



# **ActewAGL Distribution engagement with consumers regarding the ACT 2019-24 electricity distribution determination**

## **Phase 1 Report**

Identifying the areas and issues that consumer representatives need to understand, and clarifying what further information we need, to actively contribute to the development of the ActewAGL Distribution submission to the 2019-24 ACT electricity distribution determination

**March 2017**

## About ACTCOSS

ACTCOSS acknowledges Canberra has been built on the land of the Ngunnawal people. We pay respects to their Elders and recognise the strength and resilience of Aboriginal and/or Torres Strait Islander peoples. We celebrate Aboriginal and/or Torres Strait Islander cultures and ongoing contribution to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage and low-income citizens of the Territory.

ACTCOSS is a member of the nationwide COSS network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS' vision is to live in a fair and equitable community that respects and values diversity, human rights and sustainability and promotes justice, equity, reconciliation and social inclusion.

The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS receives funding from the ACT Government.

ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

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## Background and Rationale

ActewAGL Distribution (AAD) has been working with a customer reference group over the past two years to improve their understating of customer expectations and priorities. As a further development of their customer engagement strategy, AAD have provided funds to enable consumer representatives to build their knowledge and capacity to contribute meaningfully to the development of AAD's 2019-24 regulatory proposal for the ACT electricity distribution network. ACTCOSS is administering these funds.

It was initially expected that in stage one of this process ACTCOSS would engage an external expert consultant to

- analyse the AAD Issues Paper, through the lens of consumer stakeholders,
- identifying key areas where further information would be required,
- then share this with AAD, to inform their Discussion Paper.

In order to build the capacity of consumers to engage with the issues presented by the ACT 2019-24 electricity distribution determination, ACTCOSS believed that it would be more effective to bring together a group of energy consumer experts who have been involved with electricity distribution determination processes in other jurisdictions to undertake this analysis in a facilitated workshop format. Local consumer representatives were invited to attend this workshop as "active observers", being given the opportunity to listen to the discussions and interject with questions, information and suggestions.

This document presents the outcomes from this workshop.

## Broad Issue Being Addressed

How do we ensure that the perspectives of residential and business consumers are understood by ActewAGL Distribution, as they prepare for the 2019-24 ACT electricity distribution determination?

## Objective for Phase 1 of the Project

To identify the areas or issues that consumer representatives need to understand, and clarify what further information we need, to actively contribute to the EN19 process.

# Workshop Outline

An Energy Consumer Workshop was held on Tuesday 14th February, 2017.

## **Session 1: Presentations, followed by Q&A from Observers:**

- *ACTEWAGL Distribution: Regulatory Submission*, Emily Brown, AAD. Presented an overview of AAD, summary of the regulatory review timeline and associated customer and stakeholder engagement, and brief discussion of the contents of the issues paper.
- *What are the factors that most impact on customer prices – Networks and Bills?* Gavin Dufty, St Vincent de Paul. Presented an overview of the components of consumer bills, how distribution companies can collect their revenue, and the different forms that tariffs can take.
- *The National Electricity Rules – context and content*, Oliver Derum, Energy Consumers Australia. Used a time-line format to discuss the creation of the national energy market in 2004, the development of energy policy and reforms to policy, AER's 2015-19 ACT electricity distribution determination, and what that all means for consumers engaging in the process.

## **Session 2: Dialogue exploring the issues and challenges and identifying opportunities and solutions.**

A discussion was facilitated between Energy Consumer Expert Panel members, with opportunity for Observers to ask questions, seek clarification, and provide information and views.

### **Topics for discussion:**

- What have consumer advocates been asking of industry and regulators in other jurisdictions as part of electricity network price determination processes?
- Are there any points raised in the ACTEWAGL Issues Paper that need further clarification or raise further issues? What recommendations can we make?
- What information should we seek from ACTEWAGL to further our understanding of the issues regarding electricity price determinations?

### **Energy Consumer Expert Panel:**

Oliver Derum, Director Advocacy and Communications, Energy Consumers Australia  
Gavin Dufty, Policy and Research Manager, St Vincent de Paul  
Carly Hyde, Manager Essential Services, QCOSS

### **Active Observers:**

Representatives from a range of organisations who represent electricity customers attended including: ACTCOSS, Canberra Business Chamber, Community Councils, Conservation Council, Council for the Ageing, Property Council ACT, See Change.

## Issues Raised

In this section, points from the workshop discussion have been summarised and collated. Specific questions arising from the discussion have been highlighted, and where possible, recommendations have been made.

### Overview

Participants were pleased that AAD was facilitating the engagement of consumers early in the 2019-2023 ACT electricity distribution determination process, and believed that this consultation was being undertaken in good faith. They also felt that it was useful that AAD are consulting on the revenue proposal and tariff structure statement at the same time.

It was apparent that there is some disconnect between the language and environment of the energy sector, and that of the participating ACT consumers representatives. Distribution businesses may assume that consumers are able to take the issues consumer care about and relate them directly to the context of distribution determinations. Consumers often have their specific issues, and think that decision makers need to respond in some way to these issues – “What can you do to help us”. But the framework and perspectives being used by distribution businesses and consumers can be distinctly different. There needs to be an ongoing conversation to help both parties to build trust and understanding and identify ways to develop appropriate and mutually beneficial compromises and solutions.

Participants appreciated the work that has been put into the Issues Paper, however, they felt that they needed more information to constructively answer the questions posed in the paper. The issues of importance to consumer representatives related to service levels, affordability and equity (for current consumers and future generations). It was acknowledged that AAD operational expenditure, capital expenditure, demand management and tariff design all directly impact on these factors. The overarching concern for consumer representatives was how changes in these AAD factors would impact on bills and reliability for consumers, and how different consumers might be affected differently.

It would be useful for consumers to have a range of possible and realistic scenarios against which to compare and rank service levels and price:

- Representing different levels of operational and capital expenditure, demand management processes and technologies, and tariff structures (e.g. gold standard, mid-level, constrained)
- It would be useful to have scenarios differentiated for large business, small business, community businesses (e.g. nursing homes, childcare centers, computer hubs), and different residential user types (e.g. households at home during the day, households with teenagers, households working 9-5, households with high equipment use).
- Example: asking “would you prefer a half hour outage once a month and save \$10 on your bill?” etc. rather than “What are your views on the trade-offs between reliability, customer services and cost of electricity distribution?”

Further detailed questions and suggestions are provided in the following sections:

- Background/baseline information;
- Process;
- Framework/mission;
- Safety, reliability and customer service;
- Infrastructure needs; and
- Tariffs and
- Demand.

It was also acknowledged that there are questions outside the scope of the distribution determination process that need to be directed to others, and these are briefly noted in the last section.

## Background Information

Given that in the ACT 2015-19 electricity distribution determination the final determination was about 30% lower than ActewAGL Distribution (AAD) proposed, consumer representatives are interested to understand the impact that this had had on AAD, namely:

What changes did AAD make after the last determination process?

What has been the impact of this on:

- reliability,
- service,
- safety,
- long term sustainability?

Consumer representatives understand that the rationale for the low final determination was that distribution in the ACT was deemed to be significantly less efficient than in other regions.

What is the evidence that:

- AAD efficiency has improved?
- AAD targets affordability?

## Process

A number of points were raised about how this consultation could be made more meaningful:

- Participants were pleased that AAD was facilitating the engagement of consumers early in the distribution determination process, and believed that this consultation was being undertaken in good faith.
- The Discussion paper must be detailed and comprehensive.

- There is a need to simplify the information, but keep the conversation meaningful, though it was acknowledged that this was a challenge. People felt that acronyms were often used in conversations, and this made it very difficult for them to understand the issues and constructively engage.
- Participants felt that Consumer Engagement needs to directly involve actual consumers, and were interested to know if AAD planned to undertake this (suggestions relating to this point are discussed in the next section, *Safety, Reliability and Customer Service*).
- Participants also wanted reassurances that their effort and input would be influential.
- While an overview of the regulatory review timeline and associated customer and stakeholder engagement was provided in the Issues paper and the presentation, participants were keen to have more specific dates regarding AAD internal/board deadlines for the regulation proposal –so input can be provided before decisions are finalised.

## Framework/Mission

It was noted that the ActewAGL Mission statement “to offer customers the safe, reliable and sustainable energy solutions they want” did not include elements that the consumers felt were essential in energy supply, namely “affordable” or “efficient” or “cost-effective”.

Participants were interested to understand how well ActewAGL values are reflected in tariff designs?

## Safety, Reliability and Customer Service.

*Issues Paper questions: What are your views on the trade-off between reliability, customer service and cost of electricity distribution? In your experience, is the current balance between cost and reliability of service acceptable?*

The issues of importance to consumer representatives related to service levels, affordability and equity (for current consumers and future generations). While it was acknowledged that AAD operational expenditure, capital expenditure, demand management and tariff design all have a direct impact on these factors, there was little understanding of how different decision made by AAD for each of these factors would impact on bills and reliability factors for specific consumer groups.

The overarching concern for consumer representatives was how changes in these AAD factors affect different bill and reliability outcomes for consumers. Associated with this was the need to find effective ways to collect data from actual consumers regarding the trade-offs between price, reliability and safety.



While the AAD Issues paper mentions the use of various pieces of research to support the current service levels, it was noted that given the changing environment, it may be appropriate for AAD to develop realistic scenarios to enable consumers to understand possible trade-offs and provide considered and informed feedback.

Questions need to be nuanced/provide a range of choices, for example, not asking “What are your views on the trade-offs between reliability, customer services and cost of electricity distribution?”, but providing a range of possible and realistic scenarios to choose from for example “would you prefer a half hour outage once a month and save \$10 on your bill?” etc.

This could be undertaken through confidential questionnaires administered by an outside agency specifically targeting a range of residential and business consumers, or through meaningful facilitated discussions with participants at consumer workshops.

There was some discussion about the difficulties associated with how ‘reliability’ is defined and measured, as number of factors are involved in issues of ‘reliability’ including safety, convenience, cost, and technological solutions. It was noted that:

- ‘Average’ unplanned system interruption data hides the impact on outlier customers.
- Different customers will have different priorities in price/reliability trade-offs. For example some businesses will have backup generators so value reliability less. Life-support customers value it more,
- Outcomes can be distributed differently between different customer groups (e.g. those with PV solar, large versus small business, different household types).

Participants wanted to be able to better understand these issues and how they were related.

What are the deviations (95% group) around the average for both Unplanned System Interruption Duration and Unplanned System Interruption Frequency?

Can we interrogate this data relative to regional distribution, residential/small business/large business?

What information are you collecting from consumers regarding preferences etc. – can we have access to this?

There was some discussion about the need to understand if there are geographic areas or consumer groups who are using more, paying more, or have a lower capacity to pay, to help consumer representatives understand issues of equity and possible impacts of current or future tariff structures. They were interested to know:

What does ACT residential and business use and bill size look like by current tariff type:

- across different business types
- across different residential types
- comparing between business and residential customers

What is the geographic distribution of:

- capacity to pay (income levels);
- use;
- bill size (low, average, high)?

It was noted that the Issues Paper places great emphasis on safety and reliability. There is limited discussion about price/affordability – while the title mentions “Cost effective”, this is hardly mentioned anywhere else in the paper. There is no mention of the need for expenditure to be efficient and effective.

## Infrastructure Needs

*Issues Paper questions: Are there any other areas of network operations and maintenance that you think are important? Are there other areas of long-term capital investment that you think are important?*

In order to engage with questions about infrastructure needs, participants felt they needed more detailed information, specifically:

To inform discussion about what investment is needed in asset renewal:

- What is the average age of assets?
- What level of previous investment has there been?
- What level of capacity exists in the network? (Excess = overinvestment, constrained = need further investment).

How will new technologies (e.g. batteries) and microgeneration impact on the costs of distribution? What are the implications for the revenue that ACTEWAGL Distribution will seek? What could be the impact on different customer groups?

How will energy supply security factors impact on cost of distribution? And the revenue that AAD will seek?

What are the diverse sources that currently mitigate against the risk of lack of supply?

Participants were interested in undertaking a tour of assets to better understand the system.

## Tariffs

*Issues Paper Questions: What should we take into consideration when planning new tariffs? What are your thoughts on how distribution tariffs should reflect on customer's use of networks? What do you see as the information priorities for customers to help them to manage their energy consumption and save money on their bills?*

Much of the discussion and concern in the group related to tariff design, and the distribution of costs across different sectors of the community, acknowledging that the changing environment (decreased overall demand for electricity, significant and increasing installation of small PV etc.) is necessitating changes to the tariff design in order for AAD to recover the regulatory-determined revenue. The group were interested to understand the impacts that the different tariff structures would have on different groups, and the short and long term implications for different customer groups.

What are the trade-offs both for consumers and for AAD with different tariff designs

- e.g., with time of use tariffs, are there any specific groups who are paying more than their 'share', e.g. families with young children, and do we want that?
- Who will win or lose with different tariff designs – how are costs being allocated and/or reallocated within the community.
- Are there transfers (cross subsidies) between customer types and what are these: now? projections? might these change with the introduction of new technology?
- How are risks carried by different consumer groups? – Are there any incentives to particular groups?

Would AAD consider trialling new tariffs to see how they impact consumers and especially low income and disadvantaged consumers, for example through undertaking a real time tariff study?

How will AAD identify where wider consumer protections need to be strengthened to avoid bill shock.

How will AAD support consumers to respond to price signals from demand/TOU tariffs? What about those who can't respond?

What options exist to protect customers unable to change use patterns under demand/TOU based tariffs?

What impact would a longer price path (10 years, 20 years) have on overall distribution costs (and hence consumer bills):

- price shocks
- side constraints

## Demand

Participants were also interested to understand how demand was being forecast, and how new technologies (influencing both electricity demand and supply) were being taken into account.

What data has informed demand forecasts?

Will AAD be asking consumers to inform their demand forecasting? i.e. the business community to provide guidance on where there may be growth in demand in the future etc.

How is AAD factoring in technology uptake into demand forecasting (i.e. battery, PV uptake etc.).

What kinds of demand management programs and processes will ActewAGL Distribution (AAD) be implementing to manage demand? Will there be a mix of broad and targeted demand management activities? (Cannot just rely on pricing/tariffs to manage demand.)

What non-price demand management options are being offered (e.g. connection costs for business, auto shut-offs of hot water = rebate paid, information portals sharing existing data.)

How does AAD plan to utilise and target incentives for demand management, and what objectives would this be meeting?

Does AAD have a set of “pricing principles”? How are your values reflected in these?

What are the factors that are influencing changes in tariff design? For example:

- How are new developments influencing tariff design?
- How is technology influencing tariff design (e.g. household PVs, batteries etc.).
- How are costs (or the collection of revenue) allocated through tariff design?
- What stage is tariff rebalancing up to: early-stage, mid-stage, ended.

How will critical peaks be treated in tariff structure? (Utilisation efficiency, microgeneration, peak demand).

Have you considered guaranteed service level specifications, and payments where these are not met (e.g. WA, SA, QLD).

How do the pricing models reflect ACT government policies?

How are issues such as urban renewal/intensification, new subdivisions, and peak use issues affecting costs for AAD.

## Questions for Others/Outside the Scope of the Determination Process

Invite AER to talk to us about the measures against which they will assess AAD proposal against consumer consultations.

Ask the AEMC and AER – what are the common issues being raised by consumers? Have you reviewed the rules based on common issues? What would give you better confidence that consumer understanding of issues is effective?

What is the load shedding agreement in the ACT with businesses and major users, and how is this done with residential customers?

How are “sensitive loads” registered?

What will be the strategy to suspend demand tariffs during extreme weather events to protect customers?

What impact will the metering rule changes have on AAD costs and prices sought?

For next research project: What is the service level package we want?

- Who benefits
- Who doesn't benefit?
- What cost?
- Who pays?
- How to set exit fees?
- How do the Rules affect different customer groups (eg, what cross subsidies exist, and how are they maintained by the Rules)?

Smart meter “Power of Choice” costs and service levels.