

**Power and Water
Corporation
2024-29
Distribution Revenue
Proposal
Online Public Forum**

Acknowledgement of Country

Kris Funston
Executive General Manager,
Network Regulation

AER welcome and introductions

Kris Funston
Executive General Manager,
Network Regulation

Agenda



Topic	Speaker	Duration
Welcome/ acknowledgment of country	Kris Funston, EGM	5 mins
Network business presentation	Power and Water Corporation	15 mins
Overview of issues papers	Kris Funston, EGM	10 mins
Consumer Challenge Panel (27) facilitated discussion	Robyn Robinson	25 mins
Closing remarks, next steps - submissions 12 May	Kris Funston, EGM	5 mins



PowerWater

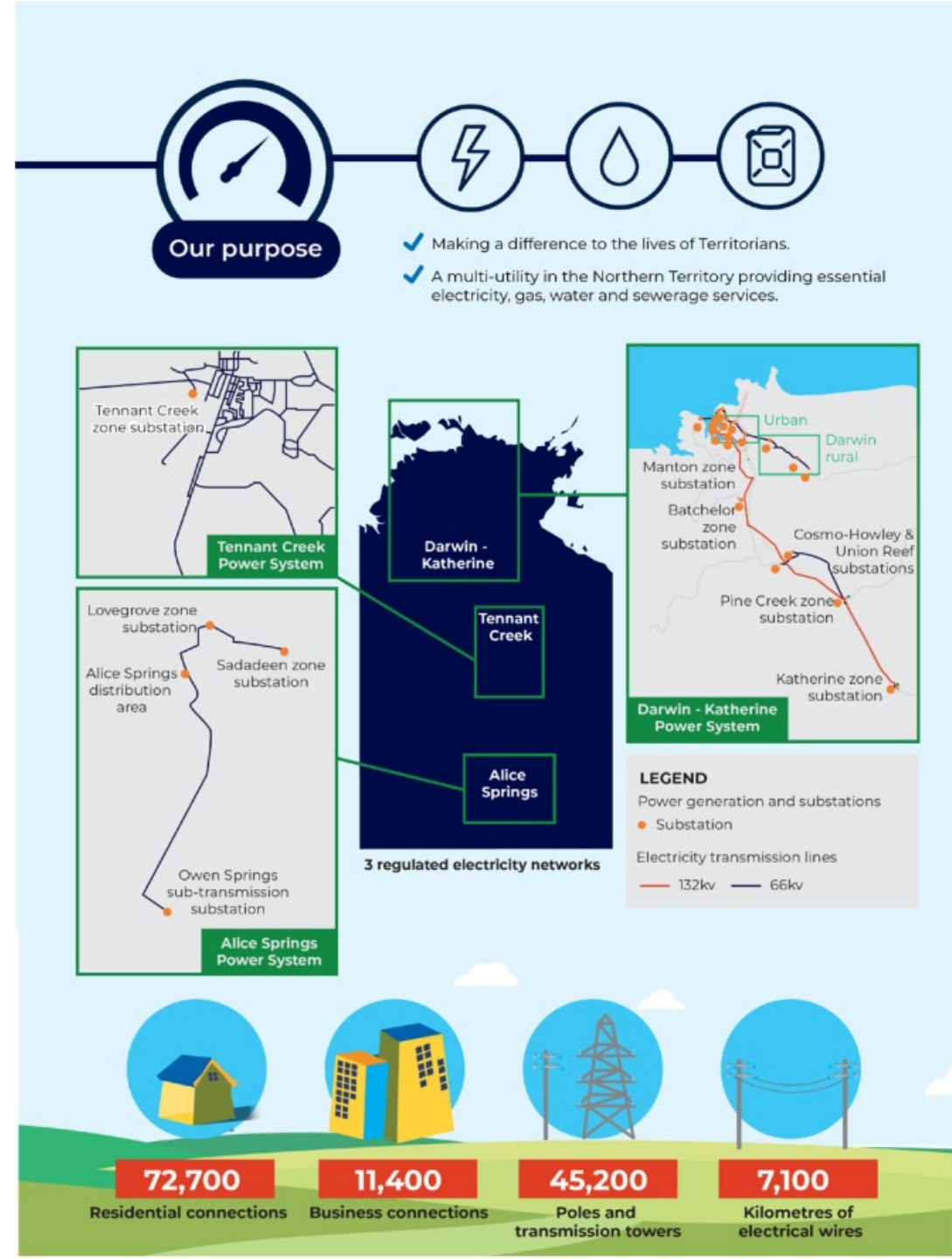
Power and Water 2024-2029 Regulatory Proposal

5 April 2023

AER Public Forum

Power and Water's role

- Multi-utility operations
- Three separate regulated networks, three discrete customer bases
- Transmission and distribution services
- Relatively small scale (~80,000 customers), dispersed over a large area
- Government Pricing Order



Customers have shaped our Regulatory Proposal

Over 18 months we have developed a greater understanding of, and strengthen relationships with, our customers and stakeholders :



Met with more than **450** people



Held over **35** workshops



Spent more than **150** hours talking with and listening to customers and stakeholders



Met in **3** key locations of the Northern Territory: Darwin, Alice Springs and Tennant Creek

Affordability is important, as is building a greener future

We heard the things important to customers are:

- 1 Supporting vulnerable customers**
 - Sharpening our customer experience strategy
 - Partnering with energy providers and stakeholders
 - Investigating options through trials
- 2 Affordability & improve systems and utilisation**
 - Shift in investment focus to people and systems
 - Improving our data and decision making
 - Updating of our assumptions
- 3 Enabling renewables**
 - Investing in 'dynamic operating envelope'
 - Improving our systems
 - Planning to augment the network

Consistent with stakeholder feedback, we have:

- Revised augmentation capex to reflect lower demand forecasts
- Focus on improving data and IT/OT systems to drive efficiency
- Developed a future network strategy
- Maintained reductions in opex compared to current period
- Kept overall increases as low as reasonably practicable



Strategic Priorities: the foundation of our proposal

Managing the health of our network

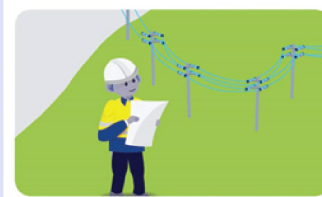
Continuing the shift to more proactive, risk-based asset management, with the aim of smoothing replacement volumes and avoiding price shock for customers.

What we propose:

- Upgrade asset management systems
- New risk quantification method
- Extending asset life where safe and prudent to do so

Benefits to customers:

- Network reliability
- Avoid price shock



Managing health of network

Improving utilisation

Supporting load growth and attracting more large users to the NT. Using demand management, tariff structures and best use of assets we already have.

What we propose:

- Time of use tariffs and export tariff trials
- New super user tariff
- Support industrial hubs - Holtze and Middle Arm (contingent projects)

Benefits to customers:

- Customer choice
- Lower costs



Improving utilisation

Facilitating renewables

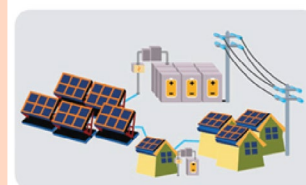
Finding ways to continue to connect solar without impacting system security, and allowing more large-scale renewables to connect. Supporting NT Govt target of 50% renewables by 2030.

What we propose:

- Dynamic Operating envelope for solar photovoltaic systems
- DER system studies
- Renewable energy hubs (contingent project)
- Darwin-Katherine transmission line augmentation

Benefits to customers:

- System security
- A greener NT



Facilitating renewables

Uplifting our systems and people

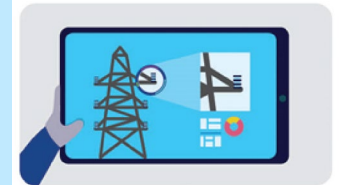
Continuing our regulatory maturity journey, investing in our outdated ICT systems and processes, enhancing our operating model and culture, and adapting to change for the long-term benefit of customers.

What we propose:

- Operating Model Program
- Multi-site consolidation
- Operating technology uplift
- Customer experience strategy
- Review customer engagement model

Benefits to customers:

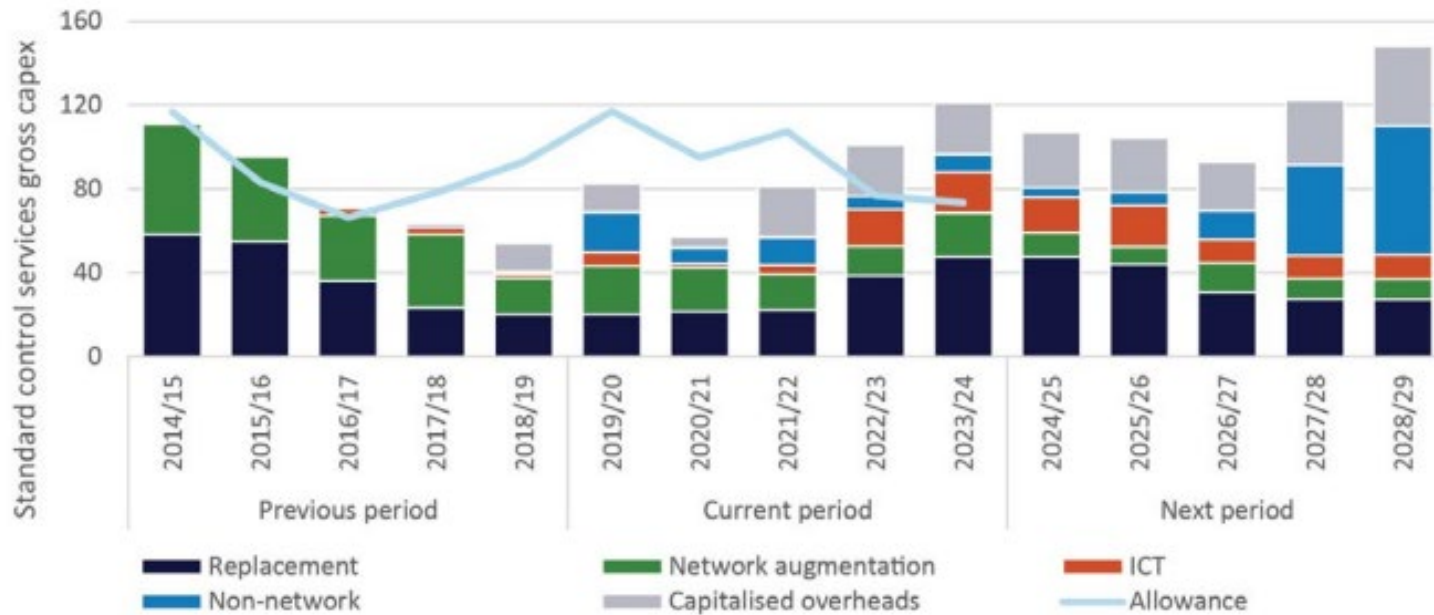
- Improved service
- Lower long term costs



Uplifting our systems and people

Our Proposed Capex: responding to changes

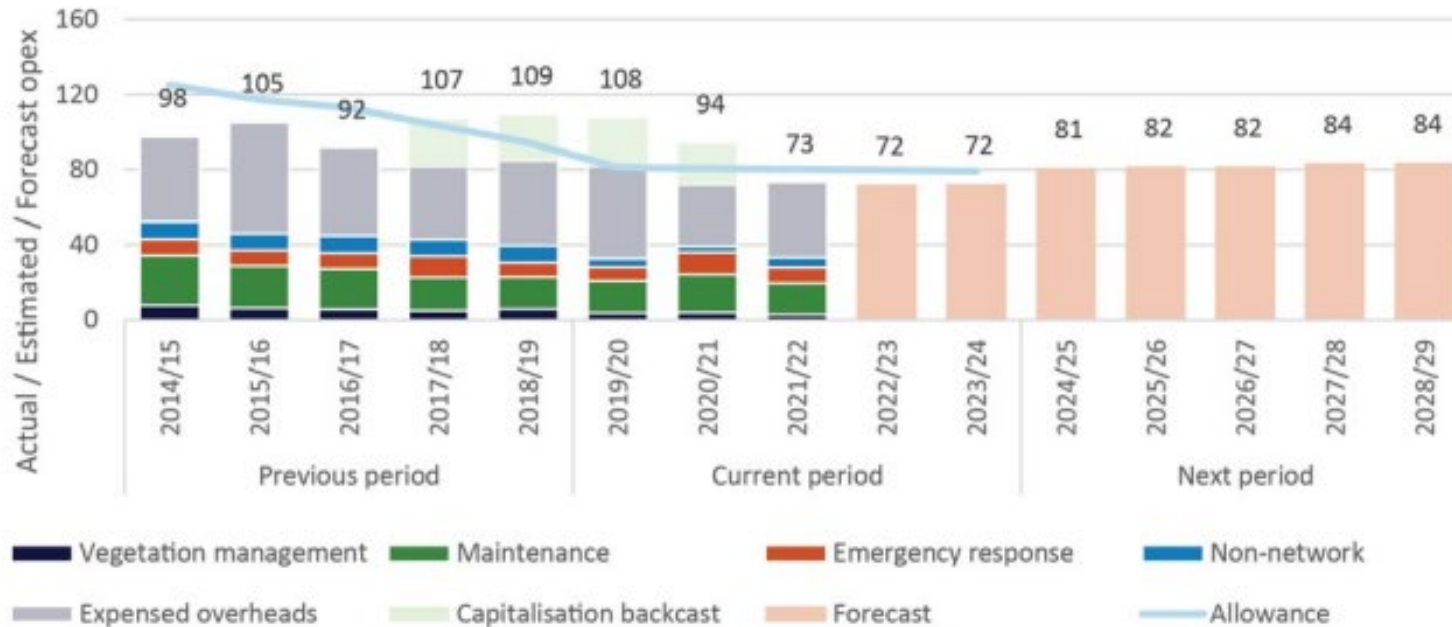
The increase in capital expenditure over the course of this period and into the next is driven by the need to uplift our asset management capabilities, with a focus on investing in our ICT systems and operating model.



- We will invest \$574.8 million over 2024-29 to bring the network and our supporting ICT systems up to a reasonable standard
 - *Network expenditure is expected to stay at relatively similar levels*
 - *Non-network expenditure increase from consolidation project and refresh of ageing ICT systems.*
 - *Capitalised overheads increase due to accounting change to reflect AER guidance to align with other DNSPs.*
- Delivery of our capex program remains a strong focus in the current period

Our Proposed Opex: derived from standard methods

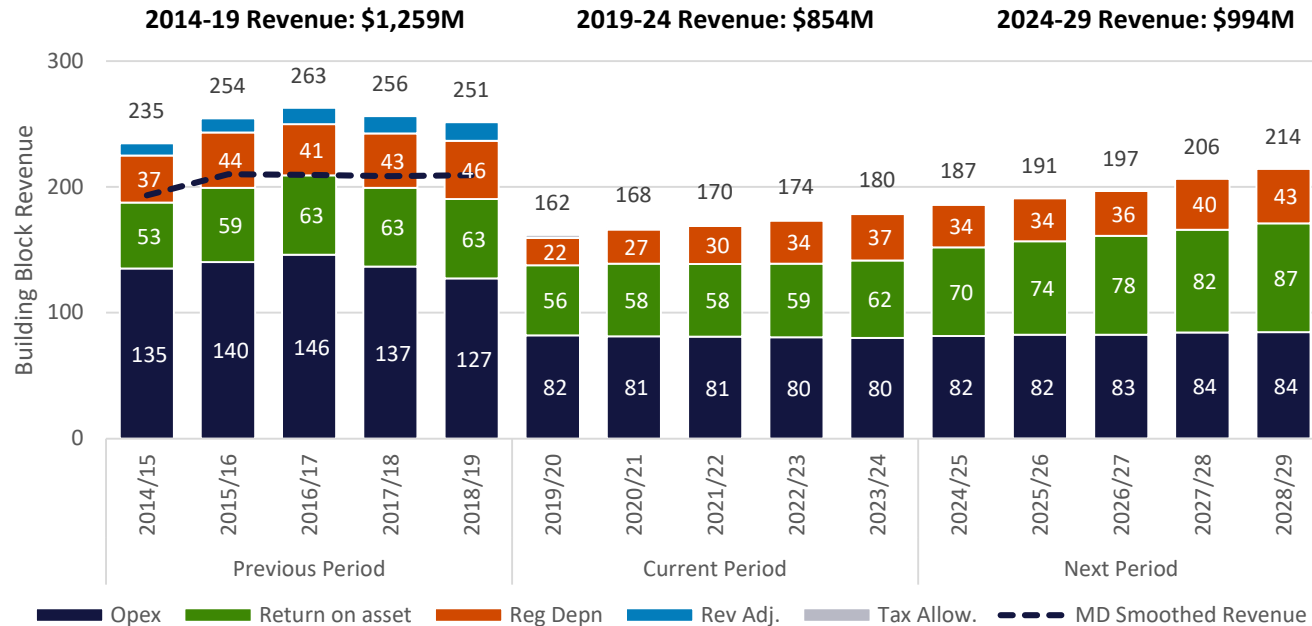
Our forecast operating expenditure is designed to allow us to meet the service expectations of our customers, and conduct day-to-day operations and maintenance of our three regulated networks. In recent years, we have **managed to reduce our base operating costs, establishing an efficient level of expenditure.**



- In real terms, our forecast opex for 2024-29 period (**\$412M**) is \$7.9M lower than that expected for the current period and only slightly more than our current regulatory allowance.
- The forecast includes step changes providing for significant increased requirements, averaging just over \$10M per year.
- Trend parameters in aggregate drive a slight decrease in our forecast real opex.

What this adds up to: our proposed revenue requirement

When developing our 2024-2029 Revenue forecast, we consulted the feedback provided by the AER on our prior Proposal and considered changing market conditions, capital expenditure increases and other factors



- Network revenue fell significantly in the 2019-2024 period due to AER’s decision to reduce opex and a low rate of return
- Approximately 84.8 per cent, or \$80.7 million of the revenue uplift, is the **direct result of rapidly increasing financing costs**, which are driven by inflation and the current uncertainty in financial markets.
- During engagement with our stakeholders, we discussed levers to reduce revenue; however a significant proportion of revenue is fixed.
- The return of and return on investment costs have been calculated using the AER’s approved methodology.

We want to hear from you!

You are encouraged to consider our Regulatory Proposal and the AER's Issues Paper and provide your feedback.

Should you wish to provide further feedback or want to be kept informed of future opportunities for you to provide your opinion on the future of the NT networks, please:

- Email YourSay@powerwater.com.au or AERresets2024-29@aer.gov.au.
- Phone 1800 245 092



Have your say.

Regulatory Proposal for the 2024-29 regulatory period has been released.

PowerWater



PowerWater

Thank you

AER areas of focus

Kris Funston

Executive General Manager,
Network Regulation

Better Resets Handbook

- This is the first set of proposals lodged with the AER since the release of the AER's Better Resets Handbook (Handbook)
- The Handbook;
 - encourages well-justified revenue proposals that reflect the needs and preferences of consumers
 - provides for a more efficient regulatory process
- Network businesses have started to apply the Handbook in formulating their proposals and we have seen a step-up in the scope and quality of consumer engagement

Common drivers across resets

- Economic conditions driving increases in rate of return
- Forecast inflation
- Cyber security and insurance premium cost increases

AER Areas of focus

- Capex- ICT and capability uplift, Relocation expenses (\$200 million)
- Contingent projects – 5 totalling \$342 million; mostly augmentation for renewables connection
- Opex – 6 step changes totalling \$52.2 million
- Super user tariff >10,000GWha pa

Power and Water Corporation (2024-29) Revenue Proposal

CCP27 discussion questions for AER Stakeholder Forum
5 April 2023

CCP27: Helen Bartley, Robyn Robinson and Mike Swanston

Consumer
Challenge
Panel



Acknowledgement of country

The networks and facilities owned by the Northern Territory Power and Water Corporation traverse all regions of the Northern Territory. We recognise the traditional owners of these lands and honour their customs and traditions and special relationship with the land as well as those where this report is being prepared. We respect the elders of these nations, past, present and emerging.



In relation to regulated energy network businesses, advise the AER :

- Whether a network's proposal is in the long-term interests of consumers
- The effectiveness of network consumer engagement activities and how consumer interests are reflected in the development of their proposals

CCP27 was appointed in November 2021 to review Power and Water Corporation's (PWC's) electricity distribution proposal (2024-28)

- In consultation with the AER and networks CCP27 is keen to explore four key issues we have identified related to PWC's proposal
- For the record, we have given PWC advance notice of our questions, to enable it to provide a considered response
 - ▶ Equally we are genuinely keen to understand the perspectives of other stakeholders, and **we encourage your contribution to the conversation**

We would like to thank the AER for the PWC for agreeing to be put on notice today

CCP27 commends PWC for engaging broadly with a diversity of customers, customer representatives, retailers, generators, councils, government representatives and others.

PWC: How have you engaged in depth on topics of key concern to customers e.g. on new step changes?

Others: Your thoughts?

PWC: In preparing your proposal how did you balance customer expectations to keep bills as low as possible for all customers with their other expectations, such as facilitating access to renewable energy?

Others: Did PWC achieve the correct balance?

Throughout PWC's engagement, customers and other stakeholders consistently reinforced the importance of supporting vulnerable customers

PWC: Can explain how the most vulnerable customers will be supported, given your focus on technology which may be beyond the realm of your most vulnerable customers?

Others: Your thoughts?

Discussion question 4: Customer service and communication

Reflecting customer feedback, we understand PWC intends to develop a Customer Experience Strategy and invest in ICT solutions.

PWC: How has PWC assessed customer service and communications preferences, and the potential value to customers (including the most vulnerable) from ICT solutions and therefore their willingness to pay?

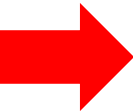
Others: Do you support PWC's approach?

To finish ...

- **Others: Are there other questions or issues related to PWC's proposal that you would like the CCP to consider?**

Thank you
for engaging with us today

AER next steps and closing

Milestone	Date
Power and Water Corporation submits its regulatory proposal to AER	31 January 2023
AER published an issues paper	28 March 2023
AER holds a public forum	5 April 2023
 Submissions on regulatory proposal close	12 May 2023
AER publishes draft determination decision	by 30 September 2023
AER holds a pre-determination conference	October 2023
Power and Water Corporation submits revised regulatory proposal to AER	December 2023
Submissions on revised regulatory proposal and draft decision close	January 2024
AER publishes distribution determination for regulatory control period	by 30 April 2024

Submission details

- We invite interested parties to make submissions on the Issues Paper by **5pm AEST, 12 May 2023**.
- **We encourage early submissions, where possible, to inform the next phase of consultation.**
- Submissions should be emailed to AERresets2024-29@aer.gov.au

