



Summary of Consultation on Five Year Plan



TransGrid

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Consumer Advisory Workshops, Large Energy User Roundtables, Residential and SME Consumer Engagement

Final Version

Updated 15 May 2014

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INTRODUCTION

As the major electricity transmission network service provider in NSW and the ACT, TransGrid's role is to provide efficient, reliable transmission services aligned with the long-term interests of consumers in NSW, the ACT and across the National Electricity Market.

While TransGrid's key interface is with generators, distribution network service providers and some large customers, all electricity consumers are impacted by TransGrid's operations. This includes the prices they pay for electricity, their access to electricity when and where they need it, and any direct impacts through capital investment.

In recognition of TransGrid's impact on consumers, and in line with the Australian Energy Regulator's *Consumer Engagement Guidelines for Network Service Providers* (AER Guidelines), TransGrid engaged Newgate Research to assist in delivering a comprehensive and measurable customer engagement program to provide input into TransGrid's priorities and proposed activities over the next five years.

Two Consumer Advisory Workshops and two Large Energy User Roundtables were convened by TransGrid. Newgate Research was asked to give feedback on the proposed presentations, facilitate the meetings, prepare a paper-based evaluation form, take notes and prepare a summary document.

Newgate Research gave recommendations on the most appropriate way to engage with residents as well as small and medium businesses (SMEs) through qualitative and quantitative research. Newgate Research also worked with TransGrid to develop appropriate question lines, conducted and reported on this engagement.

This report aims to summarise the engagement undertaken by TransGrid, the nature of the feedback provided and the results of evaluation of that engagement. Note that detailed research reports were prepared on each of the engagement initiatives and are available separately.

OBJECTIVES

The engagement program was designed to consult on key elements of TransGrid's Five Year Plan including:

- Consumer priorities and objectives;
- The acceptability of proposed capital investment;
- Trade-offs between price and reliability
- Reactions to its approach to non-build options;
- The acceptability of its proposed operating expenditure including increased investment in planning, non-build initiatives, and communications and engagement; and
- Pricing models.

The engagement program was designed to ensure it met the AER Guidelines and adhered to the specified best practice principles - clear, accurate and timely communication, accessible and inclusive, transparent and measurable.

It is understood that the feedback will be considered in the way TransGrid develops its Five Year Plan.

Note that the engagement and research undertaken also explored awareness, knowledge and perceptions of TransGrid among residential and SME consumers, as well as the content and type of future engagement they preferred to have with TransGrid. Please refer to the full qualitative and quantitative research reports for more details.

APPROACH

The consultation was designed to capture the views, priorities and concerns of residential, small business and large customers as well as other stakeholders, including representative community, business and energy industry associations through a range of initiatives. The table below summarises the approach used.

Stakeholders	Methodology
Residential and small business electricity consumers in both urban and regional areas in NSW	<p>One three-hour focus group in Sydney CBD on 19 November with n=9 participants including n=7 residential consumers and n=2 owners and managers of small businesses. The purpose of the focus group was to test the discussion guide, quantitative questions and TransGrid’s presentation for the subsequent deliberative forums to ensure participants easily understood them. Significant refinements to the guide, quantitative questions and presentations were made prior to the forums.</p>
	<p>One four-hour deliberative forum held in Wagga Wagga on 25 November. This forum comprised n=19 participants, including n=16 residential consumers and n=3 owners and managers of small businesses. Wagga Wagga was chosen as a representative regional centre in NSW. At this forum participants were seated at two tables split by household income, with one comprising people with a household income of less than \$60,000 and the other of \$60,000 or more. Wireless hand-held voting devices were used to capture opinions.</p>
	<p>One four-hour deliberative forum held in Parramatta on 27 November. This forum comprised n=32 participants, including n=23 residential consumers and n=9 owners and managers of small businesses. Parramatta was chosen as a representative urban centre in NSW. At this forum the small business participants sat together and residential customers were grouped at three tables by household income – below \$50,000, between \$50,000 and \$90,000 and above \$90,000. Wireless hand-held voting devices were used to capture opinions.</p>
	<p>An n=650 online survey amongst residential electricity consumers in NSW and the ACT. The survey included brief background information on TransGrid’s role, operations and plans and sought consumers’ feedback on specific aspects of its plans. To qualify for the survey, respondents had to be aged 18 years or over and the main or joint electricity bill payer in the household. Survey content was tested via three face-to-face cognitive interviews before going into field from 26 to 31 March 2014. The median survey length was 20 minutes. The sample size resulted in a maximum margin of error of +/- 4% at the 95% confidence level. Quotas were set by location, age and gender to ensure a representative sample.</p>
Large Energy Users	<p>Two facilitated Large Energy User Roundtables were held with representatives from businesses and organisations with high electricity consumption. The first roundtable was held on 13 November 2013, lasted for six hours and included 13 participants. It sought opinions on key elements of the proposed Revenue</p>

	<p>Proposal. The second roundtable was held on 10 April 2014, lasted for seven hours and comprised 9 participants. It explained how feedback from the first Roundtable had been taken into account, sought reactions to the updated proposal and included presentations from independent experts on pricing and WACC. See Appendix A for a list of attendees at both Roundtables. The agendas and presentations used at both sessions are available on the TransGrid 'Have Your Say' website.</p>
<p>Key Stakeholders: consumer, business and industry associations</p>	<p>Two facilitated Consumer Advisory Workshops were held with representatives of industry, community and business groups, local government, environmental groups and independent think tanks. The first workshop was held on 12 November 2013, lasted six hours and comprised 11 participants. It sought feedback on key elements of the proposed Revenue Proposal. The second workshop was held on 9 April 2014, lasted for seven hours and comprised 11 participants. It explained how feedback from the first workshop had been taken into account, sought reactions to the updated proposal and included presentations from independent experts on pricing and WACC. See Appendix A for a list of attendees at both Workshops. The agenda and presentations used at both sessions are available on the TransGrid 'Have Your Say' website.</p>

An overview of how TransGrid’s approach sought to meet each of the AER’s best practice principles follows:

AER Principles	TransGrid’s Approach
<p>Clear, accurate and timely communication</p>	<ul style="list-style-type: none"> • TransGrid sought to keep all sessions focused on participants’ areas of interest and they were structured to ensure there was plenty of two-way discussion throughout. • To ensure presentations and concepts could be readily understood by residential and small business consumers, the presentations used in the first Consumer Advisory Workshop and first Large Energy User Roundtable were stripped back and tested in a three-hour consumer focus group. They were then refined further before use in the deliberative forums. • In the qualitative research with residential and small business customers participants were provided with a glossary and efforts were taken to avoid use of jargon by reviewing presentations and briefing presenters, with participants actively encouraged to raise their hands if an unfamiliar term was used. • In order to provide context, proposed spend was shown in terms of the contribution to an average household electricity bill as well as in totals. • To ensure online survey participants understood the information and questions they were being asked it was tested via three face-to-face cognitive interviews before going into field. • The first wave of consultation, with the exception of the online survey was conducted in November 2013 in order to allow time for the results to be carefully considered by TransGrid and reflected in the Five Year Plan with a second wave in early 2014 to get feedback on the updated plan.
<p>Accessible</p>	<ul style="list-style-type: none"> • TransGrid directly consulted with residential, SME and large energy consumers as well as with consumer representative groups. • A deliberative forum methodology with four-hour sessions was used to gather feedback from residential and small business consumers to ensure there was sufficient time to build their understanding of TransGrid and the environment in which it operates before consulting them on the Five Year Plan. Presentations were broken down into sections with time for questions after each to ensure the content could be more easily absorbed. • During each form of engagement participants discussed the ways in which they would prefer that TransGrid communicate and engage with them going forward and what the focus of this communications and engagement should be. • Participants were given confidential information about TransGrid’s proposed approach and advised to treat it as indicative only as it had not yet gone to TransGrid’s board. Participants were also asked to suggest ways in which TransGrid could potentially open itself to further scrutiny by consumers. • To ensure that individuals or organisations who were not invited to participate in the engagement were able to contribute, all presentations were posted on the TransGrid ‘Have Your Say’ website. Anyone had the opportunity to review and post comments.
<p>Inclusive</p>	<ul style="list-style-type: none"> • Residential and SME participants were carefully recruited by a

	<p>professional research firm using a screening questionnaire and incentives to ensure they were representative of the community. Residential participants were a mix of men and women of different ages, life stages and household incomes. All participants were the main or joint bill payer in the household. Some individuals who were from a non-English speaking background were deliberately included. Vulnerable customers were targeted and this included recruiting single parents, individuals who receive government support payments and those who are unemployed. Small business participants were owners or managers of energy intense companies with less than 200 employees. A wide range of industries was represented including manufacturing, printing, food, retail and cold storage.</p> <ul style="list-style-type: none"> • As noted, it was recognised that considerable time would be required to enable end consumers to engage effectively and that was the driver behind the decision to run four-hour forums. • As noted, careful consideration was given to identifying issues on which consumers could be consulted and given a genuine choice and when it was more appropriate to inform them of TransGrid’s plans. In addition to identified choices participants were encouraged to suggest other areas requiring consultation. Conducting an online survey with a sample of n=650 across NSW and the ACT ensured broad input into decision making. • The research reports are published on the TransGrid’s Have Your Say website.
Transparent	<ul style="list-style-type: none"> • At the beginning of each session participants were told its purpose and how the results would be used by TransGrid and how the feedback would influence its decisions. This was reiterated at the end of each session. • TransGrid was open and honest about the issues it faces in its presentations and this is reflected in the participant feedback. • TransGrid has published the full report of its engagement with residential and small business consumers and a summary of all engagement is outlined in this report.
Measurable	<ul style="list-style-type: none"> • At the forums, workshops and roundtables, the facilitator concluded each session by going around the table and inviting each participant to comment on what they felt had worked well in the sessions and what they felt could be improved in future. • In the Consumer Advisory Workshops and Large Energy User Roundtables participants were asked to fill out a double-sided paper-based survey at the conclusion of the meetings. Prepared by Newgate Research, this included a mix of open-ended and closed-ended rating questions. A summary of the results is included at the end of this report. • Participants in the residential and small business forums were asked a single evaluation question at the conclusion using their hand-held voting devices.

TransGrid committed senior resources to this engagement process in order to hear first hand what participants had to say. Attendees at each engagement activity were as follows.

Session	TransGrid Attendees
Consumer Advisory Workshop #1 (November 2013)	<ul style="list-style-type: none"> • Peter McIntyre, Managing Director (morning session) • Stephen Clark, Executive General Manager Network Planning and Performance • Greg Garvin, General Manager Strategy and Stakeholder Engagement • Nicola Tully, Manager Revenue Reset • Andrew Kingsmill, Regulatory Expenditure Manager • Tara Beesley, External Communications Manager
Large Energy User Roundtable #1 (November 2013)	<ul style="list-style-type: none"> • Chum Darvall, Chairman (morning session) • Stephen Clark, Executive General Manager Network Planning and Performance • Greg Garvin, General Manager Strategy and Stakeholder Engagement • Mal Coble, Manager Network Support and Consultations • Andrew Kingsmill, Regulatory Expenditure Manager • Tara Beesley, External Communications Manager
Consumer Advisory Workshop #2 (April 2014)	<ul style="list-style-type: none"> • Greg Garvin, General Manager Strategy and Stakeholder Engagement • Andrew Kingsmill, Regulatory Expenditure Manager • Mal Coble, Network Support Manager • Liz Fletcher, External Communications Advisor • External speakers: <ul style="list-style-type: none"> ○ Isaac Katz, Director, Harding Katz ○ Professor Stephen Gray, University of Queensland Business School
Large Energy User Roundtable #2 (April 2014)	<ul style="list-style-type: none"> • Greg Garvin, General Manager Strategy and Stakeholder Engagement • Mal Coble, Manager Network Support and Consultations • Andrew Kingsmill, Regulatory Expenditure Manager • Liz Fletcher, External Communications Advisor • External speakers: <ul style="list-style-type: none"> ○ Isaac Katz, Director, Harding Katz ○ Professor Stephen Gray, University of Queensland Business School
Residential and Small Business Focus group and Deliberative Forums	<ul style="list-style-type: none"> • Stephen Clark, Executive General Manager Network Planning and Performance (Sydney CBD and Parramatta workshops) • Andrew Kingsmill, Regulatory Expenditure Manager • Samantha Christie, Regulatory Strategy Analyst • Tara Beesley, External Communications Manager

KEY FINDINGS

Overview

Participants were generally satisfied with TransGrid's approach to its Five Year Plan.

At the conclusion of the residential and small consumer forums, participants were asked to give TransGrid's Five Year Plan a mark and it scored an average grade of B+. Further, 90% agreed that TransGrid has a sensible plan for the future.

At the end of the online survey respondents were asked how acceptable they thought key elements of TransGrid's proposal were. The overall plan was seen to be quite acceptable. Around half thought it was highly acceptable (51% rating it 7 or more out of 10 on a scale where 0 meant not at all acceptable and 10 meant totally acceptable) and a third thought it was fairly acceptable (32% rating it between 4 and 6). Just 12% thought it was not really acceptable and the overall average rating was 6.4 out of 10.

Ability to Give Informed Comment on the Five Year Plan

Note that in the first Consumer Advisory Workshop and Large Energy Users Roundtable some participants commented that they felt their ability to comment on TransGrid's draft Five Year Plan was limited because they were relying on data that TransGrid itself was presenting about the work that has to be done. This related to the amount of money to be spent on replacement and maintenance work in particular.

TransGrid sought to explore what it could do to increase transparency in this area and raised options including hiring an independent engineering contractor to provide a detailed evaluation of its plan or making more than 500 planning documents available for review. Additional suggestions were welcomed. While the same concern was not raised by residential and small business consumers, they were also asked for their opinion on this issue.

Most Consumer Advisory Workshop and Large Energy User Roundtable attendees admitted they did not have the time or resources to work through 500 planning documents. However most felt they should be made available for those who were interested and that, if possible, short (two-page) summaries should be made available. However there were some reservations about the appropriateness of putting all this information online for security reasons.

There was limited support for TransGrid hiring independent companies to evaluate its proposals due to concern that paid consultants cannot be neutral. Residential and small business participants in the forums said they would rely on the AER's assessment of TransGrid's proposal.

This Document

This document summarises participants' opinions on the following key issues across each form of engagement. Please see TransGrid's "Have Your Say" website for more detailed reports from each consultation initiative:

- Forecasting
- Capital investment

- Reliability
- Non-build efforts, including demand management
- Renewables
- Management of Stranded Assets
- Operating expenditure
- Pricing
- Rate of Return
- Price Smoothing

Forecasting

Timely and accurate demand forecasting is seen as being key to ensuring the right level of investment across all stakeholder groups but particularly amongst participants on the Consumer Advisory Workshops and the Large Energy User Roundtables.

There are two key concerns about forecasting – the reliability of forecasts and TransGrid’s responsiveness in the face of changing demand.

There was considerable discussion at the first Consumer Advisory Workshop about the reliability of AEMO’s forecasts and the extent to which it factors in major industry events like smelter or factory closures. Participants were interested in TransGrid’s approach to ensuring the forecasts it uses are reasonable. Similarly, large energy users were concerned about how TransGrid’s forecasting varies from AEMO forecasts.

Residential and small business consumers also appreciated that the accuracy of the forecasts underpins proposed capital investment. In discussions some said they feared that if these all-important forecasts turned out to be wrong, spending less on new infrastructure now may prove to be false economy and could lead to reliability issues in the future.

“How reliable is forecasting? Are they forecasting properly?” (Residential/small business)

“If TransGrid puts off building, how fast can it react if forecasting is wrong?” (Residential/small business)

Assuming forecasts are accurate, the other key issue was how TransGrid’s Five Year Plan would be able to respond to changing forecasts. All stakeholder groups wanted to know how flexible TransGrid’s approach was and whether the business could react quickly if required. There was a sense, amongst both consumer representatives and large energy users, that decisions about future infrastructure are being made too far in advance and insufficient flexibility exists to modify these decisions when demand changes. They wanted assurance that TransGrid undertakes internal reviews every year.

“A lot has happened in the last five years and decisions made five years ago are still impacting prices now. The five year regulatory framework needs to be more flexible.” (November 2013 Consumer Advisory Workshop)

Capital Investment

For Consumer Advisory Workshop and Large Energy User Roundtable participants, capital investment was seen as very clearly related to the rate of return TransGrid receives on that investment and its ultimate impact on prices.

Many commented that TransGrid appears to have a clear incentive to build and, as previously noted, asked how it was possible for it to really test the rigor of the proposal and decide that the needs stated are genuine. There was also some discussion among large energy users about how TransGrid decides a certain piece of infrastructure must be built or replaced. Related to this, there were questions about TransGrid's recent under-spending on capital investment and what happens to unused funds

*"I'm interested in the business model – if we get less infrastructure and use less, who pays? Do taxpayers pay? It's an interesting point for the regulatory reset."
(November 2013 Consumer Advisory Workshop)*

*"Penalties and incentives for TransGrid should be symmetrical rather than asymmetrical to ensure responsibility is taken."
(November 2013 Consumer Advisory Workshop)*

Both consumer representatives and large energy users were mildly concerned that such a large proportion of the augmentation spend in the first draft of the proposal in November 2013 was to facilitate the direct connection of coal mines and questioned whether the companies should be covering more of these costs rather than effectively being subsidised by other consumers. This concern appeared to be exacerbated by the fact that these customers are coal companies when they see the grid changing away from its traditional reliance on coal fired generation. We note that the proposed spend on direct connections to coal mines were scaled back considerably in the full proposal due to updated forecasts indicating a deferral of electricity demand growth driven by mine development.

There was also some mild concern, particularly among large energy users in the first Roundtable, about TransGrid investing in interconnector upgrades (in particular the QNI upgrade), with some questioning whether Queensland consumers may in fact be the ones to benefit. We note that, while this issue is being addressed by the introduction of inter-regional pricing, after further testing by TransGrid this proposed investment was withdrawn and is no longer part of TransGrid's proposal.

In the second Consumer Advisory Workshop and Large Energy User Roundtable, participants were shown a revised capital investment proposal and the majority commented that they were pleased to see the proposed spend drop.

In these second sessions participants were asked for initial feedback on whether they would support TransGrid's acquiring some inner Sydney land from Ausgrid for future use. While there was some in principle support for this strategic land acquisition, there was also concern about the plan in the context of falling forecasts of energy consumption and because it would effectively mean that consumers today would be subsidising consumers in the future. Some felt that consumers should not pay the full cost of the acquisition, particularly those in other parts of the state who would not benefit from it. Ultimately participants wanted to see the result of economic modelling to assess its viability, including a potential alternative use for the land in the period before its required to offset consumer funding. Some suggested that TransGrid should discuss this issue with the NSW Government

to see if the land could be set aside. Some also acknowledged that it would be acceptable if TransGrid could come up with an alternative use for the land in the period before it is required if it offset consumers funding the full return on investment.

“It’s good to keep the high energy area in a community in the same space. If you come back later you might have more of an impact.” (April 2014 Consumer Advisory Workshop)

“What would the State Government’s view be on you investing in property? I suggest you talk to the Finance Minister and see if you can park it outside their regulatory framework. I’m not suggesting it’s a foolish idea but it’s the regulatory impost.” (April 2014 Large User Roundtable)

Participants in the second Large Energy User Roundtable in particular asked for clarity around strategies for extending infrastructure life and condition based maintenance response.

“We have to show stakeholders we have considered every alternative and I’d like to see that from you guys. You’ve evaluated the outcomes and you think this is best. The trouble is I don’t know that so I don’t have that comfort. You can use analytics to show if you need to do maintenance in the next six months or if it can be pushed back.” (April 2014 Large Energy User Roundtable)

Residential and small business consumers reacted positively to hearing about TransGrid’s efforts to find the optimal balance to conflicting priorities by having customers’ interests in mind and the prospect of a much lower capital investment spend than in the previous five year period. Despite this, some were concerned about whether the forecasts on which this lower spend were predicated were accurate and were worried about a potential impact on reliability, and possibly pricing, in the future. Some also questioned TransGrid’s ability to respond quickly if demand lifts faster than anticipated.

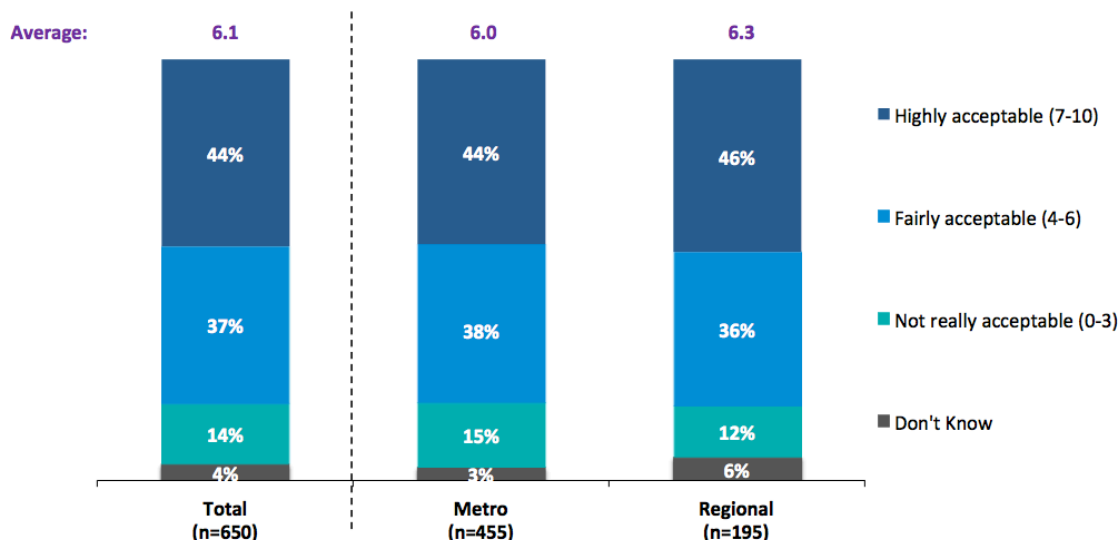
When asked to rate the acceptability of TransGrid’s proposal for capital investment on a scale of 0 to 10 where 0 means not at all acceptable and 10 extremely acceptable, residential and small business forum participants gave it an average score of 7.2.

The quantitative survey included brief background information on TransGrid’s role, operations and plans and sought participants’ feedback on the acceptability of its forecast capital investment.

As the chart over the page shows, overall the large majority (82%) of respondents saw the capital investment proposal as being at least fairly acceptable and more than two in five (45%) saying it was highly acceptable. Just 4% gave it a rating of zero or not at all acceptable. The overall average acceptability rating of 6.1 out of 10 where 0 meant not all acceptable and 10 meant totally acceptable.

Quantitative respondents were also asked why they rated TransGrid’s capital investment proposal the way they did. Their verbatim responses were subsequently coded into key themes. Those who were supportive thought that the extra amount was reasonable (21%) and infrastructure improvements were necessary (15%). Those who were not as accepting of the proposal were concerned about the prices going up (11%) and some felt prices should be going down (6%) or that TransGrid should find other ways to maintain the infrastructure (5%).

Rating of Acceptability of TransGrid's Proposal to Increase Capital Investment



Base: All respondents (n=650).
 Q10. How acceptable to you is TransGrid's proposal to increase its spending on Capital Investment roughly in line with inflation, to fund the replacement of ageing infrastructure so that it can maintain current service levels and continue to meet consumer demand? Scale: 0=not at all to 10=totally acceptable.

Reliability

There was little appetite for trading reliability for lower prices among any of the groups that TransGrid engaged with.

Among Consumer Advisory Workshop participants, there was little or no room to compromise reliability for price. Their view was that reliability is critical and that most of their constituents can't afford disruption.

"We had a meeting with the printing industry. As soon as we talked about reliability they said that if their printing presses stop they are in a huge amount of trouble. They have to clean them out before they can have them work again. The question was much higher on their agenda than they realised." (November 2013 Consumer Advisory Workshop)

"It probably depends – with perishable goods five minutes with no power doesn't matter. If it's a few hours it does." (November 2013 Consumer Advisory Workshop)

Among large energy users, the issue of reliability was linked to concepts of 'gold-plating' and cost efficiency rather than a reasonable trade-off, but clearly less reliability was not an option.

For most residential and small business participants in the forums, talking about unreliability in the electricity system was an unfamiliar and mildly disturbing experience as they consider the system reliable and admit they have taken that for granted. However, they had relatively little difficulty in determining their preference about the price and reliability trade-off, with most considering reliability to be something that cannot be compromised.

In the two forums, residential and small business participants completed a 'stand-up' exercise in which they were told that trade-offs could be made between reliability and the electricity price they pay. They were asked to stand in a position that reflected their

preference for less reliability in exchange for a slight reduction in price, better reliability for a slight increase in price, or for things remaining as they are. By way of context participants were told to think of reliability in terms of numbers and lengths of blackouts and that TransGrid was typically responsible for around 16 blackouts a year (each in a different location in NSW) and that each one typically ran for approximately one hour and took out power to around 15,000 homes.

Most chose the centre position, representing the status quo. They value reliability and don't want to compromise it, but believe they pay enough already. A few chose higher reliability at a higher price. Most of these people, including several small business operators, considered themselves particularly vulnerable if power were to fail. A few opted for reductions in both electricity prices and reliability. Their reasons ranged from confidence in the current system to not considering themselves particularly vulnerable if power were to fail. A couple had lived with unreliable electricity supply in other countries and were not bothered by it.

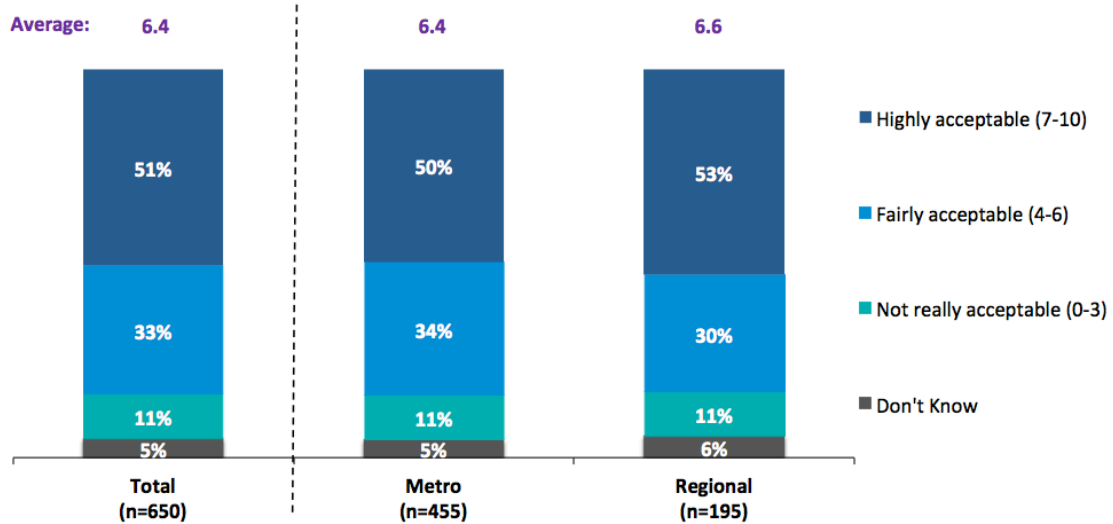
"I could handle a blackout, just not between 5 and 10pm when I need to cook tea and my kids need to have showers." (Residential/small business consumer)

At the end of the forums, participants were told that electricity transmission prices would need to increase slightly over the next five years to maintain the same level of reliability that we have now, but that this increase was within CPI. The majority (61%) indicated they would rather pay a slight increase of around \$4 per year to maintain reliability to the standards we have now, while 31% said they would prefer to pay the same as they do now and accept slightly more blackouts. Only 8% wanted to pay slightly less than they do now and accept more blackouts.

In the Sydney CBD focus group, participants were asked if they would accept a \$15 per year discount on their power bills in return for a small reduction in reliability. No one said they would.

These qualitative findings were verified in the quantitative results where most respondents thought TransGrid's proposal to replace old infrastructure to maintain the current level of network reliability was at least fairly acceptable (84%), with half thinking it was highly acceptable (51%). To further explore this issue TransGrid sought views on consumers' willingness to pay for reliability.

Rating of Acceptability of TransGrid's Proposal to Replace Old Infrastructure



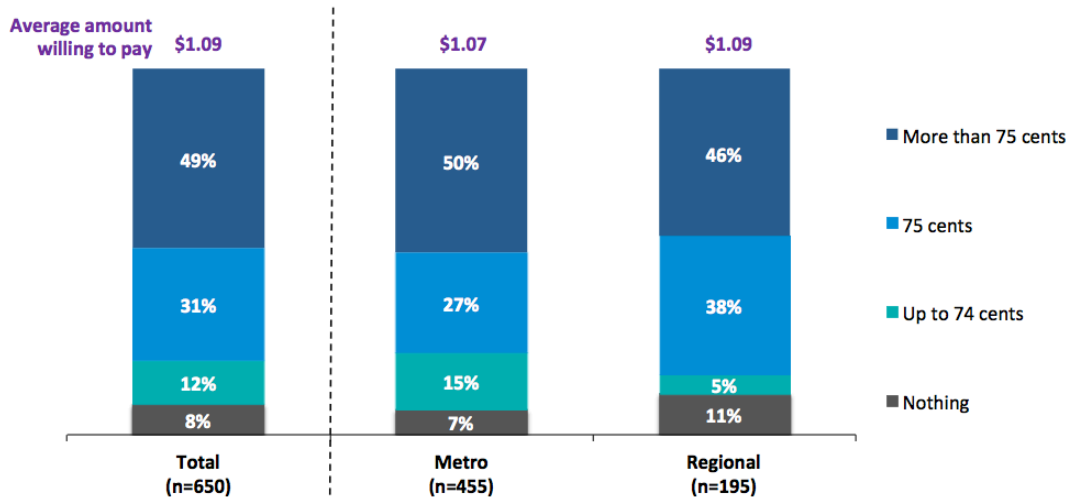
Base: All respondents (n=650).

Q12. How acceptable to you is TransGrid's proposal to replace the old infrastructure so that it can maintain the current level of electricity network reliability?

To indicate the level of transmission network reliability that is acceptable to them, respondents in the quantitative study were asked to enter how much extra they would be willing to spend per quarter in the 2014/15 financial year towards this.

The average additional amount respondents were willing to pay was \$1.09 per quarter and this was consistent amongst regional and metropolitan areas. As the chart below shows, just 8% were unwilling to pay anything while 12% were willing to pay less than the desired 75c, 31% were willing to pay the exact amount while 49% nominated a higher amount.

Extra Amount Willing to Pay per Quarter



Base: All respondents (n=650).

Q13. To indicate what level of electricity network reliability is acceptable to you, how much extra would you be willing to spend per quarter in the 2014/15 financial year towards this? 75c is roughly in line with inflation and means you want the current level of reliability to be maintained. More than 75c means you would like a more reliable electricity network ie fewer/shorter network blackouts. Less than 75c means you would accept a less reliable electricity network ie more/longer network blackouts. \$x____ extra per average quarterly bill in the 2014/15 financial year. [Values over \$5.00 per quarter were treated as outliers]

Respondents in the quantitative survey were also asked how acceptable it was for TransGrid to undertake various activities as part of (not in addition to) replacing the old infrastructure. Overall there was solid support for each of the activities (shown below). In fact, support for the specific activities was generally higher than support for the proposal to replace old infrastructure. This suggests that if consumers know what the specific activities involve and exactly how the money will be spent, then they will be more supportive of the price increase. Those who were most supportive included those living in regional areas and those aged 55 or higher. The acceptability ratings out of 10 were as follows:

- Improving community and staff safety e.g. removing asbestos from TransGrid sites (average rating 7.6)
- Reduce the risk of the electricity network starting a bushfire – e.g. replacing old wooden poles with metal ones (average rating 7.8)
- Maintain reliability – e.g. replacing rusty and degrading parts with newer ones (average rating 7.9)
- Make the system more efficient – e.g. replacing 50-60 year old parts with newer more efficient technology, or partially automating labour intensive systems (average rating 7.8)
- Improve the sustainability of the network by allowing renewable/alternative energy generators (e.g. solar, wind) to connect to the grid (average rating 7.7)

Specific Activities: Average Acceptability Rating (out of 10)	Total	Sentiment Towards TransGrid			Age Group		
		Negative (Rating < 4) (n=40)	Neutral (Rating 4-6) (n=403)	Positive (Rating 7+) (n=137)	18 – 34 (n=184)	35 – 54 (n=262)	55+ (n=204)
Improve community and staff safety (n=621)	7.6	6.8 ↓	7.5	8.2 ↑	7.0 ↓	7.7	8.1 ↑
Reduce the risk of bushfires (n=615)	7.8	7.1	7.8	8.3 ↑	7.4 ↓	8.1	8.4 ↑
Maintaining reliability (n=620)	7.9	7.6	7.9	8.3 ↑	7.4 ↓	8.2	8.4 ↑
Making the system more efficient (n=620)	7.8	7.3	7.8	8.2	7.3 ↓	8.0	8.4 ↑
Improving the sustainability of the network (n=619)	7.7	6.7	7.8	8.0	7.5	8.0	8.0

↑↓ Significantly higher / lower, 95% confidence level

Base: All respondents who gave a rating for each option – i.e. those who said don't know are excluded from the average rating. Sample sizes for each shown in table. Q14a-e. Some of the specific types of things that could be done as part of (not in addition to) replacing the old infrastructure are shown below. Please indicate how acceptable you think each of these would be for TransGrid to do. Scale: 0=not at all to 10=totally acceptable.

Non-Build Efforts, including Demand Management

Participants at all sessions, particularly the Consumer Advisory Workshops and Large Energy User Roundtable, were very interested in knowing more about the work that TransGrid is doing to avoid building new infrastructure. This included its work in demand management, with many believing it should be doing more than it is proposing.

After being presented with a more detailed proposal in the second Consumer Advisory Workshop, most participants felt TransGrid needed to work on more measurable objectives and the value proposition associated with its proposed initiatives.

Some Workshop and Roundtable participants were interested in knowing more about what TransGrid does to assess non-build options for each project, with some participants asking if

TransGrid worked closely with a broad range of key stakeholders, including regional councils, to keep in touch with what is happening in different communities.

There were also some suggestions that while TransGrid may have a key role to play, it may not be the best organisation to lead work in demand management and energy efficiency. It was not however clear who would be best placed to lead work in this space.

“I know TransGrid has a key role to lay but is there an IPART or some other regulator who can pull the parts together when they step out of line?” (Large Energy User)

Some Consumer Advisory Workshop and Large Energy User Roundtable participants were concerned about the impact of falling demand on prices. As the cost of infrastructure is recovered over smaller volumes, that may contribute to a ‘death spiral’ as large consumers disconnect from the grid in response to rising prices leaving those remaining to bear ever increasing prices.

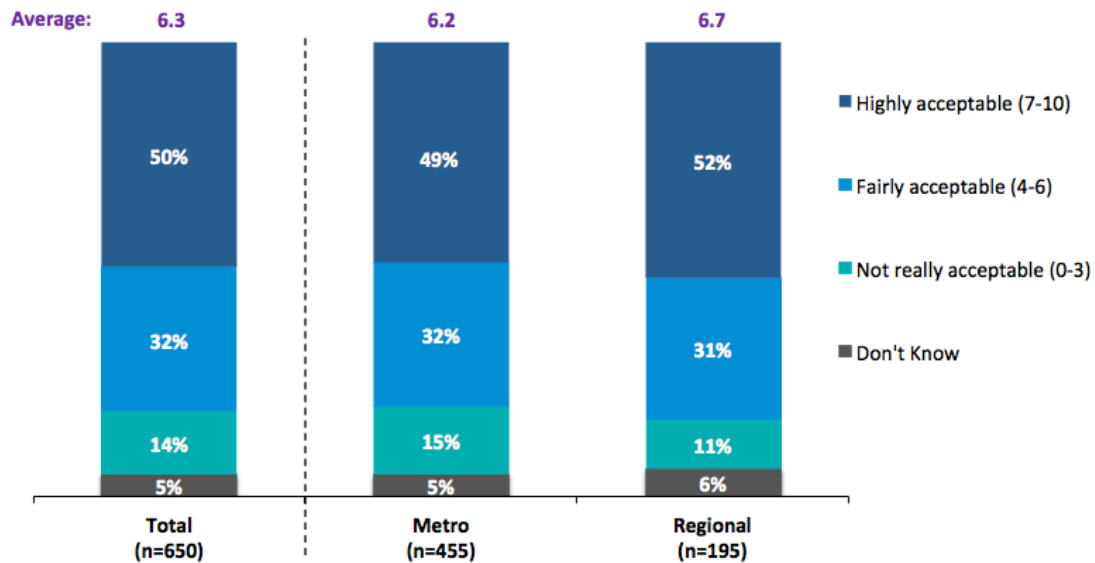
After receiving strong support from Consumer Advisory Workshop and Large Energy User Roundtable participants, TransGrid gave a presentation on this issue to residential and SME consumers at the forums. TransGrid asked if they would support increasing its operating expenditure by \$2 million each year over five years to invest in ways to reduce peak energy demand and potentially, the amount that will need to be spent on new infrastructure. They were told that this would equate to an average of 25 cents per household per year. Using a scale of 0 to 10 where 0 means not at all acceptable and 10 means extremely acceptable, 75% gave a score above the neutral point of five, with almost two thirds (63%) giving a rating between eight and 10.

Generally residential and small business participants were positive about TransGrid’s efforts to avoid building new infrastructure and its efforts in this area contributed to improved perceptions of the organisation. However, it was clear that lack of understanding about peak demand impacted responses. The concept of demand management was well received but some were worried that it represented an unfair burden on industry and that it could constrain future growth. Conversely, there was a lot of interest in learning more about smart meters and what individuals could do to use less electricity. There was also strong interest in TransGrid’s pilot battery storage project and the potential this gave to increase use of renewable energy sources and allow households or communities to move off the grid.

Overall residential and small business participants felt that potential benefits to both the future of the electricity system and, for some, the environment as well, could be well worth an investment that most regarded as trivial.

To verify these findings, quantitative survey respondents were also presented with information on this issue. They were then asked about the acceptability of TransGrid’s proposal to spend approximately \$2 million each year to identify ways to reduce energy demand, and potentially, the amount that will need to be spent on replacing or building new infrastructure in future. The chart over the page shows that nearly half (49%) thought it was highly acceptable and a third thought it was fairly acceptable (32%). Many of those who gave an acceptability of 3 or less (on a scale of 0 to 10 where 0 meant not at all acceptable and 10 meant totally acceptable) felt that they were already paying enough for electricity. The average acceptability rating was 6.3.

Rating of Acceptability of TransGrid's Proposal to Increase Operating Expenditure By Approximately \$2 Million Each Year to Identify Ways to Reduce Energy Demand



Base: All respondents (n=650).
 Q20. How acceptable to you is TransGrid's proposal to increase operating expenses by approximately \$2 million each year to identify ways to reduce energy demand and, potentially, the amount that will need to be spent on replacing or building new infrastructure in future? Scale: 0=not at all to 10=totally acceptable.

Renewables

All parties involved in the consultation demonstrated a relatively high level of interest in renewables and how TransGrid plans to integrate renewables into the network. Participants in the first Consumer Advisory Workshop raised questions about the appropriateness of TransGrid investing in infrastructure to cope with a historical reliance on coal when Australia is likely to use more diverse energy sources in the future. There was a desire to see TransGrid's plans in the context of government environmental and energy policies.

Large energy users saw the shift to renewables as a critical challenge for TransGrid in the face of increasing prices and the potential for large scale disconnections from the network in the future.

Many residential and small business participants wondered about the future and to what extent renewables, particularly solar, would feature in it. Most did not discuss, or seem to know much about, the economic cost of utilising renewable energy sources.

With an average acceptability rating of 7.7 out of 10, there was solid support amongst quantitative respondents for TransGrid's proposal to improve sustainability and facilitate the connection of renewable/alternative energy generators to the grid.

Management of Stranded Assets

In the November 2013 workshop, consumer advisory representatives asked TransGrid to consider the implications of consumers going "off the grid" or changes to the generation mix on commissioning assets with lives of 40 to 50 years. These assets would then be stranded assets.

At the April 2014 workshops, TransGrid sought feedback on its proposals to deal with the

potential stranded asset issue. TransGrid raised relocating high voltage equipment ideas to replace other equipment requiring replacement, avoiding the procurement cost of new equipment; reusing or recycling other substation infrastructure such as steelwork; and selling property or making it available for other infrastructure such as community electricity storage.

TransGrid noted that as it has not been approached by communities seeking to leave the grid and because there are no closures of coal fired power stations in NSW forecast in the next ten years it has therefore not changed the expenditure forecasts in this proposal. Rather it will continue to monitor the situation closely and respond accordingly.

Participants supported these measures, and also suggested that TransGrid consider the implications for transmission pricing, that is, how the cost of the remaining life of the stranded assets would be allocated.

Operating Expenditure

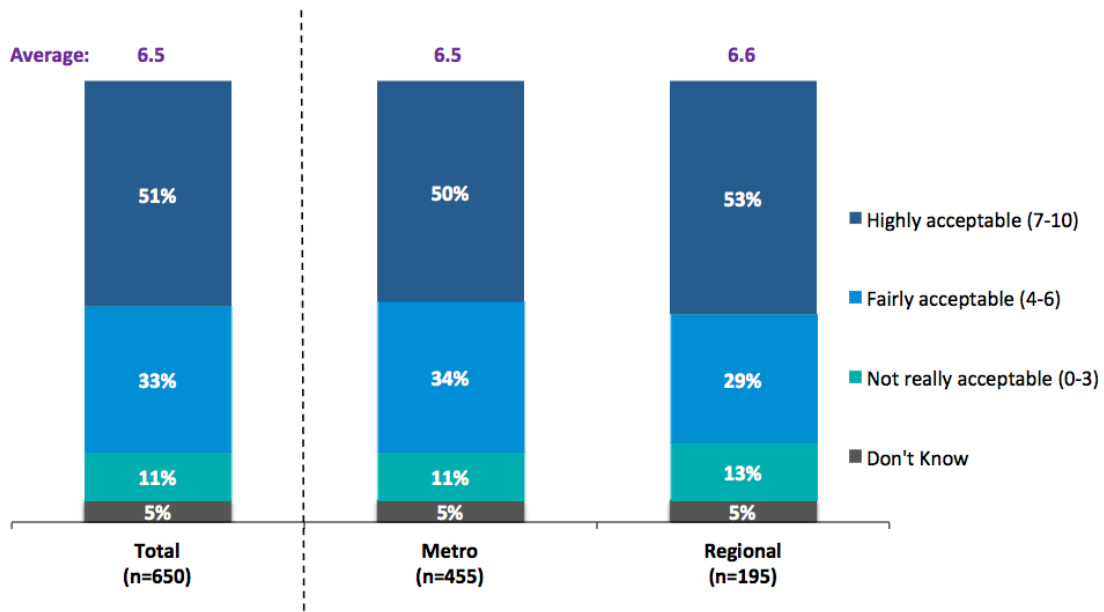
While participants in the Consumer Advisory Workshop and Large Energy User Roundtable were generally supportive of TransGrid's approach to operating expenditure, they raised questions about how the organisation works to ensure commercial discipline. Some were concerned that the current process through which TransGrid's prices are determined are a disincentive against greater operational efficiencies.

How do you make networks a service provider like the retailers and incentivise that system? How has TransGrid been in moving to that alternative model? (November 2013 Consumer Advisory Workshop)

For residential and small business consumers at the forum, support for the operating expenditure outlined in the Five Year Plan was largely based on the fact that no increase from the current period was planned. They could see evidence that efforts were being made to reduce costs in a number of areas and that this was offset by proposed increases in important areas. They were pleased to learn that prudent maintenance of the system is carried out but a few were somewhat concerned about the prospect of redundancies.

The quantitative survey included brief background information on TransGrid's role, operations and plans and sought participants' feedback on the acceptability of its forecast operating expenditure. Overall, the large majority (84%) saw the operating expenditure proposal as being at least fairly acceptable and around half thought it was highly acceptable (i.e. 51% gave an acceptability rating of 7 or higher). Just one in 10 thought the proposal was not really acceptable, giving a rating of 3 or less, with 3% giving a rating of zero or 'not at all acceptable'. The overall average acceptability was rating of 6.5 out of 10.

Rating of Acceptability of TransGrid’s Proposal to Increase Spending on Operating Expenditure



Base: All respondents (n=650).
 Q16. In principle, how acceptable to you is TransGrid’s proposal to increase spending on Operating Expenditure roughly in line with inflation – i.e. by 16 cents per quarterly bill in the first year, rising to 79 cents per quarterly bill in the fifth year. Scale: 0=not at all to 10=totally acceptable.

Respondents who gave an acceptability rating of 3 or less (n=72) were asked why they felt that way. The main themes were that they preferred for TransGrid to try and reduce its costs and find more efficient ways of doing things. There was also a strong sense that increasing electricity prices were pushing vulnerable customers over the edge.

Specific areas of support for maintaining or increasing operational expenditure included:

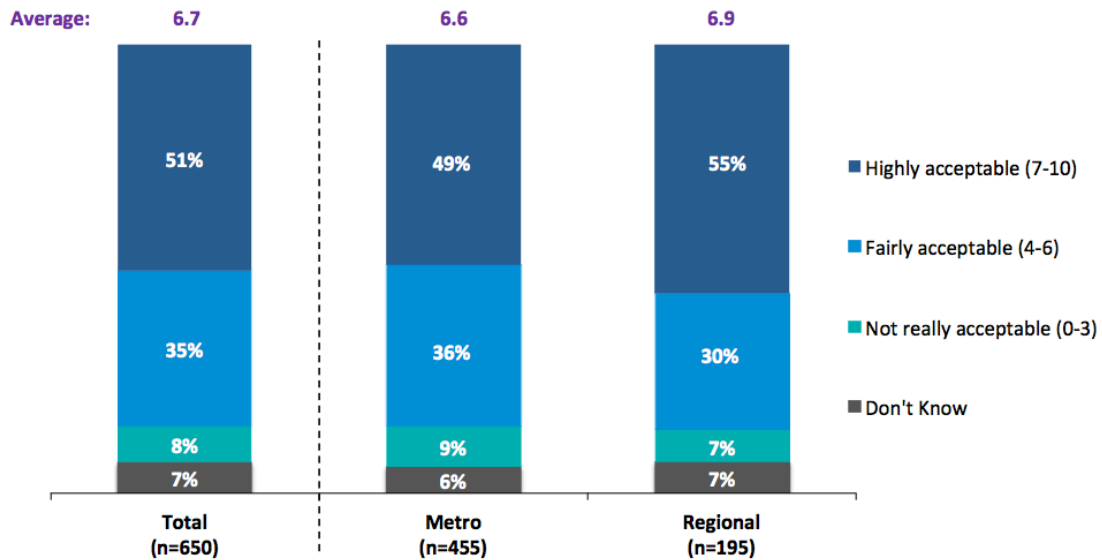
- Planning.** In principle, participants in all sessions approved of TransGrid’s plan to continue with the increase it has made over the last few years. This is to ensure it is able to respond quickly to changes in demand and adapt its capital investment plans as required to retain the efficiency of its capital portfolio under changing conditions.

In the forums, residential and small business participants supported a proposal to continue spending the additional \$3 million a year over the next five years on planning to enable better long term decisions on capital investment (equating to around 35 cents per year for the average household). An average acceptability rating of 7.4 out of 10 was given, where 0 meant not at all acceptable and 10 meant extremely acceptable. Just 8% thought it was not really acceptable (rating 3 or less)

Three quarters (75%) of residential and small business participants also indicated that, in principle, they supported the approach of paying a slightly higher transmission cost now in order to potentially reduce longer term costs, while one quarter (25%) would prefer to pay the lowest transmission cost possible.

In the quantitative study most respondents thought TransGrid’s proposal to keep spending an additional \$3 million a year on planning was at least fairly acceptable (85%) with half thinking it was highly acceptable (51%). Just 8% thought it was not really acceptable. There was an average acceptability rating of 6.7 out of 10.

Rating of Acceptability of TransGrid's Proposal to Keep Spending the Additional \$3 Million Per Year within the Next Five Years on Planning



Base: All respondents (n=650).
 Q18. How acceptable to you is TransGrid's proposal to keep spending the additional \$3 million per year within the next five years on planning, to enable better investment decisions on replacing old infrastructure and building new infrastructure? Scale: 0=not at all to 10=totally acceptable.

- **Demand Management.** As noted above, the majority of participants in all sessions supported TransGrid increasing operating expenses to spend more on non-build options including demand management and the pilot battery project in the expectation that this would ultimately help keep costs down.
- **Communications and Engagement.** Most Consumer Advisory Workshop members felt it was important that TransGrid do a better job communicating and engaging with the broader community, but they were also cognisant that electricity transmission issues are not of interest to everyone and that taxpayer funds should be used judiciously.

A few mentioned that TransGrid also needs to improve the way it communicates with local communities on specific infrastructure projects in their area, particularly in terms of giving landowners more certainty when it is postponing or exiting a project.

Generally most participants were keen to see levels of electricity literacy increased with a focus on understanding the electricity supply chain, why costs are rising and what individual consumers can do to keep their costs down.

Some participants in all sessions suggested that TransGrid consider undertaking high-level education initiatives in conjunction with Networks NSW as most people do not differentiate between transmission and distribution businesses, or even that it be conducted by a group representing the electricity sector as a whole.

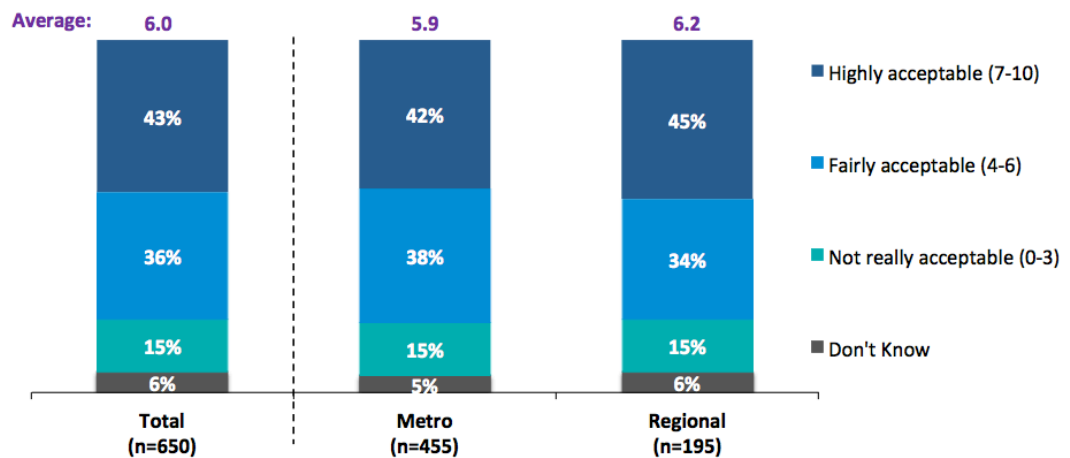
Broadly there was support for TransGrid to continue its more recent efforts to engage and consult.

In the forums residential and small business consumer participants were asked about the acceptability of TransGrid spending \$2 million each year on consumer

communications and engagement activities (equating to an average of 25 cents per household per year) and this received an average acceptability rating of 7.2 out of 10. Among dissenters, some said that while communications would certainly benefit consumers, they questioned the direct benefit to TransGrid.

Respondents in the quantitative survey thought TransGrid’s proposal to spend \$2 million per year on consumer engagement activities was at least fairly acceptable, with two in five thinking it was highly acceptable, with an average acceptability rating of 6.0 out of 10 where 0 meant not at all acceptable and 10 meant very acceptable.

Rating of Acceptability of TransGrid’s Proposal to Spend \$2 Million each year on Consumer Engagement and Consultation Activities



Base: All respondents (n=650). Q21. How acceptable to you is TransGrid’s proposal to spend \$2 million each year on consumer engagement and consultation activities? This equates to a one-off increase of around 40 cents per year or 10 cents per quarter for the average household. This is part of its Operating Expenditure proposal and is within the proposed \$1.16 increase already discussed. SINGLE RESPONSE. Scale: 0=not at all to 10=totally acceptable.

The main reason given by those who gave a high acceptability rating was because it meant consumers’ concerns would be taken into account; because they generally liked the idea; it would provide consumers with more information; or that it would benefit everybody in the long run. Amongst those who gave a low acceptability rating, the main reasons given were that TransGrid should budget its money; it costs too much; it it’s really needed; it shouldn’t be funded by consumers; and a general dissatisfaction that prices were still going up.

Conversely, some participants in the second Consumer Advisory Workshop felt that community consultation is worthwhile but results must be treated with caution. Participants questioned the information given to participants, the community’s ability to grasp the complexity of the issues and the extent to which the results should be taken into account in decision making. Some participants in the second Large Energy User Roundtable felt that TransGrid should not play a role in educating consumers about energy efficiency, as this should be reserved for the retailer. There was general agreement that consultation is important and that reporting must reflect the approach, information given, extent of comprehension and strength of sentiment.

Pricing

Price was the number one concern for participants in all sessions and it is this concern that drives interest in TransGrid's Five Year Plan.

In the first Large Energy User Roundtable, concern about the prices paid primarily related to the efficiency of assets and the rate of return, but it was the methodology for setting prices and the transparency of prices charged to end users that generated considerable discussion.

Large energy users were unclear about how transmission prices are set, their options for choosing their price structure at a transmission level, and ultimately how TransGrid can ensure appropriate pass-through of transmission network service provider (TNSP) costs from distribution network service providers (DNSPs). There was a sense that reform to enable greater demand-side participation is too slow and that the National Electricity Rules can act as a barrier to improving price flexibility. Some large energy users expressed an interest in following the Victorian model where large energy users can have a tailored electricity solution and price plan – however, it was noted that this solution is available through negotiation with DNSPs, and not AEMO as the TNSP that administers transmission pricing in Victoria.

For residential and small business consumers participating in the forums, the rise in electricity prices in the recent years was a source of frustration. They didn't understand why prices were so high and why efforts to reduce power consumption do not seem to reduce their bills.

While overall consumer frustration at high prices is an issue that underlies all aspects of TransGrid's Five Year Plan, specific discussion on pricing was focused on pricing structures. TransGrid provided information to participants about the current combination of fixed and variable transmission charges used and seeking consumer input regarding any potential future changes (noting that some changes would require a change to the Rules).

After TransGrid's explanation in the forums, participants were asked to get up and stand in a position that reflected their opinion as to whether they would prefer to keep the approximate 50:50 split TransGrid has now or whether they would like to see more weight put on the flat fee or the variable locational fee. Across all the groups, most people supported the existing 50:50 situation, viewing it as a reasonable and rational balance of the various considerations that needed to be weighed up.

The exception was in Wagga Wagga where the majority supported a greater weighting towards the more egalitarian flat fee, feeling that a user pays system would be unfair to those who live in the country and would discourage people from moving to a regional area.

This question about TransGrid's pricing approach was asked again at the end of the Wagga Wagga forum using the hand-held voting pads and at this time 37% said they would prefer the same 50/50 approach continue to be applied and 45% said they would prefer more weight given to the flat or fixed fee. These results suggest that some participants may have been swayed by the earlier exercise and subsequent discussion towards more support for a flat fee approach.

In the second Consumer Advisory Workshop and Large Energy Users Roundtable, an external expert, Isaac Katz, Director of Harding Katz, gave a presentation on the key objectives for transmission pricing and the role that pricing methodology regulation plays.

Participants in the second Consumer Advisory Workshop expressed some disagreement over the proposed objectives for transmission pricing. In general participants felt that if TransGrid can maintain service levels for a cheaper price, it should aim to do so no matter the impact on the Cost Reflective Network Pricing (CRNP) model. There was a sense that TransGrid needs to consider what is best for the majority in terms of pricing and adapt the model as appropriate.

“At the end of the day it’s a publicly owned organisation. That’s not why TransGrid is in business. I don’t think that (making money) should be their goal.” (April 2014 Consumer Advisory Workshop)

Those in the second Large Energy Users Roundtable wanted TransGrid to be more transparent about its pricing models while acknowledging the complexity. They generally felt that pricing methodology does not favour large users and that it needs improvements while acknowledging the difficulty in negotiating trade offs between large and small users. There was general agreement that residential consumers manage their usage very differently than large energy users and the same expectations cannot be imposed on them.

“At home I don’t have a watt meter on the wall. I don’t have load sharing. To expect the general public to be active in that is a step too far. Should you ignore it? How should you go about it? I’ll have to think about that.” (April 2014 Large Energy User Roundtable)

Rate of Return

TransGrid’s rate of return was an issue that attracted significant interest from participants in the first Large Energy User Roundtable as well as a couple participants in the first Consumer Advisory Workshop.

The cost of capital was seen as being too high for the risk levels faced by a natural monopoly, particularly when profits are being returned to government. Large energy users understood that the Weighted Average Cost of Capital (WACC) is set by the AER, but believe it reduces the incentives to reduce costs and, because the dividends are paid to government, regard it as a form of cost shifting from the public to the private sector.

“Your WACC is way above the cost of debt so you make a profit from debt. It should be based on your actual cost of funding. It’s a free kick and consumers are paying for a process that could encourage inefficient management.” (November 2013 Large Energy User Roundtable)

An independent expert on this issue, Professor Stephen Gray from the University of Queensland Business School, presented to participants at the second Consumer Advisory Workshop and Large Energy User Roundtable on the rate of return of capital, the allowed return on debt and the allowed return on equity. Participants in both sessions had a number of questions that centred on how the new rules were developed and the process of the energy regulator on this issue.

“Under this new proposal will the regulator write down his rationale for the number he comes up with? Will we be able to see this? The cynic in me says this sounds like a political fix given the interest in the government on the rate of return from TransGrid. As the regulator if he’s not going to write down his rationale, it’s

difficult for anyone to understand how he arrived at what he did.” (April 2014 Large Energy Users Roundtable)

In the second Consumer Advisory Workshop, there was some agreement with the AER’s perspective based on the fairness of the system. Some participants questioned the inclusion of risk in the calculation of WACC because the business invests in highly rated investments. They were generally satisfied with Professor Gray’s explanation that there is always a percent of change of default irrelevant of the credit rating of an organisation. There was support for setting the rate based on a ten year trailing average.

The rate of return is something the large energy users would like to see addressed by government policy.

Price Smoothing

At the April workshops with consumer representatives and large energy users, TransGrid presented its draft revenue and expenditure forecasts for the upcoming regulatory control period. TransGrid proposed to smooth its revenue within the upcoming regulatory control period in line with CPI, that is, as constant revenue in real terms.

Consumer representatives broadly accepted the rationale smoothing to match the forecast energy consumption profile and achieve a flat price path for consumers in real terms over the period.

Some large users said they would prefer that TransGrid use the actual cost profile on the basis that TransGrid accounts for such a small percentage of energy bills. They said it would make little impact on the way they forecast and were concerned that overcharging would not make its way back to the customer.

EVALUATION OF CONSULTATION

Overview

TransGrid's consultation on its Five Year Plan was well received by those who participated in the Consumer Advisory Workshops, the Large Energy User Roundtables and the residential and small business forums as well as the online survey. Positive feedback focused on the efforts made to engage and the openness with which TransGrid communicated information.

Positive verbal feedback from consumer representatives and large energy users focused on the fact that TransGrid had done well in actually holding the consultation and had demonstrated openness, a willingness to engage, and an acknowledgement that customers have things to say. Some said it had helped them to better understand the issues; another described it as 'refreshing' and one commented that it was good to 'be able to put names to faces'.

*"It's gone very well and I think there's been a shift in the corporate culture."
(November 2013 Consumer Advisory Workshop)*

*"Learning information on CAPEX budget good but [it would be] good to get more on that strategy stuff and the broader issues along with the details of the budget."
(November 2013 Consumer Advisory Workshop)*

"I appreciate the openness in terms of breaking down the regulatory asset. I think thinking about what drives you, the incentives, the decision making process. The extent you can convey that to us allows us to understand it." (November 2013 Consumer Advisory Workshop)

"The interest in genuine discussion of the issues of each of the participants. I liked the interaction with the TransGrid team. They were engaging, friendly and know how to educate! I hope it was worthwhile for you. With practice it will improve but really, most impressive." (November 2013 Consumer Advisory Workshop)

"The transparent forum and willingness of TransGrid to explore unconventional solutions despite being within a constrained regulatory environment." (November 2013 Large Energy User Roundtable)

*"For a new concept the level of information and engagement was first rate."
(November 2013 Large Energy User Roundtable)*

"Round table format with other large energy users have worked well. Great initiative and would welcome the opportunity to continue this dialogue and build on from this initial engagement." (November 2013 Large Energy User Roundtable)

"Useful one-day catch up on 'current issues in regulation.' Found TransGrid very open to discussion on quite commercially sensitive issues." (April 2014 Consumer Advisory Workshop)

"I welcome the openness with which you guys are approaching this process - a good change from network 'business as usual'." (April 2014 Consumer Advisory Workshop)

“I was just here for information. I’m happy just to understand what the process is going into the next five years and get an understanding of things available and how to reduce our costs going forward.” (April 2014 Large Energy User Roundtable)

“Thanks, great to talk and giving us the chance to talk. You’re being open and engaging with us.” (April 2014 Large Energy User Roundtable)

“I appreciate Greg and the team’s opportunity to understand and input to their planning/pricing. We may not like everything but it’s good to be invited.” (April 2014 Large Energy User Roundtable)

Participants at the first Consumer Advisory Workshop rated the overall quality of the meeting an average of 7.5 out of 10 and participants at the second Consumer Advisory Workshop rated it 8.4 on a scale of 0 to 10 where 0 meant very poor and 10 meant excellent.

Participants at the first Large Energy User Roundtable rated it an average of 8 out of 10 and participants at the second Large Energy User Roundtable rated it an average of 6.8 out of 10. Please see Appendix B for a more detailed analysis of rating feedback.

Most residential and small business forum participants found at least the majority of topics covered in the sessions to be interesting and informative. Comments about the format were also positive, with 71% giving the forums a rating of 8 or more out of 10, and an overall average rating of 8.3. Despite this, some questioned why the consultation was being done, admitting they found discussion of topics like capital and operating expenditure quite difficult and beyond what they felt they readily understood.

In the quantitative research, respondents responded positively to the study, with fairly high levels of interest in providing further feedback to TransGrid on its Five Year Plan or on other activities in future. Half were highly interested (50%) and a third were fairly interested (32%). In terms of the quantitative survey itself, TransGrid was seen as being quite transparent about its Five Year Plan (average rating of 6.9 where 0 meant not at all transparent and 10 meant extremely transparent) and the aspects of the plan evaluated in the survey were seen to be very relevant (average of 6.8 where 0 meant not at all relevant and 10 meant very relevant).

Areas for Improvement

Efforts were made to address concerns about complexity throughout the consultation process. The key purpose for the initial Sydney CBD residential and small business focus group was to test the presentations and discussion guide to ensure they could be easily understood. As a result of feedback, TransGrid’s presentation was cut into three shorter and simpler sections with time for questions and discussion in between. TransGrid presenters worked to frame discussion in terms of the types of issues that participants were most interested in, with a focus on affordability and impact of all initiatives on their own electricity bills.

While some participants still found the content a little complex, they were advised to have their say regardless of their level of knowledge, as their views were still useful and important for TransGrid in preparing its Five Year Plan.

The complexity of the issues was also a barrier for some participants in the Large Energy User Roundtables and the Consumer Advisory Workshops. Some felt that it was difficult to digest so much information in one session but yet most admitted they were realistically unable to dedicate much extra time to it. In the first sessions some suggested providing pre-reading and this was done for the second sessions.

Participants in all consultations expressed a desire to see consultation by TransGrid coordinated with other organisations in the power chain, particularly distributed network service providers. As TransGrid is only responsible for 8% of the average residential household bill, some felt that the lack of information about the remaining 92% of bill revenue was an omission and something they would like to have heard more about.

“We actually want to hear something like this from the distributors. They’re the guys who are actually charging us money.” (Residential/small business consumer)

“We understand what we get for your 8%, but why do retailers get 13% just for sending us a bill?” (Residential/small business consumer)

Future Consultation

A key objective of this research was to understand what kinds of things stakeholders and the community are interested in knowing from TransGrid, the topics they would like to be informed about, and preferred methods of consultation.

Most Consumer Advisory Workshop participants felt that it would be appropriate for TransGrid to hold a similar meeting every year on average, but possibly every six months during the reset period.

At the end of the first Large Energy User Roundtable, a number of participants commented that they would like to see TransGrid do more work on transparency of pricing and signals to promote better behaviour, ultimately leading to price reductions. As a result of this independent experts on pricing and rate of return were invited to present to the second sessions.

Some participants in the Consumer Advisory Workshop and Large Energy User Roundtable indicated they would like to engage with TransGrid directly on a number of issues going forward, primarily on price and to a lesser degree on capital investment. One participant in the first Large Energy User Roundtable suggested that a further forum be held in the next six months to talk through some of the issues raised in this meeting in further detail and this was subsequently arranged.

Some suggested they would appreciate smaller group or one-on-one sessions outside the meeting and many such meetings were subsequently arranged by TransGrid.

While some residential and small business participants appreciated being consulted, others said they would be happy to be simply informed rather than consulted about what TransGrid was doing in relation to its Five Year Plan. They felt that the issues were so complex that TransGrid was best placed to make decisions about its activities without input from lay people. If further consultation was to be conducted they felt the forums were an appropriate way to do this.

“I think knowledge (for the general public) is great but at the end of the day they have to make a decision. I have faith in them.” (Residential/small business consumer)

At the start of the quantitative study, there was a fair level of interest in finding out more about the Five Year Plan and possibly providing feedback. Half (50%) the respondents were highly interested (rating of 7 or more out of 10) and a further third (34%) were fairly interested (rating between 4 and 6), with only 13% not really interested (rating 3 or less). At the end of the survey there were fairly high levels of interest in providing further feedback to TransGrid on its Five Year Plan (average rating of 6.9).

Residential and small business participant input was also sought on how TransGrid should engage with the broader community in the future. They supported the idea of TransGrid doing more to inform the community about itself and what it does, based on the essential service it provides. In reality though, participants were more interested in hearing about why their energy bills are going up, what they can do about it, and about the energy chain as a whole than about TransGrid itself and its plans for the future. Participants were reassured when TransGrid advised that its revenues wouldn't be rising by more than CPI over the next period.

For message delivery vehicles, participants called for a wide variety of channels – advertising; traditional print and electronic media; brochures and bill inserts; social media; and a dedicated website. TransGrid's new 'Have Your Say' home page shown in groups tested as appealing, though participants made clear that the challenge would be in informing people of its existence.

Appendix A – Consultation Participants

Large Energy User Roundtable #1 Participants (November 2013)	Large Energy User Roundtable #2 Participants (April 2014)
Amcor Arrium Australian Paper BlueScope Steel Centennial Coal City of Sydney (x2) CSR Qenos Rio Tinto Sydney Water Telstra UNSW	BlueScope Steel Broadcast Australia City of Sydney CSR Fujitsu Norske Skog Sydney Airport (x2) University NSW

Consumer Advisory Workshop #1 Members (November 2013)	Consumer Advisory Workshop #2 Members (April 2014)
Brotherhood of St Lawrence Business Council of Australia (BCA) Council of Small Business (COSBOA) Energy Users Association (EUAA) Ethnic Communities Council (ECC) Local Government NSW NSW Farmers The Australia Institute (TAI) The Grattan Institute Total Environment Centre (TEC)	City of Sydney Council of Small Business (COSBOA) Energy Users Association (EUAA) Ethnic Communities Council (ECC) NSW Farmers Pitt and Sherry Public Interest Advocacy Centre The Australia Institute (TAI) The Australian Industry Group The Grattan Institute Total Environment Centre (TEC)

Appendix B – Evaluation Sheets

Participants in the Consumer Advisory Workshops and Large Energy Users Roundtables were asked to fill in a two-page evaluation sheet that included open-ended response questions as well as closed ended rating questions that covered different aspects of the meeting. A summary of average results follows.

In most cases participants were asked to use scale of 0 to 10 where 0 meant very poor and 10 meant excellent. One question addressed likelihood, in which 0 meant not at all likely and 10 meant very likely.

Summary of Evaluation Question Average scores	Consumers Workshop #1	Consumers Workshop #2	Large Users Roundtable #1	Large Users Roundtable #2
Overall value of attending meeting for you/your organisation	6.8	8.5	8.1	5.9
Overall value of meeting to TransGrid	6.7	8.3	7.9	7
Overall quality of today's meeting	7.5	8.4	8.0	6.8
Likelihood of you attending a similar meeting again in the future	7.4	7.2	8.3	7.3
Rate TransGrid on its engagement process around five year plan based on what you saw at this meeting	6.9	8.8	7.4	6.0
Your understanding of the role of the Panel and how it will potentially influence TransGrid's five year plan	7.1	6.7	6.0	5.3
Quality of presentations	7.8	7.7	7.6	7.3
Overall educational value for you	7.3	7.8	7.8	7.2
Openness and transparency of information provided	8.0	8.7	8.4	7.0
Feeling like you had the opportunity to contribute to the conversation	8.5	7.5	8.5	7.5
Feeling like your opinions were being heard	8.8	8.2	8.5	6.3
The length of today's meeting	8.1	8.2	7.8	5.5
The value of the site visit	n/a	8.0	n/a	n/a
The quality of the food and refreshments	8.4	8.3	8.5	7.4
The session facilitator	8.4	7.4	8.3	7.0