

Tariff Structure Statement 2020-25 Engagement Summary

January 2019



Part of the Energy Queensland Group

Tariff Structure Statement 2020-25 Engagement Summary

To ensure we manage the distribution network efficiently, both Ergon Energy Network and Energex are regulated under the National Energy Rules (NER) by a national regulator, the Australian Energy Regulator (AER). It is the AER's role to cap the revenues we are allowed, and regulate the amount we are able to pass on to customers via distribution network charges.

Distribution network charges make up about a third of retail electricity bills in Queensland, the other components of which include generation, transmission and retail.

In determining how to recover our revenue, Distribution Network Service Providers (DNSPs) are required to submit a Tariff Structure Statement (TSS) to the AER that outlines the structure and design of the network tariffs for the upcoming determination period, and demonstrates how the structures proposed best reflect the network costs while providing customers with greater choice.

We have engaged with our customers and stakeholders to help inform our tariff reforms and are confident, with the AER's support, that our indicative tariff structures will deliver greater tariff choices and more balanced outcomes for our customers.

This engagement summary provides additional detail to the information presented in the umbrella engagement document, 2020 and Beyond Community and Customer Engagement Report – Regulatory Proposals and Tariff Structure Statements.

Our Tariff Structure Statements and Engagement Summary

Ergon Energy Network and Energex, while both part of the Energy Queensland Group of companies, are separate DNSPs and have presented separate TSSs to the AER.

Having separate statements makes it easier for our customers and other stakeholders to access the detailed network tariff information they need specific to each DNSP. The TSSs provide the context for the proposed network tariffs, an outline of how each tariff will work in practice and the associated indicative levels for each tariff.

These detailed statements are supported by separate Tariff Structure Statement Customer Overview documents, separate Tariff Structure Statement Explanatory Notes and this common Tariff Structure Statement Engagement Summary. A common joint program of community and customer engagement was undertaken for ease and efficiency. This was especially helpful for our stakeholders with an interest in both of our network service areas.

This Tariff Structure Statement 2020-25 Engagement Summary outlines the engagement principles, channels, activities and customer insights obtained pertaining to both Ergon Energy Network and Energex.

This document and the suite of other documents relating to our Tariff Structure Statements are available at www.talkingenergy.com.au

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INTRODUCTION

Thank you for your continued interest in how we are reforming our network tariffs from 2020 to 2025, and what that means for our customers' distribution network charges throughout Queensland. As part of preparing our Tariff Structure Statements (TSSs) 2020-25, over the past 18 months we have been engaging directly with our communities, customers and their representatives on our next round of tariff reforms. The feedback we have received has been invaluable. This latest collaboration also builds on the previous five years of community and customer engagement on network tariffs.

This thoughtful and comprehensive feedback has informed and guided our thinking as we develop our network tariff strategy. This Engagement Summary provides an overview of the customer and stakeholder engagement undertaken and what our customers and stakeholders have told us in relation to key tariff issues for both the Ergon Energy Network and Energex network areas. Our thinking has been guided by the many insights received through the various channels and multiple forums that have targeted all segments of our customer base and have extended to every corner of the State. Through our community and customer engagement program, we have endeavoured to provide an avenue for every customer in Queensland to have their say in the future development of tariffs in Queensland.

While our tariff structures are ultimately subject to the review and approval of an independent regulator, the Australian Energy Regulator (AER), it was very important to us that they adequately reflect the views of our customers and stakeholders where possible and that we have achieved balanced outcomes for all.

Importantly, our customer and stakeholder engagement on tariff reform does not end with the submission of our TSSs to the AER in January 2019. Over the next two years, as our tariff structures are determined, we will continue to focus on how we can best implement the new tariff structures to achieve the most effective overall outcomes for all customers. This will include engaging with our customers and stakeholders on how we can support them with information and education, because we have clearly heard that is critical to helping our customers make informed choices and to the ongoing success of tariff reform.

In addition, we will continue to make further improvements to our TSSs in readiness for our revised TSS submissions in December 2019.

I'd like to thank all of our customers and stakeholders who have had input to our tariff reform engagement and consultation to date. Your contribution and continued interest is vitally important as we look to deliver the right outcomes, for not only our customers but also our communities throughout Queensland.

Yours truly,

David Smales
Chief Executive Officer



"We know that electricity affordability is a critical issue for our customers – both from a cost of living and business competitiveness stand point.

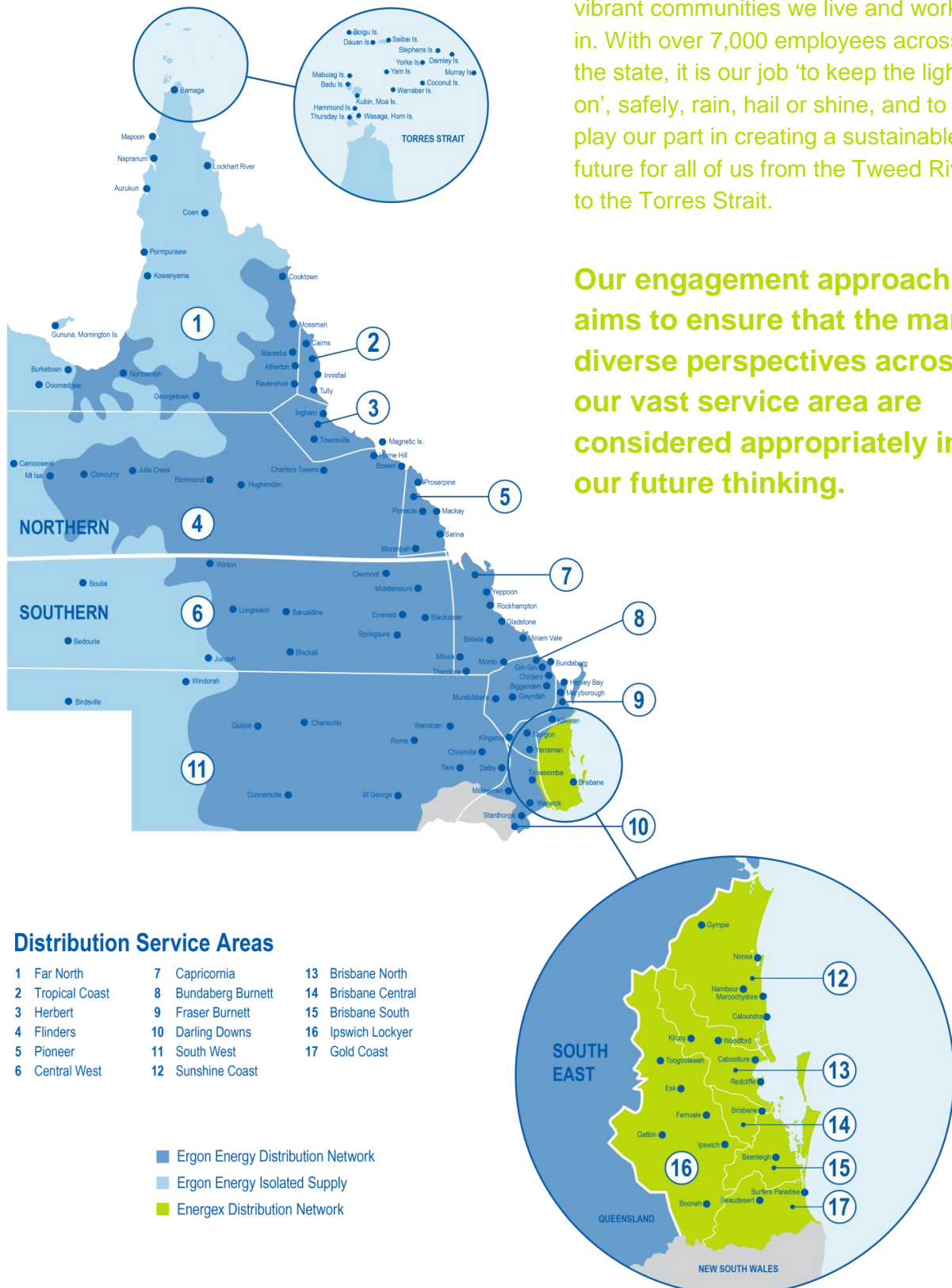
This has seen us working hard to deliver price reductions through our forward investment plans and develop network tariffs that are cost reflective, simple, fair and equitable."

David Smales
Chief Executive Officer

THE COMMUNITIES AND CUSTOMERS WE SERVE

We serve Queensland and the many vibrant communities we live and work in. With over 7,000 employees across the state, it is our job 'to keep the lights on', safely, rain, hail or shine, and to play our part in creating a sustainable future for all of us from the Tweed River to the Torres Strait.

Our engagement approach aims to ensure that the many diverse perspectives across our vast service area are considered appropriately in our future thinking.



OUR STAKEHOLDER SEGMENTS

Community stakeholders

We engage with the general public across Queensland, from the Tweed River to the Torres Strait, both through our mass market communications and operationally on an individual service basis from our 137 geographically disperse service depots and offices.

To ensure we are meeting our communities' needs at the local level we also engage across each of our 17 operational areas with elected community representatives, local business/industry groups, local councils and other community leaders and advocates.

End use customers

We have 2.3 million customers connected to our networks across Queensland – we service the state's largest commercial and industrial businesses, its 224,000 small to medium enterprises, and 1,983,000 residential homes.

Around 700,000 of these are in regional Queensland who are also served by our energy retail company Ergon Retail.

We engage with our customers directly on a day- to-day basis, and we also engage through our research initiatives, and with their many different customer advocacy groups.

Industry partners

Our industry partners along the supply chain include electricity generators and retailers, and our industry's other transmission and distribution service providers.

We also work in partnership with property developers, builders, electrical contractors and solar installers/suppliers and other technology providers who service and, ultimately, connect Queensland's homes and businesses to our network.

The electricity industry is a complex and challenging environment with a diverse range of stakeholders both within Queensland, across our service area, and nationally.

Our stakeholders are the many individuals, groups, or organisations who we have service obligations to or who could potentially be impacted by our operations, or who could support or affect our ability as a business to deliver for our customers.

To ensure our plans are truly customer-centric our engagement efforts focus on our community stakeholders, end use customers and our industry partners (who service our customers).



OUR ENGAGEMENT APPROACH

Our overarching engagement approach has been presented in the umbrella engagement document, 2020 and Beyond Community and Customer Engagement Report – Regulatory Proposals and TSSs. This engagement summary provides additional detail on the engagement around our tariff reforms.

In summary, as a Group of companies, we have embedded a state-wide framework for engagement, including a reviewed set of corporate principles for engagement.

Our approach to community and customer engagement for our 2020-25 TSS consultations has been informed by these and a number of best practice guidelines, as well as the approach used by other Australian DNSPs.

For our tariff reform conversations we actively considered each stakeholder group's accessibility and their capacity or ability to actively engage on the different levels of detail to inform the channels we have chosen.

While Ergon Energy Network and Energex have submitted individual TSSs to the AER, we have undertaken a joint engagement approach. The aim is to maintain a clear, single business-wide view of the tariff issues that matter most to our many communities and customers, and to our purpose as a Group.



Our principles for engagement

We're committed to ensuring:

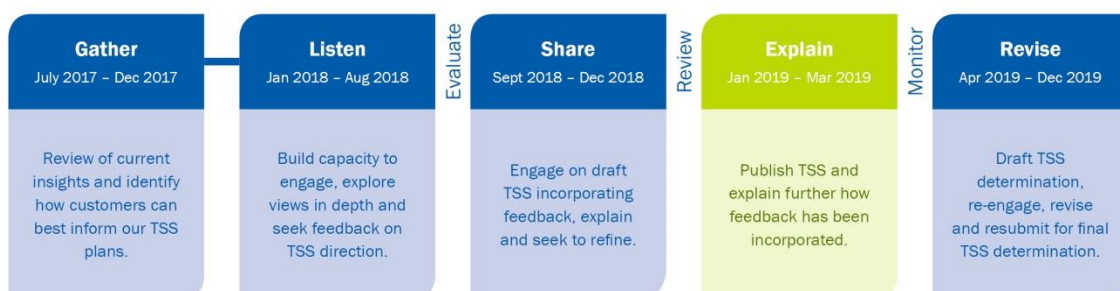
- We're accessible and inclusive in engaging interested or impacted stakeholders
- Our communications are easily understood, timely and appropriate
- Open transparency in our decision making processes and outcomes
- Our engagement is responsive and improves with feedback and measurement.

Our timeline and phases of engagement

For the first time, the legislative timelines for our TSSs and Regulatory Proposals are aligned. Unlike in the current regulatory period, this means that we have been preparing them in parallel and the AER will assess them at the same time. This has allowed us to more logically engage our communities and customers on the full range of revenue, expenditure and tariff subjects through our engagement program.

Our engagement plan has been outworked against a timeline out to December 2019 that allows it to best inform the strategic direction of our network businesses, our investment plans for 2020 to 2025 (as part of our Regulatory Proposals), and the reforms to be incorporated into our TSSs for the same period.

Our TSS Engagement Phases



OUR KEY ENGAGEMENT CHANNELS

Talking Energy Online Engagement

In developing our engagement strategy, we launched a new digital engagement platform – **Talking Energy**. The site provides an efficient and timely mechanism through which to engage interested stakeholders and individuals in the energy future conversation, specifically around the Regulatory Proposals and the TSSs. The site is linked to our parent websites, however, it also has the stand-alone url **www.talkingenergy.com.au**

The site has allowed any interested stakeholders or individuals to register interest in ongoing communications and be kept up to date and involved in ongoing discussions. Importantly, the digital platform provided a single place for stakeholders to go for our tariff consultation papers and other material, as well as a survey capability.

The highlight here was our Future Energy Survey that saw nearly 2,000 people taking part (largely residential customers, some did not specify their customer segment or stakeholder type). This site also provided the platform for a series of webinars on the tariff reforms we have been developing.

Customer Council Framework

Our engagement with our customer advocacy groups was reenergised, with a major Customer Xchange Forum in December 2017. We then engaged proactively on tariffs through Energy Queensland's Customer Council, as our flagship listening forum.

We also established a Regulatory Proposal-Tariff Structure Statement Working Group dedicated solely to the Regulatory Proposal and the TSS engagement. This broader group of participants was chosen to more fully represent our different customer segments (large and small) and the diversity in our state-wide service area.

This group met 11 times throughout 2018, building participants capacity to understand our industry and its regulatory framework, and exploring collaboratively on a range of matters under consideration. Details of the group's discussions have been made available on our Talking Energy website.

We also reinitiated the Agricultural Forum, as a business-as-usual (BAU) forum, and continued our regular Major Customer Forum and Energy Retailer Forum. We also continued a number of forums to engage with our industry partners. This included forums state-wide to listen and share knowledge with local real estate developers and electrical contractors.

These relationships were also utilised to engage more deeply in small groups or one-on-one about our tariff reforms. This was especially the case with our customer advocates and retailers.

Community Leader Forums

To help us connect with our communities and ensure we are effective at the local level, as part of the move to the Energy Queensland Group, we have established 17 operational areas across the State. Area managers establish, maintain and are responsible for relationships with elected representatives, local business/industry groups, the local councils and other community groups.

To build on this, we conducted five Community Leader Forums, with a holistic view on 2020 and beyond. These regional forums were conducted in Cairns, Townsville, Rockhampton Sunshine Coast and Toowoomba, with guests selected to create a representative group of customer, community and



industry leaders. The framework for these conversations involved significant interactions between our senior managers, who are the decision makers about our future plans, and our local stakeholders.

A condensed version of the content of the Community Leader Forums was also used to engage with the remaining major centres across our 17 areas. This saw us partnering or piggy backing on existing community forums, such as local Chamber of Commerce breakfasts, to gain access to a wider audience. While less interactive, this dialogue was supported by material directing them to the Talking Energy website where they could continue the conversation.

To loop back to these stakeholders and continue the conversation we also hosted a webinar in early September 2018 to explain how the feedback received had informed our plans.

Specific engagement was also undertaken around public lighting. This was supported by our Public Lighting Forum, engagement through the Local Government Association of Queensland (LGAQ) and the many Regional Organisation of Councils.

Customer Research Program

Over the last 12 months our customer research program has included significant performance monitoring and other tracking research, as well as a range of additional targeted research activities.

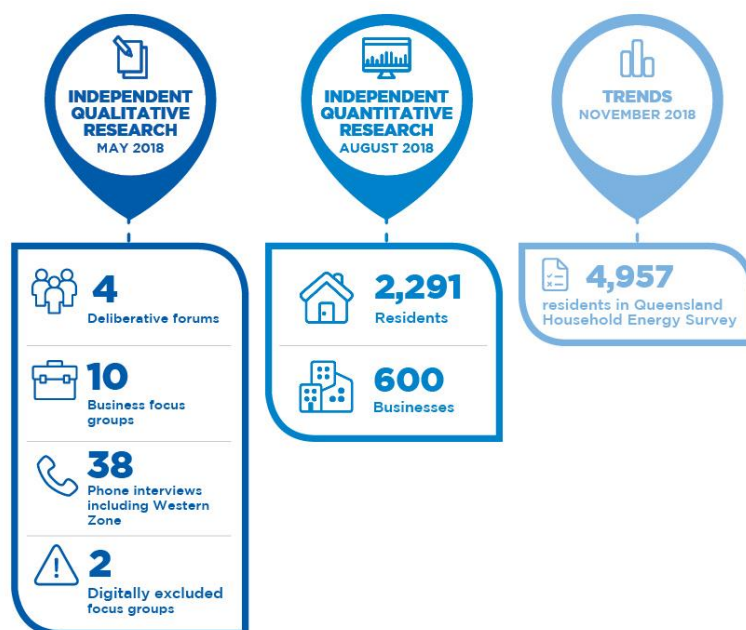
Our TSS engagement plan has been built on the strengths of Ergon Energy Network and Energex's earlier programs of customer insights and research activities.

The establishment of the Energy Queensland Group, provided an opportunity for us to refresh our approach to ensure our customers' voices penetrated more deeply into our business as we worked to address our customers' key concerns around tariffs. More detail on our Voice of the Customer Program is available in the document Beyond Community and Customer Engagement Report – Regulatory Proposals and TSSs.

We also continued our tracking research – the Queensland Household Energy Survey is helping us predict how our customers will use the network in the future.

This program was also expanded with other targeted research to build a deeper understanding of what our customers will be expecting from us in the future.

To explore specific questions around our TSSs from a customer perspective we undertook a range of market research activities, including enlisting independent researchers, Kantar Public and PwC. This included qualitative research (deliberative forums with householders, group discussions with businesses, and phone interviews with households and businesses) and a major state-wide quantitative online survey of over 2,800 households and businesses. This survey included cost-trade off choice modelling and maximum difference and other methodologies to determine customers' preferences.



Other business-as-usual engagement

In addition to this plan, other operational engagements continued across the business. We gained significant customer insights through our many distribution service relationships including many one-on-one and small group conversations with electricity retailers and customer advocacy groups.

OUR ENGAGEMENT ACTIVITY

Our program of engagement activity is best outlined and understood by matching the engagement activity to our timeline and phases of engagement.

Phase 1 – Gather (July 2017 – December 2017)

Review of current insights and identify how customers can best inform our TSS plans.

We audited our existing sources of customer insights around tariffs, from across our business-as-usual and extensive, earlier customer engagement activities, and from other public market research and previous stakeholder TSS submissions.

The main engagement activities during phase 1 included:

- Small group meetings with customer advocacy groups
- One-on-one meetings with electricity retailers
- Small group meetings with the Department of Natural Resources, Mines and Energy (DNRME) and customer advocacy groups
- Customer Xchange Forum with customer advocacy representatives
- Focus groups to explore and test tariff concepts.

Phase 2 – Listen (January 2018 – August 2018)

Build capacity to engage, explore views in depth and seek feedback on TSS direction.

We engaged with customers and their representatives to seek their feedback and insights on tariffs and our preliminary thinking on our tariff reform path.

To inform this phase we released an issues paper for consultation in April 2018 – [Network Tariffs 2020-25: Customer Consultation Paper \(April 2018\)](#) - that sought to clarify our understanding of our audit of customer insights from Phase 1 and in particular our customers views on:

- The overarching principles guiding network tariff development
- The assessment framework against which the relative strengths and weaknesses of network tariff structure options should be assessed
- Relative strengths, weaknesses and opportunities of the possible network tariff structural options set out in the paper, and
- Whether a holistic approach encompassing network tariffs, education, dynamic incentives and information should be embraced as part of the network tariff reform journey.

A summary of the feedback received - [Customer Consultation – Feedback Summary Issues Paper 1 \(June 2018\)](#) - is available at talkingenergy.com.au

In addition, our Customer Council and other business-as-usual forums, including our Agriculture, Developers, Electrical Contractor, Major Customer, Public Lighting and Retailer Forums played a key role in enabling us to build our capacity to engage, explore views in depth and seek feedback on our direction.

To provide further opportunities for engagement and in-depth discussions with our customers and their representatives, we also established the Regulatory Proposal and the TSS Working Group

consisting of members of our Customer Council and other customer advocacy groups and organisations.

Collectively, these forums enabled us to engage with a wider audience and on a regular basis throughout 2018, continuing through to the Share and Explain Phases of our engagement plan. These relationships will continue to play a key role in our engagement through the Revise Phase and 2020 and beyond.

Our engagement was also supported by a series of dedicated TSS webinars and our online engagement platform – talkingenergy.com.au. This enabled us to capture additional feedback and ensure that our customers and their representatives could easily access all information relating to the TSS program of activity.

Across each of our 17 operational areas across Queensland, we also continued to build our relationships and seek feedback from elected representatives, local business/industry groups, local councils and other community leaders and organisations. This was supported by the Community Leader Forums in five of our major centre, which explored our direction, including tariffs, into the future.

A full list of organisations who have participated in the Working Group together with all information relating to Working Group meetings, other forums held, our tariff related webinars and Community Leader Forums can be found at talkingenergy.com.au.

Key engagement activities during this phase included:-

- One-on-one meetings with customer advocacy groups
- One-on-one meetings with electricity retailers
- Agriculture Forum – 16 May and 9 August 2018
- Electrical Contractor Forum (9 sessions in May 2018)
- Major Customer Forum – 16 May 2018
- Retailer Forum – 5 June and 7 June 2018
- Developers Forum – 24 April and 16 July 2018
- Public Lighting Forum – 18 April, 10 May, 17 and 19 July, 20 and 22 August 2018
- Webinars – 4 May and 2 July 2018
- Community Leader Forums (five sessions throughout May and June 2018)
- Electricity Retailer Forum – 30 and 31 July 2018
- Direct Mail out to Major Customers – July and August 2018

Phase 3 – Share (September 2018 – December 2018)

Engage on draft TSS incorporating feedback, explain and seek to refine.

We conducted an evaluation of the customer insights from Phase 2 – Listen, and formed initial draft positions on a range of key matters relating to the TSSs.

We shared this initial draft positioning with customers and their representatives through a series of specific customer engagements by customer segment leading to the release of a series of issues papers focusing on (1) Residential Customers, (2) Business Customers and (3) Connected Asset Customers (CAC) and Individually Connected Customers (ICC).

These three separate issues papers were informed by the insights captured up to June 2018 and in the formal April 2018 consultation paper feedback and focused on the following key themes:

- Providing simplicity, transparency and flexibility – offer customers clear and simple tariff structures that support customer choice and control
- Fairness – similar customers pay similar prices and charges reflect the impact of customer usage and technology decisions on network costs, and
- Economic efficiency – signals the economic costs of providing distribution services to the market.

These positions were shared to allow us to engage in a meaningful way on the detail and the potential price impacts of the direction we were formulating. It also allowed us to explain how feedback to date has been responded to.

The sharing took place with our Customer Council, Working Group and in other forums, and through consultation papers, webinars, and online surveys, polls and discussions. This phase also saw us dive further into outstanding specific matters with our stakeholders. The aim was to test our thinking, so that we could refine our plans.

We have reviewed the insights gained to date to ensure we presented TSSs in January 2019 that fully considered the needs and expectations of our customers and the communities we serve.

The key engagement activities that took place during this phase included:

- One-on-one meetings with customer advocacy groups
- One-on-one meetings with electricity retailers
- Agriculture Forum – 15 November 2018
- Major Customer Forum – 3 December 2018
- Developers Forum – 12 September 2018
- Public Lighting Forum – 10 October 2018
- Webinars – 14 September 2018
- Small Group Consultations – 24, 25 and 26 September 2018, and
- RP-TSS Working Group – 5 September and 7 November 2018.

Phase 4 – Explain (January 2019 – March 2019)

Publish TSS and explain further how feedback has been incorporated.

As part of this phase, the AER will engage directly with interested stakeholders on our initial TSSs for 2020-25, as released. This is expected to include the release of an issues paper/s and a public forum/s between February 2019 and March 2019.

We published our TSS submissions at the end of January 2019, and will engage our Customer Council and the Working Group and other interested stakeholders throughout the AER's consultation process in 2019, to explain our submission, how we are responding to the AER's queries during its consultation process, and how we have responded to customer feedback, and the process that will happen from here.

We will consider if any changes to our plans are required before our final proposal.

Phase 5 – Revise (April 2019 – December 2019)

Draft TSS determination, re-engage, revise and resubmit for final TSS determination.

As part of this final phase, the AER will issue a draft determination on the separate Ergon Energy Network and Energex TSSs in September 2019, and we will need to prepare revised TSSs to be resubmitted by early December 2019. The details in these TSSs will then be considered by the AER so they can make a final determination on our future tariff structures in April 2020.

This will provide the framework for our network charges from 1 July 2020 for both network areas.

WHAT WE ENGAGED ON

In planning our TSS engagement approach we looked at our different customer and stakeholder groups and considered their areas of interest and the potential impacts of new tariffs on each customer segment. We also looked at the matters where we were making decisions that could be genuinely informed by customers and stakeholder perspectives. The following areas of interest were identified to seek customer feedback on:

- Pricing Principles
- Long-Run Marginal Cost (LRMC)
- Defining the Peak
- Tariff Structure
- Load Control
- TEDI Communication
- Go To Market and Trials
- Customer Impact
- kVA Charging and excess kVA
- Tariff Assignment
- Tariff Alignment
- Distributed Energy Resources (DER) (integration with cost reflective tariffs)
- Transmission Use of System Charges (TUOS) and Jurisdictional Scheme.

WHAT WE HEARD

Pricing Principles

Customer representatives reaffirmed their highest priority pricing principles – fairness, affordability, equitable access to the network, fair approach to Distributed Energy Resources (DER).

Adherence to pricing principles was an important consideration for customers.

Respondents generally supported fairness as a key pillar of network tariff reform. Feedback suggested that Ergon Energy Network and Energex should seek a fairer distribution of electricity costs in sync with seeking cost reduction.

Alternate views were raised in feedback around the pace of unwinding cross subsidies – some respondents sought elimination immediately whilst others favoured a staged approach.

Participants wanted to see how customer segment contributions to peak periods are treated in retail tariffs developed by the Queensland Competition Authority (QCA) and how the Community Service Obligation is broken up.

Customers can see the logic of cost reflective tariffs and said that they would be willing, if rewarded, to reduce their electricity use during peak periods to help ensure sustainable network investment and better management of the network overall that could deliver savings for them and the whole community.



Long-Run Marginal Cost (LRMC)

Our stakeholders were fundamentally concerned with the impact of shifting from volume tariffs to demand tariffs and noted that the LRMC is directly linked to the demand charge in a cost reflective tariff. They asked whether the use of LRMC is appropriate in a low growth period.

They also asked for us to consider a network future where the impact of more DER deployment and emergence of batteries and electric vehicles (EVs) was thoroughly and fairly considered, and that the LRMC value and approach appropriately reflected these considerations.

Our stakeholders generally acknowledged the role of the Regulator to oversee the development of network tariffs to ensure equity while complying with National Electricity Rules.

Notwithstanding the above, customers were open to the networks exploring a model that derives a LRMC on a current and future focussed network.

Defining the Peak

With regard to defining the peak period, stakeholders were seeking a review of seasonality, time-of-day, and day-of-week.

They were seeking more understanding of the approach to determine peak periods by undertaking analysis at the zone substation level.

In later consultation conversations those participating in the discussion indicated a preference for shorter peak windows with a later peak window commencement time for non-residential customers.

Our stakeholders were seeking to understand customer segment contributions to the peak.

It was noted by customer representatives that at the system level that Energex had a more severe peak profile than Ergon Energy Network. They queried the rationale behind the alignment of the residential Ergon Energy Network and Energex summer peak window dimensions.

Tariff Structure

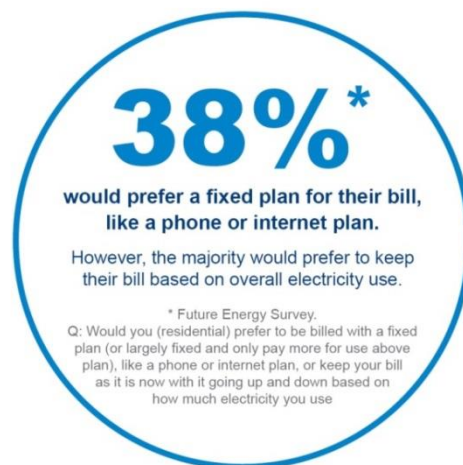
Through the Kantar and PwC research various new tariff concepts were tested against our existing tariffs. One tariff which proved popular amongst residential customers was the concept of a standard monthly charge based on bands of usage in the peak times, with a top up fee applying for use over a chosen level (like a phone or internet charge).

Many felt this option was easy to understand, predictable and allowed for easy budgeting and that the 'cap' would help change energy usage behaviour in peak periods. There was some interest in this option from business customers, particularly when their energy usage was consistent and/or a significant proportion was used outside the summer peak window. However, many felt they had limited capacity to adjust their usage to take advantage of off-peak rates.

Customers and other stakeholders recognised the intent of the 'Lifestyle Package' to present a cost reflective tariff with parameters they are more familiar with and that can ameliorate bill shock through annual bill smoothing. They noted it provides a framework for retail offerings that provide choice and control. They wanted to better understand band allocation.

Feedback sought clarification of the rules associated with moving up and down bands in the 'Lifestyle Package', tariff assignment and the role and responsibility of the retailer, the customer and the network in assigning network tariffs. Stakeholders urged the networks to learn from the telco experience and get the tariffs right early on.

Agricultural and social sector advocates recommended consideration of end use tariffs – in particular in relation to vulnerable customer transition to cost reflective tariffs and in regard to contribution to peak.



Load Control

Customers and other stakeholders saw an ongoing role for load control tariffs. They placed a high value on these tariffs and wanted to retain access to them. Some were looking for the application of load control to be expanded.

Some respondents suggested a suite of dynamic tariffs to complement the 'Lifestyle Package' tariff.

In later consultation, customers were seeking more information on the proposed dynamic response tariffs and how these work as primary tariffs beside current load control secondary tariffs.

TEDI Communication

We presented the need for a holistic Tariff, Education, Dynamic Incentives and Information (TEDI) approach.

Customers wanted to be informed, enabled and well educated. In particular, customers expected tariff comparators and appropriate support at the decision stage (i.e. when they are deciding whether to move to the new tariffs) and then tools such as apps to support their use of the tariffs at the operational stage (i.e. once they are on the new tariffs).

Education, energy literacy and awareness were noted as priorities by several respondents. The enablement of customers and access to data through digital meters was also emphasised in feedback.

Communication was identified as a priority, by informing customers and retailers with understandable language around tariffs. Customers were seeking relevant tools and support, and suggested that we use trials to develop collateral.

Development of capability to empower customers by considering innovative arrangements with energy service providers as well as retailers was raised, as was the need to mitigate customer downside risk.

Customers recognised the opportunity to undertake trials prior to July 2020 in particular to enable customers to fully understand the 'Lifestyle Package'. Feedback also noted the opportunity to clarify assignment and business rules through trials, and for Ergon Energy Network and Energex to work with retailers to develop business rules and collateral.

A suggestion was made that Ergon Energy Network liaises with the Queensland Competition Authority (QCA) and Queensland Government in developing trials.

Respondents noted the opportunity to test the 'Lifestyle Package' with empowered customers to test the ability to realise customer behavioural change.

Customer Impact

Whilst recognising the opportunity to be better informed and better enabled with cost signalling tariffs, more modern metering and monitoring technologies, customers and customer advocates were concerned about bill shock particularly in the changeover stage from legacy tariffs to the new cost reflective tariffs. From a tariff perspective, being 'fair and equitable' is seen as being both about minimising cross subsidies and managing any potential social and economic impact from the move to more cost reflective pricing.

Our stakeholders were therefore supporting a staged approach to the introduction of cost reflective tariffs.

Enabling customers to be able to respond to tariff signals was important to customers. Customer segments who either have limited ability to shape their load, or on the other hand have a very stable load factor, were seeking equitable treatment.

Equity for vulnerable customers who either move to cost reflective tariffs or are late adopters was seen as important.

Feedback recognised the tension between achieving network tariff reform and managing customer impact.

Customers have an expectation that Ergon Energy Network and Energex will be able to effectively manage customer impact. Respondents noted the need to ensure consideration of a broad-based cross-section of the community in developing the customer impact approach. Respondents also suggested that customer impact be taken into account in finalising the approach to tariff assignment.

Respondents noted access to digital meters as being a precursor to moving to cost reflective 'package' tariffs. The issue of vulnerable customers having more difficulty in affording and accessing digital meters was raised.

Tariff Assignment

Customers or their representatives recognised that tariff assignment is an important part of the transition to cost reflective tariffs.

Alternative views existed on whether Opt Out or Mandatory Assignment is more preferable. More generally, customers wanted to retain access to volume tariffs to manage bill impact.

Respondents sought clarity in relation to tariff assignment for existing and new customers, having noted Ergon Energy Network and Energex's shift away from the initial position of mandatory assignment.

Respondents queried the approach to the existing fleet of digital meters prior to July 2020 and sought further information on assignment policy in regard to meter replacement, solar and/or battery additions and alterations and meter replacements.

Grandfathering of existing legacy tariffs, exempting premises from having to change from their existing tariff arrangements, was generally endorsed.

Participants noted that too high a fixed charge may be problematic, noting issues the QCA had with retail tariff 11 when a step change to fixed charge was applied.

Tariff Alignment

Customers were generally aware of the policy to align tariff structures across the two Queensland networks.

kVA Charging and Excess kVAr

Customers generally understood the intent of the potential changes to kVA charging in the Ergon Energy network.

Pros and cons from a customer perspective were primarily based on customer impact.

Disributed Energy Resources (DER) (integration with cost reflective tariffs)

Many customers recognised that tariff reform is needed to respond to the changes in the market and power system.

Customers recognised that DER can either effectively lower network costs or contribute to network price increases.

Customers noted there was an opportunity to develop cost reflective tariffs that incentivise efficient adoption of DER particularly in relation to the introduction of electric vehicles (EVs) and the take up of batteries.

Transmission Use of System Charges and Jurisdictional Scheme

Commercial customer feedback questioned the level of recovery of Jurisdictional Scheme for the commercial customer user group. No specific comments were received on Transmission Use of System Charges or the interaction of these charges with distribution network tariffs and tariff structures.

OUR ENGAGEMENT PLAN GOING FORWARD

We welcome customers and other stakeholder feedback on our TSSs by:

email to tariffs@energyq.com.au

Now that we have submitted our Regulatory Proposals and TSSs for Ergon Energy Network and Energex to the AER, interested stakeholders can also participate directly in the AER's review process.

We will continue to make further improvements to our TSSs in readiness for our revised TSS submissions in December 2019, which will see us respond to further feedback we receive during our ongoing TSS consultations throughout 2019.

Thank you for your interest, time and support.



APPENDIX A – ABBREVIATIONS

AER	Australian Energy Regulator
BAU	Business-As-Usual
DNMRE	Department of Natural Resources, Mines and Energy
DER	Distributed Energy Resources
DNSP/s	Distribution Network Service Provider/s
ENA	Energy Networks Australia
LGAQ	Local Government Association of Queensland
LRMC	Long-Run Marginal Cost
NER	National Electricity Rules
QCA	Queensland Competition Authority
RP	Regulatory Proposal
TEDI	Tariff, Education, Dynamic Incentives and Information
TSS	Tariff Structure Statement
TUOS	Transmission Use of System Charges

APPENDIX B – LIST OF ENGAGEMENT FORUMS AND ACTIVITIES FOR TSS ENGAGEMENT

Please note that where '(TSS Consultation)' is listed the agenda for the meeting/forum was specific to the TSS. Other meetings listed also included some discussions and/or references to the tariff reform agenda but were not necessarily the sole or main agenda item.

Customer Council Forums

- 14 February 2018 – Brisbane
- 9 May 2018 – Brisbane
- 14 August 2018 – Brisbane
- 7 November 2018 – Brisbane (Combined with RP-TSS Working Group)

RP-TSS Working Group

- 6 March 2018 – Brisbane (Overview of the TSS and Engagement process)
- 5 April – Brisbane (Forum specifically on TSS Consultation)
- 3 May 2018 - Brisbane
- 11 June 2018 – Brisbane
- 25 June 2018 – Brisbane
- 27 June 2018 – Brisbane
- 4 July 2018 - Brisbane
- 5 July 2018 - Brisbane
- 1 August 2018 – Brisbane (TSS Issues Paper Consultation)
- 5 September 2018 – Brisbane
- 7 November 2018 – Brisbane (Combined with Customer Council)

Community Leader Forums

- 14 May 2018 – Toowoomba
- 16 May 2018 - Sunshine Coast
- 25 May 2018 – Townsville
- 31 May 2018 – Rockhampton
- 13 June 2018 – Cairns
- 6 December 2018 – Toowoomba

Agriculture Forum

- 16 May 2018 – Brisbane
- 9 August 2018 – Brisbane (Specifically focussed on TSS Consultation)
- 15 November 2018 – Brisbane (Specifically focussed on TSS Consultation)

Energy Academy (Electrical contractor forums)

- 14 May 2018 – Nerang
- 15 May 2018 – Sunshine Coast
- 17 May 2018 – Newstead
- 21 May 2018 – Mackay
- 22 May 2018 – Townsville
- 23 May 2018 – Cairns
- 24 May 2018 – Rockhampton
- 28 May 2018 – Toowoomba
- 29 May 2018 – Ipswich
- 30 May 2018 – Springwood

Major Customer Forum

- 16 May 2018 – Brisbane (TSS Consultation)
- 3 December 2018 – Brisbane

Energy Retailer Forum

- 05 June 2018 – (TSS Consultation)
- 07 June 2018 – (TSS Consultation)
- 30 July 2018 – Brisbane (TSS Consultation)
- 31 July 2018 – Melbourne (TSS Consultation)

Developers Forum

- 24 April 2018 – Brisbane (TSS Consultation)
- 16 July 2018 – Brisbane
- 12 September 2018 – Brisbane

Public Lighting Forum

- 18 April 2018 – Brisbane (TSS Consultation)
- 10 May 2018 – Brisbane (TSS Consultation)

- 17 July 2018 – Brisbane (TSS Consultation)
- 19 July 2018 – Brisbane (TSS Consultation)
- 20 August 2018 – Brisbane (TSS Consultation)
- 22 August 2018 – Rockhampton (TSS Consultation)
- 10 October 2018 – Brisbane (TSS Consultation)

Webinars

- 04 May 2018 – Issues Paper 1
- 02 July 2018 – Issues Paper 2 (3 x webinars - Residential, Small and Major Customers)
- 14 September 2018 – Discuss our response to feedback from Issues Paper 2

Small Group Consultation

- 24 September 2018 (Residential and Customer Advocacy Groups)
- 24 September 2018 (Solar/DER Customers and advocacy Groups)
- 25 September 2018 (Small Business and Major Customers and Advocacy Groups)
- 26 September 2018 (Agriculture Customers and Advocacy Groups)
- 23 November 2018 (Customer Advocacy Groups)

Direct Mail (CAC and ICC Customers)

- July 2018 (invite feedback on Issues Paper 2)
- August 2018 (response to feedback provided on Issues Paper 2)

One-on-One Meetings – Customer Advocacy Groups or Customers

- 23 August 2017 – Meeting with Tariff Reform Working Group (TSS Consultation)
- 13 September 2017 – Meeting with AER (TSS Consultation)
- 1 December 2017 – Meeting with ECA in Sydney (TSS Consultation)
- 6 December 2017 – Call with TEC and PIAC (TSS Consultation)
- 11 December 2017 – Meeting with DNRME (TSS Consultation)
- 21 December 2017 – Meeting with AER (TSS Consultation)
- 15 January 2018– Call with QEUN (TSS Consultation)
- 21 February 2018 – Meeting with Canegrowers in Bundaberg (TSS Consultation)
- 13 March 2018 – Meeting with Tariff Reform Working Group (TSS Consultation)
- 26 June 2018 – Meeting with AER (TSS Consultation)
- 27 June 2018 – Call with Powerlink Queensland (TSS Consultation)
- 10 July 2018 – Meeting with QCOSS (TSS Consultation)

- 12 September 2018– Meeting with QCOSS (TSS Consultation)
- 3 October 2018 – Call with GCCC (TSS Consultation)
- 18 October 2018 – Call with Powerlink Queensland (TSS Consultation)
- 27 November 2018 – Meeting with DNRME (TSS Consultation)
- 11 December 2018 – Meeting with cotton ginnerers (TSS Consultation)
- 29 January 2019 – Meeting with cotton ginnerers (TSS Consultation)

One-on-One Meetings – Energy Retailers

- 11 August 2017 – Meeting with EEQ (TSS Consultation)
- 30 November 2017 – Meeting with AGL (TSS Consultation)
- 30 November 2017 – Meeting with Energy Australia (TSS Consultation)
- 30 November 2017 – Meeting with Origin Energy (TSS Consultation)
- 13 July 2018 – Meeting with Origin Energy (TSS Consultation)
- 23 August 2018 – Meeting with EEQ (TSS Consultation)
- 6 September 2018 – Meeting with EEQ (TSS Consultation)
- 21 November 2018 – Meeting with Alinta Energy (TSS Consultation)
- 22 November 2018 – Meeting with EEQ (TSS Consultation)
- 27 November 2018 – Meeting with Energy Australia (TSS Consultation)
- 28 November 2018 – Meeting with Origin Energy (TSS Consultation)

End