AUSNET EDPR 2026-2031 COORDINATION GROUP MEETING #7 MINUTES

Location:	Microsoft Teams
Date:	February 28, 2024
Time:	9:00 AM – 10:30 AM
Attendees:	**Coordination Group (CG):** Peter Eben (Chair of CG, meeting Chair) Helen Bartley (Research and Engagement Panel Lead) Kieran Donoghue (Availability Panel Lead) (meeting Secretary) Gavin Dufty (Tariffs and Pricing Panel Lead) Mark Grenning (Benchmarking and Opex Lead) Dean Lombard (Future Networks Panel Lead) Emily Peel (Customer Experience Panel Lead) **AusNet:** Rob Ball Charlotte Eddy Lucy Holder **CCP:** David Prins **AER:** Matthew Morrison
Apologies:	Sonja Lekovic (AusNet)

I. WELCOME AND CONFLICTS OF INTEREST

Minutes from the last meeting were accepted.

No conflicts of interest declared.

All action items from the previous meeting were completed except the circulation of AER information re their VCR work. MG noted that there had been a further update and so he would send round the latest information.

II. PANEL LEAD UPDATE

- Availability (Kieran)
  - The panel met on 16 February. AusNet provided an update on the recent storms and their power restoration efforts. AusNet customer comms were discussed. Some panel members flagged that they had received some "dodgy" SMS messages and AusNet agreed to follow up on these. At least one panel member noted that they lost telecoms at the same time as power and that this meant they could not receive info on outages/restoration times.
  - AusNet also provided a status update on focus questions, including some indicative figures for costs in the next period. There will be a further joint DNSP session on resilience in due course and a deep dive into resilience in May. Also the Value of customer reliability (VCR) research will be available soon.

- R&E (Helen)
  - The panel met with AusNet 23 February 2024 where AusNet gave the panel a rundown on its forthcoming engagement for 2024 including revised customer workshops Round 3, and also proposed engagement activities for our away days. AusNet was keen to seek our input and the panel was able to contribute some valuable thoughts, particularly for the round three workshops.

- Benchmarking and opex (Mark)
  - The panel met with AusNet 20 February 2024 and reviewed our two focus questions:

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

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

  - We believe that the first question has been largely answered withing the constraints of the current regulatory framework:
    - In latest 2023 AER Benchmarking Report (covering 2022 data), which are now adjusted to take account of different capitalisation policies (this reflects how different DNSPs allocate $ between capex and opex), result in AusNet having a 'benchmark comparator' score above the 'magic' number of 0.75; this number was set by the AER in 2015 and effectively says, that a firm that is 25% less efficient that the most efficient firm (called the 'frontier firm' – in the 2023 report that is Powercor) is still 'not materially inefficient'

- This means that the base year opex (here 2024) is likely to be accepted by the AER when applying the 'base/step/trend' methodology to estimating allowable opex
- However while that says AusNet is 'efficient' for the purposes of the regulatory framework, we would suggest that a firm that is 25% less efficient than the most efficient distributor is incurring costs that mean consumers are likely to be paying 'more than necessary for an efficient service';
- The AER continually updates the opex modelling to address issues and they have a work programme over the next few years to address a number of matters – one of which is whether the 0.75 benchmark should be increased (we think it should – a Consumer Challenge Panel submission on opex productivity in 2018 recommended that)

- o AusNet argues that the second question is partially answered and they will present their initial view of opex – including step changes – to our meeting next week.
  - Some step changes driven by increased obligations and accounting rules
  - We have pushed for AusNet to follow the lead of Ausgrid and Energy Queensland (Energex and Ergon) to have the same productivity factor for capitalised overheads as opex; while the minimum required opex factor is 0.5%/yr, we are likely to advocate for a higher number given affordability issues and depending on what AusNet proposes for opex
  - Our future work programme will include a deep dive into the proposed opex components especially step changes and this discussion will also involve other Panels where relevant
  - Note that GSLs are included in opex (significant level for recent storms)

- Question about the 0.75 benchmark – what's the range across the networks? MG thought that around 9 DNSPs are below the benchmark. CE added that in such cases, the AER then reviews for operating environment factors. Where those have sufficient explanatory factor then the base year opex is also accepted. So only a couple of DNSPs have had their base year opex adjusted down for material inefficiency.
- Future Networks (Dean) – Nothing to report, next meeting on 1 March.
- Tariffs And pricing (Gavin)
  - o The Panel met Thursday 22 February.
  - o Catch up and preparation for the in person meeting:
    - an update on where we are (working with other DNSPs focusing on pulling it all together - tariff narrative etc)
    - overview of the engagement process

- - request that there be feedback from panel leads back to the tariff group
  - o Conversation around tariffs and Allocation of revenue. Discussion on allocation of revenue across various customer classes (limited ability to do this) but can within customer classes
  - o Discussion on how we might look at customer impacts - themes / issues
    - Ausnet are looking at do nothing option
    - tariffs - technology neutral tariffs, conversation around EVs and tariffs, How to use tariffs to unlock DER/CER value, bi - directional tariffs discussed,
  - o Yet to be finalized: SME, what happens to residential demand tariffs, large customer forum,
  - o also conversation around how we might build agency, tariff design and the pricing objectives (simple, efficient, adaptable and equitable)
- There was a question about battery tariffs as per Octopus in the UK. CE indicated that AusNet was doing some early thinking about these options.
- Customer experience (Emily) –
  - o Brief meeting held 26/2/2024
  - o The Customer Experience panel provided insights to their experiences with the power outages that happened due to the most recent storm event earlier in the month.
    - Feedback to the Ausnet team was that their needed to be more communications
    - Better systems to communicate and get information
    - Concerns regarding the timings of messages when able to receive them
    - Inconsistent messaging
    - Outage tracker disaster
    - Concerns messages received were scams as they came from different numbers and had links to click
    - Put to Ausnet that they haven't learnt anything since the outages in 2021, there hasn't seemed to be any implementation of the outcomes from the resilience review
    - Finding it had to believe anything AusNet has to say in its messaging
    - Feelings that the impact to customers has been overlooked or minimised.
    - Maybe an AusNet app would be appropriate

- o AusNet then went through the Focus questions that the team met on in 2023 which the panel gave some further feedback for discussion at the face-to-face engagement next week.

III. AUSNET ITEMS

A. <u>Storms update / discussion</u>
  i. CE provided update. All customers back on supply. Noted very severe impact on some customers who experienced very long outages. Now moving to post-implementation review to understand what could be done better. Communications will be a focus, e.g. the downtime of the outage tracker.
  ii. Vic government has appointed an expert panel to review DNSPs' performance during the storm event, including maintenance, recovery, communications and Guaranteed Service Level /Prolonged Power Outage payments.
  iii. AusNet [announced a shareholder funded $10m fund](#) for storm remediation. This was AusNet's biggest ever storm impact.

B. <u>Offsite preparation discussion</u>
  i. Panel leads asked to present (5 minutes) their panel's journey over the first 12 months. AusNet will prepare slides with each Panel's focus questions as a prompt. PE also to present on Co-ordination Group.
  ii. Due to postponement of most of the 3rd round customer workshops, the pre-dinner session will now focus on the Epping workshops, led by Tony Robinson.
  iii. Day 2 panel catch-ups. B&O and R&E panels excluded, so those panels' members can participate in other panel discussions. These discussions aimed at capturing each panel's immediate response to AusNet's early draft figures, addressing queries about role of co-ordination group and identifying o/s issues.
  iv. CG meeting to follow main meeting. In any case, EP and GD are apologies for this meeting.
  v. Seating -suggest mixing AusNet and panels, and also spreading CG around. May require pre-allocation of seating.

IV. OTHER BUSINESS

A. <u>AER ESP update</u>

i. MM discussed the Early Signal Pathway (ESP) process. Some learnings from initial review of the resets that allowed for ESP applications. Consumer engagement remains important but is not the only element that should shape a proposal – prudency and efficiency remain important. Rule of thumb is that a capex forecast should not be materially above current period for ESP. Opex similar but a few well-justified step changes are acceptable, especially if driven by new regulatory obligations. AER to send invitation for Expression Of Interest to Vic DNSPs in next few days, and they then have a few weeks to respond.

ii. AER updating its non-ESP position on engagement outside of ESP process, including timings. Independent consumer report remains optional. AER to continue to use traffic lights, but not Board-endorsed.

B. Consumer engagement status update (HB)

i. HB keen for people to provide input in relation to outstanding topics and issues from their sub panel not withstanding that AusNet will also provide us their perspective on responses to our focus questions.

ii. HB reminded Panel members that she welcomed additional participation in the interviews. MG and EP already engaged in some of the interviews.

C. CCP representative update

i. David noted an all-CCP meeting will be held in March and until then he has no new info about CCP resourcing or the CCP's involvement in an ESP process. He has been attending CG and some Panel meetings as far as his budget allows. AusNet will brief him about the offsite which he is unable to attend.

D. Open discussion

No other business

E. CG report initial discussions [in camera CG]

i. The CG briefly met in camera to discuss initial perspectives of key process requirements for the CG report preparation.

V. ACTIONS AND NEXT STEPS

Action items

i.   Ausnet to put together focus question slides for Panel update sessions at the in person meeting.

ii.   Panel leaders to prepare brief presentation on their Panel's work to date for this session.

iii. AusNet to pre-allocate seating at the in person, in order to ensure a mix of Ausnet and panel members.

iv.   AER looking at staff/CCP attendance at the in person meeting, noting MM and DP both unavailable.

v.   PE/HB/KD to collaborate on first draft of report structure for review by CG (following receipt of AusNet's own proposal structure).

vi.   PE to set up CG meeting to review structure w/c 25/3.

vii. MG/GD to circulate examples of other consumer reports.

Next meeting – 6 March 1pm eastern time, following the in person meeting