



Engagement Overview

How we engaged, what we heard and how we're responding

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1 Introduction

We began our customer and stakeholder engagement program in February 2017. The engagement was designed to capture a wide variety of views and feedback from all sectors of the Northern Territory (NT) electricity market, including:

- residential and small to medium business (SME) customers (who consume below 750MWh per year and whose retail prices are regulated by government);
- major energy users (that consume above 750MWh per year and whose retail prices are not regulated by government); and
- government and consumer representative bodies (hardship agencies, industry and consumer representative bodies).

The NT electricity market has been, and still is, in a state of transition since the structural separation of Power and Water Corporation (Power and Water) into three standalone Government Owned Corporations (GOC's) in July 2014. Our program provided valuable opportunity to help us, specifically our Power Networks division, understand how customers and stakeholders viewed and reacted to this reform. It also provided valuable input which has informed our regulatory proposal and proposed tariff structure statement (TSS).

1.1 Purpose and structure of this document

This document explains the customer research and engagement activities we conducted to inform our 2019 regulatory proposal and proposed TSS. We have submitted these to the Australian Energy Regulator (AER) for review and approval as part of the NT distribution determination.¹

We have structured this document to:

- explain how we designed our research and engagement program – section 2;
- describe how we delivered our program – section 3;
- outline the findings and how these have influenced our plan – section 4; and
- identify lessons from this program that will inform our continuous improvement for future engagement – section 5.

¹ We operate electricity distribution and transmission assets. The NT Government has deemed that transmission assets will be treated as distribution assets for the purposes of economic regulation – see section 9 of the *National Electricity (Northern Territory) (National Uniform Legislation) Act*.



2 How we designed our engagement

This was our largest customer engagement program since structural separation in July 2014. We put significant effort upfront into the design phase to:

- ensure it fit in with the price review determination project timetable and when customer preference information was needed to inform our key business decisions;
- address the expectations of the AER as articulated in the AER's 2013 Better Regulation: Consumer Engagement Guideline for Network Service Providers (the Engagement Guideline);
- reflect the feedback and insights of the Customer Challenge Panel (CPP) including their published practice notes (available on the AER's website), their commentary on prior network businesses' engagement programs, and their direct feedback over the course of 2017;
- align with our corporate vision to be a best practice, customer centric and commercially focused multi-utility respected by the community for its contribution to the Northern Territory economy and the pursuit of the long-term interests of consumers; and
- ensure flexibility within the program to adapt to the preferences and feedback from our customers and stakeholders as to how they wanted to be engaged with and on what matters.

This design phase culminated in our Customer Engagement Strategy - Distribution Determination 2019-2024, which was approved by our Board in February 2017. This strategy was then applied and adapted accordingly over the course of 2017.

2.1 Strategic objectives

Our engagement program was designed to:

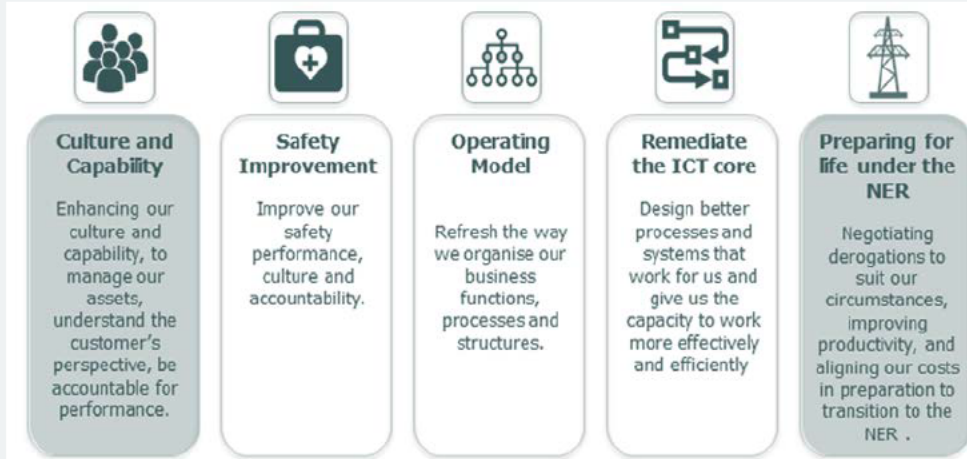
- educate customer groups on our role in the provision of electricity supply in the NT, which has not been undertaken since structural separation;
- gain greater insight into how we are perceived by stakeholders and customers throughout the NT and what their priorities are;
- achieve genuine engagement and feedback from stakeholders, customers and system participants throughout the project, highlighting areas for continuous improvement and future projects;
- strive for customers and customer groups to advocate on behalf of our business; and
- meet our National Electricity (NT) Rules' (NT NER) regulatory requirements and inform our regulatory proposal and proposed TSS.



Box 1 | Our corporate strategy

Achieving our vision of being a best practice, customer centric and commercially focused multi-utility respected by the community for its contribution to the NT economy and the pursuit of the long term interests of consumers requires that we understand our customers' needs. Therefore, a strategic objective of our engagement program is to demonstrate the culture and capability element of our corporate plan, illustrated below.

Our corporate plan



2.2 Timing

The program timing was established (and modified) to align with when we needed to make key business decisions for the price review determination project. We work backwards from these milestones to confirm when customer preference information was needed to inform our decisions.

This resulted in two broad program phases as shown below.

Figure 1 Summary of engagement phases and activities





2.2.1 Phase 1 engagement

Throughout the first phase our objectives were to gain an understanding of:

- our customers' level of knowledge of the electricity market and supply chain in the NT; and
- what our customers care about most and what their preferences are to help inform:
 - the second phase of engagement (deliberative and large energy user forums);
 - various options for developing our 2019 regulatory proposal and TSS; and
 - our long-term business plan for Power Networks.

2.2.2 Phase 2 engagement

We designed our second phase of engagement to reflect the findings in Phase 1, key issues and risks emerging from the price determination project, and the AER and CCP engagement expectations.

Once we established our engagement topics we then identified:

- who we needed to engage with;
- how to engage; and
- how the engagement outcomes would feed into our planning process for the regulatory submission and TSS.

We also tested our phase 2 engagement design and chosen topics with our Customer Advisory Council (CAC) during the second meeting held in July 2017. This was a great opportunity to consult with members of the CAC, who had been briefed on the Phase 1 findings at the first meeting, and for the CAC to influence our Phase 2 design in terms of:

- what topics were to be taken into the deliberative forum and large user forum research phase; and
- what information was to be presented to participants to best allow them to meaningfully engage on those topics and associated questions.

2.3 Who to engage and how

To identify who to engage and how to engage with them we:

- analysed our customer base to identify the different customer groups for research and engagement purposes; and
- identified suitable engagement channels and mapped our chosen topics and customer groups to these channels.

We discuss these two steps below.

2.3.1 Customer groups

Early in our design phase we determined the importance of engaging with a broad range of representatives from our customer base with a priority on:



- *network location* – including Darwin and its surrounding areas, Katherine, Alice Springs, and Tennant Creek;
- *customer type and size* – including households, small and medium businesses and large commercial and government users; and
- *special interest customer groups* – including the aged, residential tenants, indigenous users, farmers, business councils and developers.

We began by investigating the demographics of the NT and utilised this data to ensure adequate representation of customer groups. This assisted in structuring our engagement to reflect the views of the NT population.

We also identified our key stakeholders to make sure we capture their views and achieve our engagement outcomes. These included: local and state governments, electricity retailers, the Utilities Commission (UC), and Territory Generation (TGen).

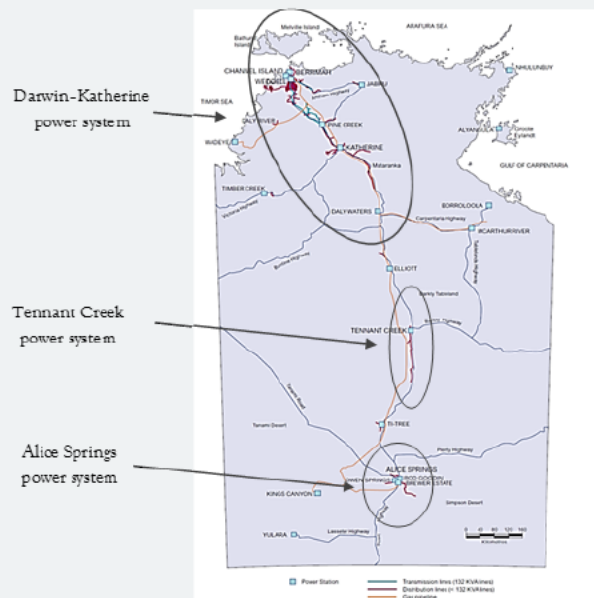
Box 2 | About our network

We are owned by and are part of the community we serve, and we employ a significant share of the NT's workforce.

We operate three separate networks: Darwin-Katherine, Tennant Creek and Alice Springs.

We operate under a relatively small load and service customers across a large geographic area, which is not connected to National Electricity Market (NEM):

- NT 350MW compared to NEM 45,000MW.
- 85,000 customers – comparably the smallest in NEM: ActewAGL 185,000; TasNetworks 285,000.
- Service area of 1.3 million square kilometres – a large service area with very low customer density.



2.3.2 Engagement channels

We researched fit-for-purpose engagement channels that would be:

- effective for reaching the identified customer groups and obtain meaningful feedback on the relevant topics; and
- a cost effective form of engagement allowing prudent management of the total cost of our engagement program.

Early on in our planning we recognised the need to procure expert assistance to design and deliver our engagement. We appointed Newgate Research and Farrierswier Consulting to assist with the program design, preparation of



engagement materials and delivery of research forums, including setting up the required engagement channels. These companies have proven experience in delivering research and engagement programs for other energy networks regulated by the AER.

2.3.3 Our initial engagement plan for how to engage

The design phase of the engagement program was established in consultation with Newgate Research. Using the design step outlined above, our planned activities and target audiences were identified to ensure our objectives and target audience were achieved, while still allowing flexibility to modify the program as required.

The initial design consisted of six different engagement channels:

- 1. Customer Focus Groups** – Focus groups held across the three regulated areas, with residential and non-residential customers whose retail prices are regulated by the NT Government's Electricity Pricing Order (the Pricing Order).
- 2. In-depth Interviews** – A series of interviews conducted by Newgate Research covering all consumer classes, including major energy users, government bodies, industry associations and indigenous and consumer representative groups.
- 3. Customer Advisory Council (CAC)** – The formation of a CAC made up of 15 representatives from a variety of industries and peak organisational bodies.
- 4. In-depth interviews** – A second round of in-depth interviews to be conducted by Power and Water with major energy users across the NT who consume >750MWh per year.
- 5. Deliberative Forums** – Deliberative forums to explore the issues and trade-offs raised by consumers throughout the early stages of the program.
- 6. On-line Survey** – A short on line survey to be posted on the Power and Water website to further inform our 2019 regulatory proposal.

2.4 Feedback, evaluation and refinement

We deliberately set out to have an adaptive plan. Not only was the Phase 2 engagement informed by Phase 1, but we systematically surveyed participants in each channel for their feedback on our approach after each engagement event and used this in continuously refining our engagement plans and approach.

Examples of this feedback and our responsive approach include:

- the second CAC in July recommended that, even though the Pricing Order retail pricing protection mean customers who consume <750MWh per year will not see our network tariff reforms, we should include our demand pricing plans in the second phase research forums;



- the third CAC in October provided feedback on our draft tariff structure statement overview prior to releasing it for consultation in November;
- introducing a large energy user forum in place of two deliberative forums, which were to be held in Katherine and Tennant Creek;
- a number of customers who attended our large energy user forum requested follow-up meetings with our account managers to discuss our draft pricing plans further;
- introducing two consultation papers in place of the online survey and Power and Water led in-depth interviews;
- customers in the focus groups identified estimated bills as a key concern, which led to further investigation of our metering practices, which we further tested in Phase 2;
- a number of participants in our focus groups requested we perform energy audits for vulnerable customers, which we further tested in Phase 2; and
- customers in the focus groups requested we reinstate the undergrounding of overhead powerlines project, which we further tested in Phase 2.

2.4.1 Refinements to our engagement channels

As we learned more about successfully consulting with and involving our customers and stakeholders, we augmented our engagement program by adding three new engagement channels:

1. consultation papers;
2. large energy user forum; and
3. account managers.

These channels enabled more in-depth engagement on key aspects of our pricing planning, because pricing was found to be a topic area where the level of customer and stakeholder knowledge was high, and these channels allowed more complex pricing issues and options to be explored.



3 How we delivered our engagement

This section explains how we delivered our engagement through each channel.

3.1 Phase 1 Newgate Research engagement activities

3.1.1 Customer focus groups

We began the program with nine focus groups across the four regulated areas. Our initial plan outlined ten focus groups to be conducted across Darwin, Katherine, Tennant Creek and Alice Springs. We reduced this to nine focus groups in response to a lack of attendance at Tennant Creek's initial group, where only four participants attended.

In total, 73 consumers attended the nine focus groups, with a mix of large and small residential customers (including pensioners and, hardship customers), large and small non-residential customers (including sole traders, family owned operations, commercial and industrial organisations). Each session was approximately two hours long.

The purpose of the focus groups was to enable Newgate Research to explore our customers' knowledge and perceptions of our business, how we fit into the supply chain, customers' key areas of interest or concern and introduce the proposed changes to the tariff structure. Importantly, this was intended to inform the design of the detailed options and scenarios that were evaluated in the subsequent engagement activities held in Phase 2.

The focus groups were conducted as shown in Table 2. The distribution of these focus groups is in line with the size of and customer numbers in each of the three regulated electricity networks.

Table 2 Focus groups

Location	Number of Groups	Date
Darwin Metropolitan Area	2	15 February 2017
Palmerston and Darwin Rural Areas	2	16 February 2017
Katherine Area	2	16 February 2017
Alice Springs Area	2	20 February 2017
Tennant Creek Area	1	21 February 2017

Recruitment for the focus groups ensured a mix of consumers from a variety of backgrounds and life stages, including:

- an even gender mix;
- consumers from a variety of cultures, including strong indigenous representation (both residential and non-residential);
- a good mix of students, part time workers, full time workers and retirees;



- consumers from vulnerable customer classes (low, medium and high); and
- segmenting groups to be above and below 45 years of age.

We prioritised appropriate indigenous representation in our engagement activities. While remote indigenous communities are not located within the regulated network, indigenous residents and businesses in Darwin, Katherine, Tennant Creek and Alice Springs form an important part of the regulated customer base, therefore we were keen to capture their feedback to inform our regulatory proposal.

To ensure the views and opinions of indigenous Territorians are considered in our regulatory proposal and TSS, additional efforts were made during the recruitment process of the focus groups, interviews and CAC to ensure adequate representation. We invited a number of indigenous representatives to become members of our newly formed CAC.

3.1.2 In-depth interviews

A series of 35 in-depth interviews were conducted in February and March with major stakeholders and large energy users. These were very important as the information obtained, along with information obtained during the focus groups, fed into our Phase 2 engagement activities.

These interviews allowed us to obtain a clearer picture of customers' perceptions of our business and the direction customers and stakeholders believed we should be heading. The interview questions were designed to provide a guide on how customers' view our current performance and reliability, and their ongoing expectations.

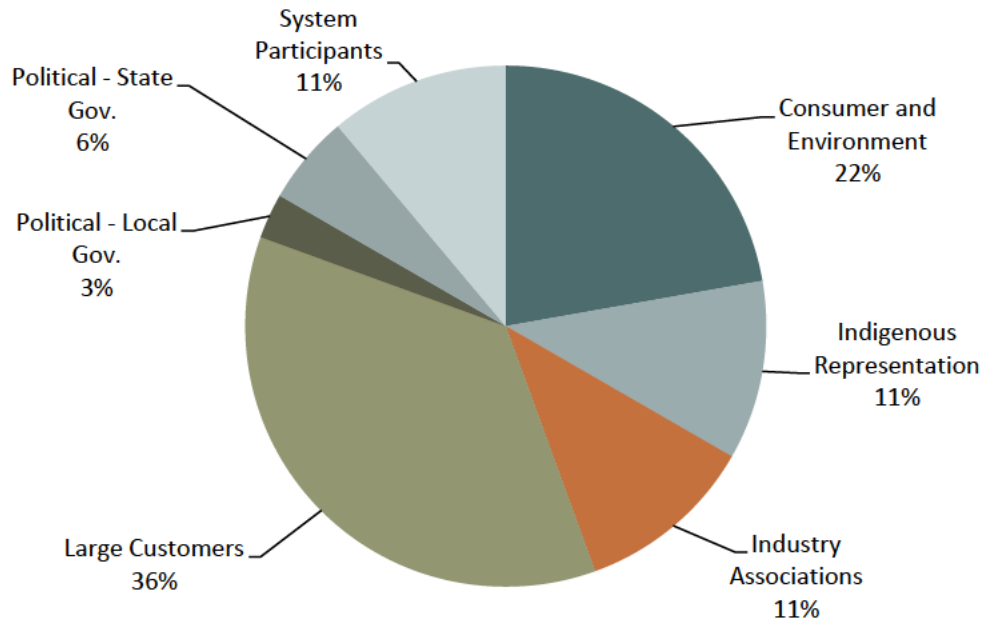
We selected customers based on the various consumer segments within the NT. The design identified and targeted the following consumer classes:

- system participants (retailers and generators) operating in the NT;
- major energy users (i.e. consumers not protected by the Pricing Order and consume >750MWh per year);
- indigenous representative groups;
- consumer and environmental advocates;
- industry associations; and
- government stakeholders.

Figure 3 shows the interviews performed broken down into customer segments. Care was taken to ensure an even distribution of customers and stakeholders.



Figure 3 Phase 1 Newgate interviews' breakdown



Attachment C details the complete list of customers and stakeholders that were interviewed.

3.2 Customer Advisory Council (CAC)

We established a CAC as a key part of our engagement strategy. Recognising that we are a multi-utility, the CAC was adopted as a corporation-wide channel available to all our business units requiring feedback on any projects being performed, not just Power Networks. While the CAC has had an initial focus on our network price determination process, it will be an ongoing 'business as usual' forum for the entire corporation.

The CAC is made up of representatives from a broad range of sectors including consumer and environmental advocates, industry and business peak groups, and large energy users. It is chaired by our Senior Executive Manager Customer and Stakeholder, Maryanne Gomas, and is facilitated through our Government and Stakeholder Relations team.

In total 15 members were invited to participate based on the industry or consumer group they represent. This included participants from the agricultural, indigenous, hardship, health, building and development associations and the major energy user segments. Box 3 provides a final list of the organisations who are represented on the CAC.



Box 3 | CAC members

The final membership is made up of 14 representatives from:

- Central Australian Health Services.
- NT Chamber of Commerce.
- The GPT Group.
- St Vincent De Paul.
- NT Farmers Association.
- Charles Darwin University.
- Tenant Advice Council.
- Master Builders Association.
- Council on the Ageing (COTA) Australia.
- Multicultural Council of Australia.
- Urban Development Institute.
- NT Airports.
- Environment Centre.
- Department of Defence.

We held our inaugural CAC on 10 May 2017. The CAC then met again in July, October and December 2017. This has been an extremely valuable and informative channel of engagement providing feedback on all aspects of our engagement program, our regulatory proposal, and our proposed TSS.

Engagement findings have been discussed at each meeting, informing planned activities and directions for further engagement. The CAC has been:

- presented with information gathered throughout all engagement activities;
- consulted for feedback on designing successive phases of engagement; and
- consulted on key issues including tariff reforms, smart metering and regulatory baseline.

The AER and NT CCP representatives were also invited, and attended some of our CAC meetings to participate and observe.

3.3 Phase 2 | Deliberative Forums

Newgate Research and Power and Water staff conducted two deliberative forums with energy consumers in Darwin and Alice Springs, which built on the insights gained from the Phase 1 engagement activities (customer focus groups, in-depth interviews and feedback from the CAC). These forums provided a channel for deeper exploration of issues.

Each forum lasted approximately four hours, and involved our senior management and senior regional staff who attended, presented and



participated in the engagement. Newgate Research facilitated the research questions, surveys and table discussions.

Newgate Research also recruited the forum participants recognising the customer attributes and demographics needed for a robust and representative sample.

3.4 Consultation papers

The two consultation papers released during our engagement program were done in place of the Power and Water led in-depth interviews, and the on-line customer survey outlined in our initial engagement plan.

3.4.1 Pricing consultation with electricity industry stakeholders

We invited comment and feedback on our initial tariff strategy from system participants (retailers and generators), as well as two NT Government Departments (the UC and the Department of Treasury and Finance).

This paper was not made more widely available as it was designed to gain an understanding of the views and opinions of the various system participants, and the Government's views to further refine our proposed tariff structures, as the Pricing Order is protecting the majority of consumers in the NT.

We received one submission and had several follow-up meetings with stakeholders who did not formally submit a consultation response.

3.4.2 Public pricing consultation on draft pricing plans

In November 2017 we published a draft customer overview of our TSS after testing it with the CAC at the October meeting. The paper invited all NT consumers and sector participants to provide feedback on our draft TSS overview. This was the second paper distributed for comment in our engagement process. Unlike the previous paper, this was aimed at all Territorians, regardless of their consumer class.

This paper was published on our website and sent directly to:

- CAC members;
- CCP members;
- AER;
- NT Utilities Commission;
- Department of Treasury and Finance;
- market participants (retailers and generators); and
- large energy customers (>750MWh pa).

At the third CAC meeting, members provided feedback on the paper, and noted their support for the planned tariff changes, and made the following observations:

- within the Pricing Order retail pricing protections framework, and with 88% of customers saying they understood they won't be affected, it



makes sense to move all customers with suitable metering to a cost reflective tariff straight away; and

- it will be important that we highlight in the TSS and its overview that there is no impact for most customers due to the Pricing Order.

Jacana Energy, the Government Owned Corporation with the largest market share of NT consumers, made a submission supporting our proposals for introducing more efficient network tariffs, and noting that smart meters should be deployed to further support these reforms, and that changes to the Pricing Order may be needed to help fully realise the long-term benefits of network tariff reform through customer usage behavioral change.

3.5 Phase 2 | Large energy user forum

We held a large energy user forum on 12 October 2017 for customers who use above 750MWh per year. The forum focused on the proposed tariff structures and the associated impact of each option for consumers within this class.

This forum was a crucial element of the engagement process as this consumer class represents approximately 35% of the total network load, as well as being the only consumer class not protected by the Pricing Order retail pricing protections. These customers are fully aware of the actual network tariff, with charges displayed separately on their energy bills.

We invited a significant sample of our largest customers, focusing on ensuring we capture those who would be most affected by the tariff changes. 17 participants attended representing 40 customer sites. These attendees represented 20% of large user sites and accounted for 38% of total consumption for the >750MWh consumer class. These participants rated this forum 8.3 out of 10 and recommended that we undertake similar forums in the future. This forum was also a replacement for two deliberative forums which were scheduled for Katherine and Tennant Creek, and covered some aspects of our in-depth interviews.



4 What we heard and how we are responding

Our engagement and research findings and a summary of our responses are set out in this section. These are organised into the two program phases. They show how our engagement scope started off broad and then narrowed in on the key issues where we needed to involve our customers in decisions for our 2019-24 regulatory proposal and TSS.

Further details of findings from the Newgate Research facilitated activities and the large energy user forum are set out in the following attachments:

- **Attachment D** - Customer Attitudes to Power and Water's Future Service Delivery | Customer Focus Groups Research Report, March 2017;
- **Attachment E** - Stakeholder Attitudes to Power and Water's Reputation and Future Service Delivery | Interview Research Report, April 2017;
- **Attachment F** - Power and Water's Future Service Delivery | Customer Deliberative Forums – Final Research Report, October 2017; and
- **Attachment G** - Large Energy User Forum Research Report, October 2017.

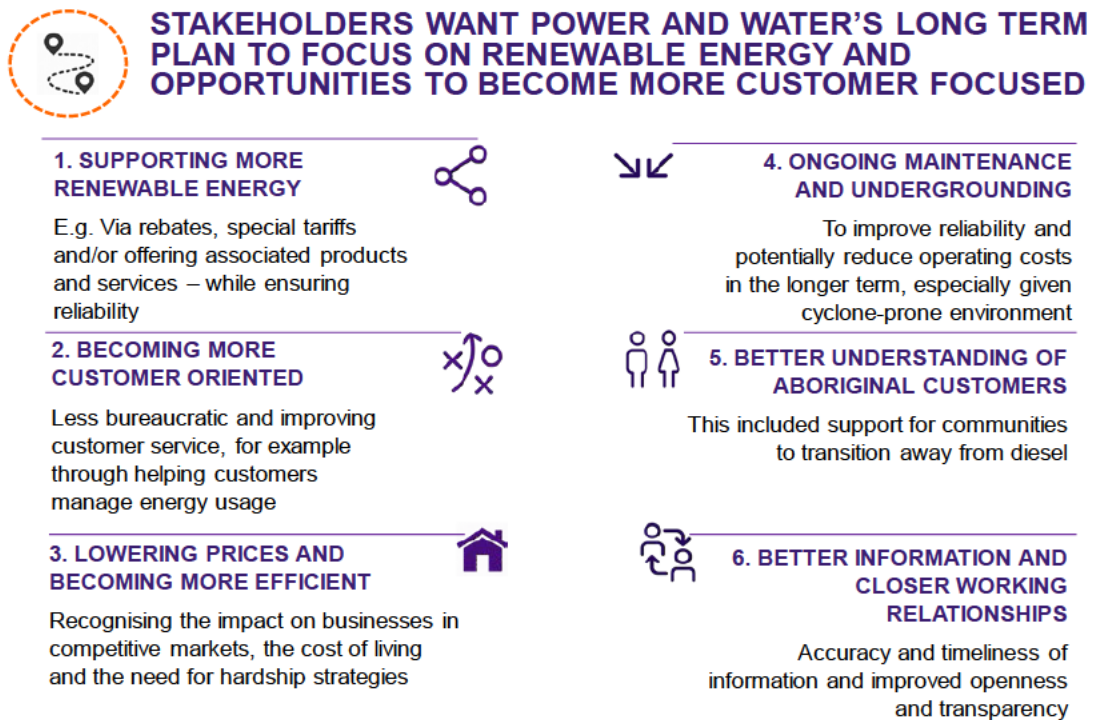
4.1 Phase 1 findings

As noted earlier, our Phase 1 research objectives were broader than just issues for our 2019-24 price determination. We sought to understand our customers' level of knowledge on the electricity market and supply chain, what customers care about and their preferences.

Newgate Research's reports on the Phase 1 engagement findings from the focus groups and in-depth stakeholder interviews are provided in the Newgate Research reports at Attachments D and E respectively. Newgate Research identifies the summary-level exploratory phase findings as shown in Figure 4.



Figure 4 – Exploratory phase findings on long-term focus



4.2 How we responded to Phase 1 findings

We considered the Phase 1 feedback and distilled it into five broad categories for the purposes of responding and designing our Phase 2 engagement:

1. better customer experience and building closer working relationships (items 2 and 6 from Figure 4 above);
2. lowering pricing and becoming more efficient;
3. ongoing maintenance and undergrounding;
4. supporting more renewable energy; and
5. better understanding of Aboriginal customers.

Our response to these findings had three elements:

- **Now** / *What we are already doing in these areas* – Before considering our 2019-24 plans, it was important to understand (and share with stakeholders) what we have and will deliver in the current 2014-19 regulatory period against these customer-identified focus areas. We shared these items at our second CAC meeting to test if our response was considered adequate, or whether more targeted incremental activities could be scoped.
- **Next planned** / *What is in our base plan for the regulatory proposal* – There are a range of operating and investment activities, projects and programs that we will undertake in the next period because they are essential to our base service offering or are necessary to support our compliant transition to the new regulatory arrangements. We shared these at our second CAC meeting to establish our baseline level of response to these key areas.



- **Next possible** / *What we considered as options and additions for Phase 2 consultation to develop our regulatory proposal* – There were several decisions in our operating and investment activities, projects and programs on which we sought to further inform our understanding of our customers’ service preferences, as well as their views on some key initiatives we considered introducing in response to Phase 1 feedback. We shared these at our second CAC meeting to get their feedback on which of these issues we should take into our Phase 2 engagement design and consulted with the CAC on the customers, questions, and information provision for that phase of our customer engagement and research.

Our CAC materials from this engagement process are provided in Attachment H. Table 5 outlines our phase 1 findings and responses within these response categories.



Table 5 - Summary of phase 1 findings response

Focus area	Now	Next planned	Next possible
Better customer experience and building closer working relationships	<p>Our Statement of Corporate Intent (SCI) commits that we will:</p> <ul style="list-style-type: none"> • SCI 5.1 Clearly understand our customer and stakeholder needs and commit to delivering on those expectations • SCI 5.2 Improve the customer experience by aligning core systems and processes <p>In 2014-19 we are:</p> <ul style="list-style-type: none"> • Providing account management team support for large energy users • Deploying 4,000 smart meters for all large and medium sized customers (>40MWh pa) and hard to access or security issue customers • Preparing for a Meter Data Management System to be introduced • Conducting the largest customer research initiative in our history to inform our 2019-24 planning 	<ul style="list-style-type: none"> • Renewing our billing system • Preparing customer overviews for our regulatory proposal and TSS • Providing more information and online tools for customers to better manage their consumption • Commissioning a Customer Relationship Management System in our planned IT investment • Commissioning a new Outage Management System and Meter Data Management System 	<ul style="list-style-type: none"> • Refining and promoting existing customer applications e.g. Power and Water app • Introducing customer engagement and research as an on-going program • Introducing an energy audit service for (vulnerable) households • Testing communication preference in our Phase 2 research to help target additional system enhancements

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Focus area	Now	Next planned	Next possible
Lowering pricing and becoming more efficient	<p>Our SCI commits that we will:</p> <ul style="list-style-type: none"> • SCI 4.1 Identify and adopt best practice methodologies across the organisation and leverage synergies across the multi-utility business. • SCI 4.2 Rationalise and enhance systems and processes to support efficient business operations. • SCI 4.3 Ensure prudent, effective risk and governance practices. <p>In 2014-19 we are:</p> <ul style="list-style-type: none"> • Commencing a project to establish an Outage Management System to better inform us about where and when outages are occurring so we can target our response, and save costs • Living within the \$180M stretch target of lower revenues that our Minister set relative what our regulator thought we needed to run the business 	<p>We know from phase 1 that our customers want us to manage our costs to lowest sustainable levels, so we have reflected savings in our base plan by:</p> <p>Minimising our expenditure forecasts by:</p> <ul style="list-style-type: none"> • Deducting operating cost savings from our forecasts • Adopting a conservative approach to costing our new NT NER regulatory compliance obligations through our regulatory baseline • Minimising metering charges by proposing a meter charge that recovers meter costs over time, instead of an upfront charge 	<p>We are also testing:</p> <ul style="list-style-type: none"> • Through our pricing consultation paper, whether Pricing Order changes are needed to avoid bill shock from moving type 1-6 metering services to ACS • Through our deliberative forums, our customers' reliability and responsiveness preferences, and willingness to pay for customer-funded initiatives identified in phase 1 • Through our phase 2 CAC meetings, the acceptability of our regulatory baseline approach
Ongoing maintenance and undergrounding	<p>In 2014-19 we are:</p> <ul style="list-style-type: none"> • Expanding capacity at two zone 	<ul style="list-style-type: none"> • Keeping our maintenance and responsiveness levels flat (flat opex) 	<p>We will also test in phase 2 deliberative forums:</p>

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Focus area	Now	Next planned	Next possible
	<ul style="list-style-type: none"> substations, and building a new one • Trialing cost effective devices on our long rural feeders that will improve the reliability experienced by our remote customers 	<p>forecast)</p> <ul style="list-style-type: none"> • Maintaining our reliability and service new customer load by: <ul style="list-style-type: none"> ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] 	<ul style="list-style-type: none"> • Our customers' reliability and responsiveness preferences • Whether customers support a targeted program of reliability improvements for our worst-served customers • Whether customers support a user-pays service for discretionary undergrounding
Supporting more renewable energy and better understanding Aboriginal customers	<p>While renewable energy is a generation or customer choice issue, we are working to facilitate it, and use it where we can:</p> <ul style="list-style-type: none"> • IES (Indigenous Essential Services – Remote Operations) are installing large solar energy systems in 29 unregulated communities • Improved the solar (PV) application process making it easier for customers to connect 	<p>Our proposed seasonal time of use demand tariffs for customers <750MWh per year allows these customers with solar to save on their demand charges.</p>	



Focus area	Now	Next planned	Next possible
	<ul style="list-style-type: none"> Lifted pre-approval limits from 3.5kW to 7kW systems for PV connections Installing solar energy systems on our depots 		

4.3 Phase 2 findings

Throughout the phase 2 engagement program we focused on obtaining feedback on seven broad categories:

1. reliability and responsiveness;
2. cost and charges;
3. metering;
4. customer funded initiatives;
5. large user pricing; and
6. communication preferences; and
7. our regulatory baseline approach to dealing with regulatory framework uncertainty.

Table 6 - Outline of phase 2 findings and our responses

Topic	Research	What they told us	How we have responded
Reliability and responsiveness (Deliberative Forums)	<p>During the sessions, customers were presented with our draft five year plan to the AER, which was to:</p> <ul style="list-style-type: none"> Maintain current reliability and responsiveness levels for the majority of customers (at a system level). 	<p>Overall around two-thirds (65%) scored it on the acceptable side (7 or more out of 10).</p> <p>Almost half of tested customers (46%) found this proposed plan to be completely acceptable (10 out of 10),</p>	<p>Designed a capex plan that maintains average performance whilst making targeted investments to improve service outcomes for our worst-served customers.</p>

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Topic	Research	What they told us	How we have responded
	<ul style="list-style-type: none"> Focus on improving reliability for poor performing rural and urban areas (e.g. Lovegrove in Alice Springs, Virginia and Stuart Park in the Darwin region) at a network price increase equivalent to approx. \$1.70 extra per customer, per year. 		
Costs and charges – mass market customers <750MWh per year (Deliberative Forums)	<p>During the sessions, customers were presented with our proposed cost reflective demand pricing, which was to:</p> <ul style="list-style-type: none"> To shift peak times from 6am to 6pm 7 days a week, to 12pm to 6pm 5 days per week, and introduce demand charge to all customer segments with appropriate metering. Customers were asked if they understood the impact of the proposed changes with the Pricing Order in place. Customers were also asked to indicate the “likelihood” of shifting load to outside the proposed peak periods, if they were faced with the pricing incentives, passed on by their retailer. 	<ul style="list-style-type: none"> Most respondents found this proposal acceptable with (45% rating the acceptability as 7 or more) while just under a third (30%) rated its acceptability as 3 or less. 87.5% of tested customers understood that they would not be impacted. Over half (54%) indicated that they would ‘definitely’ or ‘probably’ shift some of their electricity usage they were faced with the pricing incentives, passed on by their retailer. 	<p>Proposed the introduction of demand charges for all customers that have a smart meter and who will not see a bill impact under the Pricing Order</p> <p>Adjusted the peak times to 12pm to 9pm, weekdays to better align with the actual peak periods (as more recent data was available). This change has been tested at the Large Energy Users forum.</p>

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Topic	Research	What they told us	How we have responded
Smart metering roll out (Deliberative Forums)	<p>Customers were presented with the proposed metering strategy and were asked how acceptable it is to:</p> <ul style="list-style-type: none"> roll out smart meters to all new customers; and replace old accumulation meters when they fail or reach end of normal life rather than straight away. 	<p>Respondents showed a strong interest in the customer benefits of smart metering</p> <ul style="list-style-type: none"> 89% agreed with the proposal to have smart meters rolled out to new customers; and 85% agreed to replace existing meters at the end of their life. 	<p>Proposed the roll out of smart meters on a new and replacement basis.</p>
Customer funded initiatives (Deliberative Forums)	<p>Customers were presented with a number of different options, which were raised through Phase 1 engagement (focus groups and interviews). We asked:</p> <ul style="list-style-type: none"> How acceptable to you is us offering in-home energy audits for households experiencing financial difficulty to help identify ways they can reduce their energy costs? How acceptable to you is our proposed engagement program? Given the cost per kilometre (approx. \$1M/km) do you want to see more overhead power lines moved underground? 	<ul style="list-style-type: none"> 71% did not support us providing in home energy audits. 85% did not support an ongoing customer funded engagement program, believing it should be business as usual. 52% responded “no” to moving power lines underground and 22% responded with “unsure”. 	<p>Not pursue any new discretionary user-funded initiatives in our regulatory proposal and cost forecasts.</p> <p>Fund our future engagement program by realising opex savings elsewhere in the business.</p>



Topic	Research	What they told us	How we have responded
Pricing for large energy customers (Large Energy Users Forum >750 MWh per year)	<p>A special forum was held with customers consuming above 750MWh per year centred on pricing impact and tariff structures. Customers were presented our pricing design drivers, draft plans and options, and asked to provide feedback on:</p> <ul style="list-style-type: none"> • their preferred pricing option; • how acceptable our approach is to them; and • if they understood the impact of the pricing options. 	<ul style="list-style-type: none"> • Customers indicated a preference for our “Fully Cost Reflective” tariff option, with 57% marking this as their preference. • Customers showed strong support for our proposed approach with 50% providing a score of 7 or higher out of 10, and 21% providing a score of 5 out of 10. • 50% clearly understood the impact of the pricing options. The rest partially understood with feedback from some that they needed to understand the end retail impact. <p>Some customers requested more time to prepare for the introduction of poor power factor surcharges, asking that we introduce this later in the period, to allow time to design and budget for their power factor correction solutions.</p> <p>This customer groups welcomed us making all weekends off-peak, which better aligns with retailers’ treatment of weekends.</p>	<p>Proposed a move to cost reflective tariffs for large users by:</p> <ul style="list-style-type: none"> • Holding large user revenue relatively constant to align our revenue with our share of costs • Adjusting peak periods to reflect current peak times within the network (and remove weekends) • Having excess kVAR (Power Factor) charges for customers in breach from 2021 • Having flat rate demand and energy charges, not declining block.

Engagement Overview



Topic	Research	What they told us	How we have responded
Communication Preferences	<p>Customers were asked about their communication preferences at both the Large Energy User and Deliberative forums:</p> <ul style="list-style-type: none"> • What is your one preferred method for Power and Water to communicate planned outages? • What is your one preferred method for Power and Water to communicate unplanned outages? 	<ul style="list-style-type: none"> • 66% of customers selected Short Message Service (SMS) or the Power and Water App as their preferred option for unplanned outages; • 71% selected SMS or the Power and Water App as their preferred option for planned works; and • 60% of large energy users selected the SMS or App as their preferred option. 	<p>We will look to redesign the Power and Water App to include push notifications, and investigating the best solution to enable SMS notifications.</p>
Regulatory baseline – our approach to dealing with uncertainty. (CAC meeting 3)	<p>We presented our CAC meeting 3 with information about why we need to define a regulatory baseline for the 2019-24 regulatory determination process, and discussed options for dealing with cost uncertainty. We discussed our proposed approach of excluding uncertain items,</p>	<p>The CAC discussed these plans and the consequences for customers, agreeing that the conservative approach struck the right balance of risk for customer and users, and avoided inflating 2019-24 prices amid uncertainty. The</p>	<p>We have reflected the regulatory baseline in our step change forecasts and pass through events proposal</p>

Engagement Overview



Topic	Research	What they told us	How we have responded
	and focussing on what we know with sufficient certainty to forecast the costs accurately. This approach means Power and Water don't have to carry forecasting error risk in customer prices over the 2019-24 period. As new obligations become known, a pass through would be sought from the AER, and customer prices will only recover costs that we actually end up needing to incur.	<p>CAC discussions also noted that:</p> <ul style="list-style-type: none"> • Power and Water should consult on its pass through applications; and • when considering pass throughs for new or amended obligations in the 2019-24 period, it is logical to group these together into a single pass through event. 	



5 Lessons for future engagement

As noted earlier, this engagement program has been the largest we have undertaken. We obtained stakeholder feedback throughout the program not only to adapt the program as it was implemented, but to ensure we learn lessons to inform our ongoing business as usual and future price review and TSS engagement programs.

This section explains user feedback on how we engaged and lessons learned for future engagement activities.

5.1 Feedback from engagement channels

We surveyed participants after each of our key engagement activities. Their ratings of those activities are shown in Table 7, along with feedback we received for improving future activities.

Table 7 - Engagement feedback

Channel	Overall engagement rating	Feedback received
Focus groups	NA	Strong support to increase our overall level of communication and engagement with the community
Newgate Research interviews	NA	Stakeholders and customers want to see more interactions from Power Networks, strongly supporting ongoing engagement
Deliberative forums	8.2 out of 10	Customer wanted to see more events of this kind, more regularly
Large energy user forum	8.3 out of 10	Well organised and facilitated event, large energy users want these to occur more frequently in conjunction with regular account management visits
Customer Advisory Council (CAC)	8.5 out of 10	Broader range of topics will need to be introduced (covering all areas of Power and Water), provides great value



Attachment A | Customer Advisory Council

This attachment outlines our CAC.

Composition

Chair – Mary-Anne Gomas – Senior Executive Manager, Customer and Stakeholder

Meetings are coordinated through the Power and Water Government and Stakeholder Relations team

Target membership, noting that attendance varies each meeting, based on availability:

- Consumer Challenge Panel (as observers)
- COTA (National Peak Organisation – Older Australians)
- NT Council of Social Services
- Environment Centre NT
- NT Chamber of Commerce
- Master Builders Association
- NT Farmers Association
- Aboriginal Peak Organisations NT
- Urban Development Institute
- Local Government Association of the NT (LGANT)
- Department of Defence (Sites across Darwin, Katherine & Alice Springs)
- NT Airports (Sites across Darwin, Katherine & Alice Springs)
- BOC Limited (Sites in Darwin, Katherine & Alice Springs)
- Charles Darwin University (Sites across Darwin, Katherine & Alice Springs)
- Multicultural Council of the NT
- St Vincent de Paul Society
- Carpentaria Disability Services
- Australian Red Cross or Salvation Army
- Tenants Advice (Darwin Community Legal Service)
- Energy Consumers Australia

Charter

1. Purpose

This Charter outlines the purpose, responsibilities and scope of activities for the Power and Water Corporation's Customer Advisory Council (the Council). It describes the rationale for the Council, its operating model and how it will interact with Power and Water.

2. The Charter

The Council is one of Power and Water's important forums for engaging with peak bodies, individual organisations and/or individuals that represent the various segments of Power and Water's customer base.

Power and Water's customer engagement program is a fundamental contributor to our vision: ***to be a best practice, commercially-focused and customer centric multi-utility respected by the community for its contribution to the Northern Territory economy and its pursuit of the long-term interest of its consumers.***



The Council will engage on issues that may include but are not limited to the organisation's price and service offerings, how Power and Water delivers services to the community in compliance with its regulatory and commercial drivers, as well as how it engages with customers.

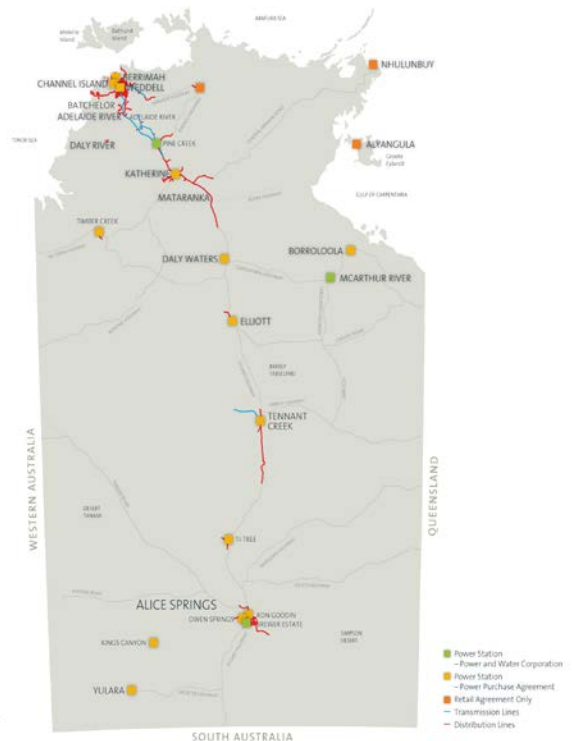
The primary focus of the Council in 2017 will be on the Power Networks part of Power and Water's business although, the Council will also focus on issues related to the delivery of water and sewerage services.

This Charter sets out the terms and conditions for the operation of the Council. The Council will review the Charter every year as part of the performance evaluation of the Council, to ensure that it continues to meet the needs of members' and Power and Water.

3. About Power and Water

Power and Water is responsible for electricity transmission and distribution, and it provides water and sewerage services across the Northern Territory.

Power Water also operates a not-for-profit subsidiary, Indigenous Essential Services Pty Ltd (IES), which supplies electricity generation, transmission and distribution and electricity retail services to 72 remote communities.



Employing over 900 staff living and working in the Northern Territory, Power Water is one of the Territory's largest employers.



4. Power and Water's approach to customer and stakeholder engagement

Power and Water is undertaking a comprehensive customer and stakeholder engagement program to help identify the needs and priorities of all Territorians.

Power and Water places a high value on engaging with customers, and throughout 2017 will perform a number of different engagement activities including focus groups, in-depth interviews, online surveys and deliberative forums.

The creation of a Customer Advisory Council will be an additional step in the engagement program, helping Power and Water to regularly engage with various representative groups, gaining feedback into proposed projects and programs to help meet the needs of all Territorians.

5. Role of the Council

The Council's role is to provide ongoing advice to Power and Water on behalf of residential customers, commercial and industrial customers, and community groups across a range of stakeholder needs and issues.

The Council will provide a source of external information, feedback and opinions to Power and Water's Board and executives that will support better decision-making. This will allow Power and Water to deliver services that better align with consumers' long term interests and to optimise Power and Water's costs, services and prices – while reasonably balancing competing interests.

In return, Power and Water will use the Council as a channel to share important information with stakeholders and to seek their views and input on key issues. The Council's role is that of an information and engagement body. It does not have a formal decision making role or management responsibility.

6. Council Objectives

Specific objectives of the Power and Water Customer Advisory Council are to:

- i. Provide an accessible opportunity for the interests of a broad range of Power and Water's customers to be represented.
- ii. Give feedback on the proposed approach to community engagement, materials and options to be used in customer consultation.



- iii. Act as an ongoing engagement channel that allows members to raise significant customer issues on specific concepts such as approaches to tariffs, plans for capital and operational investments, connection policies and related pricing structures. These issues will be discussed in the Council and where appropriate, will be considered by Power and Water to inform current, future and ongoing operational decisions and strategy direction.
- iv. Provide high-level advice and feedback on broader programs, initiatives and service issues to ensure the customer perspective is included in Power and Water's decision making.
- v. Identify an annual agreed set of priorities for discussion to ensure the group remains focused.
- vi. Seek feedback from members to measure satisfaction with and the effectiveness of the Council, and ensure that members' feedback shapes Power and Water's engagement activities.
- vii. Establish any required working groups to address issues that need more concentrated attention, on the basis that they will have a time and purpose limited lifespan.

7. Engagement topics

Topics for consideration and discussion will focus on significant current and future issues and where appropriate will be presented to the Council in advance of final decisions being made. In line with the objectives of the Council a range of agenda topics will be developed. However, within a Council meeting, members may also raise additional topics they wish to discuss.

The Chair will manage the discussion of future agenda topics, which will be agreed at the Council meetings. An ongoing list of topics will be created, prioritised and then scheduled in a forward agenda. Power and Water may bring in subject matter experts to present on specifics.

8. Member responsibilities

Council members are appointed to the Power and Water's Customer Advisory Council for a period of at least two years, to meet on an agreed basis. It is anticipated that there will be 3-4 meetings a year. Out of session meetings can be held if required, with at least seven days advance notice to be provided to members.

Meetings will typically run for 3-4 hours, with the exception of the initial orientation meeting that is expected to run for 6-7 hours, and special meetings with advance notice. No business shall be conducted by the Council unless at least five members are present.

It is the responsibility of Council members to:



- attend the initial orientation meeting and meetings thereafter. If a member is unable to attend, a representative should be sought to attend in their place if possible.
- review and discuss material provided by Power and Water as pre-reading for the Council meetings or circulated out-of-session.
- read and prepare comments on any papers or presentations provided in advance of Council meetings to inform discussions.
- actively participate in discussions and report the views of their organisation and those they represent.
- give feedback from the Council meetings to their member agency and the wider community when appropriate.
- respect any information or material that may be confidential and not use this position in any way for individual personal gain. Unless otherwise expressed, the Council meetings will be held on the Chatham House' rules basis where information and opinions can be shared freely among members, with comments not to be shared outside the room unless where agreed.
- observe, develop and implement the principles of this Charter in a conscientious, consistent and rigorous manner. Council members must not place themselves in a position where there is a reasonable possibility of conflict in regards to their duties to the Council. If such a conflict arises, the members must fully and frankly inform the Chair about the circumstances giving rise to the conflict and abstain from voting on matters relating to the conflict.

At the end of each term, each representative's membership will be considered by the member body. If a member's position on the Council becomes vacant at any time, Power and Water may seek a replacement from the member organisation, or select a new comparable member organisation.

If appropriate, members will be paid sitting fees for each meeting, and reimbursed for any out-of-pocket expenses agreed to by Power and Water.

9. Power and Water responsibilities

It is Power and Water's responsibility to:

- ensure a high level of organisational support of the Council's activities and outcomes.
- give members feedback on how their feedback and issues have been incorporated or used to inform Power and Water decisions.
- provide the required agenda and papers one week in advance of the Council meeting.
- ratify the meeting minutes from the previous Council meeting.



- actively monitor any feedback or questions from members' out-of-session, and respond to requests for information within agreed timeframes. All matters raised between scheduled meetings will be included on the Agenda for discussion and resolution. If a matter requires immediate attention, a special meeting may be scheduled.
- provide appropriate induction for new members, including provision of background written material and formal introduction to Council members.
- work within the framework of the Council Charter.

10. Council membership

Power and Water will invite and appoint member bodies to the Council to represent a broad variety of customers, consumers and the community, as well as Power and Water representatives.

The Customer Advisory Council will have the following membership:

- Chairperson (Power and Water Leadership Team member or their delegate)
- external council members (maximum of 20 from key representative organisations)
- Power and Water senior representatives
- Secretary (Power and Water representative)
- invited subject matter experts to present agenda topics for information and discussion; and
- formal external facilitators (where required).

Council members may include representatives from at least one of the following areas:

- consumer advocacy / policy organisations (NT and national)
- environmental advocacy organisations (NT based)
- Indigenous community and vulnerable customer representatives (NT - ideally covering each of Power and Water's three networks)
- individual large business / non- residential customers - including a mix of local councils and private enterprise
- industry group organisations
- federal and state regulatory / government (where appropriate in an observer role only)
- other market stakeholders.



11. Terms of membership

Appointment of members to the Customer Advisory Council is at the discretion of the Chair of the Council based on the appropriateness of the member and their representative interest in Power and Water's future planning.

The Chair will be ultimately responsible for ensuring a relevant mix of consumer groups described above. Power and Water will provide Secretariat support assisted by an independent facilitator (where required).

Power and Water will confirm the appointment of new members in writing to the member body. Power and Water reserves the right to alter representation on the Council at any time and will notify member bodies in writing, should this occur.

Termination of a membership on the Council could result from:

- missing one meeting without an apology, or at least three consecutive meetings.
- contravening the disclosure of any conflicts of interest or confidentiality responsibilities of members, as outlined in the Charter.
- violating the intent and philosophy of the Charter in any way that does not adequately represent the views of the member agency and/or wider community.

12. Meeting observers

During the life of the Council it may be appropriate to also invite observers to participate in Council meetings. Observers would be invited to complement discussions with their expertise and knowledge, and provide a more streamlined approach for stakeholder discussions. The first meeting would be held with members when the basis upon which observers will be invited to attend meetings will be discussed and decided. Indicatively we suggest that Council Members could at any point suggest an observer they believe would add value to the conversation. Their motion would then be debated by Council members and would need to be approved by a majority.

13. Reporting and reviewing

At the last meeting of each financial year, the Council will table a report on their achievements, observations and recommendations. This report will be presented to Power and Water's Executive Leadership Team and the Power and Water Board to aid in establishing priority areas for the Council for the coming financial year.



14. Authority

Council authority extends only to making recommendations to the Board. The Council does not have:

- executive powers.
- power to implement action in areas over which management has responsibility.
- delegated financial responsibility.
- any management functions.



Attachment B | Summary of channels and topics

The research topics we explored and engagement channels we used set out in Table 8.

Table 8 - Engagement channels and topics

Channel	Description	Topics taken to this channel
Focus groups	To gain knowledge of customer preferences and expectations of Power and Water, providing a base to inform second phase of the engagement with a variety of customers.	<ul style="list-style-type: none"> • corporate image • knowledge of the supply chain • reliability and responsiveness • vegetation management • metering charges • visual amenities • tariff structures • engagement preferences
Newgate Research interviews	Gain direct feedback from major customers and stakeholders, providing a base to inform second phase of the engagement with variety of customers.	<ul style="list-style-type: none"> • corporate image • knowledge of the supply chain • reliability and responsiveness • vegetation management • metering charges • visual amenities • tariff structures • engagement preferences
Deliberative forums	Test options raised through phase 1 of the engagement with costed proposals	<ul style="list-style-type: none"> • reliability and responsiveness • costs and charges, including tariff structures • metering strategy • customer funded initiatives, in home energy audits, undergrounding of powerlines • communication preferences • ongoing engagement preferences
Large energy user forum	Test major customer preferences on proposed tariff structures	<ul style="list-style-type: none"> • cost drivers and charging parameters • tariff structures, draft plans, and options • communication preferences
Consultation papers	Gain feedback on draft tariff structure statement and tariff strategies from system participants, stakeholders and customers	<ul style="list-style-type: none"> • tariff structures • metering charges
Customer advisory council (CAC)	Council has met on four occasions and been presented and asked for feedback on each topic and stage of the engagement program	<ul style="list-style-type: none"> • all engagement topics



Attachment C – Customer and Stakeholder Interviews

Utilities Commission
Department of Treasury & Finance
Energy Consumers Australia
Ombudsman NT
NT Council of Social Services
COTA Australia
Multicultural Council of the NT
Environment Centre NT
Aboriginal Peak Organisations NT
Northern Land Council
Central Land Council
Larrakia Nation
Master Builders Association
NT Farmers Association
Urban Development Institute
Alice Springs Town Council
Department of Defence
NT Airports
Newmarket Gold
BOC Limited
Charles Darwin University
JKC (Inpex)
Ford Dynasty Pty Ltd
Skycity Casino
NT Police Fire and Emergency
Central Australian Health Services
Darwin Port Corporation
Department of Education
Darwin Central Hotel
Jacana Energy
Rimfire Energy
QEnergy
Territory Generation
St. Vincent de Paul Society
Top End Health Services