

Meeting Snapshot

Coordination Group | Costed Options Deep Dive on Connections

Wednesday 10 July 2024

Participants

Coordination Group members

Dean Lombard
 Gavin Duffy
 Kieran Donoghue
 Helen Bartley
 Mark Grenning
 Emily Peel
 Peter Eben (Chair)

Observers

Ben Fu, Australian Energy Regulator (AER)
 Michelle Shi, AER
 Rohan Jones, AER

AusNet staff

Charlotte Eddy, General Manager Regulation (Distribution)
 Sonja Lekovic, Regulatory Policy Manager
 Lucy Holder, Manager, Customer Engagement
 Rob Ball, Price Review Manager
 Michaela Jackson, Senior Engagement Specialist

Apologies

None received

Purpose of the session:

To collaborate with Coordination Group members on the approach taken to connections, including changes to policy and costed options, as part of AusNet's EDPR 2026-31 proposal.

Additional context:

This costed-options deep dive follows several earlier conversations around connections, including those with the coordination group on 11 April and as part of the joint Future Networks and Tariffs and Pricing Deep Dive on 5 June, and an earlier dedicated discussion in the Customer Experience panel in September 2023.

Summary of support and preferences:

- There was a general preference among participants to uphold existing connection policies for network contributions and to avoid cross-subsidies. Balancing this, there was openness to considering economically efficient ways to increase contributions from the network, e.g., by estimating incremental revenue from increased usage for customers who upgrade from single to three phase. There was also recognition that there may be benefits to more cost socialisation in some cases, but these would need to be assessed on a case-by-case basis to accommodate specific circumstances and impacts on beneficiaries.
- While costs may pose a barrier to electrification, the Coordination Group expressed strongly that they didn't want connection costs socialised. They said ideally government would fund network upgrades and encourage electrification, noting they are not currently indicating they will do this, and that they feel this approach would distribute costs more equitably, promote public benefits and facilitate fairer electrification efforts. The Coordination Group accepted the government may not step in to subsidise connections and if this is the case the full cost would be borne by the customers requesting the service upgrades, and accepted this as preferable to socialisation of costs across AusNet customers.
- There was some support on exploring flexible payment options to ease financial burdens on customers who may be facing high costs of upgrades, potentially through phased payments or other mechanisms.

Key discussion points

| Agenda item | Key discussion points |
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| <p>Context and connections forecasts</p> | <p>AusNet's Sonja Lekovic opened by recalling previous discussions held in April that focused on forecasting connections amidst uncertainties in new connection types. She highlighted that the information being shared was not yet finalised, before outlining that the aim of this session is to discuss whether networks should contribute to customers' connections in some circumstances. Sonja provided context to the discussion by noting the role of evolving technologies and potential impacts on tariff policies before opening for discussion.</p> <p>The topic generated the following discussion from the group.</p> <ul style="list-style-type: none"> • One group member asked about how costs are recovered from EVs and if new connections for EVs have meters. AusNet explained that chargers have National Meter Identifiers (NMIs) which means we can see if energy is being used, we do not know all the details of how they are being charged for that use. • Another panel member indicated support for Alternative Control Services (ACS) because of its cost reflectivity but suggested government contributions for promoting electrification. He emphasized the necessity of cost-reflective tariffs if transitioning to standard control. • A third panel member provided further support in principle, spoke to the interplay between connections and tariffs, that the first mover shouldn't pay for the entire cost (where others later benefit) and added that the cost of doing business should also be recognised. <i>A question was also raised about whether upgrades to 2-phase rather than 3-phase would be considered, which AusNet agreed to take on notice.</i> |
| <p>Customer supply Upgrades and contributions</p> | <p>Active discussion continued and centred on covered government-funded upgrades and their cost distribution implications, with consideration for public benefits.</p> <ul style="list-style-type: none"> • The view was raised that this is a public policy issue rather than AusNet's decision, and had seen a lack of attention from energy market bodies and state government. AusNet were commended on raising and discussing this issue and concerns about were raised about the considerable cost associated with the upgrades at scale, emphasised equity issues and advocating for a systematic approach from governments and clear decision-making principles. <ul style="list-style-type: none"> ○ There was further comment around whether the likely benefit and value would be evenly distributed across the network (with urban customers benefiting more), particularly between urban and constrained areas. <p>AusNet advised that there are ongoing discussions with government, noting interest in clarifying the necessity of 3-phase upgrades and addressing equity concerns. Sonja added that current policy mandates users upgrading to 3-phase to adopt Time of Use (ToU) tariffs. She clarified that bi-directional capabilities were not supported, prompting a panel member to also consider alternative, behind-the-meter, methods to encourage electrification.</p> <p>Further discussion raised issues of the policy setting, economic principles, regional differences, and social equity considerations in determining customer contributions for network upgrades and connections.</p> <ul style="list-style-type: none"> ○ Following a question on how current contribution policy amounts are set, and whether the values should change if the principles on which they are based remain the same, AusNet clarified that contributions were set based on an approved connection policy by the AER. For batteries, a higher contribution is expected due to lower revenue generation. • Participants debated the balance between maintaining an economically purist approach where non-connecting customers do not subsidise benefits and |

considering broader community benefits. Some passionately spoke in favour of the economically purist approach of efficient pricing, where all customers understand and pay their own efficient costs, and there are no cross-subsidies between different customer groups. Others asked if contribution levels for essential services like buses should differ from discretionary items like EVs. There was also debate on whether specific customer upgrades should result in reduced contribution based on increased revenue. Some concern was raised about varying contribution percentages across different states, driven by state policies and licensing, prompting calls for more consistent policy approaches.

- Barriers to electrification were also discussed including concerns over upfront costs and potential for payment options to ease customer burden. Regarding residential upgrades a group member asked it is possible to use the same approach for connections but to upgrades, and if so could AusNet provide indicative figures. *AusNet took this question on notice.*
- There was agreement on the importance of integrating forward-looking plans for network upgrades, such as SWER lines, to optimize cost distribution and minimize cross-subsidies. *AusNet agreed to investigate what additional network value could be extracted.*

| Action items | | | |
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| Action | Assigned to | Status | Due date |
| AusNet to investigate if upgrades to 2-phase rather than 3-phase would be considered | AusNet Reg Team | Open | August 2024 |
| AusNet to determine if it is possible to use the same approach for residential connections but for upgrades, and, if so, provide indicative figures. | AusNet Reg Team | Open | August 2024 |
| AusNet to investigate what additional value could be extracted from network upgrades | AusNet Reg Team | Open | August 2024 |