

AUSNET EDPR 2026-2031 COORDINATION GROUP MEETING #19 MINUTES

Location: Microsoft Teams

Date: 1 November 2024

Time: 9:00 AM – 10:30 AM

Coordination Group (CG):

Peter Eben (Chair of CG, meeting Chair)

Helen Bartley (Research and Engagement Panel Lead)

Kieran Donoghue (Availability Panel Lead)

Gavin Duffy (Tariffs and Pricing Panel Lead)

Mark Grenning (Benchmarking and Opex Lead)

Emily Peel (Customer Experience Panel Lead)

Dean Lombard (Future Networks Panel Lead) (meeting Secretary)

Attendees:

AusNet:

Rob Ball

Charlotte Eddy

Lucy Holder

CCP:

David Prins

AER:

Gus Mandigora, Lynley Jorgensen

Apologies: Nil

I. WELCOME AND CONFLICTS OF INTEREST

Minutes from the last meeting were accepted.

No conflicts of interest declared.

Action items: none.

II. PANEL LEAD UPDATE

A. NO UPDATES

III. AUSNET ITEMS (SLIDES PROVIDED)

A. Affordability discussion

General discussion on affordability (insights and approach)

The purpose of this agenda item was to provide the CG with an update of the customer and other stakeholder engagement since the release of the draft proposal and involve the CG in the approach to affordability through seeking input on the measures AusNet will include to address affordability in its January 2025 proposal.

The minutes below reflect the discussion and Q&A session to discuss the affordability topic.

- i. AusNet has engaged with a range of stakeholders and in multiple ways to raise awareness of the opportunity to participate in the EDPR process; inform stakeholders directly of key issues, proposals, and questions; determine customer values and preferences; and get feedback on proposals.
- ii. Not many formal submissions were received, but plenty of feedback has been gotten through the workshops and via other channels. AusNet paid workshop participants to read the proposal beforehand and give feedback prior to meetings (homework) to increase the volume and quality of feedback.
- iii. Affordability has come through as a concern of some customers and other stakeholders. The CG has urged AusNet to understand how the strong preference for affordability affects other preferences and values, and how it should be reflected in the draft proposal.
- iv. AusNet has no expectation that all customers will be happy with the forecast costs. Rather, the aim is generally that they are not too unhappy. The CG understands and supports this approach.
- v. It's clear that there is a very low appetite among most customers for cuts to service levels which provided validation that the cost vs service balance may be appropriate. In consultation sessions, there was some appetite for increasing service levels
- vi. Gas price path research shows customer preference for predictable prices and for not having lower prices today at the expense of higher prices tomorrow. AusNet considers this can be broadly applied to electricity too, despite different context (e.g. the expected decline of gas network usage, accelerated depreciation, etc.).
- vii. Feedback on the affordability of the proposal has largely been neutral to positive. But because of the importance of affordability to customers, AusNet's Draft Proposal included a number of yet-to-be quantified measures to reduce the revenue

requirement without significantly impacting service levels, and thus improving affordability. The CG supports AusNet looking at all relevant measures available to address affordability whilst not materially adversely impacting service levels.

- viii. The CG did not mention any specific further measures that could be used to address affordability aside from those already identified in our report on the draft proposal, other than increasing the opex productivity adjustment to 1%. AusNet responded that other opex adjustments, including the yet-to-be quantified Digital negative opex step change and EBA increases above the escalations provided in the regulatory framework, are also relevant to opex productivity.

We note this topic will be further discussed at the next CG informed by additional information. s

ix. Questions/comments and discussion with CG:

- a. *Question: Did customers understand that flat prices are not guaranteed (if forecasts are wrong)?*

Answer: Uncertainty in forecasts and possible impacts is too complicated a topic for that discussion with end use customers. The customer panels have been the audience for this discussion. However, it was explained to customers at the workshop that expected increasing energy usage is a factor keeping real prices flat. This was acknowledged by the CG.

- b. *Question: Do customers really understand the difference between real and nominal prices, and that the flat price is real, not nominal?*

Answer: It was discussed in the sessions and clearly explained that the prices shown excluded inflation. It is a difficult concept for many customers.

- c. *Some discussion about the extent to which customers understand real vs nominal prices, whether it's possible to improve their understanding or whether we just accept that some customers will experience flat real prices as a modest price increase.*

Some CG members considered that this issue may warrant further attention for the next (2031–36) EDPR – is there a way, without undue complexity, to help customers to better understand the distinction between real and nominal prices to inform their views on price paths?

- d. *Some disagreement from CG members who observed some of the workshops about customer sentiment in the rooms about costs.*

AusNet notes that in total there were 20+ break out sessions, the CG members only observed a small fraction of sessions, and did not attend all workshops. The sentiment varied greatly across them all and the summary report prepared by the consultants will represent the overall sentiments aggregated. In particular the face-to-face sessions in Traralgon and Wangaratta which were not observed by panel members had more positive sentiment overall, and AusNet noted the final discussion in all 5 workshops tended to be dominated by a small number of loud voices.

- e. *Question: In customer views on whether they support expenditure (and its flow through to costs), on what basis are neutrals grouped with positives rather than negatives?*

Answer: AusNet has considered sentiment of the verbatim responses (e.g. to whether they support, oppose, or can live with proposal). It is also relevant that aiming for customers to be enthusiastic about paying distribution network charges the aim is generally that customers are not too unhappy with the price-service balance in the Draft Proposal.

Comment: Members of the Coordination Group had different views about how neutrals should be classified. This could be a rationalisation for grouping neutrals with positives – if people are too unhappy they'd probably give a negative response. One member sent through the following article for AusNet's consideration:

https://www.rand.org/content/dam/rand/pubs/working_papers/WRA3100/WRA3135-2/RAND_WRA3135-2.pdf Alternatively, if you just exclude neutrals, there's still much more support than opposition.

- f. *Question: Why is there notably more negativity about the proposed expenditure (and value received) in Morwell?*
Answer: Might be a reflection that people are finding electricity too expensive in general which may be a function of demographics in this location. There's still no appetite to reduce service levels.
- g. *Comments on affordability generally: AusNet can never declare 'this is affordable'. Affordability depends so much on people's individual contexts.*
- h. *Comment: A CG member suggested AusNet should feel free to tell people that they are unable to reduce cross subsidy between solar and non-solar households due to Victorian Government limitations on tariff changes.*
- i. *Question: How have larger businesses reacted?*
Answer: Generally pretty positive, with some support expressed for uplifted service levels for worst served customers in particular, noting this is a relatively small part of the bill.
- j. *Question: What's the expected impact of Victorian Government resilience rule change?*
Answer: Too early to tell but will not have a major impact on the January 2025 proposal. The outage review may have a greater impact should some of their recommendations be accepted by Government.
- k. *Comment (CG): ECA's recent paper suggests DNSPs should favour compensation and recovery expenditure after events ahead of resilience investment to lower impact.*
Response: perhaps something for a future discussion, noting the report does not align with AusNet's research and feedback received on resilience.

Next step: Affordability will be further discussed at the next CG meeting and benefit from additional information at that time including:

- a final report from the consultants that facilitated the customer engagement workshops
- any relevant affordability related feedback from the panel engagement that is currently occurring

- an updated set of price, price path and cost data that allows for the key changes since the draft proposal and the impact of any proposed affordability initiatives.

Metering proposal

- AusNet outlined its proposals to withhold metering charge reductions for smart meter refusal customers and pass on the difference as a charge to these customers and offer to fund the establishment of fence line meter cabinets and (in limited circumstances) pole-top meter cabinets.

ii. Questions/comments and discussion with CG:

- Question: How would you implement a different metering charge for meter refusal customers? Can retailer systems support it for a small number of customers?*

Answer: Up to retailers. (It was noted that additional charges for pass-through costs could be handled by many retailers via a flag on accounts, does not have to be integrated with a tariff.)

- Comment: Eventually these meters will be replaced. Analogue meters are no longer an option for replacements. (Noted that Essential Energy has managed smart meter refusal customers by disabling comms from smart meters and manually reading them.)*

- Comment: AEMC will have a legacy provision from 2030 for handling non-smart meters.*

- Comment: AusNet should take a consistent approach with other Vic DBs.*

Outcome: The CG generally supported the proposed approach.

B. Panel engagement plan

- In most cases it's to *inform* panels of updates on feedback received on the draft proposal and on what aspects will be updated from draft for the final proposal.

- In some it's to *engage* on outstanding issues.

- Question: Cognisant of the need to close out the engagement phase with the panels; but given the possibility of reopeners, flexible response to emerging issues and so on is there an ongoing role for panel members?*

Answer: Yes, still thinking about it and it will be highly dependent on the AER's review of our Proposal, but AusNet understands that clear communication with panel members about expectations and any future roles is important.

Comment: As the CG is to be involved in the final proposal, we will need to engage with panel members on that.

Response: Understood, AusNet is comfortable for the panel members to be engaged on the CGs final report, and has sought a cost estimate from the CG for budgeting purposes. AusNet asked for clarification from the CG on how they plan to engage Panels so it can set expectations properly with Panel members.

C. Overall timeline for January 2025 proposal

- i. *The timeline was noted and that the CG will not receive a copy of the Revenue Proposal before it is submitted on 31 January 2025. This will inform the timeline for preparation of the CG report.*
- ii. *Question: Should we submit our final CG report after the issues paper but before submissions close, so it can respond to the issues paper and inform submissions?
A (Views from CCP and AER): If it's after the issues paper (due second half of March) it will be too late for the public forum. If the report lands mid-March it will be too late to influence the issues paper, but could inform the stakeholder forum (particularly if CG members presented it at the forum rather than having the AER incorporate it).
CG will discuss and agree a timeframe for report development and finalisation.*

IV. OTHER BUSINESS

A. AER update

- i. Nothing.

B. CCP representative update

- i. Nothing.

C. Open discussion

- iii. New contractor for operation and maintenance
 - a. Switching from Downer to Zinfra as the primary operations and maintenance contractor.
 - b. Will report back with more detail at 19 November meeting.

V. ACTIONS AND NEXT STEPS

Action items

- i. Nothing noted

Next meeting – 19 November 9AM Eastern Daylight Saving Time