

# Electricity Distribution Price Review Innovative Customer Forum trial



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# Electricity distribution price review



# Firstly, what is the EDPR?

- ▶ **Electricity Distribution Price Review**
- ▶ **Determines our revenues and expenditure allowances in 5 year blocks**
  - › Currently preparing our plans for 2021-25
- ▶ **Traditionally the focus has been on price/reliability outcomes, not customer service outcomes**
- ▶ **The Customer Forum process is aimed at broadening that focus**



missionzero



AusNet  
services

# How we are regulated: National Electricity Objective

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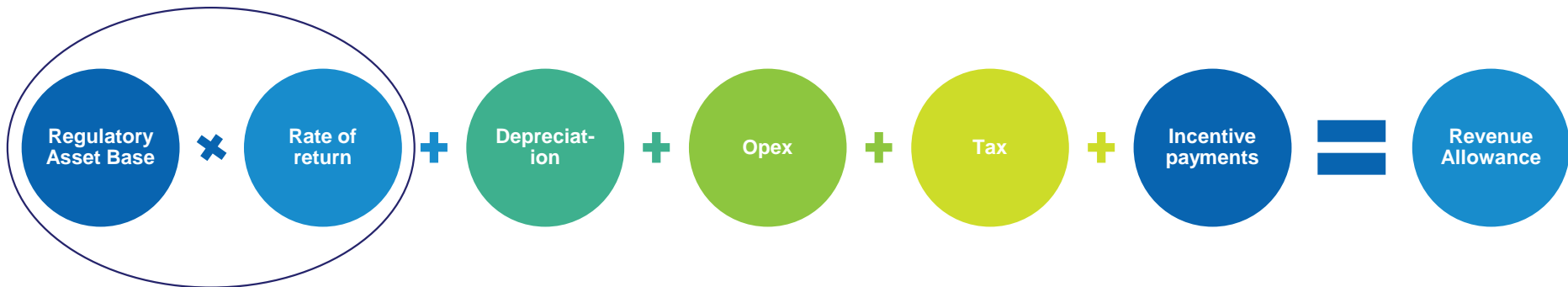


*to promote efficient investment in, and efficient operation and use of, electricity services for the **long term interests of consumers** of electricity with respect to—*

- (a) price, quality, safety, reliability and security of supply of electricity; and*
- (b) the reliability, safety and security of the national electricity system.*

# How we are regulated: Building Block Regulation

- Allowed revenue is calculated with what is known as a revenue 'building block' approach
- Each block represents an allowance for a different kind of expenditure or cost



<https://www.aer.gov.au/networks-pipelines/better-regulation>

# Timeline to final AER decision



# Customer Forum trial





# The Customer Forum

- ▶ **Negotiating counterparty on the EDPR, on behalf of customers**
- ▶ **Understand and represent customer perspectives, based on research and engagement**
- ▶ **Inspired by Scottish Water Customer Forum**
- ▶ **Negotiating scope is limited to specific topics – not the entire proposal**



*Left to right standing: Helen Bartley (Forum member), Alistair Parker (Executive General Manager, AusNet Services), John Mumford (Forum member); Left to right seated: Dianne Rule (Forum member), Tony Robinson (Forum Chair), Nino Ficca (Managing Director of AusNet Services), Greg Camm (Forum member).*

<https://www.ausnetservices.com.au/Misc-Pages/Links/About-Us/Charges-and-revenues/Electricity-distribution-network/Customer-Forum>

<https://www.aer.gov.au/networks-pipelines/new-reg>

**The process is also a trial of the “NewReg” Project, a joint initiative between the AER, Energy Networks Australia and Energy Consumers Australia**

## What are we trying to achieve?

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Ground-breaking trial that will see AusNet Services negotiate its proposed service offerings and expenditure directly with highly-skilled, qualified individuals appointed to formally represent the perspectives of customers

**1**

**Lead a transformational shift in customer relations**

**2**

**Identify the perspectives and preferences of our customers**

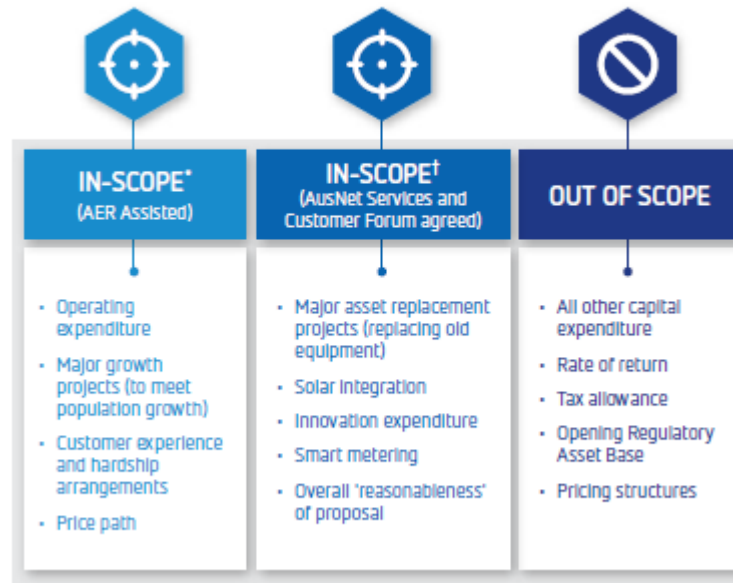
**3**

**A more transparent regulatory process**

**4**

**Negotiate and agree elements of regulatory proposal**

# The scope of negotiations



\* AER assisting Customer Forum by providing information and independent advice

† AER not advising on these topics

The agreed scope of negotiations covers areas where the Customer Forum can add most value by using customers' perspectives, where there are choices to be made about whether to offer a service, what level of service to provide and how much to spend

## 3. Measures of success

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1. Improved levels of **customer focus and trust**
  - › Better **communication** channels with customers
  - › Better **understanding** of customers preferences
  - › Enhanced **trust**
  
2. **Transparent and effective** process
  - › **Positive feedback** received from stakeholders on process
  - › Streamlined or **fast-tracked** AER assessment process
  - › Identified **process** and **Customer Forum** success factors
  - › Identified elements of a proposal that are **most suitable for negotiation**
  
3. **Negotiated and agreed** elements of the regulatory proposal

**Significant customer engagement  
and research**



# Customer input to developing our proposal: Customer Research



\* Please note that the Customer Forum initiated a number of these visits independently of AusNet Services

## **Proposal headlines**

**- Draft Proposal published 12 Feb 2019**



# Draft Proposal on a Page



**LOWER PRICES**  
**\$38↓**  
From 2020–2021

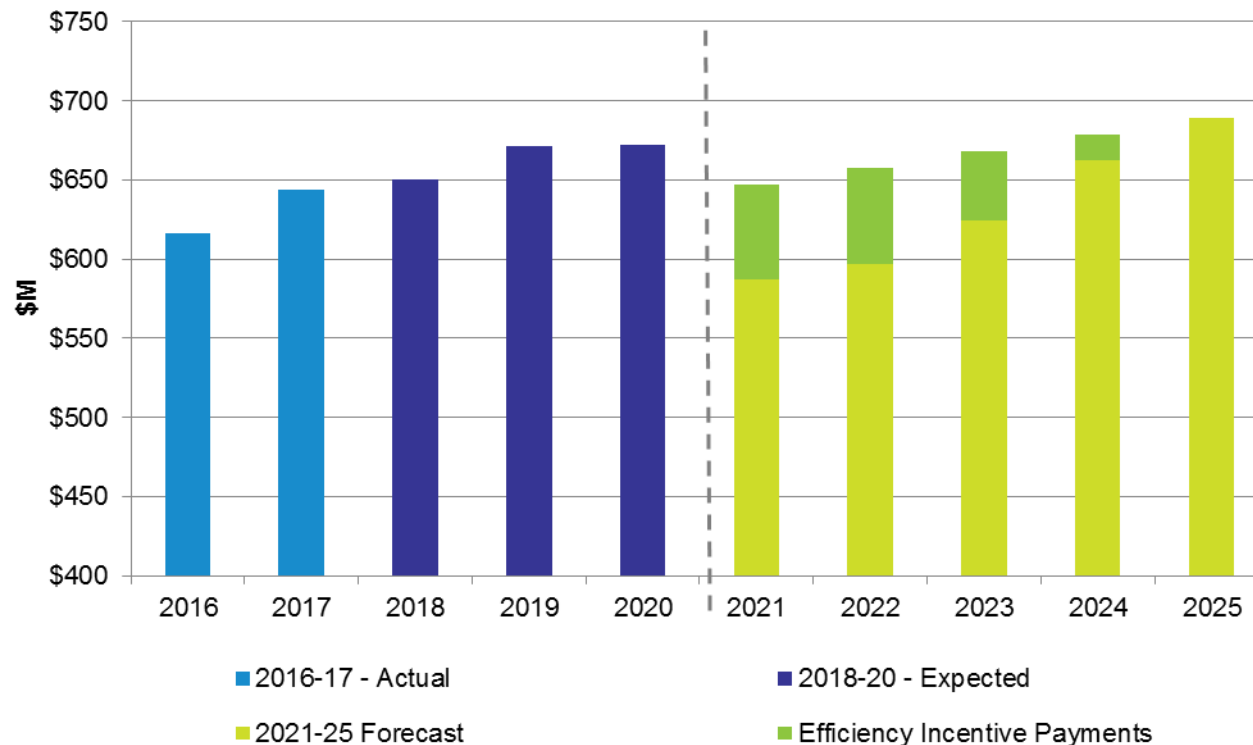
Draft proposal better reflects customers' expectations

BETTER CUSTOMER EXPERIENCE	LOWER COSTS	DELIVERING ON SAFETY	BALANCING RELIABILITY AND COSTS
<ul style="list-style-type: none"><li>Targeting faster response</li><li>Better information</li><li>Support customers' solar and energy future</li></ul>	<ul style="list-style-type: none"><li>Affordability is our customers' primary concern</li><li>Operating costs cut by \$53m</li><li>Capital costs cut by \$310m</li></ul>	<ul style="list-style-type: none"><li>Further reducing bushfire ignition risk across our network</li></ul>	<ul style="list-style-type: none"><li>Customers have told us reliability is highly valued</li><li>We are balancing costs and reliability in consultation with customers</li></ul>

We are listening to our customers who would like a better customer experience and more affordable services. We are working to meet these expectations while balancing reliability and costs and delivering on safety.

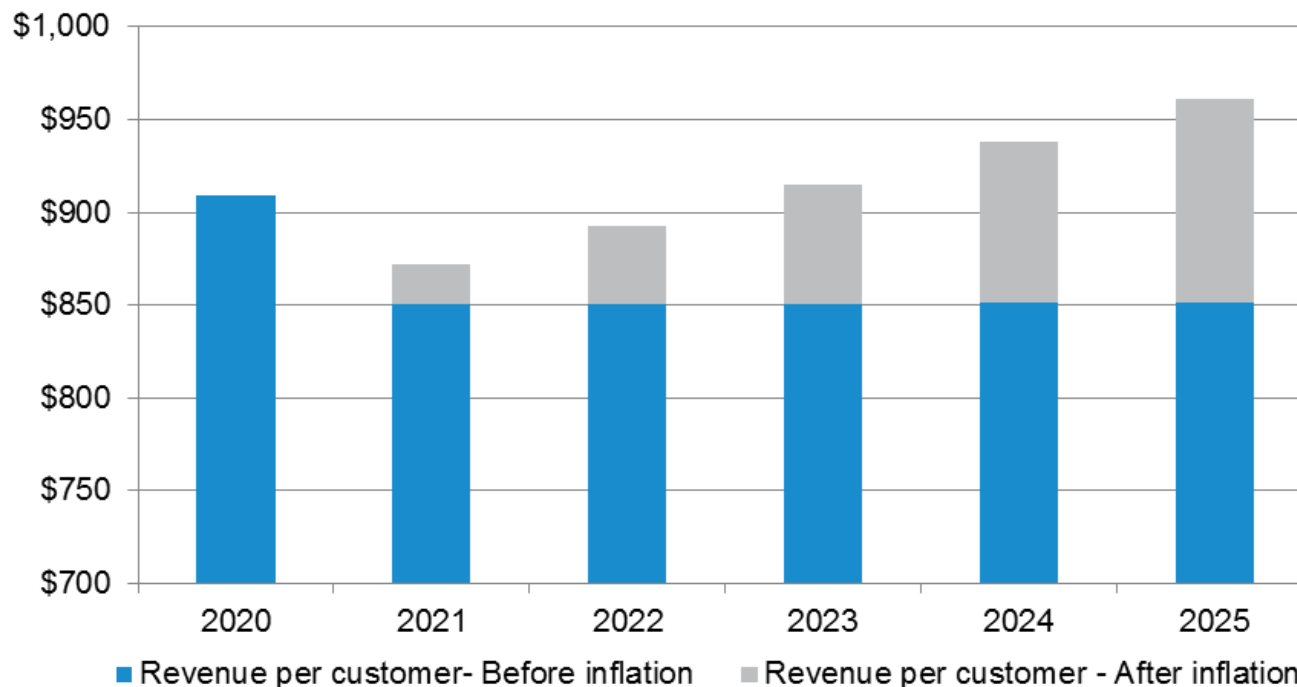


# Total Distribution Revenues 2016 to 2025 (\$M, \$2020)



- Total revenue is forecast to be \$3,340m (\$2020) over 2021-25, a 2.6% increase compared to expected revenue over 2016-20
- Excluding incentive payments (of \$176m (\$2020)), revenue 3% less than expected revenue

## Distribution Revenue Per Customer



- Before inflation – falls by almost 6.5% (or \$58) then flat
- With inflation – average revenue per customer increases by 5.7% (or \$52) between 2020 and 2025

# Status of negotiations with Customer Forum



Topic	Status
<b>Opex</b>	Key ongoing negotiation relates to IT Cloud step change and the Customer Forum believes a 1.5% productivity adjustment is desirable and reasonable
<b>Major growth projects</b>	Preliminary agreement to projects in growth areas in Clyde North and Doreen subject to: <ul style="list-style-type: none"> <li>• Independent review of deferral options including peak mitigation options (underway)</li> <li>• Further stakeholder consultation</li> </ul>
<b>Customer experience</b>	A number of customer experience initiatives agreed and the development of a Customer Satisfaction Incentive Scheme
<b>Price path</b>	Profile agreed that maximises the price reduction in 2021, and only increasing by inflation thereafter
<b>Major asset replacement</b>	Test with customers whether deferring 5 projects out of 9 proposed would align with customer preferences (noting that this would not have an unacceptable impact on safety or reliability). This topic will be covered at the Deep Dive on 12 March. AusNet Services also to provide more information on project ranking and customer benefits.
<b>Solar integration</b>	AusNet Services still developing its proposal, including the impacts of the Victorian Solar Homes policy
<b>Innovation expenditure</b>	At this stage the Customer Forum has agreed to \$7.5million of innovation expenditure. AusNet Services is also consulting further with customers.

# Status of negotiations with Customer Forum



Topic	Status
<b>Smart metering</b>	Consider that AusNet Services proposal represents value for money and will be enhanced through improved communication of metering benefits to customers. Actions to deliver further benefits and services to customers from smart meters also agreed with the Customer Forum
<b>Overall reasonableness of proposal</b>	View will not be finalised until proposal is finalised