

CONSUMER ENGAGEMENT REPORT

AER Public Forum on ElectraNet 2023-28 Revenue Proposal, 31 March 2022

seed



Recognition of country

We acknowledge the Traditional Owners of Country throughout Australia, in this situation the owners of the land hosting the ElectraNet network and the lands on which participants are located.

We recognise their continuing connection to land, waters and culture.

We pay our respects to Elders past, present and emerging.



We acknowledge the passing of Consumer Advisory Panel (CAP) Member, Working Group Member and long-time consumer advocate David Headberry on 12 November 2021.

David was a valued and active contributor to the CAP and the Working Group and played an active role in shaping this regulatory proposal.



Agenda

- Project purpose and frameworks used
- Perspectives of a Consumer Advisory Panel (CAP) member
- Key findings
- Improvement opportunities



Scope and approach

Scope

- Independent report: reviewed and endorsed by the CAP
- Extent and effectiveness of consumer engagement with the CAP and the CAP Working Group
- Perspectives about the extent to which the ElectraNet regulatory proposal is capable of support by consumers.

Framework

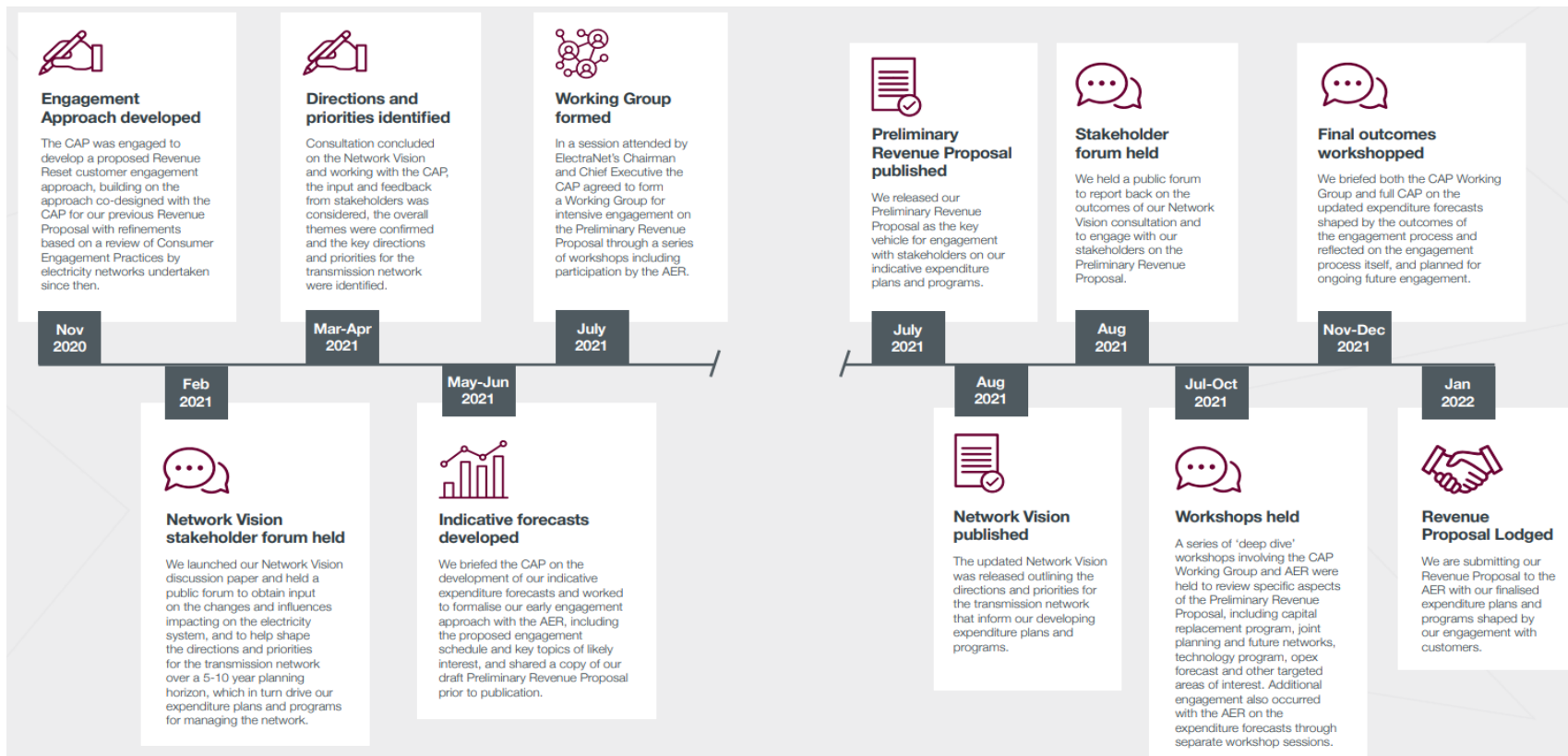
- Amalgamation of CAP success criteria and AER “Table 7” with overlay of IAP2 spectrum
 - Nature of engagement: collaborative, targeted and effective
 - Breadth and depth
 - Evidence of impact
- Overall conclusions: separately assessed the engagement process to the outcome.

Approach

- Stakeholder discussions (CAP members, ElectraNet representatives, other stakeholders)
- Reviewed key revenue proposal and other documents
- Assess extent and effectiveness of consumer engagement against framework
- Identify improvement opportunities



Consumer engagement from the inside



A brief history of ElectraNet engagement

Timeline of Engagement	Engagement response (personal)
Engagement 2018-23 reset	Award winning
The PEC years	Lost in Transmission
Late 2020 – mid 2021 (CAP)	CAP awakening
July 2021- 15 th October 2021	Working Group grapples, ElectraNet grapples
16 th October 2021 - now	Scramble to the end



15th October and the comparison

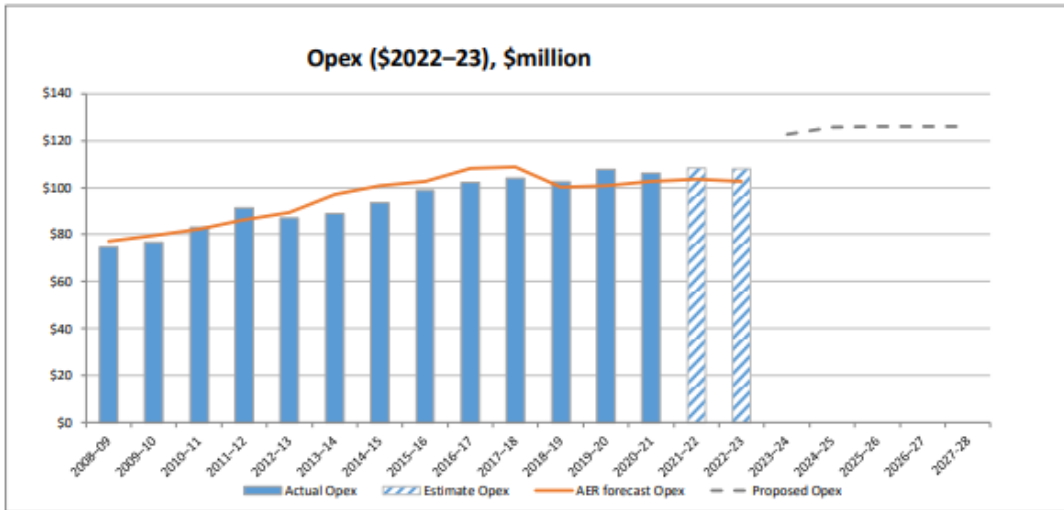
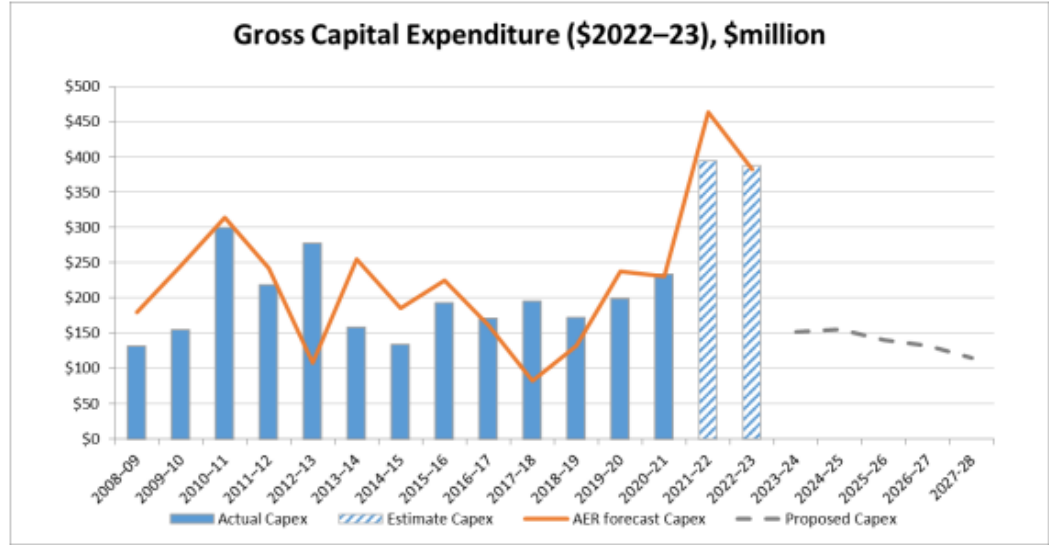
Engagement element	2018-23	2023-28
CAP appointed	Yes	Yes
Working Group established	Yes	Yes
Engagement on the proposal started early (See note 1)	Yes (about 16 months before lodgment)	No (10 months before lodgment)
Co-design to develop process	Yes	To a lesser extent
Issues for engagement agreed early (at least 15 months before lodgment)	Yes	No
Independent facilitator	Yes	No
Process review by independent consultant (See note 3)	Yes, Harding Katz	Some review
Internal review of process	Yes	Stronger
Preliminary Proposal	Yes	Yes
Deep dives (See note 4)	Yes	No (though Working Group provided some of this functionality)
Facilitator checks in with each CAP member regularly	Yes	No
1:1 with direct connect / C&I customers	Yes	Yes
CEO / Board engaged with process	Partly	Stronger
Stakeholder forum	Yes	Yes (re Preliminary Proposal)



Capital and operating expenditure

Mixed outcomes:

- Opex down
- Capex up
- Learnings all around



Opex engagement

- A change to the accounting treatment of intangible assets under the International Financial Reporting Standards which requires these costs to be expensed rather than capitalised (\$46.7 million) – **Limited Discussion**
- Increased insurance premiums (\$30.2 million) – **Discussed in Depth**
- Additional cyber security costs to comply with new critical infrastructure legislation (\$25.9 million) – **Discussed in Depth**
- Migration of some IT infrastructure to the cloud (\$9.0 million) - **Discussed**
- \$3.9 million for recent rule changes made in 2021 – **Discussed**
- Also added \$8.7 million of debt raising costs to arrive at total forecast opex - **Limited Discussion**



Observations against framework

Criterion	Sub criterion	Assessment / comment
Nature of engagement	Collaborative	<ul style="list-style-type: none"> • Strong intent and desire by ElectraNet • Fell short of ambition at times • No early deliberate, robust co-design of engagement process • Preliminary revenue proposal developed by ElectraNet without CAP involvement
	Targeted	<ul style="list-style-type: none"> • Likely well targeted • Multiple channels used • Limited (potential) gaps – e.g. SME, regional
	Effective	<ul style="list-style-type: none"> • Evolved and improved over time • Clear change in approach towards the end
Breadth and depth		<ul style="list-style-type: none"> • Likely covered key items – except “unknown unknowns” • Depth improved over time with change in approach
Evidence of impact		<ul style="list-style-type: none"> • No surprises in proposal, capable of support • Strong and detailed audit trail of areas where CAP had direct influence



Overall conclusions are supportive with scope for improvement

Overall Conclusions

Engagement Process

- No doubt about ElectraNet's genuineness
- Consumer perspectives have been heard
- Slow to establish, some early frustrations
- Changed post October 2021
- Still room for improvement

Outcome

- No surprises
- Capable of support by the CAP: Pending AER review

There is good evidence that throughout their planning, thinking and budgeting, ElectraNet staff and Board, were 'listening' to the "hidden consumer" who infiltrated all the internal ElectraNet thinking



Improvement opportunities

- Supportive of ElectraNet’s identified opportunities
- Additional recommendations for ElectraNet consideration:
 - **Engagement culture:** Continue to grow and develop from the top down.
 - **Measurable success criteria:** separately seek to assess process versus outcome.
 - **Broadening engagement:** social license, including strategies to develop reconciliation action plans, improve gender diversity within the organisation and responses to vulnerable customer needs.
 - **Face to face engagement:** Where practical including regional SA
 - **SAPN:** Consider stronger engagement, potentially a series of joint workshops.
 - **Battery operators / generators:** consider stronger engagement
- Additional recommendations for AER consideration:
 - **Induction of new CAP members:** Greater involvement, insights into AER’s approach and considerations
 - **SAPN / ElectraNet resets:** alignment of timelines and processes, provides efficiencies and recognises the strong interdependencies and aids in optimising complex network investment options.



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