AusNet

Focus questions

Collated answers to the panels' focus questions

Current at August 2024

01 Tariffs and Pricing

FQ1 How might we allocate revenue across different tariff classes in a balanced, justified and proportional way, that also provides support for customers with specialised needs?

Key outcomes of engagement

- There are limited opportunities to make substantive changes to the revenue allocation between tariff classes, as that might create bill shocks, and the AER priorities consistency between regulatory periods.
- Tariff classes should be technology neutral as much as possible, given rapid emergence of new technologies. However, this may create cross-subsidies within tariff classes, which should be addressed.

Status: Answered

Approach in Draft Proposal

There are **limited opportunities to how much AusNet, stakeholders or the AER can change revenue allocation between regulatory periods** without creating potential bill shocks for some revenue classes.

There are **opportunities to make the revenue allocation within a tariff class more balanced, justified and proportional, by reducing cross-subsidies** within tariff classes (e.g., between solar and non-solar customers within the residential tariff class). This should be done in a technology-neutral way as much as possible.

- Given the limited scope for change in revenue allocation between regulatory periods, **we are proposing to make revenue allocation more balanced, justified and proportional by:**
  - **Maintaining the current revenue allocation between the different tariff classes**, adjusted for usual marginal impacts from updated customer numbers and consumption forecasts. We may consider opportunities for adjustments specific to certain programs that may only affect one tariff class.
  - **Addressing cross-subsidies within tariff classes through tariff design**.

Status: Largely answered

FQ2 How might we better analyse and understand customer impact, including understanding the impact of 'doing nothing', to help us make more informed decisions?

Key outcomes of engagement

- Tariff design should be based on network cost drivers and how different customer types within tariff classes are driving those costs, including understanding the impact of 'do nothing'.
- The tariff impact assessment should be more 'personalised', including examples of customers underpaying or overpaying based on current tariffs, and how a new tariff would offset those cross-subsidies.
- Acknowledgement it is difficult to understand customer impacts when tariffs are optional.

Approach in Draft Proposal

Understanding customer impacts of both changing nothing from today, and of any proposed changes**, is necessary to inform tariff reform**.

For this EDPR, **we have expanded our customer impact analysis substantially compared to the past**, to ensure the impact of tariff design is informed and evidence-based (see below).

We have engaged with customers through the Customer Workshops on their views on flexibility of load, including what types of behaviour changes they would consider and for what type of incentives and rewards.

Through Joint Victorian distributors' engagement we have conducted a range of customer impact assessments, including:

- Current cross-subsidies between different customer types within tariff classes (the 'do nothing' assessment).
- 'Personalised' bill impact assessment for a range of customer personas for the average Victorian, using AusNet's Customer Segmentation analysis.
- Highlighting how updated tariff design can address cross-subsidies, with or without customer behaviour change in response to new tariffs.
- Understanding customer impacts of some tariffs being optional, and the likelihood of these optional tariffs resulting in favourable outcomes for those opting in, at the cost of other customer groups.
- Understanding usage patterns by small business customers and whether incentives to use more energy during the day may result in adverse outcomes (given difference in usage patterns between small business customers and residential customers).
- Understanding commercial customer impacts from proposed changes to commercial customers tariffs, through direct engagement with medium and large commercial customers.

These impact assessments and customer research results are being used to develop both residential and commercial tariff design that may instigate change without significant adverse effects to customer bills.

Status: Answered

FQ3 How might we use tariffs to enable and facilitate an energy transition without unexpected downside impact, and reflect the value of CER in the energy system irrespective of their specific technologies?

Key outcomes of engagement

- Agreement on the need for a broader communication strategy to educate the public about changes in the energy network, and how network tariffs contribute to the transition, including how customers can benefit by responding to pricing signals.
- Support for technology-agnostic tariffs, acknowledging some tariffs may only be effective with specific technologies.
- Support for optional two-way tariffs with relatively weak pricing rewards, but available to all.

Approach in Draft Proposal

Our customers value rooftop solar, however **solar exports are not currently optimised, resulting in wasted energy and higher costs for all**. This is partially due to lack of broad understanding of where the value lies and how people can optimise on these investments. This **lack of understanding and action to optimise customer outcomes can create 'downside risk',** such as increasing cross-subsidies between solar and non-solar customers.

- **Our proposal includes the following changes to minimise that risk**:
  - **Introducing a low-cost 11am-4pm solar soak period in the residential TOU tariff**, to provide low-cost electricity to all residential customers. Customers on single rate tariffs can opt into this tariff, in line with Victorian Government's position on tariff assignment.
  - **An uplift in our customer communications about the energy transition and the role of network tariffs.** We are seeking **an operating expenditure step change** to support these capabilities. We believe the benefit of improving customer understanding, and the resulting change in behaviour, far outweighs the modest proposed cost.
  - **Optional 2-way tariff for flexible bi-directional technologies (eg., batteries or vehicle to grid chargers),** including export tariff and reward components.
  - **New hot water tariff with a 24-hour heating window**, simplifying existing hot water tariffs and allowing flexibility to shirt usage to when most suitable (with no noticeable customer impacts). From 1 July 2026, all existing customers on a hot water tariff will be reassigned to the new hot water tariffs and other customers can opt-into it.
  - **Continuing the EV dynamic tariff trial and 4 storage tariffs from the current regulatory period into 2026-31**. We propose to maintain these trials from the current period as we do not have sufficient evidence from these trials to date.
  - **No change to commercial tariffs to incorporate a solar soak period**, due to already high network usage throughout the day and lower evening peaks (encouraging more usage throughout the day may result in network constraints in areas with high small business penetration).
  - **CPD locational tariffs for new and existing large (HV and Sub-T) commercial customers,** to provide cost reflective signals to commercial customers and incentivise behaviour that can directly improve utilisation in the local network.

Our tariff proposal should be considered in conjunction with other proposed initiatives to manage CER, including our proposal to **make Flexible Exports available to all new solar customers from 1 July 2026**. This allows us to manage risks from high exports more flexibly and limiting unoptimised exports, which improves network utilisation and reduces the risk of cross-subsidies between customers.

Status: Answered

FQ4 How might we build customers' agency on tariff choices, and smoothly support customers to transition to cost-reflective tariffs?

Key outcomes of engagement

- There is need for a broader communication strategy to inform the public about changes in the energy network, focusing on peak/off-peak times and the transition to sustainable energy.
- Difficulty is that customers may not have retail tariffs that reflect network tariffs, so communications should cover retail as well as network tariffs.
- Tariff discussions should build on (and are secondary to) broader messaging to customers on the energy transition, changes and how customers can adapt. The water sector was cited as a good example (simply focusing on water pipes would not have resonated with communities).

Approach in Draft Proposal

There is need for a broader communication strategy that provides informative materials to all customers on the energy transition, including what role network tariffs will play in delivering fair and equitable outcomes. **Networks should play a larger role** in this communication strategy than they have in the past.

- **As part of the EDPR we are proposing:**
  - **An uplift in our customer communications about the energy transition and the role of network tariffs.** We are seeking **an operating expenditure step change** to support these capabilities. We believe the benefit of improving customer understanding, and the resulting change in behaviour, far outweighs the modest proposed cost.
  - **Changing the way we present bill impact analysis** to show customers how their total energy bills, including electricity, gas and transport fuels, will change as part of the energy transition. This is important as customers today rarely think of energy bills as the total of the different fuels.
  - **All customers have equal opportunity to benefit through the updated time of use tariff.**
  - **Stronger retailer engagement to increase chances of aligning pricing signal and higher take-up of new time of use tariffs.**

For those engaged customers who are comfortable with more complexity in their pricing and service offerings, we are introducing an opt-in two-way tariff that will incentivise and reward highly flexible responses.

FQ5 How might we ensure tariff design reflects agreed pricing objectives?

Key outcomes of engagement

- Importance of maintaining simplicity in the pricing objectives, as customers do not want to engage with complex tariffs
- Economic efficiency was seen to be a key objective in the long term, which would ultimately lead to customer behaviour that is to the benefit of all consumers. This includes considerations of efficiency of imports and exports.
- Affordability and equity are also very important, but these terms are not well defined today in the objectives.
- The objectives lack the broader picture of the energy transition and a move to Net Zero.

Status: Answered

Approach in Draft Proposal

The current pricing objectives are no longer fit for purpose, as they lack clarity around some of the objectives (e.g., affordability and equity are not explained well) and there isn't a clear process for resolving prioritisation between pricing objectives, e.g. friction between simple and efficient.

- **Victorian distributors have proposed a set of streamlined objectives**:
  - **simple—**network tariffs should be simple and consistent, readily understood by retailers, customers and stakeholders
  - **efficient—**network tariffs should incentivise customer behaviours that make network costs more affordable and equitable in the long term
  - **adaptable—**network tariffs should be capable of being evolved for future network configurations and emerging technologies, consistent with the Net Zero future

These principles should guide the design of tariffs, noting these need to be balanced as there are inherent trade-offs underpinning these.

02 Future Networks

Status: Answered

FQ1 How might we best prepare for, and accommodate, the anticipated electrification of gas and transport loads (and other fuels)?

Key outcomes of engagement

- AusNet to refine demand forecasting approach to incorporate Customer Segmentation data, batteries and growth in controllable appliances.
- Support for AusNet using own bespoke approach using smart meter data, rather than relying wholly on third parties (e.g. AEMO).
- Support for research with young people (16–24) about what they expect their future households to look like, to potentially incorporate into planning.
- Support for use of well-designed uncertainty triggers, to allow for mid-regulatory period adjustments if forecasts are materially different to anticipated.
- Support to understand the impact of using AusNet VCR for residential customers to ensure our low voltage (LV) network plans better reflect AusNet customer expectations around reliability.
- Assumptions around demand response should be conservative.

Approach in Draft Proposal

As our customers electrify their gas appliances and transport, AusNet needs to prepare for, and accommodate, growth in electricity demand and usage. However, many factors around electrification, including take-up of appliances, usage patterns and tariff response, are still uncertain. **Our proposal balances uncertainty with evidence from customer research and independent sources**:

- We have **updated our demand forecasting approach to incorporate Customer Segmentation data (that is, actual smart meter data), removing outdated assumptions**. Majority of our forecasts are still based on independent sources (AEMO and Victorian Government).
- We are **managing uncertainty by keeping our demand forecasts conservatively low to keep network tariffs down, while advocating for reg reform for targeted reopeners for demand growth that is materially different to forecast**. Our demand forecasts are conservatively low as:
  - We are using AEMO's average EV usage profiles even though Victorian average vehicle use is higher compared to the average Australian.
  - We have assumed no EV fast chargers in homes, even though we anticipate around 5,000 customers per year will likely upgrade supply for fast charging.
  - We have replaced an outdated independent estimate of the impact of gas heating on maximum demand with more recent actual data from our Customer Segmentation study, that impact of which was lower.
  - The electrification impact included in our forecasts only captures customers leaving the gas network, rather than changing appliances progressively.
- **Demand driven augmentation of the LV network will be economically justified, using AusNet VCR from its Quantifying Customer Values** study.
- **We are also deferring $37m in network augmentation in the LV network through an assumed level of non-network services** that will be provided through a more streamlined process of non-network service procurement (to be implemented through a non-network service platform). The cost of non-network services to defer the augmentation is estimated at $6m over 2026-31.
- Further engagement with young people is planned for September – December 2024.

Status: Answered

FQ2 How might we support communities to realise their needs and energy aspirations?

Key outcomes of engagement

- AusNet has a role in providing data and guidance to communities to help them achieve their objectives, which includes unlocking more network value.
- AusNet should only invest where efficient to do so. However, there may be a role for AusNet to co-invest in projects that unlock value beyond regulated benefits.
- Community engagement and a personalised approach to standalone power systems (SAPS) is critical.
- AusNet should plan for an increase in demand for community energy solutions.

Approach in Draft Proposal

AusNet's diverse communities are increasingly exploring local energy solutions, such as batteries, microgrids and standalone power systems (SAPS), particularly for edge-of-grid communities and communities with higher-than-average reliability or resilience challenges. Storms in February 2024 have further highlighted the resilience benefits of distributed energy solutions. AusNet also launched an Energy Resilience Community Fund will provide grant funding for energy resilience assets, supporting community resilience.

We have received varied feedback on the role AusNet should play in the roll-out of these community energy solutions. Our early plans reflect this uncertainty, with initiatives that build on our existing role (e.g., data provision), combined with proposed funding to continue to explore partnership models in the future:

- **Continuing to improve access to network data and guidance materials to better inform community energy projects**. We are participating in an AER network data trial, to inform changes to our data portals and information sharing, based on community group feedback. The trial is expected to be finalised later in 2024 which will inform our final Regulatory Proposal; in the meantime, we have included **$3M to expand and improve our network data sharing portals, including network visibility and opportunities data.** This will provide community groups easily accessible data on the condition of the network in the areas they are looking to design solutions in, without the need to manually seek data from networks.
- **We are proposing an uplift in dedicated resources** to better support communities looking to invest or partner in community energy solutions. This includes providing standardised support for all community energy projects, including improved data services, more opportunities to meet with community service providers, attend their projects etc.
- **Exploring opportunities to improve network and community resilience, including through investment in community energy solutions such as SAPS, batteries and microgrids.** Our draft proposal includes capex and opex for economically justified SAPS through network resilience. Our forecasts do not include batteries and microgrids as the cost of these technologies was not economically justified.

Status: Answered

FQ3 How might we lay the foundations for a low-cost decarbonised future, where everybody can benefit?

Key outcomes of engagement

- Support for investment to unlock small and large renewables where efficient to do so.
- AusNet should pursue a rapid transition to flexible exports due to investment in foundational capabilities to manage minimum demand.
- AusNet should pursue quantifying emissions reductions as a benefit stream from enablement of export services.
- There may be merit in considering a new Export Service Incentive Scheme, but only if there are known pain points.
- AusNet could take steps to help address barriers to generation and storage connections at sub transmission level where there is a benefit for AusNet customers that is higher compared to transmission level connections. The benefit to AusNet customers should also reflect efficient investment under the current regulatory framework.

Approach in Draft Proposal

Our customers support renewables and don't want solar energy to be wasted, but they also want network assets to be highly utilised, reducing unnecessary investment. This is in line with the Future Network panel's consistent feedback about the importance of efficiency in enabling renewables.

Our draft proposal unlocks efficient export services for our residential customers:

- **$35m to unlock 820MW of network capacity for rooftop solar exports to:**
  - unlock $67m in wholesale market value using the AER's customer export curtailment value(CECV)
  - reduce 85.3kt CO_2 using the AER's value of emission reduction (VER).
- **Offering Flexible Export to all new rooftop solar customers from 1 July 2026. This will improve network utilisation and defer $30m of network augmentation.** We will use the capabilities invested in under the Victorian Emergency Backstop Mechanism to offer this service, **with additional $5m in ICT capabilities necessary to deliver sophisticated dynamic operating envelopes for most new solar customers**.
- **This will be complimented with changes to our tariff structures and targeted communication campaigns.** To ensure customers make the most of these opportunities, we will significantly uplift our customer communications to frequently remind them about the benefits of these new tariffs (among other elements of the energy transition). We are seeking **an operating expenditure step change to uplift those communications resources.**
- **We are not introducing a new Export Service Incentive Scheme**, as our export services, such as solar connection timeframes, are currently performing well on average and we do not have evidence of other customer pain points that would be suitable for this type of incentive.

Our proposal also accelerates Victoria's renewable generation to the benefit of all Victorians

- **Bringing forward large renewable connections — our plans include funding network capacity improvements at the sub-transmission level where efficient to do so based on wholesale market benefits and emissions reductions.** Connections at the distribution level can be more cost effective compared to transmission. We will work with the Victorian Government and other parties such as AEMO to make sure distribution capacity is fully leveraged in the transition.

Status: Answered

FQ 4 & 5 How might we unlock more value for customers and reduce unit costs through an efficient mix of smart grid technology and new capacity? Beyond enabling exports, how might we support customers in unlocking other CER value streams?

Key outcomes of engagement

- Support for a steady and gradual transition to DSO, to enable the energy transition through modernisation and smart network solutions.
- Support for flexible and optional / layered services for customers, that build customer agency and reduce risk of cross-subsidies. However, social licence challenges exist.
- Critical to establish the difference between collaborative orchestration and control.
- Successful transition to Distribution System Operators (DSO) and delivering customer benefits is contingent on effective communication on the energy transition, necessary for building customer agency.
- Support for an ambitious innovation fund that is genuinely innovative, delivers customers benefits and includes knowledge sharing with other distributors.

Approach in Draft Proposal

We have heard that **it is important to continue to invest in smart technology and capabilities that allow a coordinated and well managed integration of CER, including electric vehicles**. This may mean that we need to explore new ways of interacting with customers, including through flexible and optional services that reduce the risk of cross-subsidies and build customer agency.

We are already investing in capabilities for flexible exports, through our investment in the Victorian Emergency Backstop Mechanism. Once complete, the investment will allow us to extend flexible export offers to most new customers.

While we are continuing to engage and research different elements of smart grid investment (part of our transition to a 'Distribution System Operator' (DSO)), **our early plans include $37m ICT and $9m opex step change to deliver the following services, which reflects feedback from stakeholders and Victorian Government policy objectives:**

- Flexible Exports for all new solar customers from 1 July 2026.
- New dynamic connection agreement and dynamic import and export services for commercial customers (e.g., EV charging stations), batteries and generators.
- Expanding and improving our network data sharing portals, including network visibility and opportunities data.
- Simplifying and increasing opportunities for third parties to provide non-network solutions, through use of platforms and simplified contractual arrangements.
- Integrating our systems with AEMO's new announced CER Open Data Exchange, aimed at simplifying retailer and aggregator exchange of information with distributors and AEMO.

- **We are also proposing to continue to invest in innovation, with a more ambitious innovation fund of $15m.** We are increasing our innovation fund in response to customer feedback that we should be ambitious in driving innovation, and to allow us to better manage new challenges in the energy transition that typically require research and development prior to implementation. This includes testing and trialling managed charging of EVs in households.

03 Customer Experience

Status: Answered

Customer Service Incentive Scheme

FQ1 How might we design a CSIS that delivers maximum benefit for customers?

Key outcomes of engagement

- AusNet should update the CSIS and consider:
  - other networks proposed measures
  - use of stretch targets
  - a mix of service level and customer satisfaction metrics
  - the size of the reward and whether any improvements are being diluted through addition of new measures.
- First call resolution important to include in the CSIS as a measure of service quality.
- Customers should not be paying twice, either expenditure allowance or incentive scheme.
- Large customer connections may not be suitable for the CSIS given the small sample size.
- Support to consider increasing the CSIS revenue at risk.
- Customer satisfaction should include all aspects of the customer experience.

Approach in Draft Proposal

Customer experience remains a top priority for our customers and the panel members. We therefore consider it is appropriate to **continue to apply a Customer Service Incentive Scheme (CSIS) in the 2026-31 regulatory period** focusing on key interactions valued by our customers.

We are proposing the following elements of the CSIS for 2026-31:

- **Retain current planned and unplanned outage and connections CSAT** – remains appropriate and important to maintain this service level as key interactions customer have with AusNet
- **Remove the complaints measure** but we have included ongoing monitoring in our customer commitments as it remains an important measure of customer experience.
- **Introduce first call resolution measure**.
- **Increase the revenue at risk of the CSIS from 0.5% to 1%**, to the maxim revenue at risk for small scale incentive schemes (as we are not proposing an ESIS).
- **Keep the weighting of each measure as an equal ¼ of the total.**

We plan to use historical average to set targets for the 2026-31 CSIS, but are currently looking at changing our C-SAT approach from the outdated phone-based survey we currently use to an online survey. **We will be working with the AER on the implications of a methodology change for current and future CSIS schemes**

Status: Answered

Planned and unplanned outages

FQ 2 How might we minimise the adverse impacts of outages on customers?

Key outcomes of engagement

- Improving customer satisfaction and communication during planned outages continue to be very important. This includes providing clear and informative messaging to customers and offering a variety of ways for receiving notifications.
- There is merit in considering the impact of outages on businesses (especially in smaller towns) and ensuring the reliability of power supply for major events.
- Acknowledgment there is a trade-off in minimising disruptions caused by planned outages and the risk of unplanned outages if planned outages are reduced.
- General consensus that AusNet's current approach regarding delineation of responsibilities is appropriate and customer insights presented were accurate.
- Broad support for all ideas for further unplanned outage communication enhancements, as generated in an internal design workshop.
- Support for customised / personalised outage and connection management services.

Approach in Draft Proposal

We received lots of feedback from all panel members that outages is a high priority interaction we should focus on in the next period, with lots of support for improvements to the communication process. Given this, **we propose to**:

- **Keep the customer satisfaction program (CSAT) for planned and unplanned outages** to ensure we maintain and continue to seek to improve service levels beyond our current period.
- **Have a targeted improvement program for outage communications**, reflecting the importance of communications in minimising the impact of outages, and customers' rising expectations regarding communications.
- **We are making the following commitments to our customers, to compliment the CSIS**:
  - Approach to communications during extreme weather events that is designed for specific customer requirements during these types of events
  - Make our communication more accessible and specific, to meet the diversity in our customers' needs and preferences, including uplifting communication for Culturally and Linguistically Diverse (CALD) customers, location specific, commercial and industrial customers
  - Make communications more timely, clearer and more reliable in message, language and delivery
  - Offer preference or channel-of-choice for customer messages and ensure consistency in language and messaging
  - Continue to improve accuracy of information shared with customers (e.g. estimated start and finish times of planned outage
- **We are proposing to increase our business customer engagement including councils, with dedicated relationship managers living and working across our network**. Among many other things, their remit will include managing planned outage impacts on commercial customers, working with councils on storm response planning as well as assisting in community engagement and support during unplanned outages. **We are proposing a $12m opex step change for 14 new customer relationship managers in the regions.**

Status: Answered

Fit-for-purpose support for all customer

FQ 3 How might we ensure fit-for-purpose service for all customers, incl. those with specialised support needs.

Key outcomes of engagement

Key themes from Joint Vulnerability Engagement Session 1:

- Applying a customer agency lens to the way we consider vulnerability.
- Identifying and putting the right people first.
- Taking a community-focused, partnership approach.

Key themes from Joint Vulnerability Engagement Session 2:

- Importance of building agency for an inclusive transition
- Role of Community Hubs and generation to provide support in prolonged power outages
- Building partnerships – suggestions to make these successful

Approach in Draft Proposal

Reframe our current customer commitment to "Provide the foundations for and promote fair and equitable outcomes for all customers in the energy transition":

- Provide partnership grants to improve outcomes for specific customer cohorts, with relatively broad eligibility criteria
- Advocate for fair and equitable outcomes on behalf of customers, and enable them to advocate on behalf of themselves
- Action and publicly share learnings from research and innovation projects
- Proactively detect, raise and address equity issues, using AusNet's unique insights

Status: Answered

Customer communication and education campaigns

FQ4 How might we meet customers' preferences on the form, content and frequency of communication, as well as educational material that improves customer experience?

Key outcomes of engagement

Throughout engagement we heard the following themes around improving communication:

- Importance of improving unplanned outage communications with a focus on improving accuracy, reliability and specificity across channels. Backed up by broader customer research and engagement.
- the importance of improving customer satisfaction and communication during planned outages. This includes providing clear and informative messaging to customers and offering a variety of ways for receiving notifications.
- importance of communications being accessible, including for Culturally and Linguistically Diverse (CALD) customers and via various channels.
- Support for customised / personalised outage and connection management services.

Approach in Draft Proposal

We heard that **improvements to customer communication is a high priority** to ensure customers have clear and useful information around their interactions with AusNet and their electricity service. It was highlighted how important **improving communication across all channels** is, given customers have different preferences and how we should consider ways to tailor messages for specific groups to improve impact.

We are **proposing the following improvement package for 2026-31**:

- **Targeted improvement program on outage communications, including planned and unplanned outages.**
- **Keep the customer satisfaction program (CSAT) for planned and unplanned outages** to ensure we maintain and continue to seek to improve service levels beyond our current period.
- **A new commitment for 'Continuous improvement of all customer communications across all channels to make them more reliable, accessible, specific and accurate'**:
  - Approach to communications during extreme weather events that is designed for specific customer requirements during these types of events
  - Make our communication more accessible and specific, to meet the diversity in our customers' needs and preferences, including uplifting communication for Culturally and Linguistically Diverse (CALD) customers, location specific, commercial and industrial customers
  - Make communications more timely, clearer and more reliable in message, language and delivery
  - Offer preference or channel-of-choice for customer messages and ensure consistency in language and messaging
  - Continue to improve accuracy of information shared with customers (e.g. estimated start and finish times of planned outage
- **An uplift in our customer communications with a focus on building customer agency, improving diversity in our communications, providing tools and useful information on the energy transition and helping customers better prepare for climate change, extreme weather event and build their resilience. We are seeking a $4m operating expenditure step change to support this targeted communications campaign.**
- **An increase in our business customer engagement including councils, with dedicated relationship managers living and working across our network**. Among many other things, their remit will include being a key point of connect for the business, meeting with customers proactively to understand pain points and provide assistance, provide updates on AusNet's programs to the regions, work to reduce the impact of planned and unplanned outages on customers and communities, manage customer connection queries and information sharing, engage on local community energy projects and support complex customer enquiries into the business. **We are proposing a $12m opex step change for 14 new customer relationship managers in the regions.**

Status: Answered

Customer connections

FQ5 How might we design connection processes that meet evolving customer expectations, across all our customers?

Key outcomes of engagement

- Good service in the connections process is important and AusNet's processes should not be a barrier to customers' taking control of their energy or through the energy transition. Especially for CER – when customers are investing to manage their bills or to help in energy transition – AusNet's processes should not be getting in the way.
- Customer improvements are valued and AusNet should be at least aiming to reduce its Guaranteed Service Level (GSL) payments as a base.
- Support for further improvements but major customer connections may not be practical for inclusion in the CSIS, due to risk of insufficient statistically significant data.
- Support for customised / personalised outage and connection management services.

Approach in Draft Proposal

AusNet will continue to prioritise customer experience in the 2026-31 period, ensuring we are not a barrier to the energy transition or customer agency.

To reflect the panel's direction that improvements are needed but ensuring customers do not pay twice (ie. there is no overlap between expenditure and CSIS), we propose to:

- **Maintain CSAT – Connections in our CSIS** to ensure we continue to seek to improve service levels beyond our current regulatory period. We know connections will remaining a key and important interaction as we continue to see growth an electrification on our network. This is focused on residential connections.
- **Invest in further improvements in streamlining connection processes**, including for large customers such as public EV charging stations, through a targeted expenditure program.
- **An increase in our commercial customer engagement including councils, with dedicated relationship managers living and working across our network.** Among many other things, their remit will include managing customer connection queries and improving transparency around connections, for our commercial customers as well as community energy groups. **We are proposing a $12m opex step change for 14 new customer relationship managers in the regions.**

04 Electricity Availability

Electricity Availability

Status: Answered

FQ1 How might we efficiently improve reliability for our worst-served customers to a level that is considered value for money to all customers?

Key outcomes of engagement

- **Impacts of poor reliability are significant and wide ranging,** including interruptions to customers' daily routines and plans, physical discomfort, emotional distress, and financial losses. **This has been reinforced through customer research and direct experiences shared by Availability panel members**
- Worst-served feeders are identified using the AER's Inadequately Served Customer measure, adjusted to exclude major event days (MEDs)and reflect average performance over a 5-year period, with secondary criteria be applied qualitatively to assist with prioritisation of feeders.

Approach in Draft Proposal

- **We recognise our customers need a reliable supply, with minimal unplanned disruptions.** They have told us clearly this need is growing as reliance on electricity as a fuel source increases, due to factors including electrification of gas, transport and telecommunications, working from home trends, extreme temperatures and a rise in health issues.
- **We have explored opportunities to improve reliability for our worst served customers.** To inform this, we have an agreed criteria to establish 10 worst served feeders with the Availability Panel. Generally, reliability improvement projects at these locations have not passed standard economic tests due to the low number of beneficiaries relative to the (typically high) cost of the solution.
- **We have collected evidence on willingness to pay**; our Quantifying Customer Values (QCV) research showed improving service levels for worst served customers was the second highest priority for customers, and both direct and non-beneficiaries were willing-to-pay around $15 per year to uplift reliability for the worst served 10,000 to 20,000 customers.
- **Have undertaken technical and economic assessments** of potential network, non-network and operational solutions on these 10 feeders. These solutions would cost $37m**.** We received stakeholder support at the all-Panel offsite in August 2024.
- **We intend to propose a regional reliability fund** to address poor reliability where investment is not funded by the STPIS, outside the 10 worst served feeders. This funding is $63m and would be on a use it or lose it basis. We received stakeholder support at the all-Panel offsite in August 2024.
- **We have reviewed our existing research to better understand what 'acceptable' reliability across our network looks like**. Broadly, we have established a tipping point of around 5 hours of outages a year for customer satisfaction.
- **The Opex and Benchmarking Panel have alerted us to a potential opportunity to reduce opex for GSLs if we invest in worst served areas.** We are quantifying this trade-off and will reduce our opex forecast accordingly.

Status: Answered

FQ2 How might we assess how customer characteristics and activities are influencing the value they place on reliability and ensure our investment plans reflect this?

Key outcomes of engagement

- AusNet's approach to addressing this Focus Question should be **evidence-based**, **account for community concerns and involvement,** consider the **role of information and education**, and involve a **commitment to action.**
- **AusNet should support a review of the life support customer protection arrangements,** such as the work underway with the Energy Charter, rather than invest in back up power for all customers on the life support register.
- **A consistent approach to using either AusNet or AER VCRs across the proposal.** This should be consulted on further including the price impacts of the approach (a transition may be required).

Approach in Draft Proposal

- **Research confirms reliability is becoming more important to customers** as their reliance on and expectations of dependable supply increase. Reliable supply is also a key barrier to – and enabler of – electrification of transport and gas.
- **Through the Quantifying Customer Values (QCV) study we have further stress-tested customers' preferences and the value placed on reliability**. The QCV willingness to pay study is the largest of its kind in the NEM, involving over 3,000 customers. We are applying the QCV findings consistently across our proposal, as supported by our stakeholders.
- At the same time, our replacement expenditure (repex) needs are increasing in 2026-31, driven by an ageing and deteriorating asset base and increasing unit costs**. Repex accounts for around 30% of our total capex, and replacing deteriorating assets is critical for a reliable supply.** We have engaged with the Coordination Group on costed repex options, including customer price and reliability outcomes of different investment levels, and how applying the QCV findings influences efficient spend. We have also engaged the Coordination Group on the implications of this research for other investment programs that influence reliability outcomes, such as augmentation to address demand growth and improve network resilience.
- Equally, through Focus Questions 1 and 3, **we are maintaining focus on the needs of our worst served customers and those communities most vulnerable to extreme weather events** due to climate change.
- Similarly, through Future Networks Focus Question 2, and in response to mixed feedback on the role and services we should offer, **we are still exploring options in the community energy solutions** space and continuing to engage on this topic. Our preliminary opex forecast includes dedicated resources to better support communities looking to invest or partner in community energy solutions.
- **We recognise the important role of information and education** to empower and improve outcomes for customers. For example, building knowledge of how customers can configure CER/battery to operate in island mode and informing customers of when they should use energy to reduce their own bills and whole of system costs. We have included a placeholder amount for education in our preliminary forecast while we consider what role we might play.
- **We know communications can make a big difference** to how customers experience reliability and minimise their own safety and other risks during outages, which is being addressed via the Customer Experience Panel.

Electricity Availability

Status: Answered

FQ3 How might we work with customers and other stakeholders to identify and plan for resilience solutions that meet our customers' needs?

Key outcomes of engagement

- Joint engagement with the other Victorian Distribution businesses confirmed five key principles we should consider when developing our resilience plans. These are **site selection**, **long-term planning**, **partnerships**, **economic analysis** and **customer driven outcomes**
- Availability Panel members have highlighted:
  - the need to clearly articulate the benefits of investment, that are uncertain given the location and nature of future extreme events is uncertain;
  - the need to work with communities to identified tailored support – such as the location of community hubs; and
- Availability panel members have indicated that i**nteractions between our Worst Served Customer and Resilience programs should be identified** and managed, to avoid any overlaps and benefit from any synergies.

Details yet to be finalised

- Details of the Victorian Government's implementation of the Network Resilience Review
- Network Outage Review Expert Panel final recommendations

Approach in Draft Proposal

- **Improving the network's ability to withstand extreme weather events has become a high priority for AusNet customers and communities** as the frequency and severity of these events, and reliance on electricity, increase. We have heard this sentiment consistently from customers across variously BAU research programs and our Customer Workshop findings *("Customers expect investment in reliable supply and quick restoration. Many think these improvements should be built into AusNet's regular maintenance programs")*.
- **We have developed a resilience investment program to manage increasing climate risk.** This involves:
  - **Forecasting network risk due to climate change**, with a focus on **bushfire a**nd **extreme windstorm** risks (the 2 highest risk climate hazards for our network and customers), based on weather projections and simulations from climate risk experts
  - **Economic modelling** of the costs and benefits of solutions to address these risks, having regard to the AER's Value of Network Resilience (VNR) outcomes, and other evidence on the benefits of investing in resilience
  - **Addressing the AER's guidance note** on network resilience, particularly providing evidence of a causal relationship between the proposed resilience expenditure and the expected increase in extreme weather events.
- Deep Dive with the Availability Panel in July 2024 – while we did not receive firm guidance for network hardening solutions (see next dot point), we received clear guidance for the following investments:
  - To invest in Standalone Power Systems and community hubs; but not back up for critical infrastructure customers as the cost should be borne by the critical infrastructure customers
  - To invest in digital solutions to facilitate an improved operational response to more extreme events
  - To purchase more mobile generators and emergency response vehicles.
  - More work is need to demonstrate the benefits of an expanded hazard tree vegetation management program
- The all-Panel Members offsite in August 2024 debated the appropriate level of network hardening investments (hardened poles, undergrounding, covered conductors and switches). Panel Members supported delivering all of this investment during the 2026-31 period (rather than staggered across several periods), given the preference for prevention over reactive response and the relatively minor bill impacts due to the cost of these investments being recovered over a long period of time.

FQ4 How might AusNet minimise adverse impacts of power quality and variability on customers?

Key outcomes of engagement

- **Customer complaints may not be the only/best indicator of impact of voltage variations on customers**, and AusNet should continue to understand possible impacts on small and large customers.
- **There is support for continuing to improve voltage performance** based on economically efficient outcomes.
- **AusNet should explore whether customers see value in more voltage data sharing**, for individual use and for community projects.

Status: Answered

Approach in Draft Proposal

- **We have heard from our customers that power quality is important, particularly for our large industrial customers** where even small voltage disturbances (or other power quality issues) can cause disruptions to equipment.
- **The negative impacts of voltage disturbances are often 'invisible' to residential and some larger customers,** such as appliance degradation, increased usage and curtailed solar generation. This makes it hard for customers to detect and understand voltage problems and initiate complaints. The panel therefore expressed that there may be value in making voltage data more accessible to all customers (not provided today), particularly those in areas of higher-than-average voltage disturbances. This will be considered through part of our DSO proposal to increase data sharing.
- **Our proposal for 2026-31 is to continue to improve power quality across our network where the benefit of doing so outweighs the cost.** Benefits includes the value of export capacity unlocked through voltage management (based on the AER's approved Customer Export Curtailment Value (CECV)), as well as savings on customers' bills through lower voltages and lower consumption. By taking this approach, we anticipate AusNet will reach an industry benchmark voltage performance of 97-98% of customers within the allowed voltage band 99% of the time.
- While our voltage performance will continue to improve over time, **we will need to continue to undertake localised voltage management upgrades in response to customer complaints.** However, we anticipate complaints will decline with overall voltage performance improvements. To achieve this, our draft proposal includes **funds for both proactive and reactive** voltage management.
- We are not proposing a targeted investment program for our industrial customers but **will continue engaging on their power quality issues and options for improvement** (which may be on the customer side).

Electricity Availability

FQ5 How might AusNet best plan its works to minimise adverse impacts of planned outages on customers?

Key outcomes of engagement

Acknowledgement of:

- **the importance of continuing to improving customer satisfaction and communication during planned outages.** This includes providing clear and informative messaging to customers and offering a variety of ways for receiving notifications.
- **considering the impact of outages on businesses (especially in smaller towns)** and ensuring the reliability of power supply for community events. Analysis to determine the optimal level of planned maintenance would be valuable.
- **the need to minimise disruptions caused by planned outages** while ensuring safety and compliance with regulatory requirements.

Status: Answered

Approach in Draft Proposal

- **We received feedback from all panel members that customer experience around planned outages is a key priority** we should continue to focus on in the next regulatory period. Specifically, we heard support for improvements to planned outage communications and further considerations around understanding the best weekdays and times of planned outages.
- **We anticipate that an increase in planned outages may be necessary in 2026-31** as we deliver the essential network upgrades needed to support the energy transition. Given this, we will remain focused on improving the planned outage experience.
- For that reason, **we propose to keep the C-SAT - Planned outages in our CSIS to ensure we maintain and continue to seek to improve service levels beyond our current period**. The CSIS will continue to incentivise us to dedicate effort and resources to minimising the impact of the approximately 7,000 planned outages we take each year. As the CSIS will drive improvements, we have not included any funding for improvements to the planned outage process in the upcoming period.
- We have engaged on customer experience, including planned and unplanned outages, with our customers through the round 3 customer workshops.
- **We are considering the following commitments to our customers,** which were discussed with the Customer Experience panel, to compliment measures under the CSIS:
  - **Continue to improve accuracy of information** shared with customers (e.g. estimated start and finish times of planned outages).
  - **Make communications clearer** and more reliable in message, language and delivery, in line with customer expectations.
- In June 2024 Customer Experience panel members indicated they wanted to keep all elements of CSIS and all experience elements; there was some support for increasing CSIS to 1% and comfort in removing overlap to ensure making sure customers don't pay twice.

05 Benchmarking and Opex

FQ How might benchmarking be applied to give customers confidence they're paying no more than necessary for an efficient service?

Status: Answered

Key outcomes of engagement

- **Following discussions with the Panel and the AER there was agreement to close out this focus question, given AusNet has been affirmed as a benchmark comparator (unless there are further updates that materially change the benchmarking results).**
- **We will consult with the Panel further on any material updates to either our costs (including extreme weather events) or the AER's benchmarking methodology.**

Additional comments from AusNet:

- The AER's benchmarking models currently show AusNet is a benchmark comparator firm with an efficiency score above 0.75. This is due to a change in the AER's approach, whereby it now accounts for the impact of capitalisation differences between Distributed Network Service Providers (DNSPs). This was a long-standing issue that was addressed in the AER's latest 2023 annual benchmarking report.
- However, AusNet believes it is necessary for the AER's benchmarking models to account for operating environment factors (OEF) such as terrain and severe storms. We will continue to push this position, including in our Revenue Proposal.

Approach in Draft Proposal

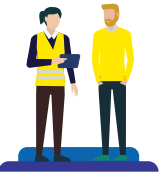
- According to the AER's latest 2023 annual benchmarking report, AusNet is a benchmark comparator firm with an opex efficiency score above 0.75.
- The AER's 2024 preliminary benchmarking report opened for consultation in August 2024 (through to November 2024 when the final report will be published) which contains data for the 2022-23 regulatory year. The 2024 preliminary report shows that AusNet is a benchmark comparator firm with an opex efficiency score above 0.75.
- Due to the extreme storm in February 2024 impacting 2023-24 opex, this is no longer our preferred base year. Instead, we will propose 2022-23, the second year of the current regulatory period, as being more reflective of ongoing opex, which will be the subject of the November 2024 benchmarking report.
- Similarly, the extreme storm in September 2024 has impacted 2024-25 opex, meaning it is also not a suitable base year.
- We will continue to advocate for a change in the OEF methodology to account for factors such as terrain and severe storms (particularly given the impact of the Feb and Sep 2024 storms). This impacts many aspects of our opex including Guaranteed Service Level payments, vegetation management costs, emergency response opex, and emergency management (including potential new preparedness requirements arising from the Victorian Government's Network Outage Review).
- However, to progress some of the changes we have proposed to the OEF approaches, we are reliant on the AER to collect consistent data across the distributors.

Benchmarking & Opex

FQ How might we be confident that AusNet's opex represents value-for-money and prudent and efficient expenditure?

Key outcomes of engagement

- AusNet should seek to identify any negative step changes.
- There is no strong preference on base year, revenue neutral and the AER will assess efficiency.
- GSL opex should be reduced if funding improvements for worst served feeders
- Interested in demand response and managing peak demand, and how this opex can be used to offset capex.



Status: Answered

Approach in Draft Proposal

- **Our draft proposal opex forecast** is an increase on current period expected spend (~19%) and slightly above our current period allowance. This level of increase is consistent with our peers, e.g., SAPN's proposed 18% increase. **It contains several step changes and a commitment to reduce our opex forecast to account for savings that are expected to be delivered through the digital expenditure program (should that be approved).**
- **This increase is driven by strong growth in demand and customer numbers - we have applied the AER's standard approach to escalation;** as well as **step changes** to meet new obligations, manage network resilience and safety, respond to evolving customer needs and manage capex/opex trade-offs.
- **Base year:** Due to the impact of the February 2024 storm event on our opex for 2023-24 (which we had previously identified as a suitable base year) we intend to propose 2022-23 as our base year**.** This will be included in this year's AER Annual Benchmarking Report, due to be published in November 2024.
- **Trend growth**. Our draft proposal opex includes the following trend parameters **(consistent with standard AER practice)**:
  - **Price growth:** While we are concerned that the AER's standard Wage Price Index escalation measure understates movements in our labour costs, we intend to adopt the AER's standard approach of averaging a WPI forecast prepared by the AER's consultant with a forecast prepared by our consultant.
  - **Output growth:** We intend to apply the AER's standard output growth methodology.
  - **Productivity:** We intend to propose the AER's standard 0.5% productivity approach. This is consistent with AER practice and is a reasonable indication of productivity improvements in the next regulatory period, given long term historical trends and our benchmarking efficiency. We will also apply this adjustment to capitalised corporate overheads.
- **Step changes –** 9 step changes are currently under consideration, including:
  - **New obligations -** More frequent pole inspections due to a recent Energy Safe Victoria direction (changes to the Wood Pole Management Plan we are obligated to deliver), effective January 2024. We have looked more closely on the need for this in light of feedback from the opex and benchmarking panel and are still finalising our approach.
  - **Meeting customer needs -** Customer relationship management (including Community Energy Solutions Support) with greater resourcing to support communities considering these investments; Broad customer communications campaign resourcing to empower customers by building agency.
  - **Improving network safety and resilience -** Early Fault Detection Device Rollout – devices that assist in the identification of expected faults down to a specific location on a powerline; More targeted, proactive hazard tree program to reduce risk of prolonged outages.
  - **Capex/opex trade-offs -** These include transition to cloud-based solutions, management of flexible services and non-network solutions; expensing of corporate overheads due to change in accounting practice; negative step change due to AusNet EV fleet electrification.
- **GSL forecast.** We have estimated a reduction GSLs opex to reflect the benefits of investment in worst served areas and will confirm this amount in our Revenue Proposal.