

Consumer
Challenge
Panel

CCP27 Advice to the AER

**Power and Water Corporation Electricity Distribution Revised Revenue
Proposal (2024-29)**

19 January 2024

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Acknowledgement of Country

The networks and facilities owned by the Northern Territory Power and Water Corporation traverse all regions of the Northern Territory. We recognise the traditional owners of these lands and honour their customs and traditions and special relationship with the land, as well as those lands where this report was prepared. We respect the elders of these nations, past, present and emerging.

Confidentiality

To the best of our knowledge this report does not present any confidential information.

CCP27 Advice to the AER – Power and Water Corporation Revised Proposal

1 Focus of this advice

The Consumer Challenge Panel Sub-panel 27 (CCP27) was appointed in November 2021 to provide advice to the Australian Energy Regulator (AER) on matters affecting consumers in the following regulatory resets:

- Power and Water Corporation (Northern Territory) electricity distribution (2024-29)
- TasNetworks (Tasmania) electricity distribution and transmission (2024-29)

Power and Water Corporation (PWC) submitted its initial *Regulatory Proposal* to the AER in January 2023 (hereafter referred to as the *Initial Proposal*). CCP27 provided Advice on that Proposal to the AER in May 2023.¹

PWC subsequently lodged its *Revised Electricity Distribution Regulatory Proposal* (hereafter referred to as the *PWC Revised Proposal*) with the AER on 30 November 2023 in response to the AER's *Draft Decision Power and Water Corporation Electricity Distribution Determination 2024 to 2029 (1 July 2024 to 30 June 2029)* (hereafter referred to as the *AER's Draft Decision*).

In line with our role agreed with the AER, and within the time and resources available, this CCP27 Advice focuses on the following:

- An assessment of selected PWC consumer engagement activities since May 2023 and how this engagement has helped shape *PWC's Revised Proposal* in accordance with the AER's expectations for consumer engagement as outlined in the *Better Resets Handbook*
- Other key issues identified from the AER's *Draft Decision* and *PWC's Revised Proposal*.

In relation to the second bullet point, this Advice considers the following aspects of *PWC's Revised Proposal* and issues raised in the *AER's Draft Decision*:

- Overall affordability of the proposal
- Evidence of consumer support to justify PWC's expenditure proposals particularly in relation to:
 - PWC's single site consolidation project
 - ICT expenditure
 - Future networks
- PWC's Customer Experience Strategy

In preparing this Advice, we have relied upon our direct observations our review of PWC's engagement documentation as well as information contained in the AER's *Draft Decision* and PWC's *Revised Proposal*.

¹ CCP27, *CCP27 Advice to the AER - Power and Water Corporation Electricity Distribution Revenue Proposal (2024-29)*, May 2023

2 PWC's post-lodgement consumer engagement

In our May 2023 Advice to the AER on *PWC's Revenue Reset Proposal* we provided an overview of PWC's engagement in the lead up to lodging its *Initial Proposal*. At that point, we made the following key observations in relation to the overall effectiveness of PWC's customer and stakeholder engagement:

- PWC engaged broadly – capturing the views of individual customers in Darwin/Katherine and Alice Springs through face-to-face focus groups, its People's Panel and surveys. However, PWC's engagement with customers in Tennant Creek was limited, to the extent the views of Tennant Creek customers were commonly inferred from the views of customers in other locations.
- PWC attempted to engage deeply with other stakeholders including groups especially formed to consider its proposals (such as its now defunct Reset Advisory Committee - RAC). However, attendance at RAC meetings diminished over time due to a combination of factors, including RAC members' limited availability to attend the multiple events organised by PWC and a lack of familiarity with the spectrum of energy-related consumer issues in the Northern Territory. Additionally, PWC has experienced considerable turnover among staff members involved in its regulatory proposal development.
- PWC engaged with individual customers systematically and with purpose, initially to establish what was important to them, focusing on key issues, including acceptance or otherwise of its *Draft Plan* using face-to-face methods (in two of its networks) and online methods, as well as drawing on evidence of customer preferences through business-as-usual engagement activities.

Despite the challenges, we concluded that PWC was genuinely committed to engaging with consumers to inform its 2024-29 regulatory proposal, demonstrating a reasonable investment in time and expertise, and a clear intent to elicit consumer views to inform aspects of their proposal. Yet due to the various issues, we were not confident that PWC:

- Effectively responded to customers' affordability concerns
- Engaged with customers on the costs and bill impacts associated with two major capex investments that were not included in its *Initial Proposal*, namely a proposal to co-locate staff into one PWC-owned location with an associated capex investment of around \$90 million; and increase in expenditure on major IT systems replacement of around \$30 million
- Engaged deeply with customers and stakeholders on the drivers for its proposed individual opex step changes, and the quantum of expenditure, which varied considerably between PWC's *Initial Proposal* and its *Revised Proposal*

Further, we stressed the need for PWC to retest its *Revised Proposal* with its People's Panel given ongoing affordability concerns expressed by customers.

Finally, we noted that PWC was planning to develop a customer experience strategy. We understand this is now well progressed and an important aspect of the strategy is its focus on supporting customers experiencing vulnerabilities by enhancing customers' digital experiences. In our May 2023 Advice we commented that we expected PWC to engage widely with customers in the development of that strategy.

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Due to resource limitations, our earlier review of PWC’s engagement activities had focussed on the RAC and PWC’s residential customer forums – the Darwin and Alice Springs People’s Panels. As the RAC ceased to operate at the end of 2022, CCP27’s observations of PWC’s post-lodgement engagement were limited to the People’s Panel workshops.

Since May 2023, CCP27 has observed three People’s Panel workshops:

- Combined People’s Panel, 12 August 2023 (online)
- People’s Panel, Alice Springs, 7 October 2023 (face to face and CCP observed online)
- People’s Panel, Darwin, 14 October 2023 (face to face and CCP observed online)

The purpose of these workshops was to provide panel members with an update on changes since lodgement of PWC’s *Initial Proposal*; and specifically in October 2023 to give an overview of the AER’s *Draft Decision* and consult with customers on PWC’s potential responses in the *Revised Proposal*. In particular, the workshops focused on gathering customer feedback on expenditure items not approved in the AER’s *Draft Decision*, including PWC’s future networks proposals (capex and opex), single site consolidation project and ICT expenditure (capex and opex), some of which had not been discussed with customers prior to their inclusion in the *Initial Proposal*.

In addition to the People’s Panel sessions, PWC advised CCP27 in an email on 24 September 2023, that it had also organised one on one meetings for October and November 2023 with the following individuals and groups in relation to its revised proposal:

- Retailers
- Large business customers
- Generators
- Northern Territory Chamber of Commerce
- An NTCOSS representative (who was also a member of the former RAC)

PWC has documented in an Attachment to its Revised Proposal its engagement activities and topics discussed since January 2023 when it lodged its *Initial Proposal*.²

² PWC, *Attachment 1.1 Stakeholder Engagement*, 30 November 2023

3 Assessment of PWC’s consumer engagement activities

Our May 2023 Advice included a detailed assessment of PWC’s consumer engagement activities against the *Better Resets Handbook*. Rather than replicate that assessment, we focus on our observations and other evidence we have gathered from PWC to address the concerns we raised in our May 2023 Advice.

Table 3-1: Overall assessment of PWC’s engagement against the AER’s *Better Resets Handbook*

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 advice	CCP27’s observations since May 2023
Engage sincerely, openly and genuinely with consumers, such that consumers have confidence in the process	<ul style="list-style-type: none"> • PWC has not formally published³ a detailed engagement plan against which the outcomes of its engagement could be assessed • We have not been able to establish PWC’s selection process for appointing RAC members, the RAC’s governance arrangements including its scope, conflict of interest, and independence. • Although RAC members received a remuneration, informal feedback from other sources suggests it was modest, and not systematically applied: <ul style="list-style-type: none"> ○ <i>“It would have been great to get more [remuneration].”</i> ○ <i>“It was a haphazard system, I’m unsure if I got paid for all the work I did – I sent things to claim. Big weekend workshops were different again and it’s unclear if you were paid if you were phoning in.”</i> 	<ul style="list-style-type: none"> • PWC has still not published a detailed engagement plan or details of its RAC selection and governance processes • CCP27 commends attendance by some new PWC executives and the CEO at the most recent People’s Panel sessions, and their active involvement with customers • PWC is to be commended for the presentation of information to customers through posters, videos and other media, which it used to help explain its proposals and we observed customers’ express appreciation of the materials • However, PWC’s focus post-lodgement has largely been on informing and consulting with customers, rather than collaborating on the development of its <i>Revised Proposal</i>

³ Although CCP27 was provided with a copy on request.

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 advice	CCP27’s observations since May 2023
	<ul style="list-style-type: none"> • CCP27 only observed limited involvement by PWC executives at selected engagement activities, while People’s Panel sessions were well-attended by PWC staff, their seniority was not apparent to us • While PWC made a genuine effort to engage with its broader customer base across two of its networks (Darwin/Katherine and Alice Springs) they did not establish a Tennant Creek People’s Panel, and overall engaged less extensively with Tennant Creek customers • The RAC had limited capacity to set the agenda for their sessions with PWC (although we recognise at least initially some RAC members would not have felt sufficiently confident to do so) • Some RAC representatives commented to use that they felt: <ul style="list-style-type: none"> ○ Although PWC provided lots of information, sometimes there was insufficient time to read and digest the contents ○ Some topics were difficult to understand, although this was as much about their knowledge and confidence (or lack of confidence to ask PWC questions, especially in the early stages of PWC’s engagement with them) 	
Consider consumers as “partners”,	<ul style="list-style-type: none"> • We question the extent those members genuinely felt like they were <i>partners</i> (beyond being <i>involved</i>), given they did not 	<ul style="list-style-type: none"> • As per our May 2023 advice

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 advice	CCP27’s observations since May 2023
rather than simply being asked for feedback	<p>generally contribute to the agenda, and more commonly were responding to PWC:</p> <ul style="list-style-type: none"> • <i>“I think our feedback was taken on board.”</i> • <i>“It was hard to bring up extraneous things – but I didn’t bring them up because they were not the questions being asked – it constantly played on my mind.”</i> • PWC services Tennant Creek customers on a separate network, but as mentioned above it did not establish a People’s Panel, limiting the opportunity for Tennant Creek customers to engage on PWC’s proposal. Dr Andrew Nance notes the <i>Independent Consumer Report</i> he prepared:⁴ <ul style="list-style-type: none"> ○ <i>“There is a risk that Tennant Creek consumers are ‘forgotten’ in this process due to their even smaller scale of operations. The evidence suggests these are some of the “worst served” consumers on the regulated networks and warrant attention.”</i> 	<ul style="list-style-type: none"> • As Tennant Creek customers were not able to attend the October 2023 People’s Panel face-to-face workshop, PWC canvassed their views in one-on-one follow up interviews⁵

⁴ Dr Andrew Nance, *Power and Water Corporation – Regulatory Reset 2024-29, Independent Consumer Report*, 30 November 2022, p. 20

⁵ PWC, *Attachment 1.1 Stakeholder Engagement*, 30 November 2023, p. 10



<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 advice	CCP27’s observations since May 2023
<p>Equip consumers with accurate and unbiased information so they can engage effectively</p>	<ul style="list-style-type: none"> • RAC members acknowledged they received a considerable amount of information although it’s context or purpose were not always clear to them, and they needed more time to comprehend it: <ul style="list-style-type: none"> ○ <i>“We were given information about the customer research. I remember a few documents about what they heard – but I was unsure where they got them from and how they were put together.”</i> ○ <i>“Yes lots of good information but not enough time to read and digest, more time at the beginning describing the process, where the RAC sits.”</i> • CCP27 has not been able to locate Terms of Reference (RoR) for the RAC or governance arrangements <ul style="list-style-type: none"> ○ Sharing and publication of such documents would aid RAC members’ understanding of their purpose and scope of work • Additionally, we are not clear if there were any conflicts of interest and is so how they were managed 	<ul style="list-style-type: none"> • PWC continued to engage with its Darwin and Alice Springs People’s Panels, with face to face all day sessions held in October 2023 at each location. • In the October 2023 People’s Panel workshops, PWC engaged on a number of proposed investments in which they advised participants that they were ‘still working through the numbers’ e.g. contingent project proposal, future network investments, opex step changes. The most common response to the Mentimeter questions regarding the level of support for each initiative was ‘Not enough information’. • CCP27 did not observe any discussions on cost to consumers or equivalent bill impacts of PWC’s proposed investment options. • Given PWC’s RAC is defunct, the extent that PWC could engage deeply with customers has been compromised.

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 advice	CCP27’s observations since May 2023
Be accountable to consumers	<ul style="list-style-type: none"> • While RAC members we interviewed appreciated PWC’s commitment to the RAC, those who remained involved were concerned that some members’ commitment was not consistent or enduring: <ul style="list-style-type: none"> ○ <i>“We had a big group initially then people petered off, it does impact on energy in the room, and therefore the group’s ability to hold PWC to account.”</i> 	<ul style="list-style-type: none"> • No change • CCP27 is not aware how PWC intends to deliver ongoing accountability for delivery of its commitments to consumers.

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 advice	CCP27’s observations since May 2023
<p>Engage broadly and deeply with consumers, including defining their expected level of participation and influence/ Allow consumers to guide the development of network proposals, based on consumers’ desired outcomes</p>	<ul style="list-style-type: none"> • We are not aware that PWC published its engagement plan for public scrutiny • On reflecting on the effectiveness of PWC’s People’s Panel sessions and our observations, we have concerns about the influence of the following on participants’ ability to fully engage on the subject matter: <ul style="list-style-type: none"> ○ Customers appeared to be outnumbered by others in the room (such as presenters and support people), which may have constrained customers’ willingness to talk candidly ○ A significant proportion of time was spent on introductions and subject matter experts sharing their experiences ○ Mentimeter was used to gauge customer support for proposals in real time, which meant late responders to questions presented to participants could easily be swayed by earlier responders ○ Sometimes when discussion was permitted its was rushed, with the facilitator pushing timing rather than focusing on content, with comments to participants such as <i>“two minutes ... ten, nine, eight seconds”</i> ○ Consensus was often sought without issues being fully discussed 	<ul style="list-style-type: none"> • We note the number of participants in the Alice Springs and Darwin PWC People’s Panel sessions has declined over time, limiting the opportunity to engage broadly and deeply with consumers (we are not aware whether PWC made any attempt to recruit additional participants to counter the attrition). • However we do note that participants have been more confident to engage with and question PWC, as their understanding of the issues has increased over time. • In the October 2023 People’s Panel sessions PWC continued to rely on the Mentimeter to gauge customer support in the People’s Panel sessions. While PWC can be commended for turning off real time voting (to avoid late responders from being swayed by earlier responders) we question the validity of the quantitative feedback given the small number of customers⁶ who attended the October sessions.

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 advice	CCP27’s observations since May 2023
Use a variety of engagement methods	<ul style="list-style-type: none"> Although PWC used a variety of methods to engage with customers and other stakeholders, we were concerned that the ratio of PWC people and observers to consumers in some People’s Panel sessions could have stymied some consumers’ participation (see also our earlier comments) 	<ul style="list-style-type: none"> No change
Provide evidence of consumer impacts on the regulatory proposal	<ul style="list-style-type: none"> It is not entirely clear to CCP27 how PWC <i>balanced</i> customer and stakeholder views to shape its proposals: <ul style="list-style-type: none"> CCP27 questioned PWC as to how it balanced customers’ expectations to keep bills as low as possible with other customer expectations in the AER’s April 2022 Stakeholder Forum In its response, PWC primarily reiterated customer expectations around affordability and expectations to invest in renewables without providing any explanation as to how a balance was achieved PWC’s <i>Proposal</i> does not make its approach to <i>balancing</i> views this clear either 	<ul style="list-style-type: none"> PWC claims that they have, where practicable, sought to reduce or spread the costs of major capex programs over more than one regulatory period to help reduce the impact on customers’ electricity prices⁷. <ul style="list-style-type: none"> However, CCP27 has not observed any engagement with customers explicitly addressing affordability of the overall proposal. While the AER’s <i>Draft Decision</i> assumes PWC’s ‘customer experience strategy will be subject to broad customer engagement’ we have not seen any evidence that this has occurred and it was not discussed in any detail during the October 2023 People’s Panel sessions. However we note that

⁶ CCP27 observed seven participants in the Alice Springs workshop, we understand from PWC’s *Attachment 1: Stakeholder Engagement* report, 30 November 2023 that 9 or 10 customers attended the Darwin People’s Panel

⁷ PWC, *Revised Regulatory Proposal*, November 2023, p. 12

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 advice	CCP27’s observations since May 2023
	<ul style="list-style-type: none"> • We note from the AER’s Stakeholder Forum that PWC is still developing its customer experience strategy and accordingly any specific expenditure proposals are not detailed in PWC’s <i>Proposal</i> <ul style="list-style-type: none"> ○ We hope PWC’s Revised Proposal will provide further detail and consideration of consumer perspectives as PWC develops its customer experience strategy • CCP27 also notes PWC’s anticipated strong reliance on technology to drive its customer experience, and in the absence of any detailed information from PWC we are concerned as to how the needs and expectations of the most vulnerable consumers, who may not have the skills or resources to engage with technology-based services, will be looked after 	<p>a consultant has been appointed to develop the strategy and the scope of works includes broad customer engagement.⁸</p> <ul style="list-style-type: none"> ○ We are not clear how costs associated with the development and delivery of this strategy are reflected in PWC’s proposals and the extent to which they have customer support. • Our concerns as to how PWC intends to look after the needs and expectations of the most vulnerable consumers, who may not have the skills or resources to engage with technology-based services remain.
<p>Demonstrate independent consumer support for the proposal</p>	<ul style="list-style-type: none"> • CCP27 is not clear from the <i>Independent Consumer Report</i> the sources of evidence upon which Dr Nance’s observations are made and therefore how consumer preferences link to his recommendations to PWC. <ul style="list-style-type: none"> ○ The report would also benefit from some endorsement by RAC members 	<ul style="list-style-type: none"> • PWC has not provided an Independent Consumer Report with its <i>Revised Proposal</i>, although it has included its own <i>Stakeholder Engagement</i> report as an attachment (<i>Attachment 1.1</i>) to its Revised Proposal.

⁸ PWC, *Revised Regulatory Proposal, Attachment 1.1*, November 2023, p.15

<i>Better Resets Handbook</i>	CCP27 concerns raised in our May 2023 advice	CCP27’s observations since May 2023
	<ul style="list-style-type: none"> While PWC’s own engagement report provides a clear overview of its engagement approach and activities and its response to what it heard it is not an <i>independent</i> report 	

4 Other matters

In this section we provide some brief comments on key substantive issues referenced in the AER's *Draft Decision*, and considerations for the AER in the context of PWC's *Revised Proposal* and customer and stakeholder interests when it makes its final determination.

4.1 Affordability

In their *Regulatory Proposal*, PWC identified the key themes from customer engagement as⁹:

- Support vulnerable customers
- Affordability
- Enabling renewables

Participants in PWC's post-lodgement engagement with residential and small business consumers reiterated the importance of keeping prices affordable, and encouraged PWC to do what it could to ease the impact on vulnerable customers.¹⁰

However, PWC did not engage explicitly with customers on affordability, unlike other electricity distribution networks¹¹. Affordability and concerns around support for vulnerable customers do not feature heavily in PWC's *Revised Proposal*, although in response to the AER's *Draft Decision*, PWC is proposing to ease some of the financial impact on customers by spreading major investments over several regulatory periods¹².

PWC advises it will also consider an accelerated roll-out of smart meters and will endeavour to work with energy partners to provide community education around optimal times to use the network, as an affordability measure¹³.

CCP27 notes that PWC has proposed a 0.5% opex productivity improvement in its *Revised Proposal*. However, we question whether PWC could undertake additional actions, for example absorbing the proposed low value \$3.3M opex step change for ICT cloud migration as a demonstrable commitment to addressing affordability concerns for customers.

We note that PWC intends to continue to utilise its partnerships and relationships with relevant organisations (such as NTCOSS) and consult with customers about education and support options for vulnerable customers¹⁴. With the focus on vulnerable customers in the Northern Territory, CCP27 expects that tangible actions to address vulnerability will form a significant component of PWC's proposed Customer Experience Strategy.

⁹ PWC, *Regulatory Proposal*, January 2023, p. 13

¹⁰ PWC, *Revised Regulatory Proposal*, November 2023, p. 4

¹¹ See for example SEC Newgate, Endeavour Energy Customer Panel – *Revenue Proposal 2024-2029 Final Report Wave 4*, June 2023, p6

¹² PWC, *Revised Regulatory Proposal*, November 2023, p. viii

¹³ PWC, *Revised Regulatory Proposal, Attachment 1.1*, November 2023, p.7

¹⁴ PWC, *Revised Proposal*, November 2023, p6

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4.2 Single site consolidation

The proposed project to consolidate PWC's property footprint into a single site in Darwin was included in its *Initial* and *Revised Proposals*, although it was not contemplated in its August 2022 *Draft Plan*. CCP27 did not observe any engagement on this topic prior to PWC lodging its *Initial Proposal*.

However the single site consolidation project was discussed at PWC's Combined People's Panel meeting in August 2023. At that meeting PWC provided high level advice of the project's estimated cost (\$89M), and expected benefits. Participants generally supported the concept, although Darwin participants were more likely to support the proposal than Alice Springs participants. They also asked PWC whether consolidation would lead to a loss of jobs, which PWC appeared to avoid answering. PWC advised participants it was developing a business case.

In the October 2023 People's Panel sessions, participants were advised that the project scope had been reduced slightly, the business case had been completed, and that the benefits now outweighed the costs. Using Mentimeter, participants voted to support the project. In both sessions support was largely 'in principle' as panel members again asked PWC for more information about the estimated costs and benefits, and the anticipated productivity benefits for the organisation. Overall, CCP27 did not observe a discussion of the project scope or timing, or the notional bill impacts as a result of the project.

Based on our observations, CCP27 concludes that People's Panel participants have expressed support for the single site consolidation project in principle and at a conceptual level. However, they have not had an opportunity to engage on detailed consideration of project options, costs, benefits, customer impacts or bill implications.

Ultimately PWC has included \$76.1m in its Revised Proposal for Single Site Consolidation supported by a business case for the consolidation. While CCP27 members do not profess to be experts in property strategies we do question whether it is feasible and reasonable that what is proposed in the business case can be achieved within the five year regulatory period or whether some of this proposed expenditure could be deferred, lessening the more immediate bill impact on consumers.

4.3 Future networks

Throughout the engagement program, People's Panel participants expressed strong support for PWC's role in facilitating access to renewable energy for Territorians, both at grid scale and at a household level. Participants believed that because of its abundant solar resources, the NT should lead in the adoption of high levels of solar generation, which should provide a pathway to cheaper energy prices and economic success for the Territory.

In the August and October 2023 People's Panels PWC informed customers of their Future Network plans, in response to the AER's *Draft Decision*.

In the October sessions PWC sought customer support for its proposal via the Mentimeter. Specifically they were asked, and nearly all participants responded 'Yes' to the following question:

Should we try to unlock the renewable energy of the five solar farms?

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Participants were also provided with indicative staff numbers and costs to resource PWC’s future networks proposal, and were asked if they considered there is a need for PWC to increase its staff numbers to support the proposal. While most participants agreed in principle that more staff were needed, they sought more details about the roles and questioned PWC as to options to fund the roles (internal and external funding).

Overall, while we note some changes in PWC’s future networks proposal in its *Revised Proposal*, we cannot find any specific evidence that PWC considered customer’s views to the extent that they influenced these changes.

4.3.1 Dynamic operating envelopes

In the August 2023 Combined People’s Panel, PWC advised participants that the AER was seeking more information about its dynamic operating envelope proposal and PWC was rewriting its business case. In its *Revised Proposal*, PWC indicated it had ‘revisited’ the project’s assumptions and revised its proposal. PWC indicated it had received ‘additional feedback from customers’¹⁵ which indicated support for implementing solutions to increase DER integration, so customers were less likely to be constrained to export back to the grid.¹⁶

The Alice Springs October 2023 People’s Panel session preceded the Darwin session. In the Alice Springs session PWC attempted to explain the role of a dynamic operating envelope using a robot analogy, which appeared to overcomplicate the concept and confounded participants. PWC then described its proposal as a more conservative approach to the rollout of dynamic operating envelopes than it presented in its *Initial Proposal*, because the required investment would be around \$10M less over the next regulatory period, but would increase the likelihood of curtailment of solar exports under some circumstances. Subsequently, Alice Springs participants were asked to indicate their support for the proposal using the Mentimeter but this exercise was abandoned when PWC realised participants were unsure what they were voting on. While Alice Springs People’s Panel members could see pros and cons of this approach, they required more information to confidently respond to PWC’s feedback survey on this topic.

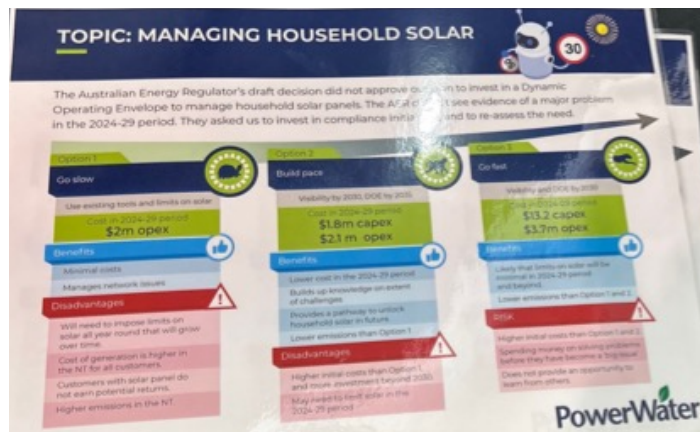
The following week in the Darwin People’s Panel session, PWC went to considerable effort to simply describe the purpose of a dynamic operating envelope. For example, in the Darwin session PWC drew an easy to understand whiteboard diagram to describe current energy flows and implications of voltage fluctuation and followed this up with a more detailed technical description. PWC then presented three options to customers with indicative costings, benefits and disadvantages of each, as shown in the following image:

¹⁵ PWC, *Revised Regulatory Proposal*, November 2023, p. xiii

¹⁶ PWC, *Revised Regulatory Proposal*, November 2023, p. 8

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Figure 1: Options for PWC’s Dynamic Operating Envelope presented to Darwin People’s Panel participants



Most participants voted for somewhere between Option 2 and 3, emphasising a desire for PWC to be a leader and their desire for more data and information, whilst aiming for some restraint in expenditure.

Overall, while PWC provided indicative expenditure, the discussion did not provide any quantitative indication of the customer impact such as modelled level or risk of curtailment, and its possible duration. Nor did PWC provide any estimate of potential bill reductions.

4.3.2 Contingent projects

Similarly, in the October 2023 People’s Panel sessions, PWC explained that the AER had not approved the original contingent project associated with allowing existing large scale renewable generation capacity connected to the Darwin-Katherine transmission line to export existing and expected new renewable energy.

As a result, PWC presented a revised approach, which would see the original project separated into two discrete new projects: one aimed at facilitating export of renewable energy and the other addressing voltage and system strength issues in the network.¹⁷ PWC informed panellists that they were still working on a detailed solution and business case. While panellists were supportive of investments to enable more use of renewable energy, again they did not think they had enough information to express a view on this proposal.

4.4 ICT expenditure

The October People’s Panel workshops were held face-to-face with rudimentary online viewing facilities. As CCP27 attended these workshops remotely, our ability to fully observe various aspects of the workshops was compromised, including PWC’s engagement on its revised ICT investment proposals. PWC prepared a series of posters covering operational technology systems, cloud migration and cybersecurity which were presented at ‘market stalls’ located in areas of the workshop venues which were not accessible to online participants and observers (Alice Springs) and

¹⁷ PWC, Revised Regulatory Proposal, November 2023, p. 29

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were also difficult to see in Darwin due to the positioning of the stalls and the camera. Consequently we are unable to offer a more detailed perspective around the engagement on these topics, although we noted from the Mentimeter results that Darwin participants indicated support for PWC's ICT proposals (noting again we did not observe what was presented to and discussed with them).

4.5 Customer experience strategy

Further to the comments in our May 2023 Advice, CCP27 notes that PWC has now committed to the development of a new Customer Experience Strategy, appointing Portable Australia Pty Ltd to develop an enhanced customer experience strategy with the following scope:

Portable will explore customer requirements, expectations, and industry best practices to devise a tailored strategy that aligns with Power and Water's objectives. The approach laid out by Portable encompasses extensive customer research, a design-driven methodology that places customers at the core, and a strategy formulated in collaboration with internal staff and external customers¹⁸.

CCP27 understands that while the strategy will focus on the adoption of technology to improve the customer experience thus reducing the 'cost to serve' overall, significant attention will also be given to the needs of vulnerable and remote communities for whom technology may not be the most appropriate solution.

We strongly support this initiative, and encourage PWC to include customers at the heart of the process so they are engaged as partners in development of the strategy, rather than beneficiaries of the final outcome.

4.6 The importance of ongoing engagement

The *Better Resets Handbook* notes the importance of ongoing engagement, stating:

...consumer engagement should be a continuous business-as-usual process, not a one-off process only undertaken in preparing for regulatory proposals. Consumers should not have to wait for a once-in-5-year regulatory proposal to be heard.

Other recent resets have highlighted the particular importance of ongoing engagement in a period of rapid economic, political and environmental change. Endeavour Energy explains:

As part of good practice engagement we also see value in continuous engagement with our customer to understand their preferences and values. Doing so over time provides additional insight in surfacing preferences that are subject to change compared to those that remain constant in a changing environment.¹⁹

CCP27 observes that PWC has made a strong start to establishing an ongoing engagement process by developing and nurturing its initial Darwin and Alice Springs Peoples Panels. We also understand that PWC is considering closer, more frequent engagement with industry partners such as Jacana Energy and Rimfire Energy NT. From these positive starting points, CCP27 suggests that PWC is well

¹⁸ PWC, *Revised Regulatory Proposal, Attachment 1.1*, November 2023, p. 15

¹⁹ Endeavour Energy, *Revised Proposal*, p24

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placed to develop a comprehensive business-as-usual customer and stakeholder engagement strategy which will position it well for the forthcoming regulatory period, and move seamlessly into the next regulatory reset.