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Seed Advisory

Victorian Electricity Future Forum: Household Network Pricing

Report on Forum, 20 March 2019

2 April 2019



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1. Executive Summary

The Victorian Electricity Distributors held the *Victorian Electricity Future Forum: Household Network Pricing*, on Wednesday 20 March at Southbank, Melbourne, bringing together 40 customer representatives, retailers, government and regulatory stakeholders to respond to the distributors' household tariff proposals. As part of the design of the forum, participants were assigned to tables to ensure diverse perspectives were represented during breakout activities discussing the proposals.

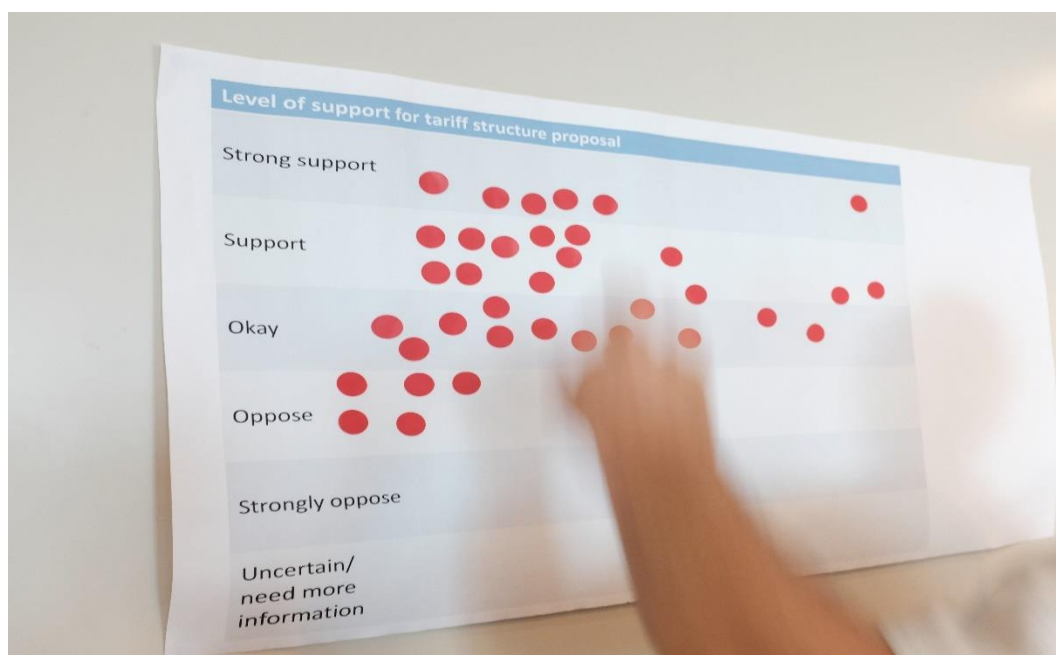


The forum began with the case for change from the current dominant household network pricing structure, a single rate flat price. The Victorian electricity distributors are proposing a shift to a Victoria-wide two-rate Time of Use (ToU) household network price in place of the status quo. The case for changing the tariff structure looks forward to the uncertainties characterising the environment for future electricity consumption patterns and the corresponding need to move to a network pricing structure more responsive to changing customer consumption patterns now and into the future.

The proposals, or “strawmen”, contained in the pre-reading distributed to potential attendees and presented on the day by the Victorian electricity distributors, included:

- A new Time of Use (ToU) household network tariff
- A transition strategy for the assignment of customers to the proposed new tariff
- The development of a communications strategy to support the introduction of the proposed new household network ToU tariffs.

Presentations were followed by Q&A. Table participants discussed the proposals and were asked about their level of support for the proposals. Participants voted to show their individual support for the new household ToU tariff and the transition strategy.



There was strong consensus support by participants for both proposals by the Victorian electricity distribution businesses. At the end of Workshop 1, 32 of the 40 attendees, (80 percent), said they were “Okay [with]”, “Supported” or “Strongly supported” the tariff structure proposal. Six participants opposed the tariff structure proposal, and one participant split their vote between “Strongly opposed” and “Uncertain/need more information”.

At the end of Workshop 2, 79 percent of the 31 participants in Workshop 2 (24.5 votes, counting split votes where participants had shared their votes between two categories) said they were “Okay [with]”, “Supported” or “Strongly supported” the proposed transition strategy. Three votes, reflecting four individuals, opposed the transition strategy, while two and half were in the “Uncertain/need more information” category.

The strong ratings given to the forum in the feedback survey at the end of the day are consistent with the strong consensus support shown in the voting on Workshops 1 and 2 (Section 3.6). Feedback from tables to the broader forum showed that where participants’ support for the proposals was low, or participants opposed the proposals, the need to better understand the impact on vulnerable customers was key. Participants’ views on the value of the forum was reflected in the spirit of collaboration shown on the day.

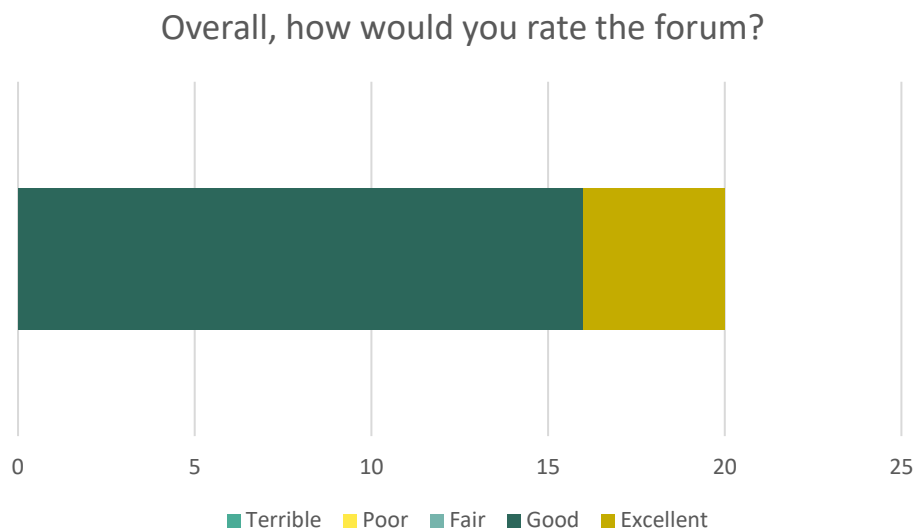


There's still work to be done. Importantly, table discussions, notes by table facilitators and the voting reveal:

- A key task for increasing and strengthening support for the transition proposal is helping interested participants understand the differences between the model results for all Victorian households and specific vulnerable groups.
 - There is a need for interested participants to understand how the ACIL Allen work on vulnerable customers and the overall modelling results for all households relate to each other. In some cases, participants are also keen to understand the implications for specific sub-groups among all households, such as the small number of households on existing ToU network tariffs.
- Investigating and communicating the results of the modeling on household electricity bills for vulnerable customers who lack the capacity for adaption.
 - This group of households – lacking both the means and the ability for adaption to the incentives to shift consumption presented by the proposed network tariff – is critical to some participants' evaluation of the proposal.
 - The communication could take the form of a targeted workshop going through the methodologies and results of both sets of modelling.

Overall, the forum was very successful. Participants were asked their overall rating of the forum on their feedback forms. Of the 20 responses received, 4 people rated the forum Excellent and 16 Good (Figure 1.1).

Figure 1.1 Forum Rating: Overall Rating, number of responses by rating





2. Building on earlier outcomes: The third forum

2.1. Introduction

The Victorian Electricity Distributors held the *Victorian Electricity Future Forum: Household Network Pricing*, on Wednesday 20 March at Southbank, Melbourne, bringing together 40 customer representatives, retailers, government and regulatory stakeholders to respond to the distributors' initial proposals. The forum agenda is included as Appendix A. As part of the design of the forum, participants were assigned to tables to ensure diverse perspectives were represented during breakout activities discussing the proposals.



2.2. Format of the forum

At the beginning of the forum, Alistair Parker, AusNet Services, presented the case for change on behalf of the Victorian electricity distribution businesses, looking at the uncertainties characterising the environment in which the electricity distributors are developing their pricing proposals and the need to move to a network pricing structure that was more responsive to changing customer consumption patterns now and into the future.

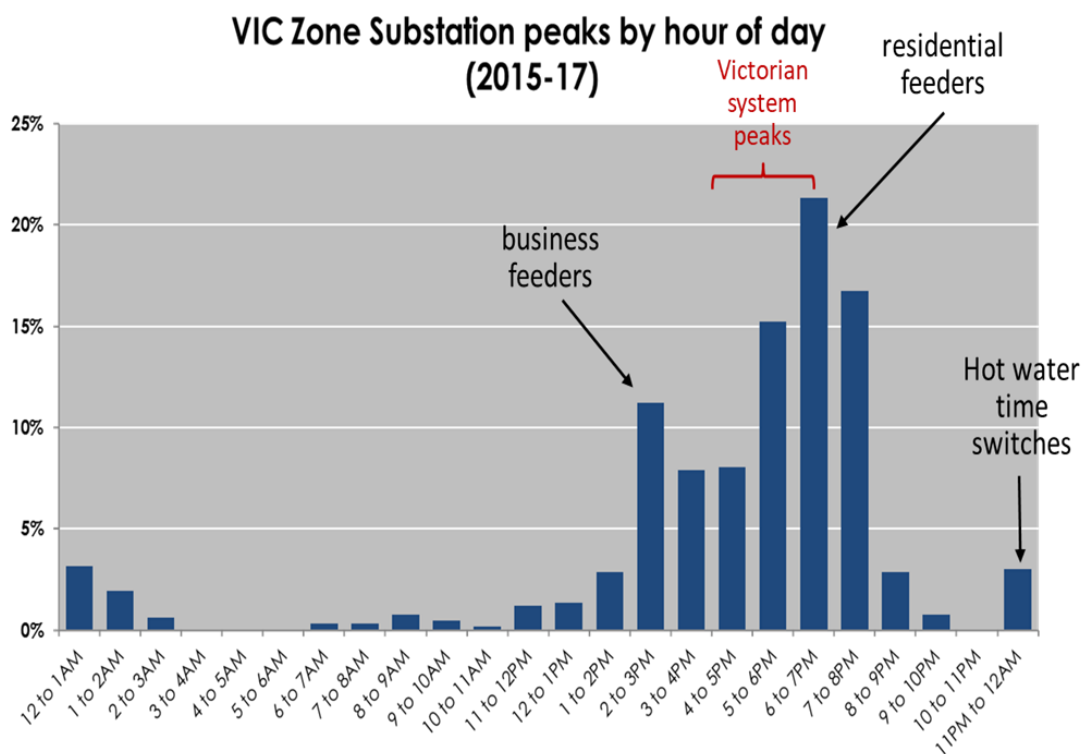
The initial proposals, or “strawmen”, contained in the pre-reading distributed to potential attendees (Appendix B) and presented on the day by the Victorian electricity distributors, included:

- A new household Time of Use (ToU) tariff (discussed at Workshop 1)
- A transition strategy for the uptake of the proposed new tariff structures (Workshop 2)
- The development of a communications strategy to support the introduction of the proposed new household network ToU tariffs (Workshop 3).

The session immediately following the presentation of the case for change discussed the ToU tariff proposal put forward by the Victorian electricity distributors. This presentation also

presented information on distribution assets affected by peak consumption by hour of the day (Figure 2.1), day of the week and season. The household usage profile by time of day, day of the week and in summer was also shown. A Q&A session and Workshop 1 followed.

Figure 2.1 Victorian Zone Substation peaks by hour of day: excerpt from tariff proposal presentation



Before the transition strategy proposal was presented:

- Lynne Gallagher from Energy Consumers Australia presented an overview of recent measures in other Australian jurisdictions to begin the shift to electricity distribution network cost-reflective pricing, including commentary on the level of customer acceptance and the extent of uptake experienced when up-take is voluntary (opt-in).
 - In summary, experience elsewhere in Australia supports simplicity of design, strong customer communications and common distribution pricing structures across a jurisdiction, minimising customer confusion and unintended adverse effects on retailers.
- ACIL Allen presented the preliminary results of their assessment of the potential impact of the Victorian electricity distributors' tariff reform proposal on a variety of vulnerable customers.
 - Table 2.1 is taken from ACIL Allen's presentation to the forum. It shows the proportion of their survey respondents and the estimated annual bill change, assuming the proposed network tariff was passed through in full by the retailer. The vulnerable group in this table represents a sub-set of their survey respondents, made up of those respondents who would be unable to meet an unexpected \$400



expense from their savings and who had experienced difficulty in paying a utility bill in the previous 12 months.

Table 2.1 ACIL Allen survey results: Bill impact, Highly vulnerable customers, annual bill change¹

	VULNERABLE	OTHER
Proportion of customers with bill decrease	32%	19%
Proportion of customers with no change (=/- \$10 p.a.)	41%	41%
Proportion of customers with bill increase	27%	40%
Sample size	293	1658

Source: ACIL Allen presentation, 20 March 2019

The proposed transition strategy was introduced after ACIL Allen's presentation. The proposal covered: the basis for the transition strategy proposed; additional information on the impact of the proposed tariff structure on all customers by usage; and on the anticipated impact on customers' bills, assuming retailer pass-through and no behaviour changes (Figure 2.2). A Q&A session and Workshop 2 followed.



Shifting the focus to all customers, while appropriate and necessary for transparency, gave rise to a number of questions about how the ACIL Allen's work and the results shown in this presentation could be reconciled. There were a number of comments on the relationship between the two sets of data recorded in the discussion in Workshop 2 and discussed in Section 3.3.

¹ Assuming no behavioural change by the customer and full retailer pass through

Finally, the Victorian electricity distribution businesses put forward a very high-level plan for developing and implementing customer communications. The plan covered the period from July 2019 until the introduction of the proposed ToU tariff. Workshop 3 followed.

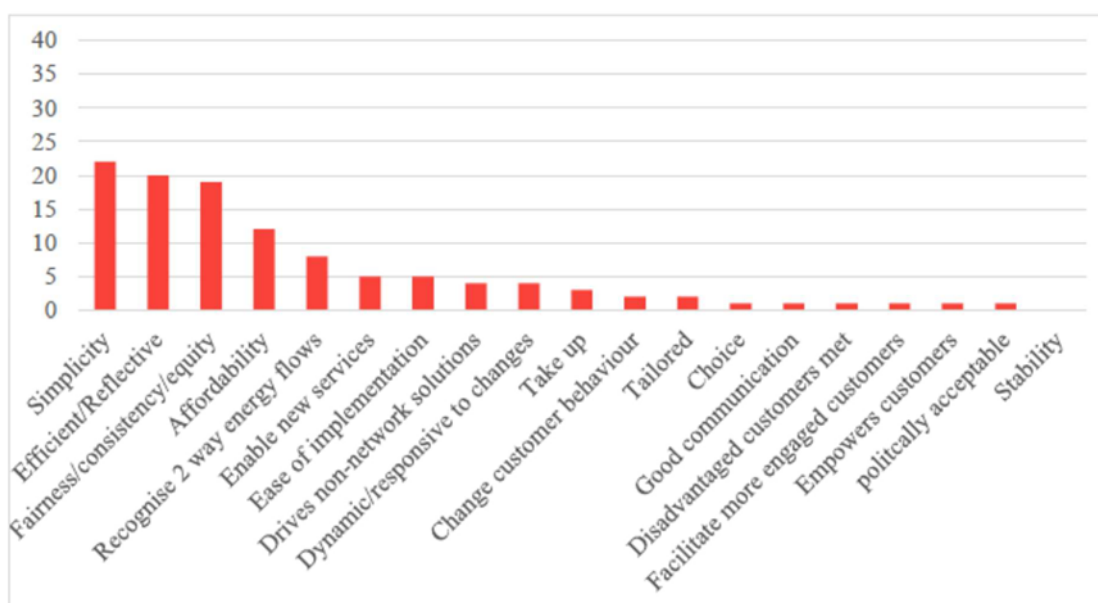
Tom Hallam, AusNet Services, closing the forum, thanked participants for their contributions to the day's success.

2.3. Building on earlier outcomes

This forum was the third of three forums over 18 months engaging with a wide range of stakeholders on the potential for new more cost-reflective household network tariffs. The third forum built on the outcomes of earlier forums and extensive bilateral stakeholder consultations throughout the period.

The first forum, in November 2017, found significant majority agreement among the attendees with the proposition that some change to the structure of Victorian household network tariffs was either necessary or desirable.² Forum participants also chose five clearly preferred criteria for assessing the acceptability of potential new household network tariffs from a large set of potential criteria. These criteria were used to inform the five objectives guiding the design of household network pricing – simplicity, economic efficiency, adaptability, affordability and equity.

Figure 2.1 Forum 1: Objectives for Household Network Pricing, participant votes



Source: Essential Media, 2018³

² WSP, *Victorian Electricity Future Forum: Household Network Pricing, Consultation Report December 2017*, AUSNET SERVICES, JEMENA, CITIPOWER, POWERCOR AND UNITED ENERGY

³ Essential Media *Victorian Electricity Future Forum: Household Network Pricing, 18 April 2018*, AUSNET SERVICES, JEMENA, CITIPOWER, POWERCOR AND UNITED ENERGY, p.7.



In this forum, the Victorian electricity distribution businesses reflected the guiding objectives and stakeholder feedback in the tariff proposal put forward – a year-round, two period Time of Use Tariff, with a peak period from 3pm to 9pm every day of the year.

In the second forum, on 18 April 2018, the attendees arrived at a consensus that network tariff design should straddle both retailers and customers, being *designed for the retailer with the customer in mind*.⁴ Forum participants preferred familiar to less familiar new tariff pricing structures, but also thought efficient and complex structures were preferable to simple but inefficient structures in discussing potential tariff structures.

- The choice of tariff put forward in this forum – Time of Use in preference to a Demand tariff – reflected the agreement at the second forum that familiar pricing structures were preferable to less familiar. Peak and off-peak pricing are pricing structures customers are very familiar from other industries.
- In making specific design choices – year-round vs. seasonal and every day of the year vs. excluding weekends and holidays, for example – the electricity distributors preferred simple structures over complex.

In the second forum, reflecting a widely shared concern that changes to household network pricing changes should not adversely impact vulnerable people, participants identified a range of complementary measures that could be considered alongside any change to the household network tariffs. The complementary measures included proposals relating to:

- Assistance to vulnerable customers
- Consumer education
- Consumer access to data
- Demand response programs
- Energy Efficiency programs
- Support for greater access to new technology and other products and services
- Other measures to support all consumers
- Tariff assignment policy.⁵

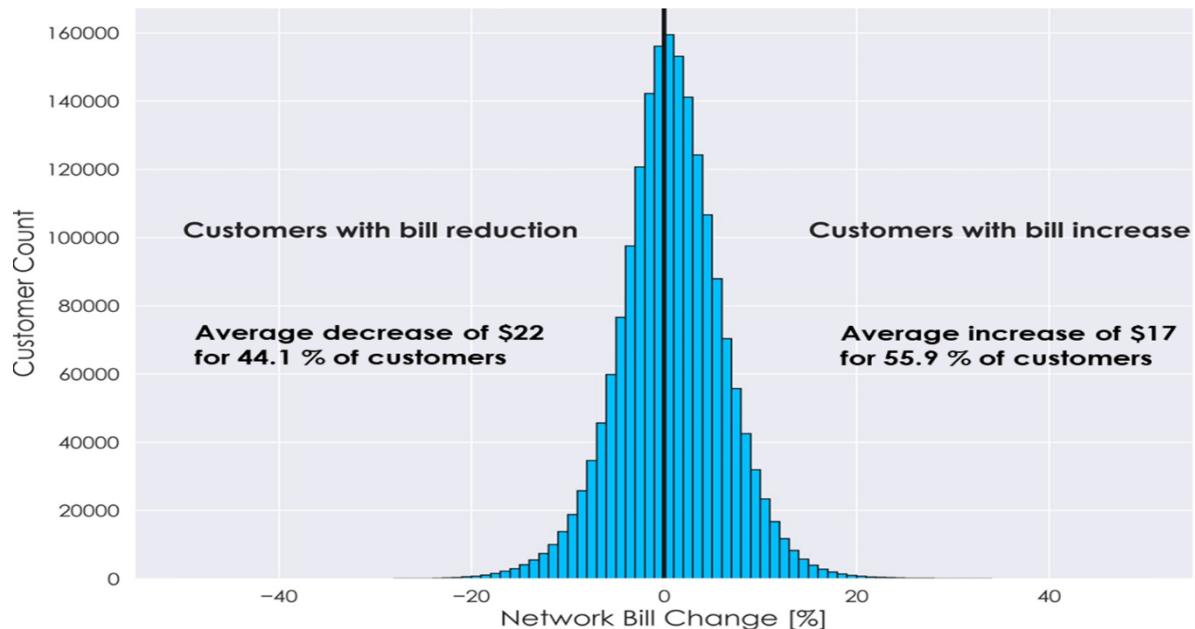
In Workshop Two in this forum, the impacts on specific groups of vulnerable customers, consumer education and the tariff assignment policy – all complementary measures directly within the Victorian distributors' control – were discussed.

- Estimates were presented of the impact of the proposed price changes on customers' electricity bills, assuming the network tariff changes flowed directly through to customers' electricity bills.

⁴ Essential Media, 2018

⁵ Essential Media 2018, p.20

Figure 2.2 Households currently paying flat rate tariff vs. proposed ToU network tariff: Estimated change in network bill, annual bill, dollars



- Figure 2.2 shows the distributors’ estimate of the annual impact on households’ network bill charges for all current flat rate household customers. Relative to ACIL Allen’s estimate of the impact on highly vulnerable customers from their survey, a higher proportion of all customers pay would an annual increase in network charges, assuming no change to behaviour.
- The efficiency gains from higher complexity may be limited in any case: the evidence presented by the Victorian electricity distribution businesses on the frequency, and day of the week and seasonal incidence of peak demands suggests that more focused tariff designs risk excluding peak demand events, limiting the payoff from the incentives to changed behaviour presented by the proposed new tariff structure.
- ACIL Allen was asked to look at the impacts on customers’ total electricity bills, based on a sample of customers skewed strongly towards vulnerable people. The ACIL Allen study, with the customer’s permission, used those customers’ electricity consumption profiles, again assuming full pass through of the network pricing structure into customers’ electricity bills. This analysis recognised concerns about the potential impacts of changes to tariff design on vulnerable people, expressed in the second forum.
- The proposed tariff assignment policy was outlined. The tariff assignment policy proposed excluding customers on Life-support and customers with Medical Cooling Concessions from the proposed transition. In addition, over the first five-year period, any customer could opt out of the proposed ToU tariff. Customers on payment assistance programs were excluded from the transition proposal on the basis that the customer’s retailer was better placed to assess the appropriate electricity product, including the distribution tariff, for the customer’s needs.



In Workshop Three in this forum:

- The presentation focused on the timing, composition and focus of a communications program to go with new tariff structures, assuming the ToU tariff proposal was accepted. This focus reflected the timeline for distributors' tariff proposals and the need for customer communications found by the second forum.

2.4. Questions for third forum

The three questions put to this forum reflected the distribution businesses' program of work since the second forum, taking the outcomes of previous forums and bilateral consultations into account.

On the *ToU pricing structure*, participants were asked to record their support, or lack of support for the following tariff reform proposal:

- Household ToU network tariff made up of only two daily pricing periods – peak and off-peak
- Network tariff peak window would be 3pm to 9pm local time
- Network household ToU peak/off-peak tariff would apply to weekdays, weekends and public holidays identically
- Network household ToU peak/off-peak tariff would apply year-round with no seasonal pricing differences.

On the *proposed transition strategy*, participants were asked to record their support, or lack of support for the following transition proposal:

- Households (or their retailer) have the right to opt-out from the new ToU pricing structure for five years
- Life-support households and households claiming the Medical Cooling Concession should not be reassigned to the new ToU pricing structure.

On the proposed communications plan, participants were asked:

- Whether the proposal looked like a plan, that is, was possible? Was the phasing appropriate? The timing?
- Who should lead the communication process?
- What is the most important thing in communicating change?

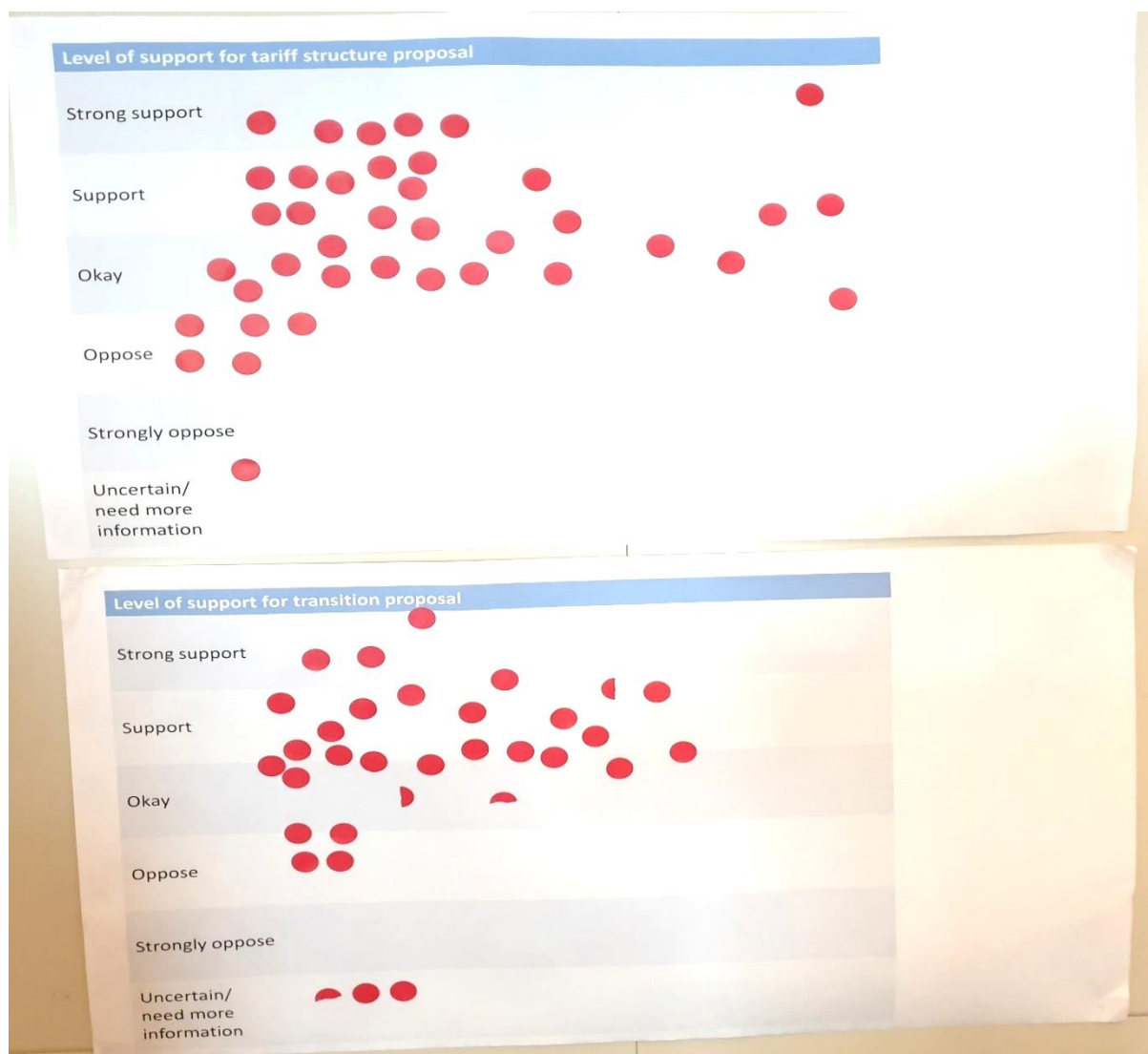
The following section discusses participants' responses to these questions and issues raised across the forum.



3. Outcomes and Insights from the Forum Sessions

3.1. Summary

The photo of the individual votes recording participants' support for the tariff structure proposal (top panel) and the transition proposal (bottom panel) shows there was strong consensus support by participants for both proposals by the Victorian electricity distribution businesses.





At the end of Workshop 1, 32 of the 40 participants, (80 percent), said they were “Okay [with]”, “Supported” or “Strongly supported” the tariff structure proposal.⁶ Six participants opposed the tariff structure proposal, and one participant split their vote between “Strongly opposed” and “Uncertain/need more information”.

At the end of Workshop 2, 24.5 of the 31 participants in Workshop 2 (79 percent) said they were “Okay [with]”, “Supported” or “Strongly supported” the proposed transition strategy. Three votes, reflecting four individuals, opposed the transition strategy, while two and half were in the “Uncertain/need more information” category.

Unlike the first two questions put to participants, the discussion in Workshop 3 of the high-level communication plan put forward wasn’t subject to a vote. The results of Workshop 3 are discussed below (Section 3.4).

The strong consensus support was underlined by the strong ratings given to the forum by participants completing the feedback survey at the end of the day (Section 3.6; Appendix D). Participants’ strong feedback about the value of the forum was also shown by behaviour on the day. Although in two cases the feedback forms mention the difficulties of discussion in a relatively crowded room, discussions were respectful of individuals, relatively quiet and allowed all table members to contribute.⁷

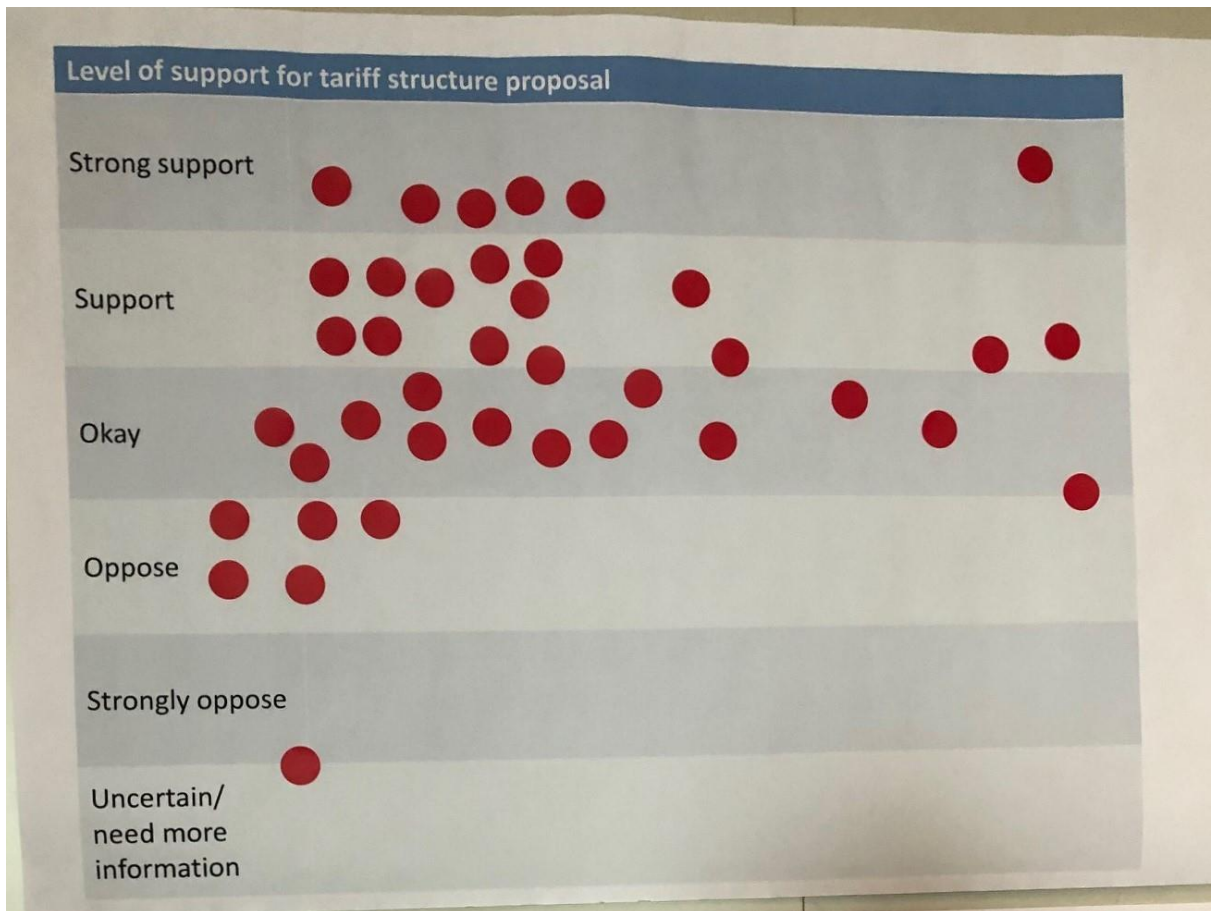
3.2. Workshop 1: Views of proposed ToU Pricing Structure

The strong support shown for the tariff structure proposal followed the presentation by the Victorian electricity businesses on the proposal, a Q&A session and discussions at the individual tables canvassing general views around the table, table participants’ ratings, changes to participants’ ratings in the course of the discussion, and, where additional information was required, what additional information was needed.

Thirty-two of the 40 attendees, (80 percent), said they were “Okay [with]”, “Supported” or “Strongly supported” the tariff structure proposal. Six participants opposed the tariff structure proposal, and one participant split their vote between “Strongly opposed” and “Uncertain/need more information”. Notes on the discussions at the tables suggested that with more information on the design choices (two-rate or more, year-round or seasonal) and, in some cases, more information on the effects on specific customer groupings, participants’ ratings would have increased, from “Okay” to “Support” in several cases.

⁶ In counting the votes, ambiguous votes, that is, votes spanning two contiguous categories have been classified in the lower category, unless it’s clear that the intention was ambiguous. In the case of the tariff reform proposal, this shifts one vote from the “Okay” into the “Oppose” category. In the second Workshop, some participants clearly intended to vote in more than one category, the count reflects those participants’ clear intentions.

⁷ Late acceptances to the forum exceeded the anticipated number of attendees based on previous forums’ experience and early indications of attendance, meaning that the room booked was adequate, but not spacious, in the sessions before lunch. After lunch, as is typical, a number of participants apologised and left.



The Q&A session raised several questions about the proposed design, including:

- Why seasonal pricing was not proposed
- Whether there should be separate charges for peaks on weekends, possibly taking the form of “carrots” (rebates, for example) rather than “sticks” (peak pricing)
- Whether, reflecting lower business weekend demand, weekend household pricing couldn’t be cross-subsidised from network hosting capacity provided for business.

Other than questions relating to implementation (deferred to the next session), questions in the general Q&A session asked about the interaction of the proposal with the proposed Victorian Default Offer (VDO), and about the economically correct treatment of sunk costs and new investments under the tariff proposal. The issues raised by this question and other questions from industry insiders/specialists during the workshops are discussed in Section 3.5.3.

Simplicity – the two rate, year-round structure proposed – and coverage right across Victoria were strong arguments why participants supported the proposal in their table discussions. Retailers were strong advocates for simplicity over complexity, based on their interactions with customers and, in some cases, their systems’ capabilities.



Participants raised questions around the details of the proposal, including:

- The length of the proposed peak window from 3pm to 9pm
- The absence of a seasonal pattern to the proposed structure
- The “blunt nature” of the signal sent by the proposed network tariff – that is, the potential for a more sculpted approach would provide better incentives to customers to shift their behaviour.

At several tables there were questions about the impacts on specific groups, particularly the vulnerable who also lack the ability for adaption to the incentives presented by the new tariff. Some stakeholders standing for groups that might benefit from more sculpted/complex household network tariffs (for example, “more highly engaged customers” or electric vehicle owners) were keen to understand the benefits of network tariffs based on the anticipated behaviours of these customer classes.

The word cloud on the following page was formed from table facilitators’ notes on Workshop 1 and the reports from the tables on the discussions. The word cloud content shows a very strong focus on the design characteristics of the tariff proposal – peak pricing, seasonality and simplicity – and all customers. It also shows the debate around the complex, targeted tariff approach vs. the simpler approach put forward at the forum (Section 3.5.3).⁸

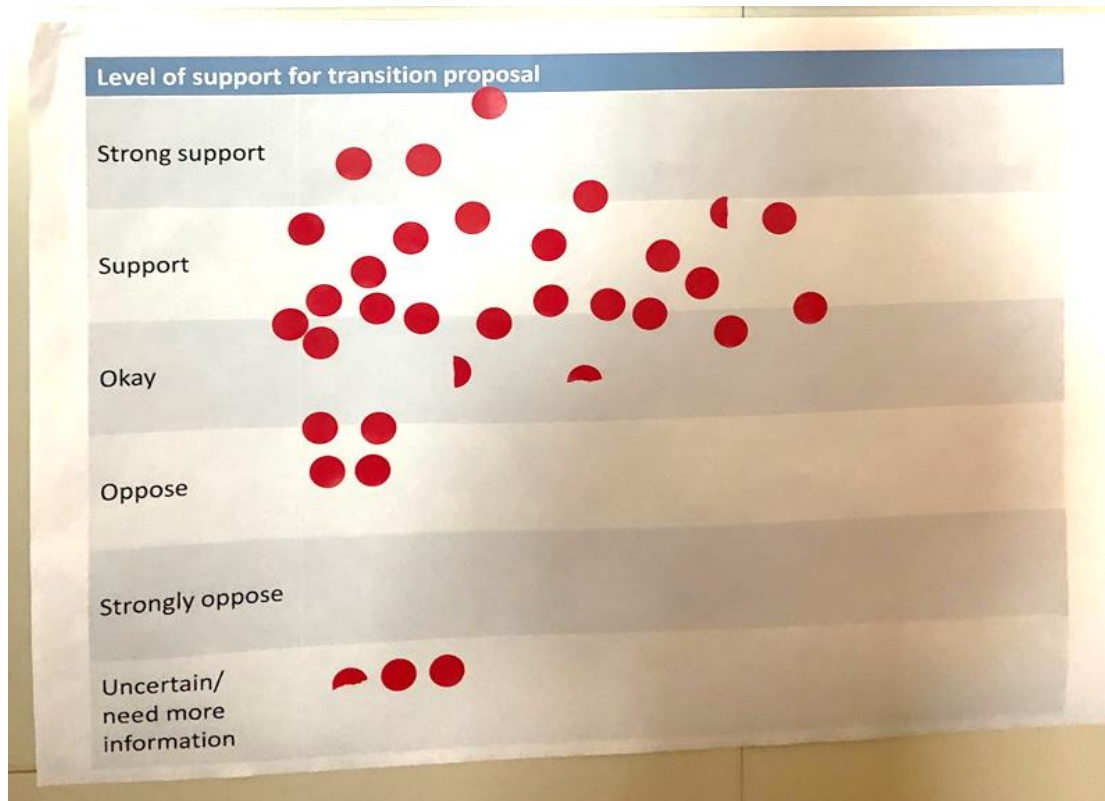
The voting outcomes shown took place after the table discussions. Table spokespeople shared the content of those discussions with the room. Notes on the table discussions suggest no material changes to participants’ opinions in the course of those discussions. If anything, the votes suggest a slightly higher level of overall support than the details of the table discussion might have led an observer to predict.

⁸ To identify when vulnerable customers was the key source of concern in Workshops 1 and 2, the text of the table reports was reviewed and references to “vulnerable customers” and other related variants were altered to form a single word, distinguishing these discussions from discussions relating to “customers”.



3.3. Workshop 2: Views of Transition Proposal

The strong support shown for the transition proposal followed the presentation by the Victorian electricity businesses, a Q&A session and discussions at the individual tables. Table discussions canvassed general views around the table, table participants' ratings, changes to participants' ratings in the course of the discussion, and, where additional information was required, what was needed.



Twenty-four and a half of the 31 participants in Workshop 2 (79 percent) said they were “Okay [with]”, “Supported” or “Strongly supported” the proposed transition strategy. Three votes, reflecting four individuals, opposed the transition strategy, while two and half were in the “Uncertain/need more information” category.

The Q&A session following the presentation raised questions about the proposed design, including:

- The effects on the relatively small number of customers other than those on flat-rate network tariffs, such as customers on existing ToU tariffs
- The comparative merits of mandatory assignment *without opt-out*, vs. mandatory assignment *with opt-out* as proposed, vs. a glide path
- The larger benefits for larger customers relative to smaller customers, and whether this reflected a desirable outcome of the design.



These questions followed the questions directed to ACIL Allen after their presentation. Those questions focused on details of the analysis presented, including:

- The desire for a more detailed dive into the underlying calculations of the relative losses and gains of customers with specific characteristics
- Questions about the relative gains of specific groups – city-based customers and rural customers, larger and smaller customers, vulnerable customers not members of specific programs (not on Medical Cooling Program, for example)
- Questions about potential perverse or unintended consequences, such as the impact on usage. For example, the possibility that vulnerable customers could limit their energy use at times when there could be negative health consequences was raised at one table.

As with Workshop 1, discussion at the tables raised questions about the treatment of specific groups not addressed in the proposal, particularly but not exclusively a broadly defined group of vulnerable customers who also lack the capacity for adaption. There was a strong desire to reconcile the materials presented by ACIL Allen on the modelling of the impacts on vulnerable customers and those presented by the Victorian electricity distributors on all household customers. There was also a desire to understand the impacts on very specific customer groups – smaller vulnerable customers, for example, or households on existing network ToU tariffs.

As with Workshop 1, the details of the discussion at the tables suggest higher levels of uncertainty around the proposal/greater desire for further information than the voting shows. The results of Workshop 2 suggest less comfort with the proposal than with the tariff structure proposal in Workshop 1. Relative to Workshop 1, the proportion of participants voting in the “Uncertain/need more information” category increased strongly as a proportion of all participants at that session and absolutely relative to Workshop 1’s outcomes. This increase occurred at the expense of two groups of participants – the proportion of participants strongly supporting the proposal fell to 10 percent from 15 percent in Workshop 1 and the proportion of participants in the strongly opposed category similarly fell from 15 percent to 10 percent.

The word cloud on the following page was formed from table facilitators’ notes on Workshop 2 and the reports from the tables on the discussions. The word cloud content shows a very strong focus on the details of the transition strategy, particularly for vulnerable customers, and reflects the requirement for additional information expressed by participants in the discussions (Section 3.5.1).

The voting outcomes shown above took place after the table discussions and the sharing of that discussion with the forum. Notes on the table discussions suggest no material changes to participants’ opinions following those discussions. The table discussions suggest participants built on questions about the treatment of individual groups and questions about the modelling methodology, raising a larger number of issues than could have been dealt with in the forum’s presentations. Those questions, however, did not prevent most of the participants supporting the transition proposal.

A word cloud visualization of terms related to the 'Vulnerable Customers' report. The words are arranged in a circular pattern, with 'customers' being the largest and most central word. Other prominent words include 'transition', 'support', 'peak', 'better', 'Vulnerable Customers', 'government', 'approach', 'change', 'impact', 'information', 'need', 'like', 'years', 'usage', 'existing', 'distribution', 'options', 'momentum', 'people', 'structure', 'mandatory', 'assignment', 'unless', 'bigger', 'concerns', 'AD', 'concern', 'proposed', 'general', 'group', 'just', 'bill', 'losers', 'life', 'JW', 'health', 'different', 'customer', 'consumption', 'worse', 'many', 'ToU', 'one', 'believe', 'supported', 'know', 'tariff', 'will', 'based', 'make', 'work', 'rural', 'benefit', 'load', 'preferred', 'considered', 'flat', 'ratio', 'controlled', 'impacts', 'solar', 'get', 'retailers', 'Need', 'pricing', 'months', 'election', 'rate', 'comments', 'year', 'small', 're', 'DL', 'BSL', 'go', 'move', 'can', 'ACIL', 'Table', 'limit', 'q', 'glidepath', 'BSL', 'look', 'new', 'n', 'S', 'amcp'.



3.4. Workshop 3: Views on Communication Program Proposal

The word cloud on the following page was formed from table facilitators' notes on Workshop 3 and the reports from the tables on the discussions. The word cloud content shows a very strong focus on *the need for a communications plan to support the introduction of new tariffs*, *the role of the retailers in the implementation* and an equally strong focus on *the need for the plan to communicate meaningfully to customers*. The table (Table 3.1) that follows looks at selective representative comments from those recorded on the day by table in these categories.

Whether you are approaching the communication plan from a practical implementation approach (can it be done in the time available?) or from a desire to ensure that the communication plan maximises customer uptake by ensuring customers get the right information at the right time, the messages from the table feedback are very similar.

- Cross-industry co-operation is critical to the successful delivery of the message and implementation of the proposed new tariff.
- Given the timelines some retailers outlined in their discussion of the lead time for tariff changes (systems, personnel training, call centre scripts, etc.), the timeline described is at best barely adequate and could be unmanageable if delays occur during 2020 in the wider decision-making processes.
- Reports on the table discussions raised the issue that January and specifically 1 January may not be the best date for introducing a new tariff (not in the comments recorded). On the one hand, 1 January is consistent with the (probable) timing of the introduction of new network tariffs. On the other, it's a time of year with traditionally low personnel numbers at call centers, which could affect the introduction of the proposed tariffs adversely if customers call retailers. The beginning of January also may be associated with a high bill period.
 - Both could be arguments for deferral, but there's also an argument for leaving the date at 1 January, given that customers' largest bill may arrive after the end of the summer and customers with electric heating receive larger bills later in the year.

Most participants support cross-industry participation. Given this is desirable, then the communications exercise is more complex than the high-level proposal put to the forum. A detailed communications plan is needed, according to participants. The plan should be directed towards responding to customers' expected concerns and should grapple with content, outcomes, timing and responsibilities in detail.

[illegible]

**Table 3.1 Workshop 3: Communications Plan, representative comments, sample**

Category	Sample Comments
Need for a plan	Timing [put forward in presentation] makes sense as can't communicate until a decision is made.
	May not be enough time between final decision by AER and implementation, retailers may need to update systems
	Need to make sure everyone is across it. Coordinate with retailers, communicate with community groups and councils.
	Support a working group/Reference group
Role of retailers	retailers need to work as a collective to avoid conflicting messaging. Customers should always be referred to the retailer. Industry should work together on market comments. It is vital that we understand how retailers might respond – 'what's actually being communicated is determined largely by how retailers might respond'.
	should be retailer led.
	If it doesn't pass through at a retailer level is it worth doing the comms - the waters get muddier with the retailer (this was raised in an earlier workshop not in the workshop session)
	Retailers must be involved but also a role for consumer groups. A suggestion that they could reach their customers although it was queried if they have access to the full mass market.
	Feedback the process to regulators/Government/advocates. Let people know how we are approaching it and what is being done. If the advocates know what is going how they can support those comms with their interactions.
	Comms from retailers come with heightened response from customers.
	Fixed terms from a retail perspective and changes the process for a communications perspective. Might take longer for retailers to make the change or communicate. Could be legal implications.
	Government and industry are a good starting point for communications at a high level. Then move to a retailer level, as retailers get the complaints.
	Level of trust is important with the communication. Trust in retailers is considered low. Has to be a collaborative approach.
	We need a high-profile champion
	Retailers are regulated in terms of their communications with customers
	mostly government communications campaigns are terrible
Must be meaningful to customers	Consumer focused stuff is important. Has to contain why we are doing it - what the broader benefit to community/customers [don't want a similar issue to what happened with smart meter roll out where people think the benefit is all to the distributor]. What are the constraints for us as a distributor and why are we looking at this? [need Government to take similar approach to Gillard and the carbon tax - "yes we put it in, but we



Category	Sample Comments
	are also giving you money to manage it"]
	That something goes to the end-users earlier rather than later so that they have time to understand. They need time to seek out the additional resources required if they want to engage.
	Need Clear comms for when things go wrong/managing complaints – this is seen as a critical contact point. Explain what has changed, explain customer options.
	Need to communicate the case for change – do customers understand the need for the change? Discussion of whose role it is to do this (retailers, networks, government). Also, discussed that opt-out arrangements and variations in retailer tariff structures could complicate messaging.
	are there lessons to be learned from AMI roll-out in terms of comms that worked and what didn't?
	Need to explain the WHY? As well as the WHAT?
	Communicating the why is very important - the role for government (VCOS).
	Explain that for most customers there will be minimal impact
	Explain that this is a modest improvement and need to explain the vision for the future on pricing reform.
	Leave out technical stuff

3.5. Other matters raised

The discussions at and following the forum and the notes from the table discussions and participant feedback highlight some significant issues that the Victorian electricity distribution businesses need to consider. These issues may need further responses in proposing their tariff structure proposal and the associated transition.

3.5.1. Understanding the impacts on Vulnerable Customers

Different timelines for completing the tariff analysis work and sending out the pre-reading meant that, unfortunately, the detailed modelling of general impacts and specific impacts on vulnerable customer groups was available only on the day. There's some unhappiness with the absence of pre-reading expressed in the feedback and table comments, although no suggestion of any lack of good faith by the Victorian electricity distributors. People appear to have recognised the difficulties of juggling complex analyses to a strict timeline.



There were two very important threads to the table discussions:

- There is a need for interested participants to understand how the ACIL Allen work on vulnerable customers and the overall modelling results for all households relate to each other. In some cases, participants are also keen to understand the implications for specific sub-groups among all households, such as the relatively small number of households on existing ToU network tariffs.
 - Eight of the 20 feedback forms specifically mentioned customer impacts as a basis for future work, more than any other individual topic mentioned. Reconciling the two sets of modelling results presented, understanding the differences between the results for the population and the specific vulnerable groups, is a key task for increasing and strengthening support for the transition proposal.
- A need for interested participants to understand the results for vulnerable customers who also lack the ability for adaption, a key coupling of the customer and the customer's circumstances for some of the participants. This could take the form of a targeted workshop going through the methodologies and results of both sets of modelling.
 - As a first step, specific categories of vulnerable customers need to be defined and agreed with concerned stakeholders and the expected outcome for representatives of that class of vulnerable customer modelled. For example, aged pensioners in rental housing combine a (potential) reluctance to change with an inability to affect their heating choices.
 - In addition, in presenting the wider results on vulnerable customer classes (for example, renting vs. mortgage, or with/out gas), what needs to be presented is an explanation for what were seen, rightly or wrongly, as counter-intuitive outcomes from the modelling.

How can the models support answering questions about the outcome for other defined vulnerable groups? Asking for priorities in advance of any further workshop is a possibility. Any analysis, however, will be limited by the coverage of the survey. Assumptions will need to be made in accepting survey participants as representative of specific customer classes.

3.5.2. What about customers on other tariffs? Understanding the impacts on other tariff classes

Feedback forms mentioned a need to better understand the impact on other household tariff classes. This concern also occurred several times in table discussions. Reviewing the materials suggests that there are specific transition issues raised by existing ToU customers' treatment, as well as some interest groups looking forward to future tariff design changes on their business proposition – batteries, EV's, possibly some solar installers. The first of these is more important than the second for the immediate work program and is related to the issues around identifying winners and losers more clearly, discussed in Section 3.5.1.

3.5.3. Simplicity and coverage vs. "better targeted" tariff design: a discussion for insiders?

Tables during Workshop 1 debated the arguments for more complex, better targeted, "carrot vs. stick" designs put forwards against the arguments in favor of simplicity, ease of customer messaging and better uptake. The table notes and discussions on the day suggest there is a group of (largely industry expert) participants not deterred by complexity and with a strong preference for "better targeted" outcomes. Customer advocates and retailers, on the other



hand, strongly favor simplicity. At least one (small) retailer attending made the point that its billing and pricing systems could not support some of the more complex offerings proposed in table discussions.

The argument in favor of ease of implementation (opt-out, not opt-in) and a relatively low bar for the price differential between peak and off-peak should be specifically contextualized against Victoria's and other jurisdictions' experiences in introducing new network tariff structures. Better something that, once successfully introduced, can be refined over time than nothing at all.

3.5.4. Smaller retailers: Pricing and communication requirements

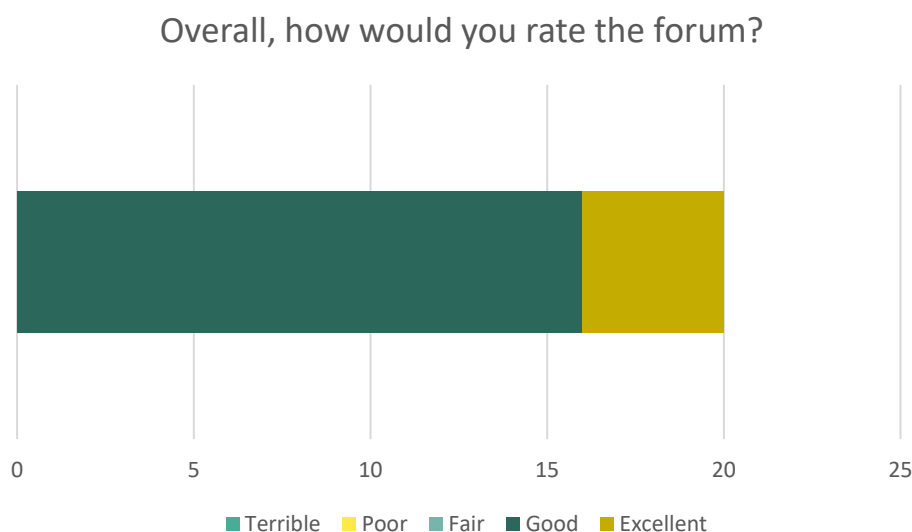
More than one of the retailers present claimed their lead times for the introduction of new household tariffs were longer than the three-month window after the outcome is known presented in the communication plan proposal.

If, as the discussion of the communication plan suggests, retailer participation is critical to the successful implementation of new tariff structures, retailers' capabilities could present a significant barrier to future pricing design. As it stands, retailers without flexible billing and pricing infrastructure may be at a disadvantage when it comes to more complex versions of the current tariff reform proposal, or more complex versions (wider opt-out, or complex forms of glide-path pricing adjustments) of the transition path. A view of the base level retailer capability required will be an important component of adjustments to the current proposals as the proposals move forward.

3.6. The Forum: Participant ratings

Twenty of the 40 attendees filled in feedback forms on the day. Although participants were offered an email address for later feedback, no other feedback has been received. Strictly, since feedback forms were distributed at the end of the day, the return rate was around two thirds, that is, 20 of the 31 participants staying after the morning's sessions.

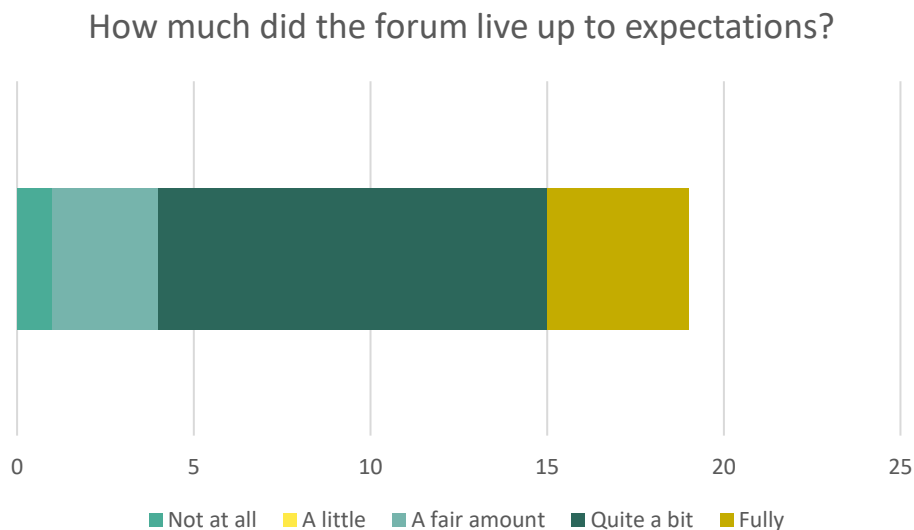
Figure 3.4 Forum Rating: Overall Rating, number of responses by rating





Among other questions, participants were asked to rate the forum overall. Of the 20 responses received, 4 people rated the forum Excellent and 16 Good (Figure 3.4).

Figure 3.5 Forum Rating: Living up to expectations, number of responses by rating



Having been asked to describe their expectations on the day, participants were asked to assess whether the forum had lived up to those expectations (Figure 3.5). Fifteen participants responded Fully (4) or Quite a bit (11), while only one participant responded Not at all. However, that participant's feedback form indicated that his/her incoming expectation was that the forum "was going to be about demand implementation. Glad it is not!!", suggesting no unhappiness with the content or coverage of the forum.

Generally, participants who rated the overall experience as Excellent or Good also believed the forum met their expectations Fully or Quite a Bit. Thirteen of the 20 respondents had a common (high) score for both their rating of the forum and their evaluation of the extent to which the forum lived up to expectations.

Free text feedback from forum participants was consistent with wider table feedback. The feedback included:

- more detail on the modelling approach
- more information needed on the impact on specific groups of customers, whether low income, low consumption or legacy tariff
- more work on the communications plan, including on cross-industry collaboration in its development.
 - There was a strong message about the need for distributors and retailers to be more aware of each other's drivers in the design and introduction of tariffs.
- questions about data access, including discussion of better, real-time data access for customers
- questions about (the level of) fixed charges.



A. Forum Agenda

Agenda:

Victorian Electricity Future Forum: Household Network Pricing



Date:	Wednesday, 20 March 2019
Time:	9.15am – 4.00pm
Location:	Cliftons Level 18, Freshwater Place 2 Southbank Blvd Southbank
Facilitator:	Patricia Boyce Director, Seed Advisory

Time	Item	Presenter
9.30 am	Welcome	Patricia Boyce
9.35 am	Introduction Opening speech by Executive General Manager, Regulated Energy Services, AusNet Services <i>What problem are we trying to solve with tariff reform?</i>	Alistair Parker
9.45 am	Forum objectives/Recap	Patricia Boyce
9.55 am	Vic Distributors' Pricing Reform Proposal - Time-of-use (ToU) pricing Presentation by Head of Regulatory Strategy and Pricing, CitiPower, Powercor & United Energy <i>Overview of our current proposal, including how and why we've adopted this approach</i>	Mark De Villiers
10.20 am	Q&A	
10.35 am	Workshop 1 & Morning Tea <i>Feedback about pricing proposal</i>	Break out activity
11.45 am	Recent experiences of tariff reform Presentation by Director, Research, Energy Consumers Australia <i>Learnings from tariff reform in other Australian jurisdictions</i>	Lynne Gallagher
Noon	Q&A	
12.15 pm	LUNCH	

Agenda:

Victorian Electricity Future Forum: Household Network Pricing

Time	Item	Presenter
12.45 pm	Forum objectives for the afternoon/Recap	Patricia Boyce
12.50 pm	Results of ACIL Allen Pricing Study Presentation by Executive Director, ACIL Allen <i>Findings from research into the impact on vulnerable customers from a shift to ToU pricing</i>	Jeremy Tustin
1.05 pm	Q&A	
1.20 pm	Preferred transition approach Presentation by Manager, Pricing and Compliance, Jemena <i>Outline of our preferred transition approach and rationale</i>	Alex McPherson
1.45 pm	Workshop 2 <i>Feedback about transition approach</i>	Break out activity
2.45 pm	Afternoon Tea	
3.00 pm	Communicating changes to customers Presentation <i>Potential approaches to communicating pricing changes to customers to support transition to ToU pricing</i>	Alex McPherson
3.10 pm	Workshop 3 <i>Practical implementation issues for various approaches to communicating changes</i>	Break out activity
3.45 pm	Next steps Where to from here?	Patricia Boyce
3.55 pm	Close Closing speech by General Manager, Regulations, AusNet Services	Tom Hallam
4.00 pm	FORUM CONCLUDES	



B. Pre-Reading

Victorian Electricity Networks Forum Series

Third Forum - Household Network Pricing



Pre-reading

March 2019



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ABBREVIATIONS

AER	Australian Energy Regulator
EV	Electric vehicle
AEMO	Australian Energy Market Operator
ToU	Time of use
SEIFA	Socio-economic indexes for areas

1. BACKGROUND

1.1 PURPOSE

This document has been prepared by the Victorian electricity distributors—AusNet Services, CitiPower, Jemena, Powercor and United Energy—the five companies that transport electricity to homes and businesses across Victoria. It focuses on residential customer network pricing structures and provides background information on our proposed pricing structure and transition approach.

We have prepared this document as pre-reading to a stakeholder forum being held on 20 March 2019 in relation to residential network pricing structures. The purpose of this document is to provide information to participants on the issues for discussion, to assist them to provide feedback on the day.

1.2 ABOUT PRICING STRUCTURES

AusNet Services, CitiPower, Jemena, Powercor and United Energy are the five companies that transport electricity to homes and businesses across Victoria. We charge electricity retailers for providing these services, not customers directly. But ultimately, customers pay for our services within the electricity bill they receive from their retailer.

Before we set the prices we charge electricity retailers, we must determine how to structure our prices. At its simplest, there are three main types of residential electricity network pricing structures as shown in Figure 1–1.

Figure 1–1: Victorian household network tariff structures (simplified)

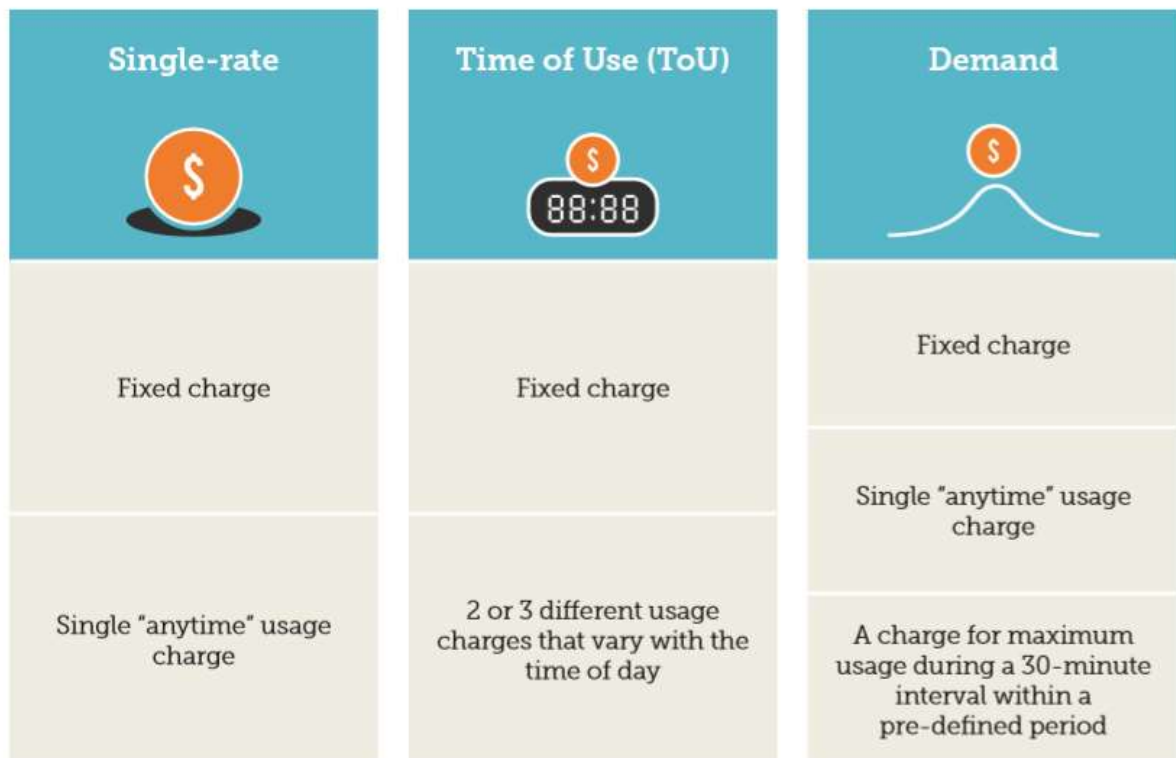
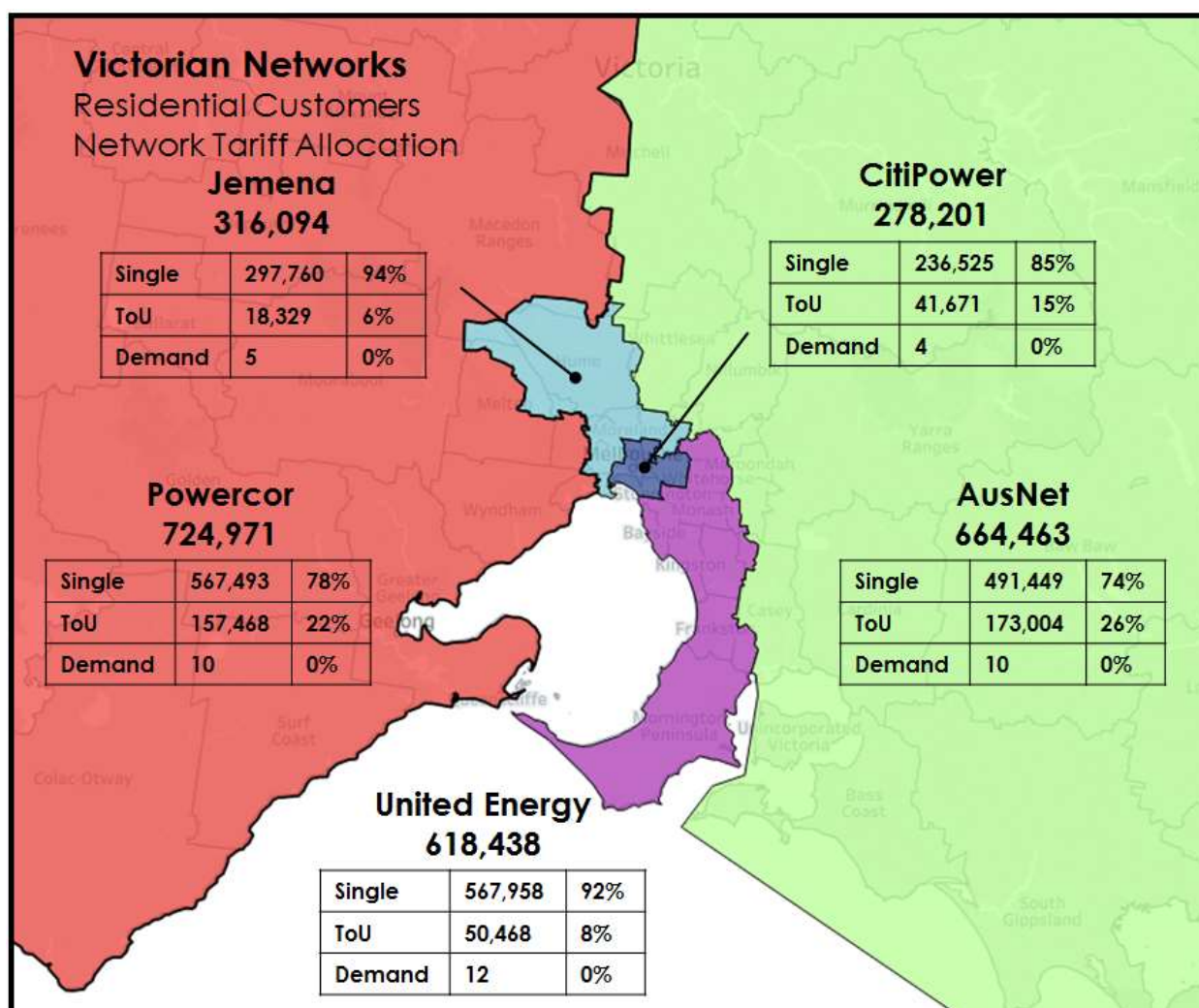


Figure 1–2 sets out the approximate number of Victorian residential customers on the three electricity network pricing structures as at December 2018.

Figure 1–2: Victorian residential customers are currently assigned to different network pricing structure



1.3 WE ARE REVIEWING OUR PRICING STRUCTURES TO APPLY FROM 1 JANUARY 2021

Every five years we undertake a major review of our electricity network pricing structures. We are currently undertaking one of these review processes, and any new or changed pricing structures will come into effect from 1 January 2021. We need to submit a proposed set of electricity network pricing structures to the Australian Energy Regulator (**AER**) for approval in July 2019.

1.4 SEPARATE SMALL BUSINESS CONSULTATION

The circumstances facing small businesses are quite different to households. So we are undertaking targeted consultation with small business representatives to ensure their perspectives are understood and carefully considered.

We are currently consulting with the following small business representatives regarding small business electricity network pricing structures:

- Council of Small Businesses Organisations Australia;
- Australia Industry Group;
- Energy Consumers Australia; and
- Victorian Chamber of Commerce and Industry.

If you have any feedback on who we should engage with in relation to small business pricing structures, or any feedback on these yourself, please let us know.

2. REFLECTIONS ON WHAT WE HAVE HEARD SO FAR

Our current views on future residential network pricing structures are a product of our engagement with customers and stakeholders.

2.1 HOUSEHOLDS

The table below describes the feedback we have generally received from residential customers to date. Most consultation has been conducted through face-to-face customer forums held by the various distributors.¹

What we have heard from households	Our reflections on what we have heard
<ul style="list-style-type: none"> Electricity pricing is complex and not well understood; It is fair for households to pay in line with the cost they each impose on shared community infrastructure like an electricity network; Some customers may need to be supported if any changes to pricing structures are imposed; Mixed support for single-rate, ToU, and demand pricing structures; ToU pricing is more readily understood than demand pricing; There is little support for a subscription pricing⁽ⁱ⁾ because of its relative complexity; Peak time rebates⁽ⁱⁱ⁾ are supported if cost-effective. 	<ul style="list-style-type: none"> The status of electricity as an essential service drives most households to want us to price our services in a way that carefully considers those least capable of responding to any changes we might implement; Customers prefer pricing mechanisms that reward rather than penalise (a preference for “carrots” over “sticks”) Many customers, despite access to personalised information, time, and experts, have difficulty understanding demand pricing; ToU pricing is well understood and “part of life” – customers readily cite examples such as public transport fares as examples of ToU pricing.

(i) This option applies a fixed charge for each customer based on pre-defined peak period usage band

(ii) Peak time rebates involve paying customers in a particular local area (depending on the location of a constraint) a rebate for using less electricity than they were intending to at the time we called an electricity network peak event.

2.2 CUSTOMER AND STAKEHOLDER REPRESENTATIVES

The table below summarises our consultation efforts with customers and stakeholder representatives to date, what we have heard, and what we are doing in response. This consultation has been conducted through a number of one-on-one and small group meetings, a public consultation paper, as well as two major consultation forums held in 2017 and 2018.

¹ See for example: Jemena's Peoples Panel: <https://yourgrid.jemena.com.au/33868/documents/87920>; CitiPower, Powercor and United Energy deliberative forums: <https://talkingelectricity.com.au/wp/wp-content/uploads/2018/08/CPPCUE-RESI-AND-SME-Forum-Report-Final-5-Jul-2018.pdf>.

What we have heard from customer and stakeholder representatives	Our reflections on what we have heard
<ul style="list-style-type: none"> • Pricing principles should be: affordability, simplicity, equity, economic efficiency and adaptability – and when designing tariff structures to meet these, recognition that some trade-offs are required between objectives; • Pricing structures should be able to be understood and managed by both retailers and customers; • Peak time rebates are supported if cost-effective; • Transition and complementary measures are important to consider. 	<ul style="list-style-type: none"> • Given retailers often mirror network pricing structures, it is important that customers understand, and can therefore respond to, network pricing structures; • We agree that moving to more cost-reflective pricing structures should be explored; • We will continue to explore demand management options as potentially a very powerful tool to manage peak demand; • Transitional and complementary measures are the focus of the third forum.

2.3 RETAILERS

We have engaged with a number of retailers in relation to network pricing. Further, on 9 February 2019 we wrote to all retailers outlining some key elements of our proposals, and seeking their feedback. Some retailers have responded to this letter. The table below summarises what we have heard so far and what we are doing in response.

What we have heard from retailer representatives	Our reflections on what we have heard
<ul style="list-style-type: none"> • The five distributors should align their residential pricing structures; • Network pricing structures should be focussed on retailers rather than customers; • Customers need to be informed of any changes that could result to their bills from a change in pricing structures; • Retailers would value further engagement with networks on tariff reform going forward. 	<ul style="list-style-type: none"> • Generally, retail pricing structures have tended to closely align to network pricing structures – as a result stakeholders have asked us to have one-eye to customer outcomes if this pattern continues into the future; • We agree that customers should be made aware of material changes to their retail pricing structures; • Retailers determine when and how it may change a customers' retail pricing structure, so customer communications about pricing structures must be done collaboratively.

3. TOU NETWORK PRICING IS AN APPROPRIATE NEXT STEP FOR VICTORIAN HOUSEHOLDS

3.1 THE PROBLEM WE ARE TRYING TO ADDRESS

Our costs, and therefore customers' bills, are influenced by the need to meet peak demand on the electricity grid – that is, when everyone is using electricity at the same time. In most parts of Victoria this occurs on a very hot day when households are using air-conditioners. In some country areas, particularly where there is no natural gas, peak usage can also be caused by controlled household hot water heating and household electric heating on a very cold winter's night.

If we can reduce growth in peak usage, this will reduce future network capacity requirements, and put downward pressure on customer bills in the long-term.

In the past, new capacity investments have been significant, particularly as household air-conditioner penetration has increased.

Our analysis indicates that, at this point in time, additional capacity requirements over the 2021-25 period are mostly driven by new customers connecting to the network, rather than growth in the average customer's electricity usage at the time when the network is under most stress.

It is important to note that new customers pay a capital contribution when connecting to the network. This is calculated so that network prices won't be affected by newly connecting customers, including due to their contribution to peak demand.

Over the 2021-25 period, additional capacity investment will be a relatively low part of Victorian networks' cost base. Therefore deferring these investments would have a very modest impact on customer bills. As shown in Table 3–1, even under the extreme case where more cost-reflective network prices could defer **all** 2021-25 demand-driven capacity investment, the impact on household bills would be less than 1 per cent. The average Jemena household would see the biggest 2026 retail bill reduction – this would be only be \$11 (or 0.8 per cent).

Table 3–1: Size of the prize – contribution to 2026 retail bill of 2021-25 capacity investment caused by average coincident peak demand growth

Distribution area	Demand-driven investment 2021-25 (\$2020, \$m)	Contribution to 2026 retail bill	
		Dollars (\$2020)	% of total bill
CitiPower	0	0	0.0
Powercor	141	5	0.3
United Energy	67	3	0.2
Jemena	100	11	0.8
AusNet Services	67	3	0.2

3.2 LOOKING BEYOND 2025

While the short-term benefits of cost-reflective pricing are reasonably limited, we also need to think about the future beyond 2025.

There is uncertainty about how customers will use our network beyond 2025, particularly the intersection with solar, batteries and electric vehicles (**EV**).

In particular, stakeholders have raised the potential growth in EV uptake (following global trends) which may lead to a return in peak demand driving additional investment.

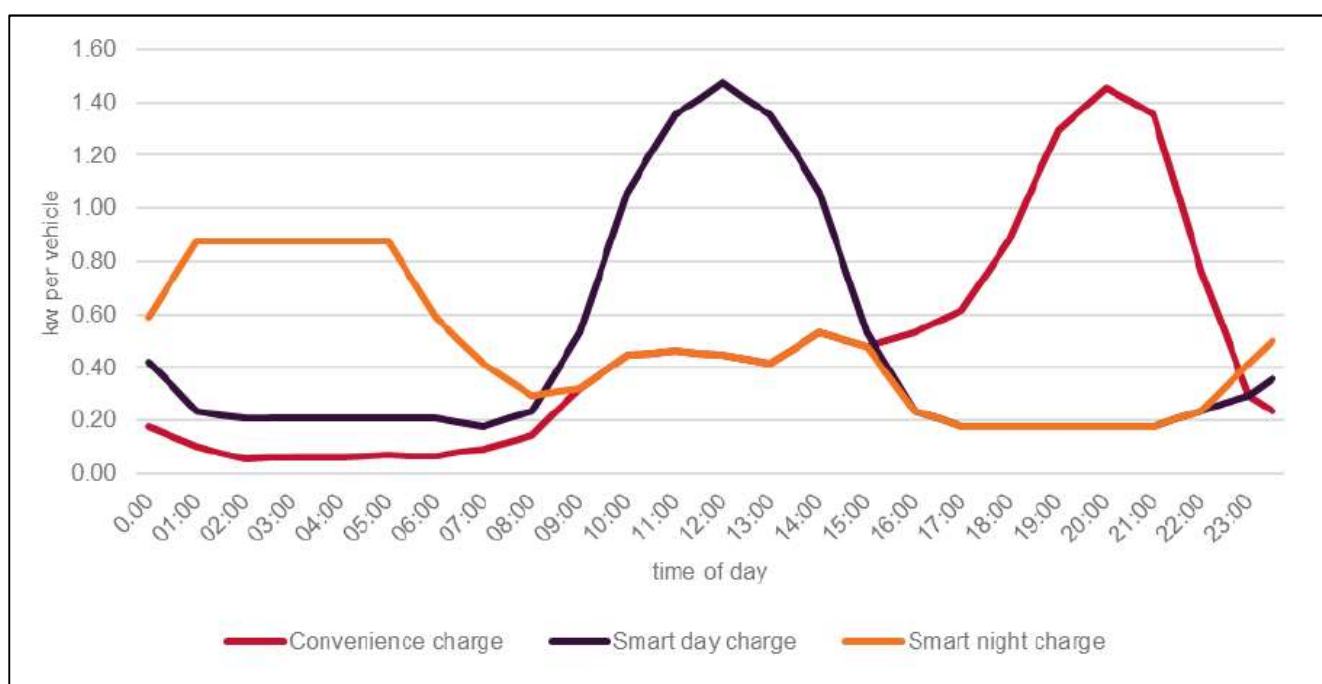
While there is general consensus that the penetration of EVs will increase, there is less certainty about the scale and pace of change. According to the Australian Energy Market Operator's (**AEMO**) 2018 Integrated System Plan:

Increases in electric vehicles will impact the uses of power, but over the plan period [to 2039/40] they are forecast to have a small impact on overall grid-based demand.²

We have considered at a high-level how EV owners might charge their vehicles into the future. Figure 3–1 provides an example of electric vehicle charging profiles for a residential user in summer under three charging options³:

- convenience charging—predominantly charged as soon drivers get home, including during peak hours.
- smart day charging—predominantly charged in the middle of the day during the solar trough.
- overnight charging—predominantly charged overnight, after the evening demand peak.

Figure 3–1: Electric vehicle daily charge profile, residential user (weekday in February)



Source: AEMO, 2018 Electricity Statement of Opportunities, August 2018.

A future challenge will be optimising this EV load to ensure the peak does not intensify and shift to just after the peak-pricing window we may initially target, or simultaneous charging causes ramping issues on the network. In the longer-term diversifying overnight charging periods (smart-night charging) potentially through automation technology may best facilitate the integration of EVs into the grid. There are a range of ways to incentivise this,

² AEMO, *Integrated System Plan*, July 2018, p5.

³ Sourced from AEMO, *2018 Electricity Statement of Opportunities*, August 2018, p32.

3 — TOU NETWORK PRICING IS AN APPROPRIATE NEXT STEP FOR VICTORIAN HOUSEHOLDS

for example through controlled load pricing arrangements – these arrangements are in place for certain appliances today.

While EVs are not expected to be a key driver of peak demand growth prior to 2025, we do expect there to be increasing diversity in how customers use electricity, due to an increasing number of customers installing rooftop solar or large air-conditioning systems. Moving towards cost reflective pricing, in the form of time of use (ToU) pricing, will be fairer as it will better reflect the real costs of using the network in light of these changes. We note that the Energy Security Board has raised the importance of moving customers with smart meters onto cost-reflective network pricing structures.⁴

Providing appropriate price signals assists customers to make efficient investment decisions and will create markets for new technologies (e.g. batteries) that can efficiently reduce the need for future network investment. Again, the potential for economic uptake of these technologies is likely to be higher in 2025 and beyond than it is today.

3.3 A TOU PRICING STRUCTURE BEST BALANCES STAKEHOLDER FEEDBACK AS WELL AS THE CHALLENGES WE ARE CURRENTLY MANAGING

Taking the above into account, together with customer and stakeholder feedback, we consider:

- a move towards more cost reflective pricing continues to be in the best interests of customers; however
- the pace of this move should be commensurate with the potential short to medium-term benefits of change.

Box 3–1: Proposed ToU pricing structure for residential customers

We propose to re-assign all residential customers on a single-rate, or existing ToU network pricing structure, to a new, cost-reflective, ToU pricing structure.

The vast majority—over 83 per cent—of Victorian residential customers are currently on a single-rate network pricing structure. Almost all other residential customers are currently assigned to an existing ToU pricing structure. Our understanding is that retailers generally mirror network pricing structures and customer assignments at the retail level.

We consider a ToU pricing structure, at this point, best meets these key principles co-designed with key stakeholder groups in our first stakeholder forum in 2017 (see Table 3–2). Our rationale for reassigning customers currently on a ToU network pricing structure (as well as those on a single-rate structure) to the new cost-reflective ToU pricing structure is:

- legacy ToU network pricing structures have a peak-period of 7am to 11pm, typically on weekdays only, which does not align particularly well to periods of peak demand; and
- a single household ToU network pricing structure will make communicating a clear message to customers easier, and mitigate potential for customer and stakeholder confusion into the future.

⁴ COAG Energy Council, Energy Security Board, *Strategy Energy Plan – consultation on proposed metrics*, November 2018.

Table 3–2: Assessment of ToU pricing structure against principles designed by key stakeholders

Principle	How a ToU pricing structure is consistent with this principle
Simplicity	<p>Compared to other options (such as demand pricing), it is easier for customers to understand that consumption between certain times is more costly than consumption during other periods.</p> <p>A single ToU pricing structure is simpler to communicate, supporting reassignment of customers currently on a ToU pricing structure to the new ToU pricing structure.</p> <p>Beyond 2025, potential growth in home automation and third party energy management services may make it less important to customers to directly engage with and understand different electricity pricing structures.</p>
Economic efficiency	Prices are more reflective of network costs than the status quo, reflecting a move towards more cost-reflective pricing
Equity	Compared to the status quo, customers using the network relatively more at peak times will pay more than customers using the network during off-peak periods, moving towards paying a fair share of network costs.
Affordability	The opt-out arrangements can help customers to avoid bill shock. Transition and complementary support measures may also be appropriate.
Adaptability	<p>Introducing a ToU pricing structure as the default pricing structure provides a solid foundation for any potential new pricing structures that may be introduced after 2025. Due to future uncertainty, it is unclear what pricing structure will be preferable in the future. The two part or three part ToU pricing with fixed pricing periods could evolve into one, or a combination, of the following:</p> <ul style="list-style-type: none"> • A demand pricing structure with a similar peak window • A ToU pricing structure with an additional critical peak price (or rebate) window nominated by the distributor on a few occasions a year; • A dynamic ToU pricing structure; • A locational ToU (or demand) pricing structure or rebate where the peak/rebate ratio varies depending on the cost/benefit to the network at certain location. <p>Monitoring developments and considering the effectiveness of network pricing with greater cost reflectivity (e.g. demand-based prices) will be a key focus for 2021-25.</p>

4. WHAT WOULD THE TOU PRICING STRUCTURE LOOK LIKE?

We intend to propose a consistent ToU structure across the 5 networks. There are some key decisions we need to make when designing a ToU pricing structure. Box 4–1 sets out our strawman ToU pricing structure, for consultation with stakeholders on 20 March 2019.

Box 4–1: Strawman for stakeholder feedback: ToU pricing structure

Our current view is that the new ToU pricing structure would:

- comprise only two daily pricing periods – peak and off-peak;
- have a peak window of 3pm to 9pm local time;
- apply weekdays, weekends and public holidays; and
- apply year-round with no seasonal pricing differences.

4.1 TWO RATES OR THREE?

Currently, ToU pricing structures are generally two-rate (peak/off-peak) or three-rate (peak/off-peak/shoulder). Prices are highest during the peak period, lowest during the off-peak period, and somewhere in-between during the shoulder periods. The shoulder periods sit either side of the peak period.

We prefer a 2-rate ToU pricing structure because it is simple and customers only have to remember two times within the day – when the peak period starts and ends. In their conversations with us customers show an awareness of peak and off-peak pricing, but have rarely mentioned the existence of a shoulder-period. We are unsure if a shoulder period is particularly effective.

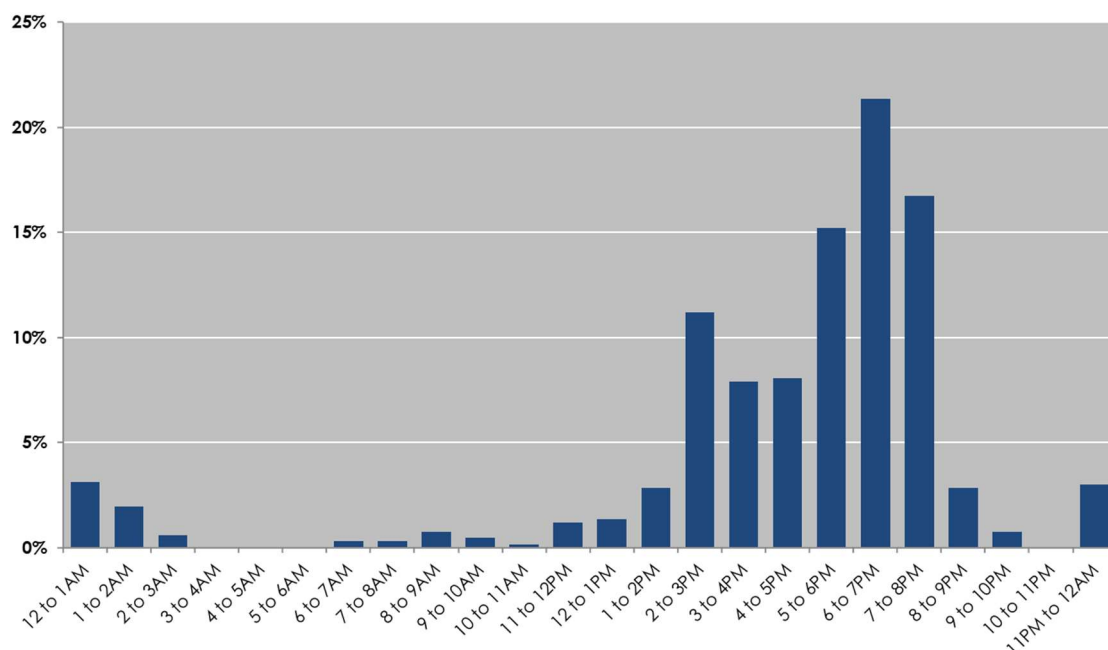
4.2 WHEN IS THE PEAK-TIME PERIOD?

The objective of a ToU pricing structure is to provide customers with an incentive to move discretionary load into off-peak periods, when the network is under less stress.

We therefore need to choose a peak-time that reflects when households are using a large amount of electricity at the same time the local electricity network is under stress.

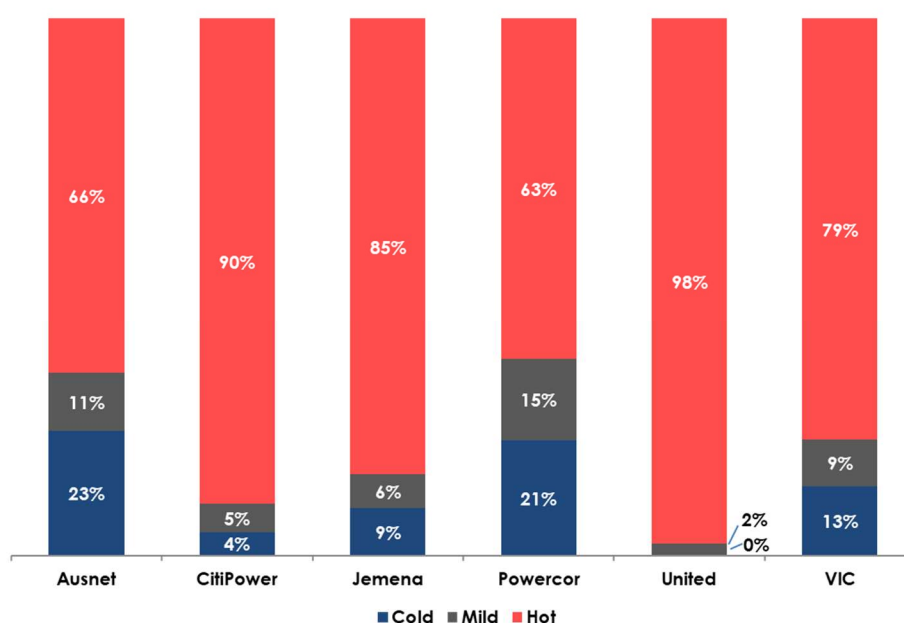
Figure 4–1 shows when our (approximately) 230 zone substations are under most stress. Most zone substations are peaking between 2pm and 8pm (local time)⁵. There are also “tails” to this period, with about 10 per cent of substations peaking between 11am and 2pm, and 8pm and 10pm, local time.

⁵ Zone substations peaking between 11pm and 2am reflect zone substations supplying customers with controlled load.

Figure 4–1: Victorian zone substation peaks by hour of day (2015-17), local time

We also need to assess when households are using the most electricity. To do this, we ranked each 30 minute interval between 1 January 2016 and 31 December 2018 by total household consumption across Victoria. We observed that the top 100 household consumption intervals all occurred in December, January, February or March.

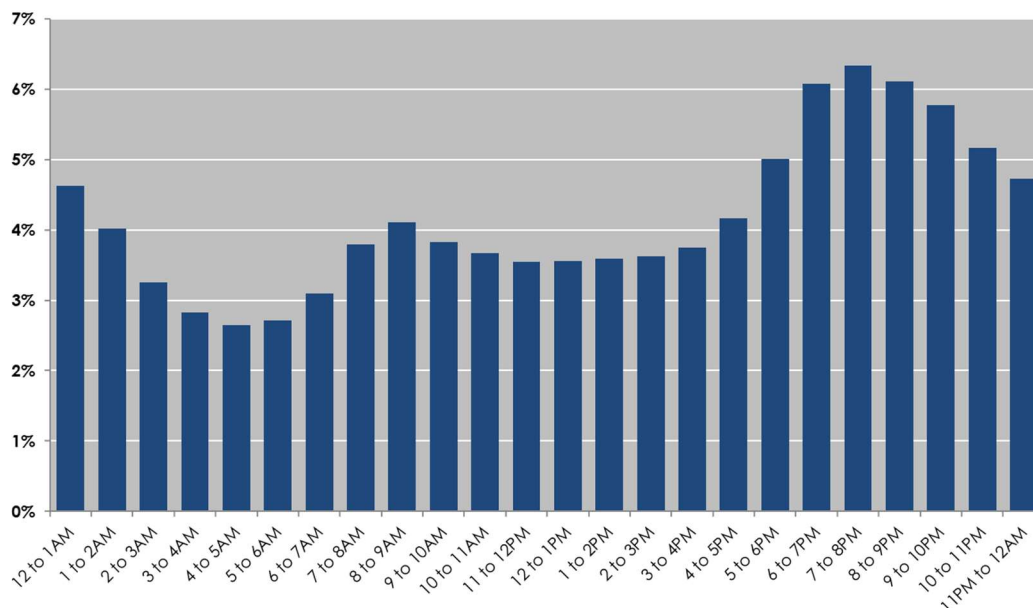
We also looked at the temperature when substations peaks were occurring. As can be seen in Figure 4–2, most occur when it is hot (although there are some that occur in colder months).

Figure 4–2: Substation peak by temperature, 2015-17

4 — WHAT WOULD THE TOU PRICING STRUCTURE LOOK LIKE?

Therefore, while we cannot ignore winter months, our analysis suggests we should focus on household consumption over December to March, which are generally the hottest months of the year. Figure 4–3 shows that between December and March, households tend to ramp up consumption from 4pm and continue to use large volumes of electricity to 1am (most controlled hot water heating), peaking between 6pm and 9pm during the evening.

Figure 4–3: Proportion of 2016-18 household consumption by hour of day, local time summer plus March



Taking Figure 4–1 and Figure 4–3 together (i.e. when households are using the most electricity at the same time as the network is under most stress), we intend to adopt 3pm to 9pm, local time, as the peak-time period for our new ToU pricing structure. The expected continued high rate of solar PV installations could reduce demand in the afternoon and therefore in the future peaks may occur a little later in the day.

One of the key questions we needed to consider in choosing this period is whether this might simply “move” the peak to just before or after this 3pm to 9pm time period, or for some networks exacerbate peak demand if that tended to occur on the fringes of 3pm to 9pm. This could be partially addressed through the use of a shoulder pricing period.

Over the 2021-25 period we don’t expect that peak demand will shift outside 3pm to 9pm because:

- customers will continue to use air-conditioners on hot afternoons;
- as noted by AEMO, EV take-up is not expected to grow to the extent that it will have a material impact on the load shape over this period;
- to the extent that EV load grows faster than expected, we expect home convenience-charging (refer section 3.2) to be the predominant charging option in the near-term, and this would likely occur as households arrive home from work from 5pm;
- home battery installations are not expected to grow to the extent that they will have a material impact on the load shape over this period, despite recently announced government subsidies for a small number of batteries;
- while solar PV installation penetration is expected to increase, and price signals may encourage more solar panels to be oriented westwards, this is not expected to materially affect demand from 6 pm; and

- minimal impact is expected from customers moving other discretionary load.

4.3 INCLUDE WEEKENDS AND PUBLIC HOLIDAYS?

We need to determine which days to apply the ToU pricing structure for our residential customers.

We have therefore looked at when residential peak loads occur across Victoria, and whether there is any clear pattern to justify including or excluding weekends (104 days of the year) and/or public holidays (13 days of the year).

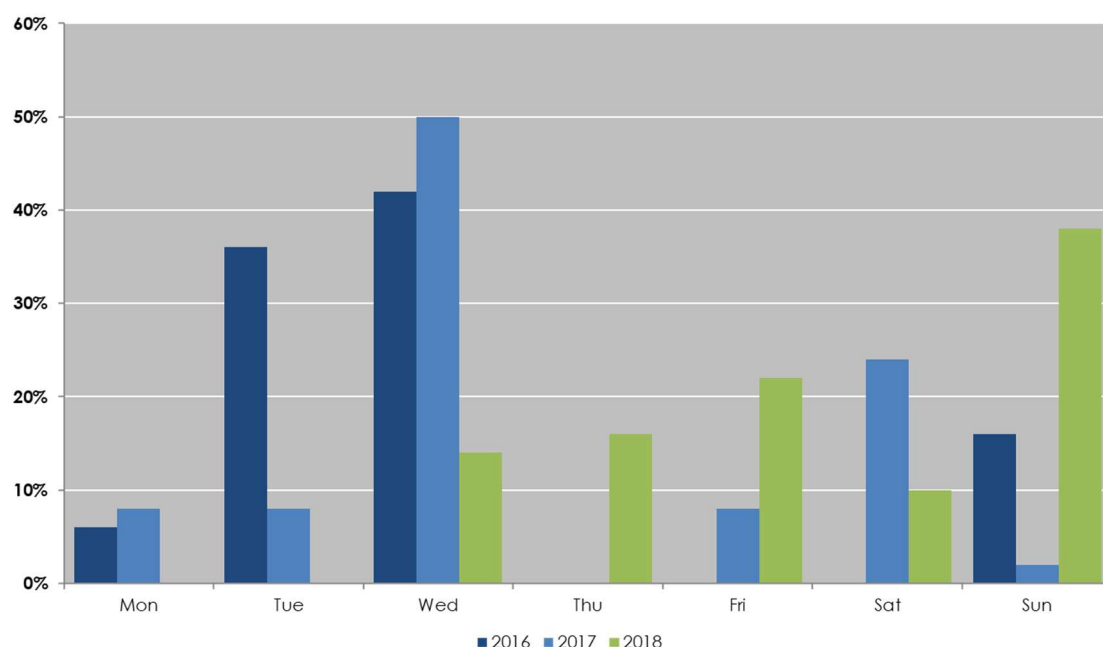
Residential peaks can and do occur on any day of the week (see Figure 4–4). This is primarily driven by household air-conditioning load on hot summer days. We are therefore minded to apply the ToU pricing structure on all days of the week, including weekends.

The second question is whether we include public holidays.

Most substations peak on a very hot day, and very hot days can logically occur on public holidays (most likely those in summer). By chance, there have been no extremely hot days falling on a public holiday in recent years.

We are minded to include public holidays because an extremely hot day can logically fall on a public holiday in the future and this choice supports pricing simplicity. If stakeholders have strong views to the contrary, they may wish to consider whether it is acceptable to simply exclude public holidays that do not fall in summer.

Figure 4–4: Days on which the top 50 Victorian residential half-hour peaks fell (2016 to 2018)



4.4 SHOULD THE PEAK PERIOD ONLY APPLY AT CERTAIN TIMES OF THE YEAR?

At most zone substations in Victoria, residential peak load occurs in summer. This has led us to consider whether we just apply the new ToU price during summer, or perhaps the period of daylight savings, or year-round.

Our initial view is to apply the same ToU pricing all year around because of its simplicity. This choice:

- avoids customers having to remember when the pricing period starts and ends;
- may assist customers understand ToU pricing if the pricing structure is seen on every bill received by the customer during the year, rather than just some bills;
- would result in less confusing retail bills as it will avoid potentially two pricing structures appearing on the bills that cover time-periods when the ToU pricing structure does and does not apply; and
- recognises that 22 per cent of zone substations do peak in winter due to electric-heating load (as noted in Figure 4–2).

5. CUSTOMER OUTCOMES WITH A TOU NETWORK PRICING STRUCTURE

We do not know with certainty how retailers would respond to a ToU network pricing structure. However, as noted in section 2, stakeholders expect us to have “one-eye” on customer outcomes if retailers mirrored the ToU network pricing assignment at the retail level.

To do this, the five networks have used a common model to predict the network component of customers’ 2019 retail bill under their current single-rate or ToU network pricing structure, and new ToU network pricing structure.

We will present the results of this analysis at the forum on 20 March. Unsurprisingly, there are a range of outcomes depending on the customer’s usage profile. We need to be mindful of the impacts on customers. This gives rise to the potential need for transition options, as outlined in section 6.

5.1.1 WHAT DOES THIS MEAN FOR CUSTOMERS INSTALLING SOLAR OR PURCHASING AN EV?

Some industry and customer representatives have asked us to be particularly conscious of outcomes for customers installing solar or purchasing an EV.

Under its moderate scenario, CSIRO estimate that rooftop solar capacity will increase by about 50 per cent by 2030.⁶ Recent Victorian Government announced solar rebates may result in an even higher rate of household solar PV uptake. A customer (or their solar installer) installing solar for the first time, or upgrading their solar system is required to inform their distribution network.

Under our proposal, new household solar customers would be assigned to the new ToU pricing structure. This would provide appropriate price signals to assist customers to make efficient investment decisions. It will also promote markets for new technologies – for example, solar customers may have a greater incentive to invest in a battery to absorb excess solar generation and reduce electricity drawn from the network during the peak period. AusNet Services and United Energy currently assign new solar customers to a ToU network pricing structure.

As noted in section 3.2, we expect an increase in the up-take of electric vehicles although the scale and pace of change is less clear and relatively low until at least 2025.

To the extent that EV charging occurs at home (and not at public charging stations), we expect this to be largely convenience-based commencing when households return home from work at around 5pm. A ToU network pricing structure would incentivise these customers to shift EV-charging to after the peak window. Consistent with AEMO expectations, we do not expect new EVs to have a material impact on peak demand before 2025 (and potentially 2030).

⁶ CSIRO, *Projections for small-scale embedded technologies*, June 2018, pp35-36.

6. TRANSITION OPTIONS FOR THE TOU PRICING STRUCTURE

There are a range of transition options available to us when implementing the new ToU pricing structure and assigning households to it. Each may deliver varying outcomes both in terms of the households affected, but also the overall rate of movement to the new ToU pricing structure. Ultimately, customer outcomes will be most influenced by if/how retailers respond, and if/how customers respond to the new pricing signal.

Box 6–1 sets our strawman ToU pricing structure, for consultation with stakeholders on 20 March 2019. We intend to consult on each option at the 20 March forum.

Box 6–1: Strawman for stakeholder feedback – transition options

Our current view is that the following transition options should be implemented:

- Households (or their retailer) have the right to opt-out from the new ToU pricing structure for 5 years; and
- Life-support customers and those claiming the medical cooling concession should not be re-assigned to the new ToU pricing structure.

6.1 SOME CUSTOMERS HAVE LIMITED CHOICE ABOUT WHEN THEY USE ELECTRICITY

There are a range of outcomes if households move to a ToU network pricing structure (assuming retailers mirrored this in the applicable retail pricing structure).

As noted in section 3, stakeholders have told us that it is important for customers to have the choice to opt-out, recognising the impact this may have on some customers, particularly those that may have difficulty shifting their load.

We have thought carefully about this.

Customers that are more likely to opt-out from the new ToU pricing structure expect (or have experienced) a material increase in their bill as a result of the change. These customers are consuming relatively more electricity during the peak period relative to the off-peak period. From one perspective, this is exactly the consumption that ToU pricing is targeting. ToU pricing is providing these customers with a better signal of the cost impacts of consuming load during the peak period compared to the off-peak period.

However, taking into account stakeholder and customer feedback, we need to be particularly mindful of the impacts on customers who may not have a choice about when to consume electricity for reasons beyond their control. Indeed, some customers may be incentivised to shift load or reduce electricity consumption that, for health reasons, should ideally not be moved.

As a result we propose to provide the option for households or their retailer to opt-out from the new ToU pricing structure for 5 years. We recommend this is coupled with appropriate customer communications as noted in section 7.1.

6.2 VULNERABLE CUSTOMERS

Customers and stakeholders have all asked us to carefully consider the impact on vulnerable customers of changing their network pricing structure.

6.2.1 ACIL ALLEN STUDY INTO VULNERABLE CUSTOMER IMPACTS

It is important that we understand how vulnerable customers may be impacted from a ToU pricing structure.

We engaged ACIL Allen to assess the likely impact on vulnerable customers of changing those on a single-rate network pricing structure to a ToU pricing structure. 83 per cent of Victorian households are currently on a single-rate network pricing structure.

Guided by Australian Bureau Statistics' Socio-Economic Indexes for Areas (**SEIFA**), ACIL Allen surveyed over 2,000 Victorian households to identify those that could be considered vulnerable. With consent, ACIL Allen then utilised smart meter data to estimate the network bill change arising from a change to network pricing structure.

Vulnerable customers (identified via survey self-evaluation) are expected to see an average annual bill *decrease* of \$18 per annum arising from a ToU pricing structure.

The methodologies and further detailed results will be presented at the 20 March forum.

6.2.2 TRANSITION ISSUES

While ACIL Allen surveyed 2,000 households, we do not have the same results for *all* Victorian households. As such, if we were to implement transition arrangements for vulnerable customers, we could not directly apply the ACIL Allen analysis.

The only household-level data sources we are aware of that potentially reflect a measure (albeit imprecise) of vulnerability across the entire customer base are:

- **life-support⁷ customers**—approximately 1 per cent of households;
- **customers on a retailer payment assistance scheme**—approximately 5 per cent of households⁸;
- **customers claiming the medical cooling concession**—approximately 0.5 per cent of households⁹; and
- **customers claiming the mains electricity concessions** (annual electricity concessions) from the Department of Health and Human Services—approximately 43 per cent of households¹⁰

⁷ Life support equipment includes any equipment that a registered medical practitioner certifies is required for a person residing and the premises for life support.

⁸ KPMG, *Payment difficulty framework – Assessment of customer impacts*, Report for the Essential Services Commission of Victoria, September 2017. According to this report approximately 5% of Victorian households were on a payment assistance scheme in 2017 and in the absence of publicly available data (to our knowledge), it is reasonable to assume this proportion of households are also currently on a payment assistance scheme.

⁹ Concessions data is available at <https://dhhs.vic.gov.au/publications/state-concessions-and-hardship-programs-annual-data-reports>.

¹⁰ Concessions data is available at <https://dhhs.vic.gov.au/publications/state-concessions-and-hardship-programs-annual-data-reports>.

6.2.3 LIFE-SUPPORT CUSTOMERS AND CUSTOMERS CLAIMING THE MEDICAL COOLING CONCESSIONS

We know which households are registered for life-support – we have special arrangements for these customers when managing planned interruptions to supply. Retailers and the Victorian Government know which households are registered for the medical cooling concession.

Our preference is to exclude these customers from the initial reassignment given the particularly sensitive circumstances these customers face, and the potential unintended consequences that could result from moving them to a ToU network pricing structure.

We note that a life-support flag and medical cooling concession applies to only 1.5 per cent of households, so excluding these customers would not materially impact the take-up of the new ToU pricing structure. Life-support and medical cooling customers could still opt-in to the new ToU pricing structure should they wish.

6.2.4 CUSTOMERS ON A RETAILER PAYMENT ASSISTANCE SCHEME; CUSTOMERS CLAIMING THE MAINS ELECTRICITY CONCESSION

Our preference is to re-assign customers on a retailer payment assistance scheme, or claiming the mains electricity concession, to the new ToU network pricing structure, because:

- we do not have sufficient data to know whether these customers are better or worse-off under a network ToU pricing structure;
- we believe customers (and potentially their retailer) are in a better position to assess the outcomes for this group, noting both retailers and customer would have the opportunity to opt-out in advance under our proposal; and
- excluding the large number of customers claiming the annual electricity concession would materially slow the pace of transition.

If there was a strong stakeholder preference to implement transition arrangements for these customers, we would recommend a glide-path transition.

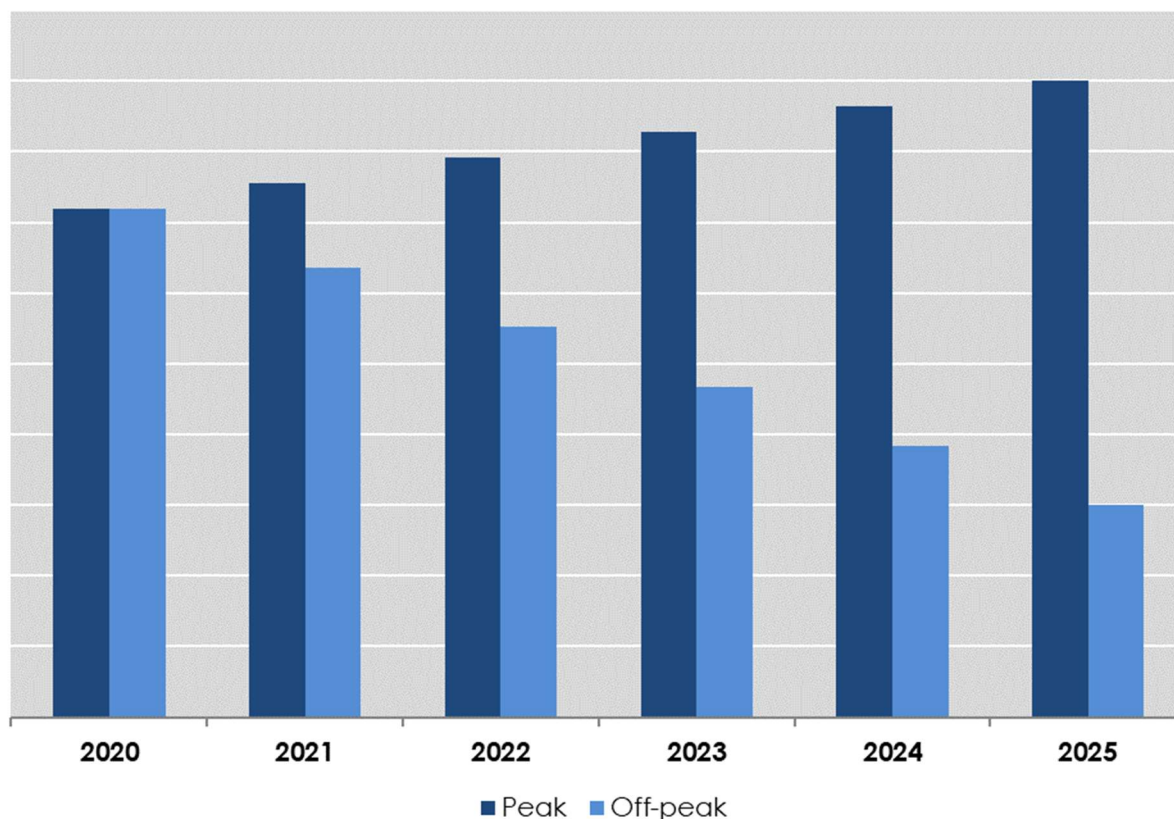
6.2.5 GLIDE-PATH TRANSITION

For customers (including vulnerable customers) currently on a single-rate pricing structure, the underlying cause of the customer impacts outlined in section 5 is the differential between the peak and off-peak electricity rates.

One option that could be considered is to start with those two different pricing rates quite closer together, then gradually move them apart in the subsequent 4 years. This would provide a glide path towards the desired ToU pricing structures. It would smooth-out the impact on customer bills for those worse-off. The impact would be roughly 20 per cent p.a. over 5 years, relative to the full change occurring in the first year (2021). The glide-path transition is illustrated in Figure 6–1.

This transition option could be adopted for all customers or only vulnerable customers (or a subset of those customers) as a transition measure. An issue that would need to be considered is how retailers might respond to a glide-path. There may be good reasons for retailers not to follow this glide-path. For example, it could increase complexity for customers, retailers and distributors.

To be implemented at the network level for vulnerable customers we would also need access to the household level data on retailer payment assistance provision and mains electricity concessions in the lead up to 1 January 2021.

Figure 6–1: Transitioning from 2020 single-rate to preferred ToU rates by 2025 (illustrative only)

6.3 SLOWER TRANSITION OPTIONS

There are several transition options available that could be implemented individually or in combination. Each would see a slower rate of transition to the new ToU network tariff structure

6.3.1 MOVE HOUSEHOLDS CURRENTLY ON A TOU NETWORK PRICING STRUCTURE

Around 17 per cent of households are current on a ToU network pricing structure. We could move all customers currently on a ToU network pricing structure to the new, common, ToU network pricing structure. This could reduce customer impacts relative to our proposal – for each customer this will depend on the difference between each customers' current and new ToU price structures, and their consumption profile.

If existing ToU customers were not re-assigned to the new ToU pricing structure, then this would likely result in customer confusion or misunderstanding. Most existing ToU customers have a 7am to 11pm weekday¹¹ peak pricing period, whereas the proposed new ToU tariff would have a 3pm to 9pm everyday peak pricing period. Any

¹¹ Some existing ToU customers are on a 7am to 11pm everyday peak pricing period, and customers on the flexible TOU are on a three-part tariff with different pricing periods for weekdays and weekends.

customer communication regarding the peak pricing period would likely be very confusing or misleading if there were different ToU pricing periods.

6.3.2 NEW CONNECTIONS, MOVE-INS, UPGRADES

The slowest transition path (and in some cases, a path that may never see transition actually complete) would be to limit assignment to the new ToU pricing structure to customers moving home, connecting to the network for the first time, or upgrading their supply. What makes these customers unique is that they:

- will all be interacting with a retailer regarding a retail offer, providing the opportunity for the customer to receive information about their pricing structure upfront;
- there is less likelihood of a bill shock arising from the ToU pricing structure itself, because the first bill received by the customer is the first received in its present electricity supply circumstances; and
- are making choices about their house and/or electricity appliances and therefore may be ideal candidates to see an efficient pricing signal.

However, as noted limiting the allocation to customers in these circumstances would significantly slow-down the transition or could mean it never completes. As a result we do not intend to consider these options unless there are strong stakeholder views to the contrary. We present further information on these options below.

Table 6–1 below sets out the rate of transition for each option using available data.

Table 6–1: Annual transition rate for certain customer groups

Circumstances	Unique customers p.a. (estimate)	Annual transition rate
Move-in customers	Uncertain (see section 6.3.2.1)	
Upgrades	3,000	0.1%
New connections	52,000	2.4%

6.3.2.1 Move-in customers

As noted in Table 6–1, of the three categories, move-in customers provides the fastest transition rate. We have assessed the data available to us in market systems (MSATS) to determine whether we can identify customers that have moved-in to their premises. MSATS does not have a field that identifies such customers, and we would need to initiate a procedure change via AEMO to obtain such information. This may be a material process change for retailers who would need to flag whether a new customer is a move-in customer.

6.3.2.2 New connections

The Victorian residential customer base grows by about 2.4 per cent per annum (around 52,000 new homes each year). As noted in Table 6–1 of the three categories, move-in customers provides the second fastest transition rate, although significantly slower than move-ins.

If assignment is limited to new connections, based on our experience with opt-in demand-based pricing, almost all existing NMLs assigned to a single-rate pricing structure (around 2.2 million) could remain on that pricing structure for the foreseeable future.

6.3.2.3 Upgrade from single-phase to three-phase supply

Large electric motors can need three-phase power and require customers to upgrade their electricity supply. This can occur when customers are installing large air-conditioning systems, kilns, significant power tools (sometimes used in workshops or for home renovations), or a solar panel array above 10kVA.

The Victorian networks provide around 3,000 supply upgrades per annum. Our current view is that if we do limit the new ToU pricing structure to new connections and/or move-in customers, we would also include customers with a supply upgrade given the relatively small numbers, and the fact that they are making a choice to invest in appliances that may materially change their consumption patterns.

7. COMPLEMENTARY CUSTOMER SUPPORT MEASURES

The previous section set out customer support options that relate to how we actually implement the new ToU pricing structure. There are other customer support measures that we could explore that may complement potential changes to retail pricing structures, that may follow our change to network pricing structure changes.

7.1 CUSTOMER COMMUNICATIONS

If retailers mirror the ToU pricing structure reassignment at the retail level, it is important that customers are made aware of this change. Given that:

- customers care more about their retail pricing structure than the underlying network pricing structure; and
- are not aware of the company that owns and operates the local electricity distribution network,

we are open to working collaboratively with relevant stakeholders on communications about pricing structures.

7.2 OTHER COMPLEMENTARY MEASURES

We have considered the following complementary measures that would support appropriate customer communications:

- **literacy programs**—some distribution networks currently support energy literacy programs within the communities they serve, and should ToU pricing proliferate at the retail level, we would adjust our literacy programs accordingly.
- **technology rebates**—in our view, home automation is a key enabler of more complex pricing structures. While a simple peak/off-peak ToU pricing structure is relatively straight-forward for customers to understand and recall, in the future there may be a business case to provide rebates for home energy management services and technologies that will automate customers' responses to network pricing structure.
- **energy efficiency programs**—sensible, cost-effective energy efficiency programs can help lower energy usage overall, and those that target air-conditioners can help mitigate peak demand.
- **peak time rebates**—in areas where there are network constraints, networks can reward customers for reducing their consumption during nominated critical peak periods, or reward customers for allowing the network to control certain devices during critical peak periods.

We are interested in stakeholder feedback on these options, particular which industry participant or group would be best-placed to lead these initiatives.



C. Participants attending the Workshop

Name	Organisation
Ingrid Michel	ACCC
Jeremy Tustin	ACIL Allen Consulting
Tim Weterings	ACIL Allen Consulting
Anthony Bell	AEMC
Clare Stark	AER
Steven Dimovski	AGL
Brandon Hoogendorp	AGL
Alex Pavlich	AGL
Paul Kirkpatrick	Bendigo Sustainability Alliance
David Bryant	Brotherhood of St Laurence
Emma Chessell	Brotherhood of St Laurence
Liam Cranley	Brotherhood of St Laurence
Darren Gladman	Clean Energy Council
David Locke	Click Energy
Federico Melzani	Click Energy
Brendan Renn	Click Energy
David Prins	Consumer Challenge Panel
Donna Swan	COTA
Simon McCabe	DELWP
Sarah Sheppard	DELWP
Daniel Zhang	DELWP
David Sita	Energy Australia
Jay Whelan	Energy Australia
Lynne Gallagher	Energy Consumers Australia
Jordan Tasker	Essential Services Commission
Stephanie Bashir	Evie Networks
Andrew Simpson	Evie Networks
Jane Edwards	EWOV
Tony Brooks	Momentum
Marcel Hutchinson-Kern	Momentum
Kate Nicolazzo	Moreland Energy Foundation
Raman Vaid	Origin Energy



Name	Organisation
Eric	Powershop
Dean Lombard	Renew
Don Culvenor	Renewable Newstead
Gavin Dufty	St Vincent de Paul
Adison Mok	Sumo
Davin Hopper	Tango Energy
Timothy Toh	Tango Energy
Emma O'Neill	VCOSS
Allan Bulleen	VFF
Robyn Stokes	
<u>Victorian Distribution Business Attendees</u>	
Catherine Gip	AusNet Services
Greg Hannan	AusNet Services
Edwin Chan	AusNet Services
Katie Yates	AusNet Services
Alistair Parker	AusNet Services
Tom Hallam	AusNet Services
Jana Dore	CitiPower Powercor United Energy
Jay Stein	CitiPower Powercor United Energy
Anna Tinline	CitiPower Powercor United Energy
Laslo Milias	CitiPower Powercor United Energy
Mark De Villiers	CitiPower Powercor United Energy
Alex McPherson	Jemena
Catherine Marshall	Jemena
Chris Stewart	Jemena
Usman Saadat	Jemena

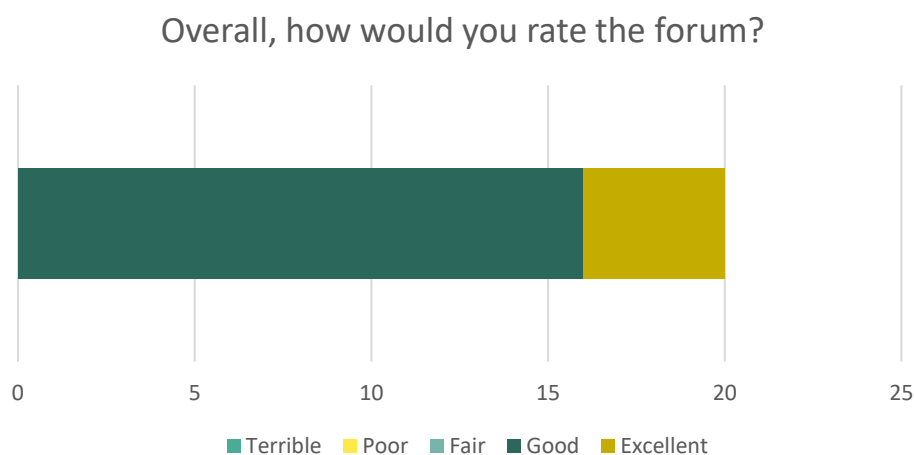


D. Participant Feedback

Twenty of a maximum of 31 attendees staying at the end of the forum filled in feedback forms on the day, representing a response rate of around two thirds. Although participants were offered an email address for later feedback, no other feedback has been received.

Respondents' feedback was very positive. The charts below summarise respondents' feedback to the questions with a rating scale. Respondents' free text comments are summarised later in this section.

Figure D. 1 Forum Rating: Overall Rating, number of responses by rating



All the respondents gave an overall rating to the forum of “Good” or “Excellent”.

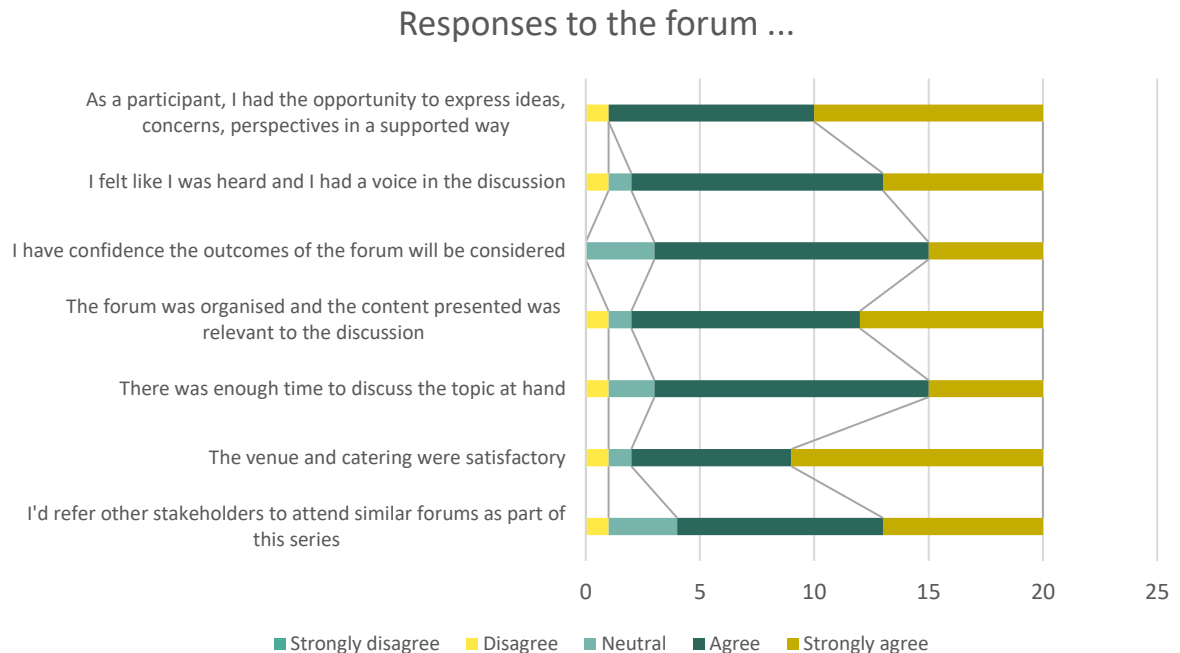
Looking at the specific questions about the dimensions of their experience, 16 or more respondents agreed or strongly agreed that at the forum:

- “As a participant, I had the opportunity to express ideas, concerns, perspectives in a supported way”
- “I felt like I was heard and I had a voice in the discussion”
- “I have confidence the outcomes of the forum will be considered”
- “The forum was organised and the content presented was relevant to the discussion”
- “There was enough time to discuss the topic at hand”
- “The venue and catering were satisfactory”
- “I’d refer other stakeholders to attend similar forums as part of this series.”

One respondent disagreed with six of the seven specific propositions about the forum and was neutral on the seventh (“I have confidence the outcomes of the forum will be considered”), but despite these individual evaluations, rated the forum as “Good”, and as living up to expectations “Quite a bit”.



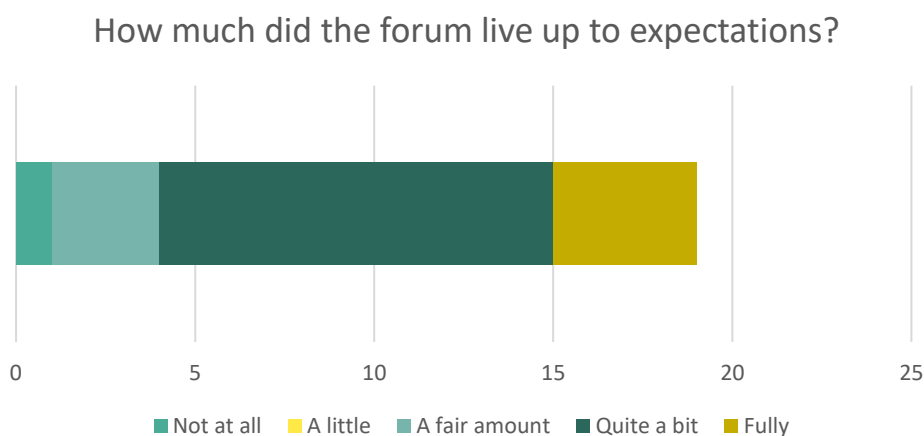
Figure D. 2 Responses to the forum: Ratings by question, number of responses



Fifteen of the 20 respondents rated the forum as living up to expectations either “Quite a bit” or “Fully”, while three respondents rated the forum as living up to expectations “A little”. The one participant responded who responded “Not at all” indicated in his/her feedback form that his/her incoming expectation was that the forum “was going to be about demand implementation. Glad it is not!!”, suggesting no unhappiness with the content or coverage of the forum. Two comments in the free text area of the feedback form suggested some difficulty in hearing others speak, given the number of people in the room. Late acceptances to the forum exceeded the anticipated number of attendees based on previous forums’ experience and early indications of attendance, meaning that the room booked was adequate, but not spacious, in the sessions before lunch. After lunch, as is typical, a number of participants apologised and left.



Figure D. 3 Forum Rating: Living up to expectations, number of responses by rating



D.1 What respondents want to hear more about

The table following gives respondents' unedited responses to the question, "What topics would you like covered in any future forums held as part of this series?", grouped into categories reflecting the content of the comment, discussion on the day and table facilitators' information on table discussions. Not all respondents answered this question and a small number of respondents had more than one suggestion.

Eight of the comments received relate to more information on Customer Impacts – low income customers, but also other affected customers (low consumption, legacy network tariffs) and customers generally. Depending on whether you class "Communications" and "Collaboration with retailers" as the same or distinct categories, collectively they attract nearly as many comments as Customer Impacts (seven comments), with Communications attracting five of the seven comments. Two comments focused on access to (real-time) data, although it's unclear whether customer access or access by some other third party is meant.



Table D. 1 Topics for future discussion: Respondents' comments by category

Category	What topics would you like covered in any future forums held as part of this series?
Customer impacts	Fixed charges would be good to unpack
	Tariff forum
	Customer impacts
	Drill down on customers who will be worse off – who are they?
	Consumer impact analysis: drill down for low income and low consuming households
	Impact modelling better articulated (methodology)
Communications	Treatment of legacy tariffs
	Would like to see more detail on consumer impact
	Needs to be sorted – communications plan across government/industry across front line teams
	Some communication message: cross-industry collaboration, i.e. retailer and network
	Communication and time frames
Collaboration with retailers	More content on communications – very broad
	Government/Department feedback/position
	Collaboration with distributors and retailers
Data access	Retailer focus – thoughts on how a modern retailer operates
	Access to data (not sure)
	Better/real time access to data



D.2 Respondents' expectations of the forum

The word cloud below was formed from respondents' free text answers to the question, "What were your expectations for the event?" The content shows a strong focus on understanding the proposals, understanding the proposed implementation, and the opportunity for discussion.

Figure D. 4 Participant Survey: Responses, Word Cloud, top 35 words



Respondents' specific comments on their expectations included:

- "To understand DNSPs' thinking on introduction of cost reflective tariffs"
- "Similar to what was realised, except less discussion. The discussion was excellent."
- "Details around roll-out and communications".

The word cloud below was formed from respondents' free text answers to the question, "What went well today?" The content shows a strong appreciation of the discussion, the presentations, the agenda and discussion at the tables.

[illegible]

- “Prereading was well researched and written. Easy to understand. Presentations were good”
- “Well organised, well thought out, thorough agenda and questions posed”
- “The workshop sessions helped with understanding views”
- “Mix of stakeholders and a variety of perspectives discussed”
- “Questions raised around gaps, i.e. controlled load”
- “Detail provided, open forum”.

