

ERGON ENERGY NETWORK RECALL DAY

CUSTOMER PANEL AND FOCUS GROUPS

What Was Said Report

October 2024

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INTRODUCTION

OVERVIEW

Ergon Energy Network (EEN) is the electricity distributor servicing regional Queensland and the Torres Strait, responsible for managing the poles, wires, and related infrastructure to deliver electricity to homes. As part of its engagement for the 2025-2030 regulatory proposal, EEN sought customer input on how to shape the future of energy services while maintaining affordability and meeting evolving community needs. This engagement began in 2023 with the formation of the Voice of the Customer Panel, concluding with a recall day in October 2023. Additionally, EEN hosted a series of Customer Focus Groups throughout 2023 and 2024, gathering diverse perspectives on key issues.

EEN recalled participants from both the Panel and the Focus Group, bringing both groups together for an information session on 30 July 2024 and a recall day on 3 August 2024.

The remit for both the Voice of the Customer Panel and the Customer Focus Groups was to provide insight into the following question:

How should Ergon Energy Network plan for the new energy future, while providing affordable services that meet changing customer and community needs?

This report outlines the session held on Saturday 12 October 2024, which focused on the Australian Energy Regulator's (AER) Draft Determination released in September 2024.

SESSION PURPOSE

This session aimed to:

- ◆ Update participants on the AER's Draft Determination, released in September 2024, regarding Ergon Energy Network's (EEN) 2025-2030 Regulatory Proposal.
- ◆ Focus on how the Draft Determination addressed issues raised by the Voice of the Customer Panel and Customer Focus Groups over the past 18 months.
- ◆ Invite participants to share their views on the Draft Determination.
- ◆ Assist EEN in refining its response and developing the Revised Regulatory Proposal, due for submission to the AER in November 2024.



PARTICIPANTS

- ◆ The recall sessions were held online
- ◆ There were 23 participants present on the day.
- ◆ Additionally, nine EEN employees were in attendance throughout the day, serving as presenters, subject matter experts, and observers. Three independent representatives were also present.

NAME	ORGANISATION	POSITION
Sarah Zeljko	Energy Queensland Board	Chair
Paul Lucas	Energy Queensland Board	Director
Trudy Fraser	Ergon	A/Executive General Manager Regulation
Benson Heng	Ergon	Manager, Network Investment Strategy
Tim Hart	Ergon	General Manager Asset Maintenance
Srini Chinnarajan	Ergon	Manager, Asset Strategy
Brendon Crown	Ergon	Manager Network Pricing and Tariffs
Guy Mutasa	Ergon	A/Manager, Economic Regulation
Kenny Mizzi	Ergon	Manager, Customer Advocacy
Rachel Guest	Ergon	Manager, Performance
Robyn Robinson	Reset Reference Group	Chair
Frank Edwards	Reset Reference Group	Member
Mark Greening	Reset Reference Group	Member
Mike Swanston	Consumer Challenge Panel	Member
Kirk Zammit	Australian Energy Regulator	Observer

WORKSHOP AGENDA



TIME	AGENDA
9:00AM	<p>Welcome & connecting</p> <p>Acknowledgement of Country, outline of agenda, and connecting conversations.</p>
9:25AM	<p>The Regulatory Determination process - update</p> <p>Ergon Energy Network will provide an update of where we are in the regulatory determination process, including key milestones and both the timeline and process for working towards submitting a Revised Regulatory Proposal to the Australian Energy Regulatory (AER).</p>
9:45AM	<p>The AER Draft Determination and issues for further consideration</p> <p>A chance to share the AER's Draft Determination that was published on 26 September 2024 and outline the issues for further consideration and engagement with the Panel:</p> <ul style="list-style-type: none"> ◆ Overview of the AER's Draft Determination. ◆ Reminder of the issues the Voice of the Customer Panel and Customer Focus Group were engaged on over the past near 18-months: <ul style="list-style-type: none"> > Topic 1: Affordability & Pricing (Network tariffs) > Topic 2: Capital Expenditure – Managing an Ageing Network > Topic 3: Customer Service Incentive Scheme / Customer Service Performance Measures ◆ Outline how we will explore the topics outlined above over the day to obtain participants' insights that will assist Ergon Energy Network in developing its response to the AER's Draft Determination through the Revised Regulatory Proposal it will submit to the AER in late November 2024.
10:30AM	<p>Morning tea - 30 mins</p>
11:00AM	<p>Topic 1: Affordability and pricing (Network tariffs)</p>
12:00PM	<p>Topic 2: Capital expenditure (Capex) - Managing an ageing network</p>
1:00PM	<p>Lunch time - 45 mins</p>
1:45PM	<p>Topic 3: Customer Service Incentive Scheme / Customer Service Performance Measures</p>
2:30PM	<p>Final reflections</p> <p>Based on everything we have heard throughout the day; participants will have a chance to discuss their reflections and provide their final thoughts to Ergon Energy Network for consideration as part of not only the Revised Regulatory Proposal but also into the future as their distribution network service provider.</p>
3:00PM	<p>Next steps</p> <p>A moment to hear final reflections from Ergon Energy Network and next steps.</p>
	<p>CLOSE</p>

WORKSHOP OUTPUTS

QUESTIONS FOR CONTEXT

After each presentation on the AER's draft decision—covering Network Tariffs (Topic 1), Managing an Ageing Network (Topic 2), and the Customer Service Incentive Scheme/Customer Service Performance Measures (Topic 3)—participants had the opportunity to ask questions for further clarity and context before moving into small group discussions on each topic.

The questions made by participants for each topic are captured in the table below. No questions were made by participants for Topic 3.



AER'S DRAFT DECISION

30 dollars on top of the 35?

Customers are paying \$5 less on our bill. What does this mean for network quality short term and long term

Does part of the budget include research into improving the poles/wires design in order to be more durable/sustainable for the future?

Gap between proposed revenue and costings of 365 mill BUT AER show costings down by 26% on cap infr.

How is the 26% of the drop of the Capital Expenditure going to effect the on the overall plan?

How much knowledge and experience are we leveraging from other states and how they operate?

If forecast bill impacts are between 5% (resid) and 7.1% large LV using businesses

Is Education too expensive?

Is lowering the cost going to negatively impact the network?

Is there a set life on the replaceable capital equipment? Can it be extended?

Poles and wires have been steadily increasing during the current period, why hasn't that helped reduce the extra capital needed for this proposal?

there needs to be money for education so people know how to reduce their bill.

Were you expecting your figures to be cut back or was it a shock?

What effect will lack of education and information have?

What have AER found to make that decision to reduce the Capital Expenditure? What specific areas will be affected.

What impact does the AER changes (lowering amount to be made/spent), what impact does that have on the customers?

What was AER's red light regarding the Tariff details?

Where is the revenue coming from to make up the shortfall on the money set aside on the ageing networks?

Why the reduction in the costs of training/education re the DER?

Will costs come down as interest rates and inflation also reduce?

Will the adjustment of costs according to inflation and interest rates also mean there will be a dividend for customers should these drop?

Will the cuts affect Ergon's long term planning?

Will the new poles and wires last another 50 years?

Will there be a greater range of tariffs to improve customer choice?



TOPIC 1 - NETWORK TARIFFS

Annual Residential Bill - Why did AER increase 24-25 Rate to make the overall 6 Year rate higher - this is misleading for the 5 year average.

Confirming the existing Tariff 11 (offered by Ergon Retail) is the Complex Tariff, and Ergon Network want to keep it for those not wanting to use the new Tariffs?

What impact would there be if all customers being charged to export power to the network, switch off that facility?



TOPIC 2 - MANAGING AN AGEING NETWORK

How does this compare to WA & NT - with potentially similar climate and geographically dispersed rather than NSW?

Is Essential E a private company or a public entity like Ergon?

Is Essential Energy comparison based on value or number of replacement - i.e. is Qld's cost per pole much higher so not a fair comparison

What is the average age of Essential Energy Assets as comparison to Qld? (Our Poles are reaching end of life at 50 Years)

What is the Unplanned outage rates with Essential Energy (as compared to Qld). (They may not need to replace at the same rate)

Why are different standards used by each state for poles and wires. Why not an Aust Standard.



COMMENTS ON AER'S DRAFT RESPONSE

After questions for context were answered for each of the three topics, participants were put into small groups where they discussed AER's Draft Determination and EEN's position on the topic.

TOPIC 1

For Topic 1, Network Tariffs, participants were asked to reflect on key points from Brendon Crown's presentation and provide feedback on what EEN should consider when responding to the AER's Draft Determination.

Each groups responses are captured below

	What is standing out from Brendon's presentation today?	What should Ergon Energy Network keep in mind in responding to the current AER response?
GROUP 1	<ol style="list-style-type: none"> 1. I was not expecting 2-way tariffs to be progressed. I.e. penalising solar export. 2. There is not enough education e.g. accompanying smart meter roll out. E.g. How do/can consumers control their solar input into the grid? What are the time of use tariffs available? What is difference between peak and volume time of use tariffs? E.g. Why I had to pay for a 'catch solar relay' after installing a battery and why I was not advised up front? How do I know the catch solar relay was installed correctly by the electrician? 	<ol style="list-style-type: none"> 1. Consider if two way tariffs are needed. I.e. Some people not comfortable with being penalised for solar. Why not instead, focus on creating more local demand to absorb exports. E.g. EV public fast chargers, home EV chargers, household batteries, community batteries etc. 2. Concern that Energy utilities are trying to reduce their costs and are instead pushing costs to the customer. 3. Disincentivising people to go solar at all is counter intuitive i.e. wrt sovereign risk & climate change risk mitigation 4. The effect of generating solar power during day is more a threat (i.e. disadvantage/cost e.g. upgraded infrastructure/call out fee for phase reconnection) to power companies, than it is to the grid. 5. Phase shift technology can be invested in to accommodate green feed in e.g. solar or battery. 6. Why would a generating authority need to control input into the grid? Ans = Energy companies cannot easily ramp up or down, generation. Also local voltage spikes on a particular phase.

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	What is standing out from Brendon's presentation today?	What should Ergon Energy Network keep in mind in responding to the current AER response?
GROUP 2	<ol style="list-style-type: none"> 1. The existing pace of change (2%) so far, that there has been a slow move away from Tariff 11, we believe highly related to the lack of education so far, from the Retailer. 2. The drive or need for the Complex Tariff still. 3. The 2way tariff being delayed till 2020. 	<ol style="list-style-type: none"> 1. Education is definitely important (even most important), for focused financial investment, to expect change and usage to other Tariffs, and understand their usages, that smart meters provide. 2. Will it reduce the Complex Tariff need, if more people move to the other Tariffs, from education. 3. Secondary Tariffs can be worse for some people who sign up, because they don't have the education/smart meters, to know if the Tariff, suits their usage. 4. Encouraging behaviours of usage is still required for making use of the peak solar feed time period wanted to be achieved by Ergon Network, which is changed by education, and incentive tariffs. 5. It is good, because will allow solar users to purchase batteries (with technology advancements), with Government subsidies like solar subsidies in past.
GROUP 3	<ol style="list-style-type: none"> 1. Why is there no money allocated to the education of consumers? 2. There is a limited range of tariffs available. (98% on the flat rate doesn't necessarily mean consumers don't want change. 3. Consumers not understanding the price signals. 4. Encouraging 	<p>Especially as the majority of residential customers do not understand the tariff system.</p> <p>Education is the key.</p> <p>The use of a messaging system such as SMS to notify change in tariffs. To include non smart meter uses also..</p>

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	What is standing out from Brendon's presentation today?	What should Ergon Energy Network keep in mind in responding to the current AER response?
GROUP 4	<p>Ergon is suggesting the 'keep it simple' tariff option is best overall but this does not motivate customers to delve into better options for the customer and Ergon.</p> <p>Why did AER increase the '24/25 rate from \$631 to \$660? (adjustment in inflation and interest rates Brendon)</p>	<p>Encouraging people to invest in batteries.</p> <p>Give customers the options to choose their tariffs.</p> <p>The user friendliness of the data.</p> <p>Encouraging an increase in battery uptake.</p>
GROUP 5	<p>Pushing for a demand tariff, two way tariff option pushed back. Pushing towards a solar. Customers wanting a simple and easy to understand bills but also cheaper bills. Recommendations regarding two way tariff not well received.</p>	<p>Customers not understanding the different Tariff systems therefore keep it simple.</p>
GROUP 6	<p>Why is there such a discrepancy between what the AER came back with?</p> <p>What is meant by complex pricing vs simple pricing?</p> <p>Pace of uptake, why is the relevant body saying no, once again what's the rationale?</p> <p>Is the bottom line introducing more complex tariffs?</p>	<p>Does the modelling that the AER rejected take into consideration the differences between regional and SEQ or is the modelling inclusive of both?</p>






TOPIC 2

For Topics 2 and 3—Managing an Ageing Network and the Customer Service Incentive Scheme/Customer Service Performance Measures—participants were also divided into small groups. In these discussions, they first rated their comfort with the AER’s Draft Determination on a scale from ‘Love it’ to ‘Loathe it,’ or indicated if they were unable to agree on how they felt as a group. They were then asked to offer specific suggestions on what changes they would like to see in the AER’s Final Determination to improve their level of comfort.








HOW COMFORTABLE ARE YOU WITH AER’S RESPONSE TO THIS TOPIC?						
Please place an X in the column that matches your group’s overall level of comfort with AER’s response						What, if any, specific comments would you like to make to AER that would improve your level of comfort ?
LOVE IT	LIKE IT	LIVE WITH IT	LAMENT IT	LOATHE IT	CAN’T AGREE	
1						<p>Don’t agree with who we have been benchmarked against, it’s not an apples to apples comparison.</p> <p>Is essential energy at an end of life stage as well? What is the age of their network? What is their unplanned outage rate? Is bootstrapping used in the modeling?</p> <p>How can we make comment if we do not know the failure rates of the current system, how many fail per year? What is the maintenance schedule? Minutes down does not indicate the reason for downtime just that there is downtime.</p> <p>How is data gathered to complete the comparison?</p>
2				☹️		<p>Main takeaway: Proactive replacement instead of reactive work.</p> <p>It’s not clear who is responsible (AER or Ergon) for the decline in reliability if AER cuts the budget, but Ergon wants more in the budget to help with it.</p> <p>Leaning on the side of safety is really important, to avoid any larger problems, like potential bushfires in rural areas for faulty poles/wires/equipment.</p> <p>The cost for replacement would be cheaper in the long run, then to allow for things to decay and have much larger costs of fixing. We prefer to think long-term then short-term benefit of lower cost, but having the people have to pay for it, years from now.</p>

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HOW COMFORTABLE ARE YOU WITH AER'S RESPONSE TO THIS TOPIC?

Please place an X in the column that matches your group's overall level of comfort with AER's response							What, if any, specific comments would you like to make to AER that would improve your level of comfort ?
	LOVE IT	LIKE IT	LIVE WITH IT	LAMENT IT	LOATHE IT	CAN'T AGREE	
3							Concern of safety standards if AER doesn't consider the extra expenditure of poles and wires. Can they come up with better technology as it involves? Being in rural QLD, there is a safety concern for poles and wires as we are far from major cities. Especially in North QLD in rural areas where cyclones are common, being without electricity for days and possibly weeks is a concern. Happy to pay the extra costs associated with extra safety regulations.
4							Comparison of Ergon and Essential Energy NSW not comparable. Why don't we have Australia wide criteria for pole and wires standards Can there be any efficiencies increased with the poles/wire updates and therefore money saved? EG: replacing both poles, wires and crossarms at the same time. Mechanisms for review within 5 years if needed.
5							More evidence to be supplied to support the prudence of the submission. Expenditure must be better than minimum safety standards to ensure the long term viability of the grid. Our changing climate conditions need to be taken into consideration. They are different from NSW.
6							This is not the place to cut costs. Safety and reliability are most important, and we are happy to invest that small amount of increase to our annual bill, for these very important high risk areas the investment is addressing. Having to spend more money, on something that though authorities may be not sure is a needed spend, is worth this risk for the small amount that we will be paying, vs the impact risks if we didn't. A stitch in time saves 9. Withther CAPEX items, where the spending is broader.
7							1. What about eliminating poles and wires by decentralised generation? 2. As long as it is well rationalised / justified incl. climatic regime differences. 3. Ensuring that the dollar number suggested is based on more than economics.
=	0	0	1	1	4	1	TOTAL

TOPIC 3

HOW COMFORTABLE ARE YOU WITH AER'S RESPONSE TO THIS TOPIC?						
Please place an X in the column that matches your group's overall level of comfort with AER's response						
	LOVE IT	LIKE IT	LIVE WITH IT	LAMENT IT	LOATHE IT	CAN'T AGREE
1						
						Love STPIS. AER listened and agreed to follow the overall view put forward by the Voice of the Customer.. CSIS some felt was a loss to customer service. Could more emergency situations arise due to the aging infrastructure and how would that impact Ergon energy meeting this STPIS goal. Where are staff sourced to make up numbers when there are above average phone calls?
2						
						Happy with self service channels, able to see where you are sitting when logging on. STPIS. But do we need to spend so much money to meet these targets? Could we lower the percentage when there are no emergencies in play? The 2.5 million mentioned if they reach over 5% above their target calls, where does that money go? Happy with a more lenient target time than 30 seconds. AER's feedback on this subject is highly desirable. Can AER explain what "finely balanced" means?
3						
						Meets expectations.
4						
						What consulates an answered call? - automated or a staff answered call?
5						
						80% we think is reasonable . Considering climate variation.
6						
						50/50. Proposal doesn't excite and doesn't annoy.

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HOW COMFORTABLE ARE YOU WITH AER'S RESPONSE TO THIS TOPIC?

Please place an X in the column that matches your group's overall level of comfort with AER's response							What, if any, specific comments would you like to make to AER that would improve your level of comfort ?
	LOVE IT	LIKE IT	LIVE WITH IT	LAMENT IT	LOATHE IT	CAN'T AGREE	
7	😊						<p>In the event of a major climatic event, very difficult to maintain level. Can be planned ahead if we know any event (i.e. Cyclone) is about to happen.</p> <p>Need flexibility</p> <p>Is the 86.48% a realistic rate over the annual average?</p> <p>Is there any benchmarking against other similar entities?</p> <p>Can we take the pressure of the telephonists by increasing other IT capability services (i.e. Outage finder, etc.)</p> <p>Multi-cultural/lingual staff (CALD) support</p> <p>Does 30 Seconds start when actually answered by a person (as opposed to "Push Button")</p> <p>Should the button options be shortened - .i.e maximum 3 options before you get to where you are needing?</p> <p>Ensure they keep the links to the other "entities" i.e. retail to distribution</p> <p>Potential impacts from Climate Change?</p>
=	0	2	3	1	0	1	TOTAL

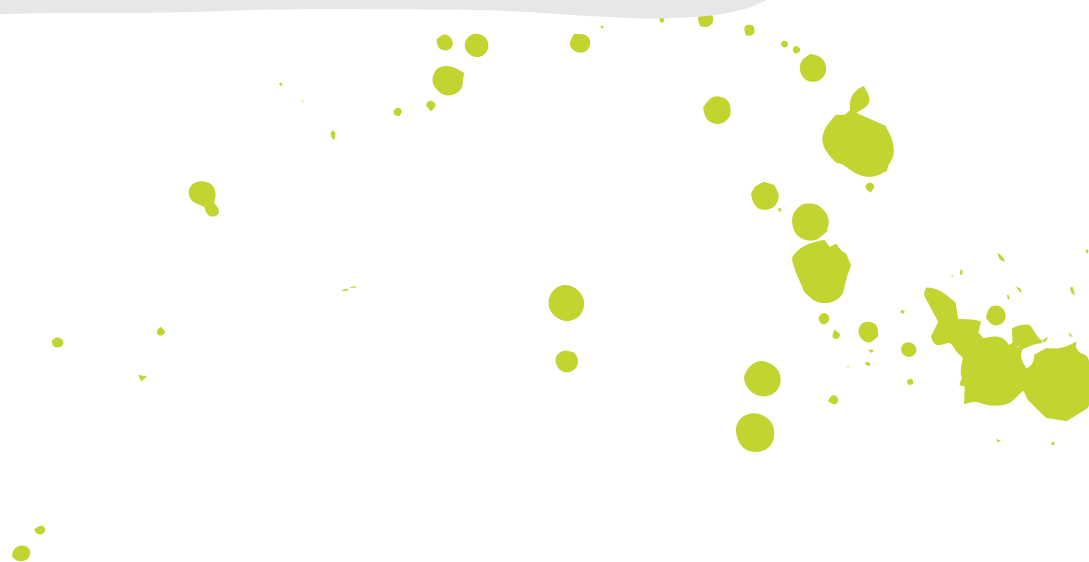
REFLECTIONS


Participants were asked to individually respond to the statement: "The value of investing in processes like this is..." Their reflections on the value of such engagement processes are captured below:



NEXT STEPS

These notes will be finalised as a reference point and then a draft strategy will be prepared for the board to refine and finalise in the coming month.





PLEASE NOTE: This report has been prepared by MosaicLab on behalf of and for the exclusive use of Ergon Energy Network. The sole purpose of this report is to provide Ergon Energy Network with materials produced at the forum.

This report has been prepared in accordance with the scope of services set out by the Ergon Energy Network. In preparing this report, MosaicLab has relied upon the information provided by the participants at the forum. Ergon Energy Network can choose to share and distribute this report as they see fit. MosaicLab accepts no liability or responsibility whatsoever for or in respect of any use of or reliance upon this report by any third party.

MosaicLab is a Victorian-based consultancy that specialises in community and stakeholder engagement, facilitation, negotiation, strategic planning, and coaching.



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