Continually review the design of our engagement forums, the customers and stakeholders we engaged with and the issues proposed for discussion.
64. 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 2016 regulatory proposal information (such as our future network prices) in their feedback.
65. 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 subsequently provided customers with this information in an accessible format through the customer pricing fact sheets published with our 2016 regulatory proposal and with consumer advocates, retailers and stakeholders at the August 2015 pricing workshop.

3.2 BUILDING CAPACITY TO ENGAGE

66. Building our customers' and stakeholders' capacity to engage was critical to us engaging in a way which was genuine and meaningful to them.
67. 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 distribution businesses do and how this is reflected in their electricity bills.²²
68. 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 and TSS. Box 3–1 discusses further how we built the capacity of mass-market customers to engage.

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.

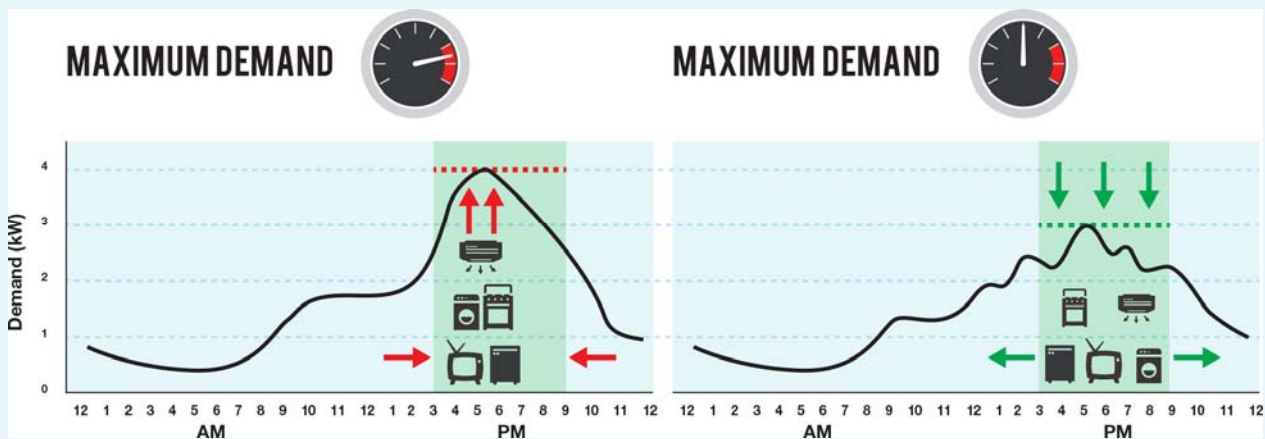
Box 3–1: Improving the accessibility of our engagement and building mass-market customers’ capacity to engage

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 3–1: Example of graphics used to explain to mass-market customers how they can change their usage behaviour to reduce their maximum demand



Source: Jemena Electricity Networks

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 also provided drafts of our customer pricing fact sheets to our March 2015 pricing workshops attendees and incorporated feedback into our final versions used in April 2015. 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.

3.3 INCORPORATING FEEDBACK INTO OUR DECISION MAKING

69. Considering and incorporating customer and stakeholder feedback into our decision making is an essential step in ensuring network tariffs reflect 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 tariff design.
70. 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 decisions, were discussed.
71. 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.
72. To enhance the transparency of how and where customer and stakeholder feedback was incorporated into 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.²³ 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.
73. We also received minor feedback on our draft TSS submitted with our regulatory proposal on 30 April 2015.²⁴ For example, this feedback included describing our monthly maximum demand charge in \$/kW per month rather than \$/kW per annum as this made more sense for a monthly charge and would be easier for customers to understand. We have incorporated this into our TSS.
74. Table 4-1 details how we have responded to specific feedback.

²³ Jemena Electricity Networks (Vic) Ltd, *Our approach to pricing: Basis for a future tariff structures statement (draft for discussion)*, September 2014.

²⁴ JEN, *Regulatory Proposal, 1 January 2016 – 31 December 2020*, 30 April 2015, Attachment 10-1.

4. RESULTS: COMMUNICATING THE FINDINGS AND OUTCOMES

75. 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 addresses the 'Results' section of the guideline.
76. Section 4.1 summarises what we heard during our engagement on key issues related to network prices and how we're responding through our TSS, and section 4.2 outlines how we have communicated this to our customers and stakeholders.

4.1 WHAT WE HEARD FROM CUSTOMERS

77. In relation to our prices, our customers and stakeholders told us they:
- Value us engaging with them on a range of issues.
 - Want to be informed, active decision energy makers to take control of their energy decisions
 - 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
 - See 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
78. Specifically in relation to our proposed tariff design, retailers, consumer advocates and other stakeholders told us that:
- Victorian distribution businesses should align on key elements of the tariffs, and, once aligned, supported a demand charging window of 3pm-9pm
 - The demand charging window should apply to work days only i.e. exclude weekends and public holidays
 - We should work with other distributors and all stakeholders to communicate the new tariff structures to the mass market

And we found general support for:

- The proposed use of summer and non-summer demand charges
 - Transition to cost reflective prices to begin with a systems introduction in 2017 and then a charging introduction in 2018
79. Table 4–1 provides more detail about what we heard and how we're responding to key issues in our TSS.

4 — RESULTS: COMMUNICATING THE FINDINGS AND OUTCOMES

Table 4–1: What we heard through our engagement on key issues related to network prices and how we’re responding through our TSS

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 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 by introducing a maximum demand charge to residential and small business customer tariffs, therefore encouraging and providing an incentive for customers to make informed decisions about the way they use (and generate) electricity. <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 our cost reflective levels in 2018, and then increasing in 10% increments annually Proposed to introduce a monthly maximum demand tariff component into the tariff structure in 2017 and transitioning this charge to cost-reflective levels from 2018—we will enable a period in 2017 for customers to be able to opt out of a tariff with a demand charge tariff component until 2020 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 introduced²⁵ Proposing to reset residential customers' maximum chargeable demand on a rolling monthly basis Committing to work with retailers and other stakeholders to enhance customer understanding of these new tariffs

²⁵ We are proposing maximum-demand charges be introduced to residential tariff structures in 2017, however the dollar per kilowatt rate will be set at zero for 2017 to allow for retailer billing systems changes to occur. A non-zero maximum-demand charge based on 50% of our cost reflective levels will be introduced in 2018.

4 — RESULTS: COMMUNICATING THE FINDINGS AND OUTCOMES

Issue	What we heard	Which groups told us	How we're responding
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</p> <p>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
Alignment of Victorian Distribution businesses' tariff structures – determining a demand charging window	<p>Customers and stakeholders told us they:</p> <ul style="list-style-type: none"> There are a range of views about the most appropriate demand charging window. Some consumer advocates and stakeholders felt a wider window would allow simpler mass market messaging and others considered that a more defined window would enable a sharper and more cost reflective signal. There is a widespread strong preference for Victorian distributors to align, and they supported us being flexible to achieve this outcome An aligned demand charging window has a number of benefits in terms of communicating tariff reform, such as common communications (and therefore customers' ability to understand the tariffs) and simplifying retailer call centre training. There is a strong preference for the aligned position to exclude weekends and public holidays from the demand charging window. 	<p>Pricing workshop</p> <p>Customer Council</p>	<p>We have:</p> <ul style="list-style-type: none"> Undertaken further analysis of acceptable demand charging windows Engaged with other Victorian distributors, and achieved an aligned position Amended our draft TSS to now reflect: <ul style="list-style-type: none"> A 'work day' monthly maximum demand charge for residential customers The window for which is recorded between 3pm and 9pm

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"> • Designed our tariff structures 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 <p>We will:</p> <ul style="list-style-type: none"> • Improve the accessibility of the information we publish online 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
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 5–2) 	<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 improve mainstream understanding of the electricity industry and our network prices, enable Jemena 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

4 — RESULTS: COMMUNICATING THE FINDINGS AND OUTCOMES

Issue	What we heard	Which groups told us	How we're responding
<p>Communicating changes to our tariff structures to customers</p>	<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 – network pricing fact sheets – for mass-market customers which explains how they can make maximum demand-based prices work for them. We sought to make the information accessible by making them highly visual and using simple English • 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 • Taken a leading role in engaging with Energy Networks Association (ENA) and other Victorian distribution businesses to discuss new tariff customer engagement <p>We will:</p> <ul style="list-style-type: none"> • Continue to engage with consumer advocates, ENA, Government and retailers to drive planning and implementation of a coordinated communications effort to explain new tariffs and maximise benefit for customers

4.2 COMMUNICATING THE RESULTS AND OUR RESPONSES

80. Communicating what we heard from and how we've incorporated feedback into our 2016 regulatory proposal and TSS 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 network tariffs, this also helps us build ongoing relationships with our customers and stakeholders based on trust and transparency.
81. This document provides a summarised view of what we heard through our engagement over the past two years and how it has influenced our tariff structure design and the development of our pricing strategies. 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.
82. For the Customer Council, we circulated minutes after each meeting. Minutes were then put to the next meeting for acceptance. For the pricing workshops with customers or stakeholders who had an existing level of knowledge about us and our services, we circulated a memorandum or minutes 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 TSS proposal responds later in the process.
83. 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 updated this website in April 2015 to provide a range of material which describes what we heard during our 2016 regulatory proposal including about our network tariffs and how we've responded. We also notified customers and stakeholders who have elected to join our mailing list that this material is available on our website.
84. We provided briefings to a number of key stakeholders following our 2016 regulatory proposal's submission. These briefings summarised what we heard during our engagement and how we've responded, with a particular focus on our draft TSS.

5. EVALUATION AND REVIEW: IMPROVING THE EFFECTIVENESS OF OUR CUSTOMER ENGAGEMENT PROCESSES

85. 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.
86. These activities address the 'evaluation and review' stage outlined in the guideline.

5.1 MEASURING THE SUCCESS OF OUR ENGAGEMENT

87. We measured the success of our engagement through three main methods:
- Feedback forms completed by customers and stakeholders at the end of engagement activities²⁶
 - 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 2016 regulatory engagement overall, to assess the effectiveness of our overall program.
88. 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.
89. 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.
90. Overall, our customers and stakeholders told us that they:
- Valued the opportunity to engage with us
 - 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)
 - Felt we had been open and transparent during our engagement, including that:

²⁶ 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.

- 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 that we had shared what we had heard during our engagement and how it has influenced our 2016 regulatory proposal, including our draft and September TSS.
91. In its submission to the AER on the proposals submitted by Victoria's electricity distribution network service providers (**DNSPs**) for the period 2016–2020, the Consumer Utilities Advocacy Centre noted "Jemena's consumer engagement is likely the best of the Victorian DNSPs"²⁷
92. In its submission to the AER on the proposals submitted by Victoria's electricity DNSP for the period 2016–2020, the Victorian Energy Consumer and User Alliance noted it "...considers that Jemena and United Energy have made positive and genuine efforts to extensively engage with residential consumer advocates"²⁸
93. Box 5–1 provides further quotes from customers and stakeholders in relation to our engagement activities and Table 5–1 provides further details on what we heard about our engagement program from each forum.

²⁷ Consumer Utilities Advocacy Centre, *AER Review of Victorian DNSPs' 2016–20 EDPR Revenue Proposals (CUAC submission)*, 13 July 2015.

²⁸ Victorian Energy Consumer and User Alliance (VECUA), *AER Review of Victorian DNSPs' 2016–20 EDPR Revenue Proposals (VECUA's submission)*, 13 July 2015.

Box 5-1: 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

"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

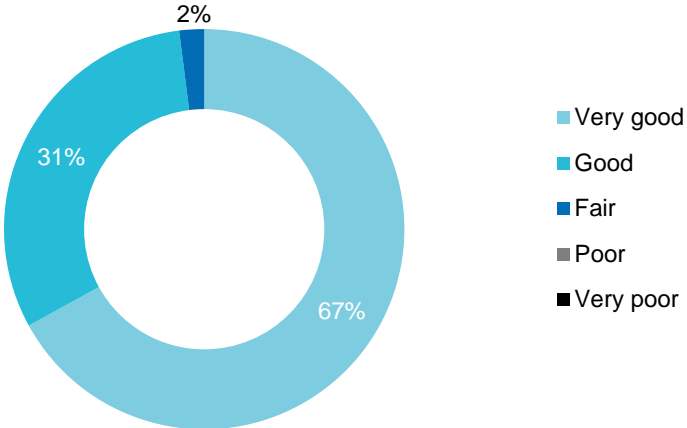
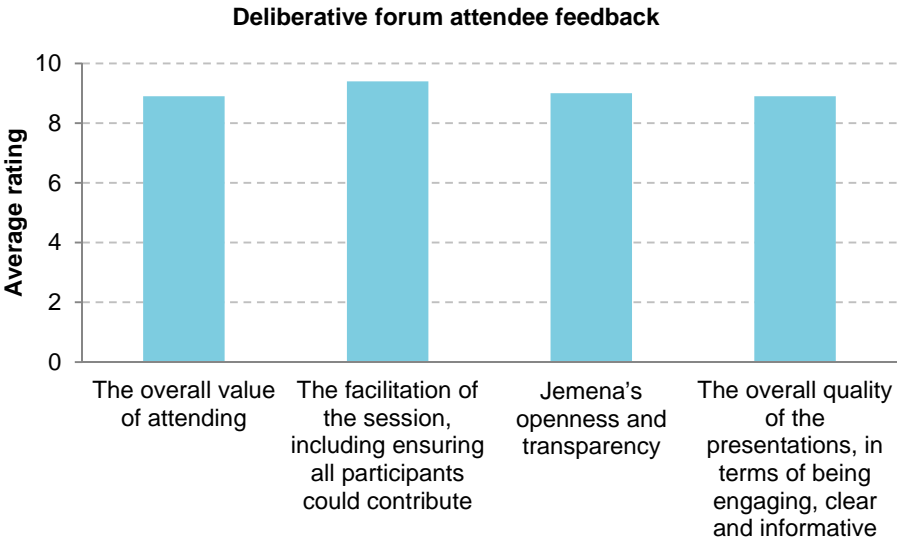
"Thanks for maintaining an excellent standard of engagement. I would have given the workshop a 10/10 were there a break - more than 2 hrs without a break is hard going."

Participant in Pricing workshop, 12 August 2015

Table 5–1: 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> <div data-bbox="454 763 1364 1601" data-label="Figure"> <p style="text-align: center;">Customer Council attendee feedback</p> <table border="1"> <caption>Customer Council attendee feedback scores</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>8.5</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> </div>	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	8.5	9.0	9.3	Quality of event	7.7	8.0	8.8	8.5
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5 — EVALUATION AND REVIEW: IMPROVING THE EFFECTIVENESS OF OUR CUSTOMER ENGAGEMENT PROCESSES

Forum	What we heard																						
Residential and small business customers	<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> <p style="text-align: center;">Overall quality of focus group and deliberative forum</p>  <table border="1" data-bbox="587 645 1276 1070"> <caption>Overall quality of focus group and deliberative forum</caption> <thead> <tr> <th>Quality Rating</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> <p style="text-align: center;">Deliberative forum attendee feedback</p>  <table border="1" data-bbox="427 1160 1327 1697"> <caption>Deliberative forum attendee feedback</caption> <thead> <tr> <th>Aspect</th> <th>Average Rating</th> </tr> </thead> <tbody> <tr> <td>The overall value of attending</td> <td>9.0</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>9.0</td> </tr> <tr> <td>The overall quality of the presentations, in terms of being engaging, clear and informative</td> <td>9.0</td> </tr> </tbody> </table>	Quality Rating	Percentage	Very good	67%	Good	31%	Fair	2%	Poor	0%	Very poor	0%	Aspect	Average Rating	The overall value of attending	9.0	The facilitation of the session, including ensuring all participants could contribute	9.5	Jemena's openness and transparency	9.0	The overall quality of the presentations, in terms of being engaging, clear and informative	9.0
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Broader community	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.																						
Large customers and local governments	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.																						

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 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> <div data-bbox="399 537 1452 1388"> <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 2014</th> <th>Pricing Workshop - Oct 2014</th> <th>Pricing Workshop - Mar 2015</th> <th>Pricing Workshop - Aug 2015</th> </tr> </thead> <tbody> <tr> <td>Overall value of attending</td> <td>7.5</td> <td>7.4</td> <td>8.2</td> <td>8.8</td> </tr> <tr> <td>Jemena's openness and transparency</td> <td>7.7</td> <td>7.9</td> <td>8.5</td> <td>8.3</td> </tr> <tr> <td>Quality of event</td> <td>8.0</td> <td>7.6</td> <td>8.0</td> <td>7.7</td> </tr> </tbody> </table> </div>	Category	Pricing Workshop - May 2014	Pricing Workshop - Oct 2014	Pricing Workshop - Mar 2015	Pricing Workshop - Aug 2015	Overall value of attending	7.5	7.4	8.2	8.8	Jemena's openness and transparency	7.7	7.9	8.5	8.3	Quality of event	8.0	7.6	8.0	7.7
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Quality of event	8.0	7.6	8.0	7.7																	

5.2 IMPROVING OUR FUTURE ENGAGEMENT

- 94. We are committed to continually improving our engagement with customers and stakeholders.
- 95. 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.
- 96. We are also striving 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.

5 — EVALUATION AND REVIEW: IMPROVING THE EFFECTIVENESS OF OUR CUSTOMER ENGAGEMENT PROCESSES

Box 5–2: 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 3–1)
- 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

Table 5–2: Feedback on how we can improve our engagement related to our prices

Feedback	Who told us	How we could respond in our future engagement
Mass-market customers would most like to be: <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 	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
Business advocates and large businesses would like to be: <ul style="list-style-type: none"> • <i>Informed</i> about the change to measuring maximum demand from kW to kV • <i>Informed</i> about power factor and power factor correction options 	Large businesses Business advocates	Partner with representative bodies and small business mentors to provide information about the change in tariffs and how to respond by improving power factor i.e. at special industry forums
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

Feedback	Who told us	How we could respond in our future engagement
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
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	Large customers and stakeholders (major stakeholder forum) Online survey respondent	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

5.3 OUR PLANNED TARIFF-RELATED ENGAGEMENT ACTIVITIES GOING FORWARD

97. We will continue to work with our customers and stakeholders to further improve the way we engage with them, so we can respond proactively to our customers' changing preferences.
98. We plan to overcome challenges we've identified by doing more to build mass-market customers' awareness and knowledge of what distribution businesses do and how we affect their electricity bills, in order to help build their capacity to engage over the longer-term.
99. We will continue to work with other Victorian distribution businesses, retailers (including through our industry associations and in conjunction with the Victorian Government) and consumer advocates 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.
100. 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.