

Ausgrid, Endeavour Energy, and Essential Energy

**2024-29 Distribution Revenue
Proposals
Online Public Forum**

Acknowledgement of Country

Jim Cox

AER Board Member

AER welcome and introductions

Jim Cox

AER Board Member

Agenda



Topic	Speaker	Duration
Welcome/ Acknowledgment of country	Jim Cox, AER Board member	5 mins
Network business presentation	<ol style="list-style-type: none"> 1. Ausgrid 2. Endeavour Energy 3. Essential Energy 	15 mins 15 mins 15 mins
Overview of Issues Papers	Arek Gulbenkoglu, GM	10 mins
Consumer Challenge Panel (26) facilitated discussion	Mark Henley (Chair) Elissa Freeman Robyn Robinson	45 mins
Closing remarks, next steps - submissions 12 May	Jim Cox, AER Board member	5 mins

2024 – 29 Regulatory Submission

5 April 2023

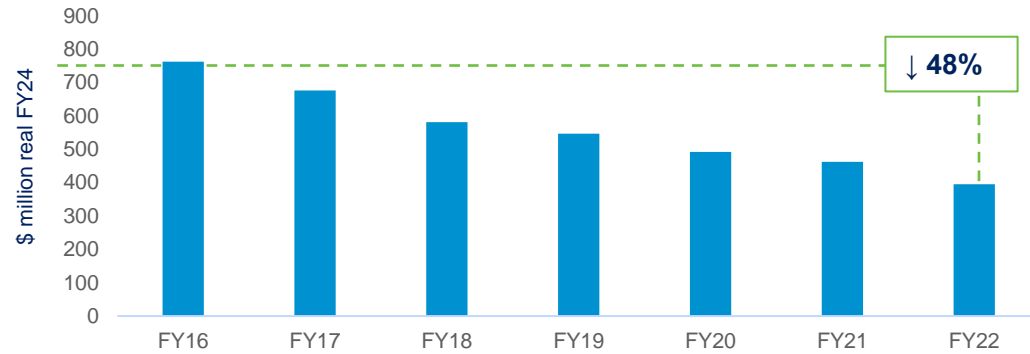
AER Public Forum



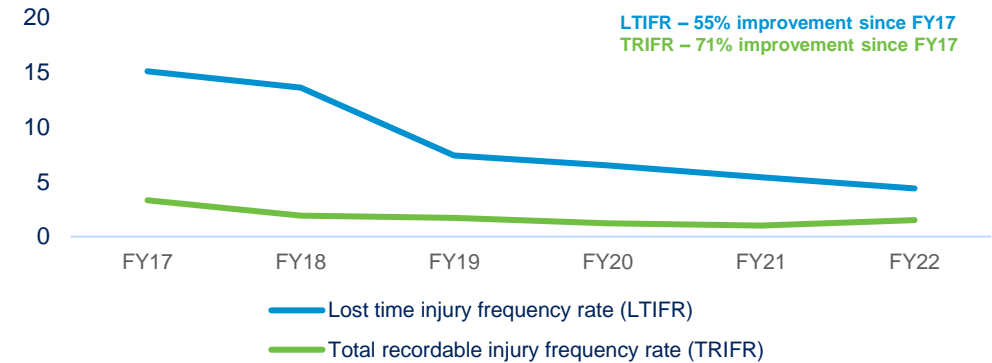
Ausgrid is more efficient, safer and has happier customers



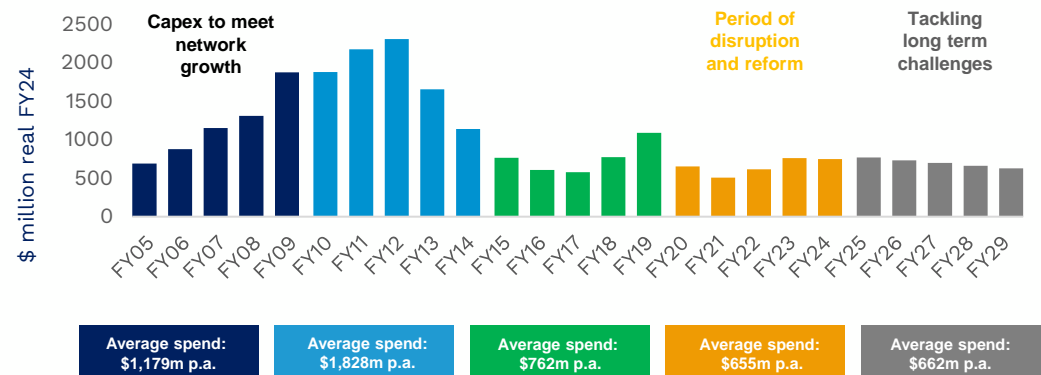
1 Since FY16 we have reduced operating costs by 48%...



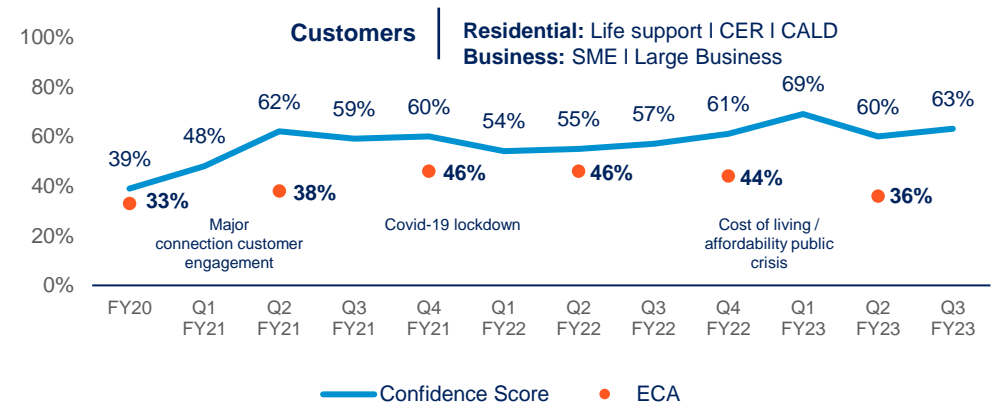
3without compromising safety...



2 maintained capex at sustainable levels while delivering more...



4and becoming more trusted by customers.



Engagement brings together BAU insights, independent RCP and bespoke community consultation

Highlights

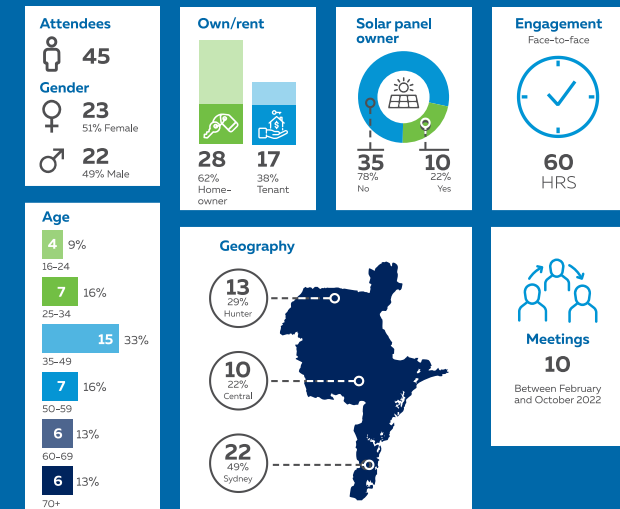
- 1 Analyse 16 services across 12 customer segments and channels to give clarity on where we are surpassing or failing to meet customer expectations
- 2 Developed our FY23 strategy and updated vision in collaboration with our CCC based on in depth community engagement on priorities
- 3 Employed AI to analyse 40,000 BAU customer verbatims to, amongst other things, identify potential metrics for our Customer Service Incentive Scheme (CSIS) proposal
- 4 Delivered the Voice of Community Panel over 9 days, which continues in 2023

Voice of Community Panel

22 Feb	Meet and Greet: Meet Ausgrid Board members, CEO and key staff
27 Feb	Day 1: Hear from independent experts
15-17 Mar [^]	Day 2: Panel call their choice of experts
22-24 Mar [^]	Day 3: Review insights and develop priorities
30 Apr	Day 4: Define fairness and propose initial recommendations
14 May	Day 5: Consider options and trade-offs
24 - 26 May [^]	Day 6: Consider recommendations and regional perspectives
4 June	Day 7: Agree final recommendations and present report to Ausgrid Chairman and CEO
17 Sep	Day 8: Refine Draft Plan: Resilience and net zero
15 Oct	Day 9: Provide feedback on the Draft Plan*

[^] These days were held in the three different regions of Ausgrid's network.

* The Voice of Community Panel joined with representatives from all of our other end customer engagement streams.



Engagement brings together BAU insights, independent RCP and bespoke community consultation

Highlights

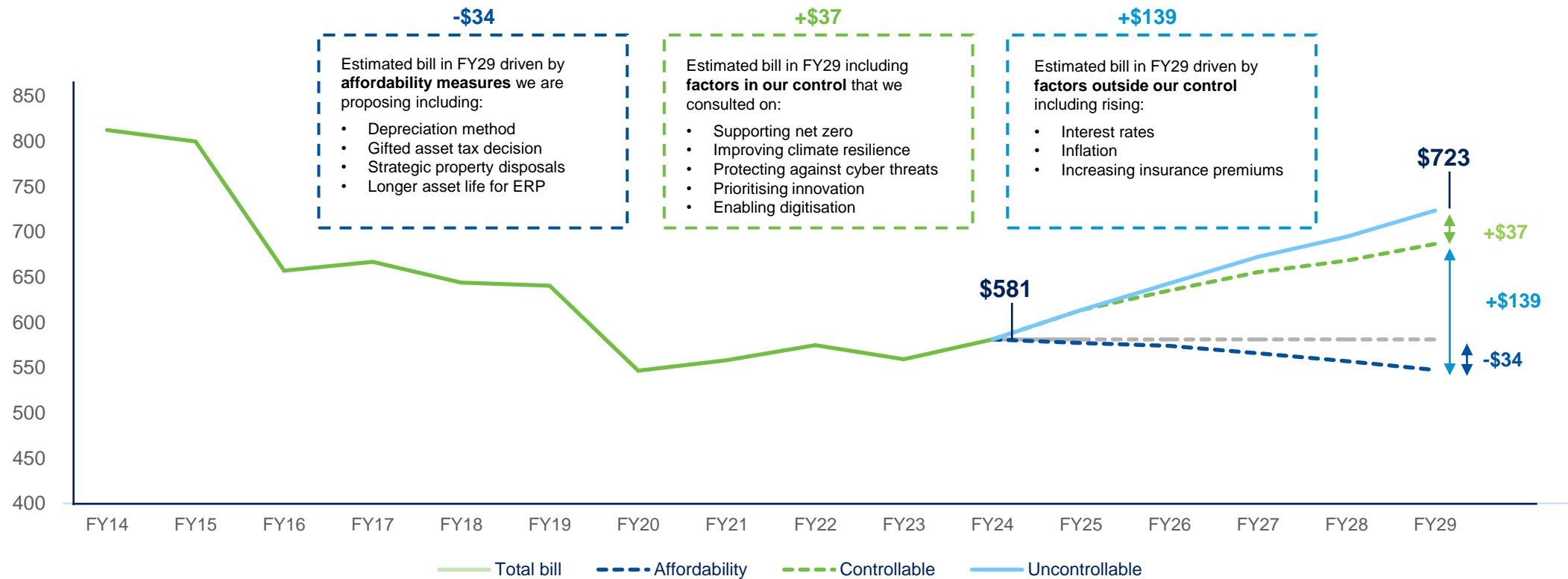
- ⑤ Held stakeholder roundtables with 35 peak bodies, including Vision Australia, NSW Tenants Union, Older Women's Network and Sydney Alliance
- ⑥ Engaged CALD (Vietnamese, Arabic, Mandarin) and ATSI communities (Bahtabah, Wonnaruah, Metro)
- ⑦ Met with 31 business customers 1:1 and in small groups
- ⑧ Held 70 meetings with Reset Customer Panel (RCP) over 18 months, and continuing in 2023



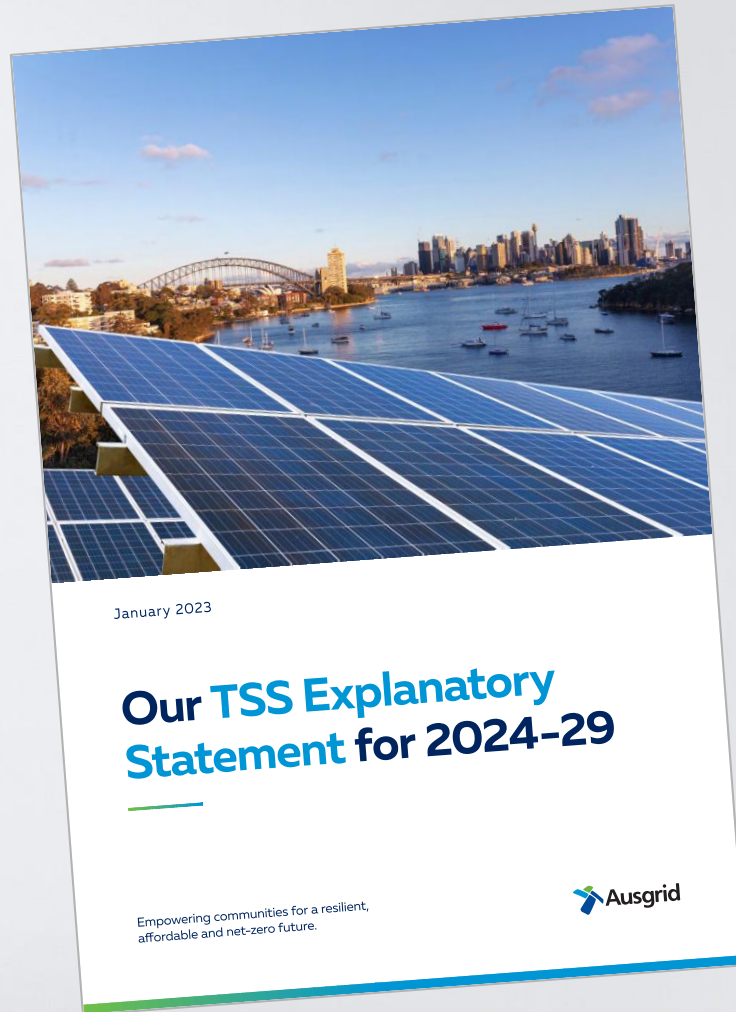
Delivering value for money for our customers

External factors and customer priorities are driving our proposed price path

Average residential customer network charges (\$ nominal)



1. Ausgrid total network charges include distribution plus pass through of transmission costs and the NSW Climate Change Fund. In FY24 our estimate of total network charges is \$581.
 2. Bill calculated using 5,000 kWh, on EA010 to FY23 and EA116 from FY24 onwards.



Tariff Structure Statement

Network tariff reform enables efficient utilisation of the grid, supporting a least-cost transition to a decentralised and decarbonised energy system.



Cost-reflective **demand tariffs** remain our default tariff for small customers, with the option to opt-out to time-of-use



Introducing **embedded network** tariffs



Introducing **export** tariffs with rewards and charges



Continuing to **trial innovative EV pricing** options, in addition to our standard tariff offerings



Introducing flexible tariffs to incentivise **large-scale storage**

AER Issues Paper

A fair and balanced initial assessment of our Regulatory Proposal

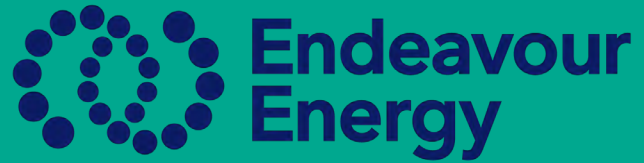
Initial observations

- ✓ **No surprises;**
- ✓ Recognises that **customer views** have driven our proposal;
- ✓ Appropriate that key capex focus areas will be **resilience, CER integration** and **non-recurrent ICT** (cyber security and SAP ERP replacement);
- ✓ Positive feedback on **Tariff Structure Statement;**
- ✓ Intending to re-integrate **Type 5 & 6 metering services** into standard control services; and
- ✓ Further discussion needed on **NSW labour market** and impact on wage price forecasts for ancillary services.



Thank you



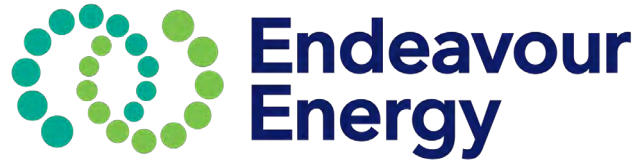


Customer centric Regulatory Proposal

AER Public Forum 5 April 2023

POWER
together





Acknowledgment of Country

Endeavour Energy acknowledges the Traditional Custodians of Country where we work — the people of the Dharug, Wiradjuri, Dharawal, Gundungurra and Yuin nations.

We recognise their continuing connection to the land, waters, and community and pay our respect to Elders, past, present and emerging.

POWER
together



What was different in this reset?



Our Business Narrative embodied four key investment themes that responded directly to customer preferences



Key take outs from our Customer Panel:

1. Community mindedness (a strong focus on fairness, concern for those who are under financial pressure, interest in 'working together')
2. Customers valued actions today that they believed would deliver long term service outcomes and cost savings
3. Strong focus on increasing energy affordability and resilience
4. Strong focus on what individual customers can do - to save money, to proactively manage their energy and to use cleaner energy
5. Customer Panel preferences suggested a level of service and investment higher than Endeavour Energy had set out in our Preliminary Proposal

A headline view of our Regulatory Proposal 2024 - 2029

● Balancing our customers' future priorities with a sharp focus on affordability by tightly managing the costs we can control

● Targeted investments that demonstrate top-down restraint in the services most valued by our customers

● Longest and most comprehensive, co-designed engagement program meeting AER Early Signal Pathway requirements

● Servicing historic growth in Western Sydney with 116,000 new connections, including an international airport and new city

● New emphasis on emerging customer priorities of resilience and facilitating an accelerated energy transition

● Accelerating the transition of customers to cost reflective tariffs to improve fairness, manage demand and empower customers





Stakeholder Deep Dive, July 2022



Customer Panel, May 2022



Stakeholder Deep Dive, July 2022



Co-design workshop, May 2021



Stakeholder Deep Dive, August 2022



Western Sydney site tour, May 2022

Co-designing our longest and most comprehensive engagement journey



Simon Moore
Business NSW



Bruce McClelland
Business Western Sydney



Iain Maitland
Ethnic Communities' Council of NSW



Mark Grenning
Energy Users' Association of Australia



Lis Ross
Elisabeth Ross Consulting



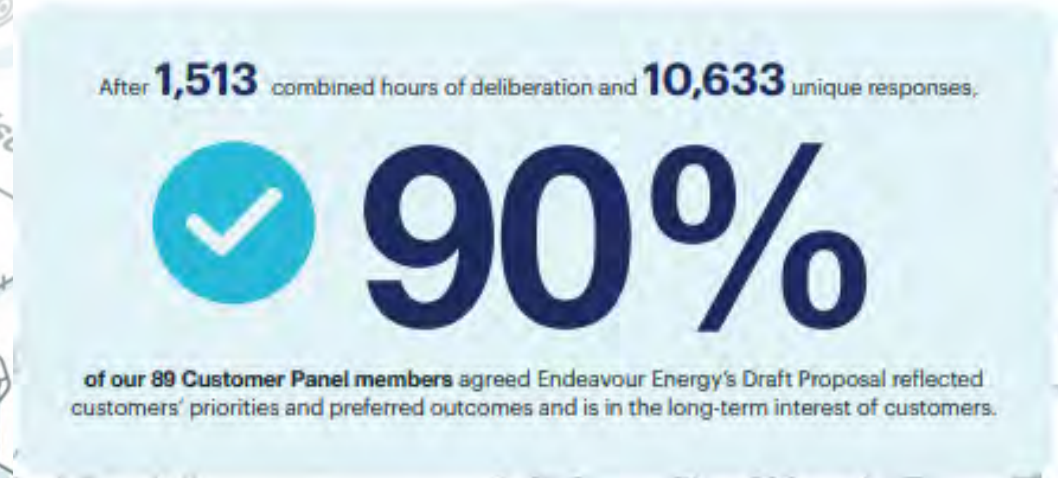
Jan Kucic-Riker
Public Interest Advocacy Centre



Mike Swanston
The Customer Advocate (Independent Members Panel Coordinator)



Nic Pasternatsky
Western Sydney Regional Organisation of Councils



Co-design workshop

Engagement goal

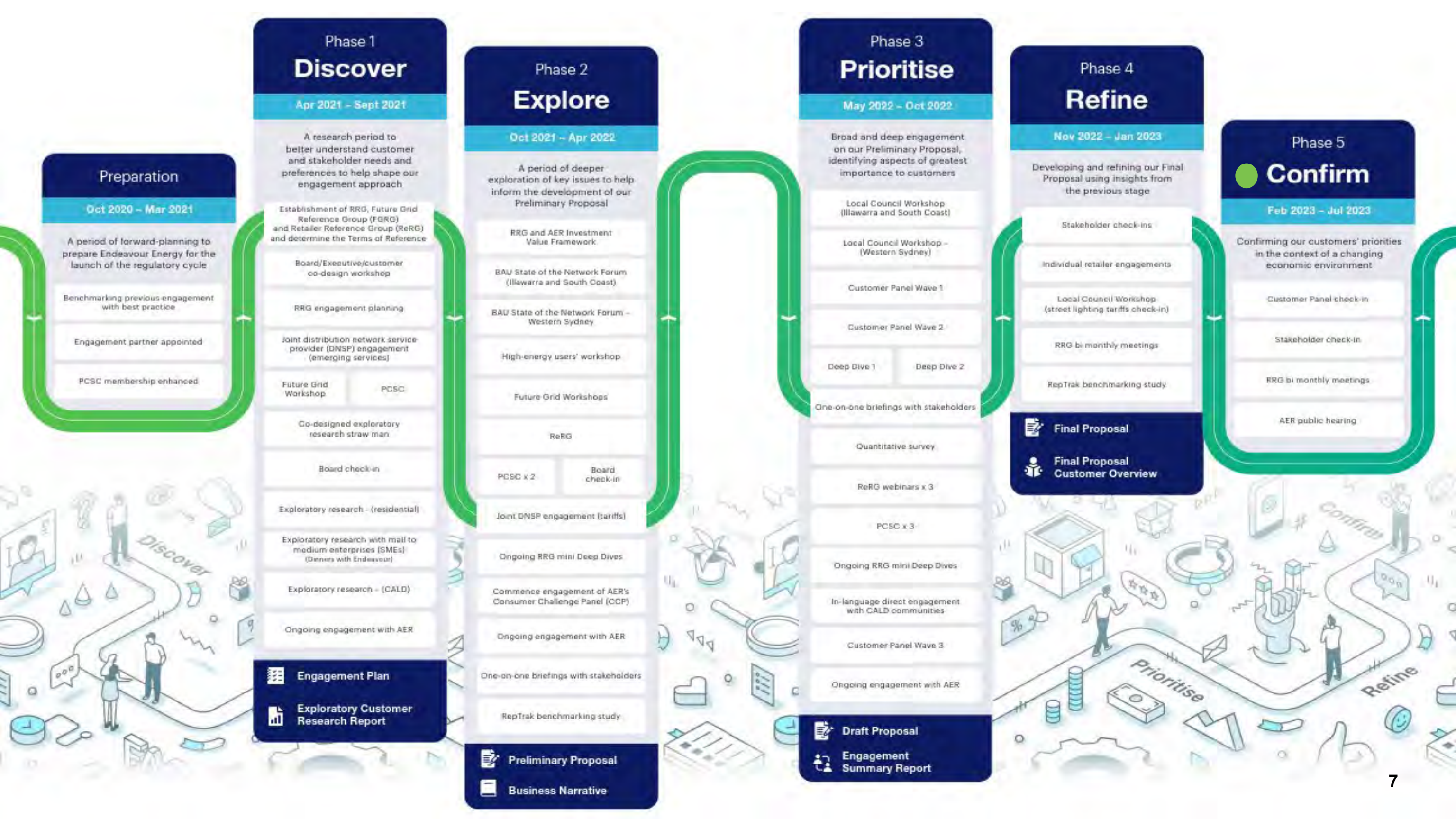
Updated engagement plan

Our final approach

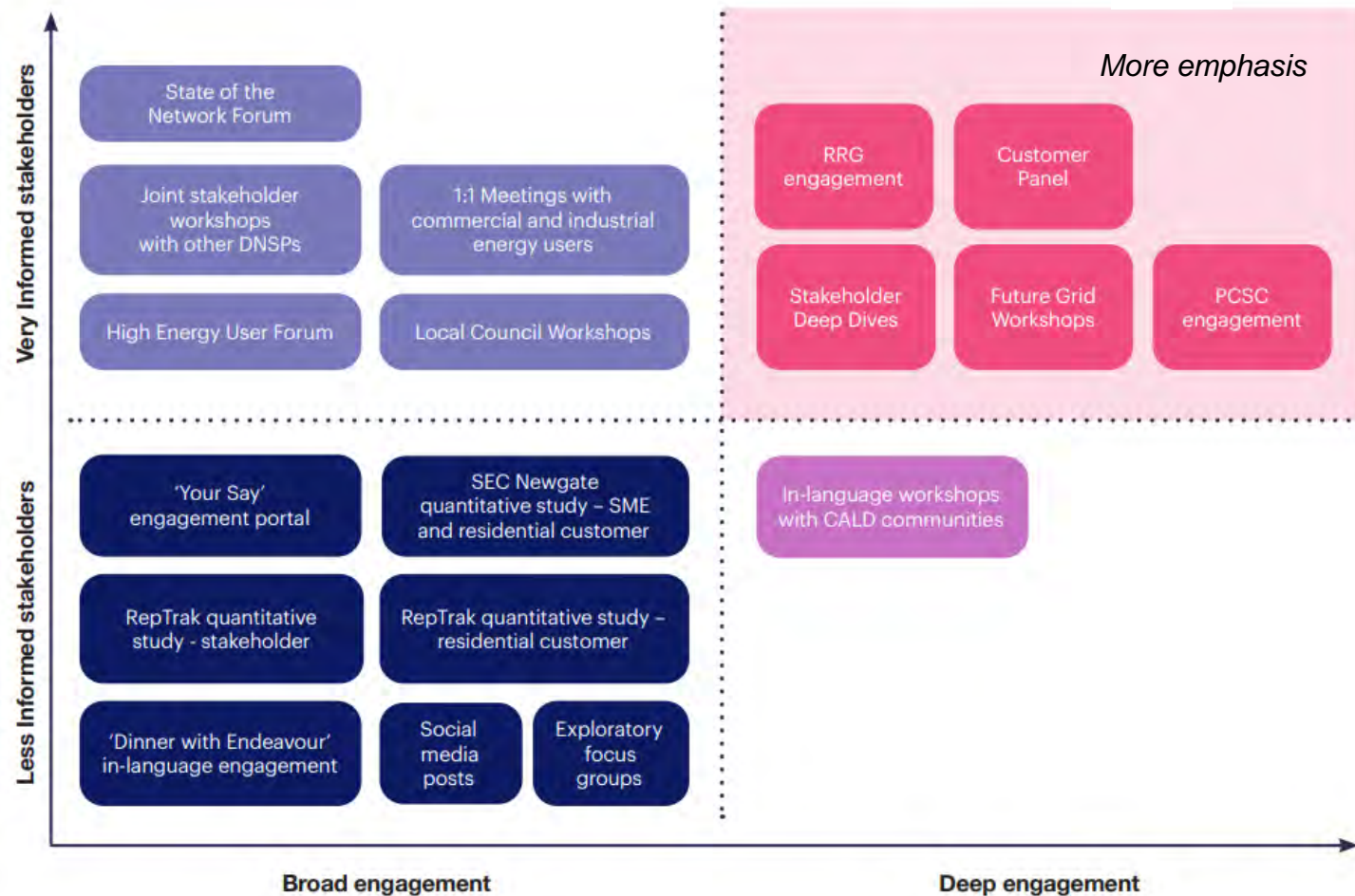
Aligned with IAP2 Spectrum



AER Better Resets Handbook

Delivering depth & breadth, considering how to use feedback



Analysing 'pillars of evidence' for alignment or divergence of customer views across many channels of engagement



Priority area	What we heard	How we have responded
 Sustainable growth	<ul style="list-style-type: none"> In servicing new developments, most customers wanted electricity infrastructure to be built at the same time as other utilities at a steady cost. There were mixed views about the fairest way to fund new connections, with a majority of customers and stakeholders opting for the existing 'causer pays' approach in which new customers cover the cost of their connection. 	<ul style="list-style-type: none"> We continue to propose a 'just in advance' approach to the timing of investment to support new growth, in line with customer preferences. In line with customer and stakeholder feedback, we are also proposing to maintain the 'causer pays' approach to fund new growth. Despite an increase in connection growth and forecast costs, we plan to offset the additional connection costs compared to the current period through greater internal efficiencies.
 Supporting customer choice and innovation	<ul style="list-style-type: none"> Customers and stakeholders wanted us to support an accelerated transition to a low carbon economy and minimise limitations to customer exports of energy, like rooftop solar. As well as a cleaner environment, they want to save through smarter, more efficient technologies and greater choice and control of their energy use. 	<ul style="list-style-type: none"> We propose to increase our focus on innovation by establishing a \$25m Innovation Allowance, which will have oversight from a new customer reference group. The Innovation Allowance will be invested in technology trials to give customers the opportunity to participate in new energy markets. This will maximise the value of the energy they generate and the distribution of customer generated resources on the grid. The Innovation Allowance will also be used in partnership with stakeholders to build community resilience and to innovate the delivery of our service, making it more resilient, sustainable and affordable.

Endeavour Energy sought robust pillars of evidence on key question areas with specific customer segments across many channels of engagement, with emphasis given to the Customer Panel and informed stakeholders.

Issues that attracted divergent views were deeply debated with the RRG to form a final, balanced response. Endeavour Energy created a clear line of evidence between customer views and outcomes in the Proposal.

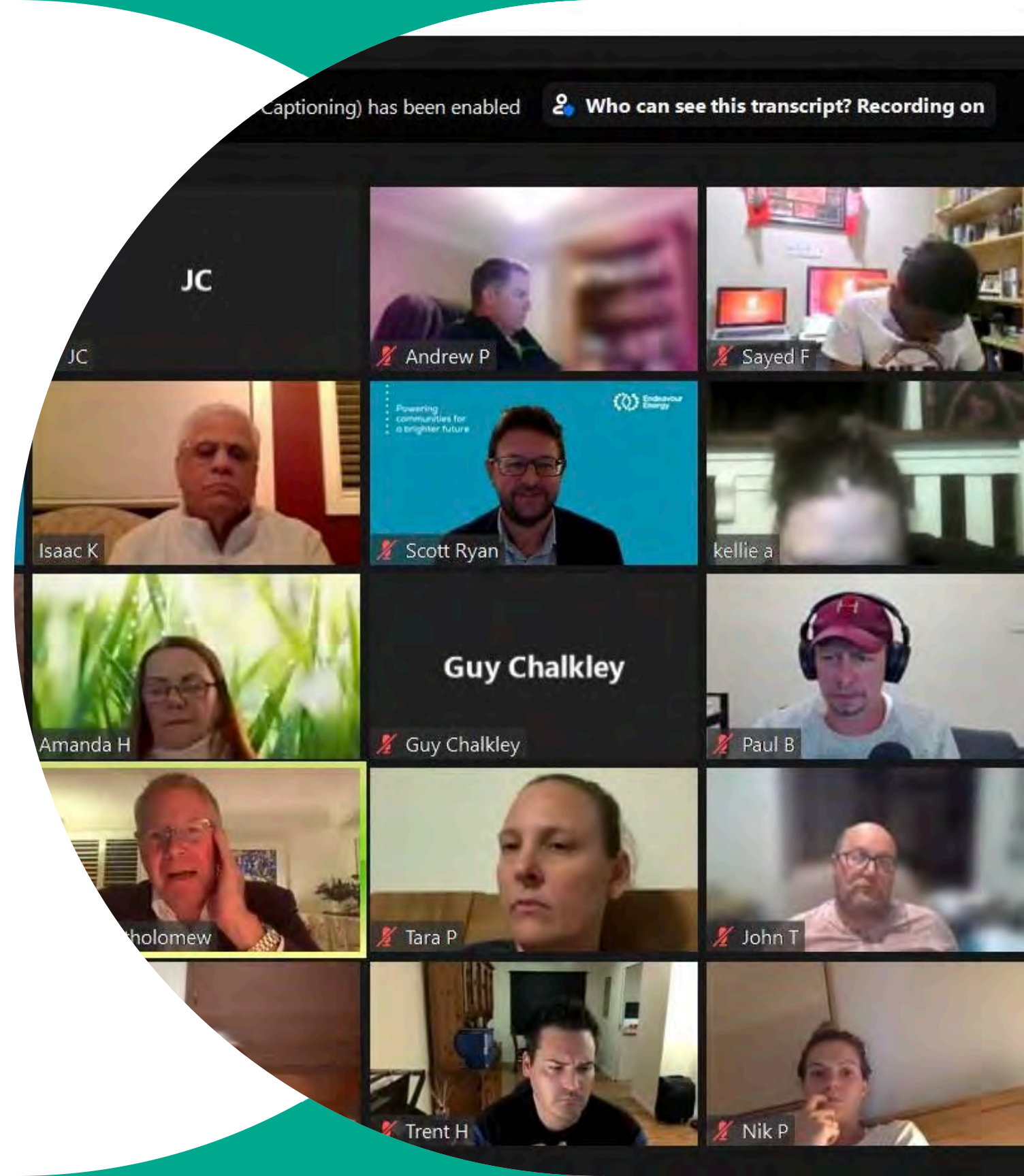
RRG support for Proposal

“...we are pleased to be able to provide our overall support for Endeavour Energy’s Proposal. Endeavour Energy has approached the development of its proposal in an honest, open and genuine way.

Throughout the process, Endeavour Energy has listened to, taken on board and responded to feedback from the Independent Members Panel as well as its Customer Panel and other stakeholders.

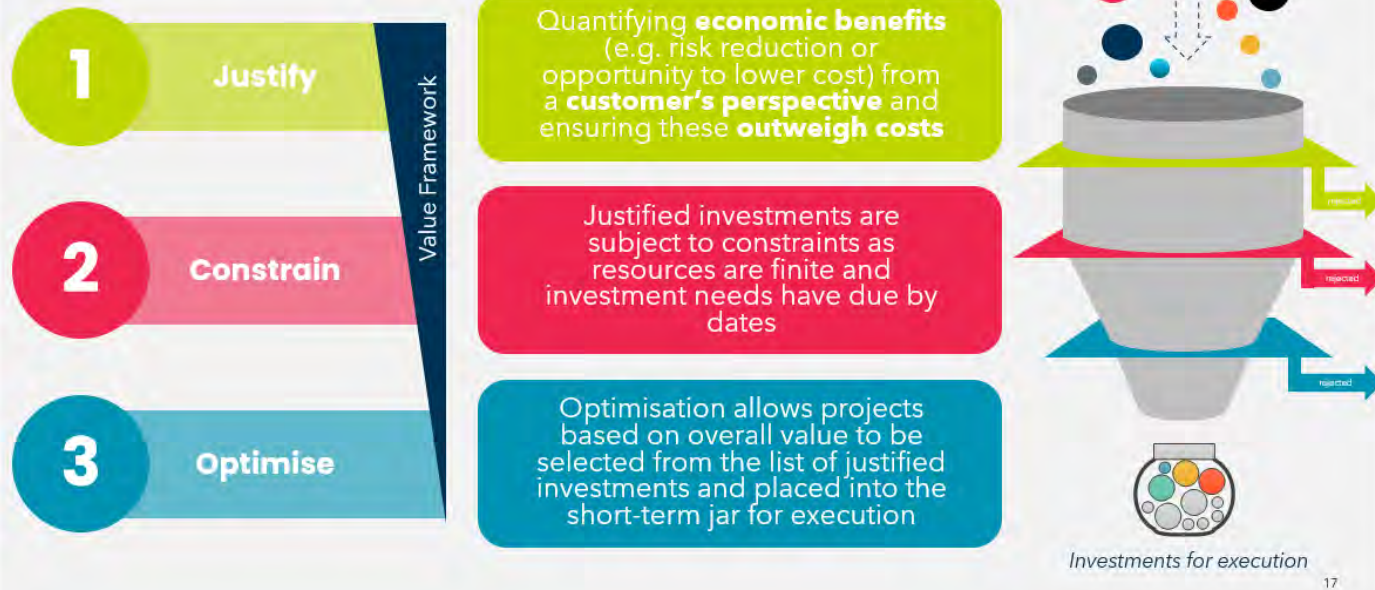
As a result, we support the process that Endeavour Energy has undergone to develop its Proposal and we consider that the Proposal generally reflects consumer perspectives.”

RRG Independent Members Panel 3rd Report, March 2023



Prioritising value and restraint to affordably deliver customer preferences

What is the Customer Value Framework?



Our value approach:

- We propose future investment that balances our customers' future priorities with a sharp focus on affordability for all customers.
- Our Regulatory Proposal is defined by a focus on value for money, with an increased emphasis on our customers' emerging priorities of enabling their participation in the energy transition and resilience.
- We developed a Customer Value Framework in response to feedback from our last reset to consistently identify value across the business and prioritise customer outcomes. In practice, this meant responding to customer preferences within the context of a top-down challenge to capex and opex investment.

A customer centric but restrained approach to increasing service expectations:

- Top-down challenge and constraint to capex and opex
- Capex significantly below identified NPV positive projects
- Top-down constraint of \$60 million to increasing operating cost pressures
- Reduced connections, overheads and no real cost escalation to capex (saving \$117 million)
- Not claiming CESS benefit for \$54 million of project deferrals
- 22% reduction on total expenditure per customer; reduction in real RAB and RAB / customer

Key Proposal outcomes delivering on consistently revealed customer priorities

\$603m

on infrastructure replacements to maintain reliability and boost network resilience to extreme weather and adapt to a changing climate. This includes:



Replacing 212km of bare conductors, which can spark when branches fall on them, with covered conductors in bushfire prone areas



Raising 18 major overhead powerlines to improve resilience in flood-affected areas across the Hawkesbury, Camden, and Penrith local government areas



Replacing key cables to improve security of supply to the Parramatta CBD

\$532m

for growth and connections, which includes support of the historic and unprecedented planned growth for Western Sydney as it becomes a hub of innovation and liveable places.



Facilitating more than **116,000 new customer connections**



Supporting the visionary growth of three of the six Greater Cities Commission's metropolis cities - Western Parkland City, Greater Paramatta and Metro Wollongong



Further developing the North-West and South-West Priority Growth Areas and the Greater Macarthur and West Lake Illawarra Growth Areas

\$129m

on information and communications technology and corporate digital investments to reduce costs and increase secure data access for customers.



Reducing operational expenditure by \$70 per customer between 2024 and 2029



Investing \$48m on cybersecurity to boost the reliability of the network and protect customer information

\$65m

to support customers to take up new technology, like electric vehicles, batteries and rooftop solar as part of the NetZero economy. This includes:



Enabling more customers to export solar energy to the grid and preparing for a significant increase in electric vehicles



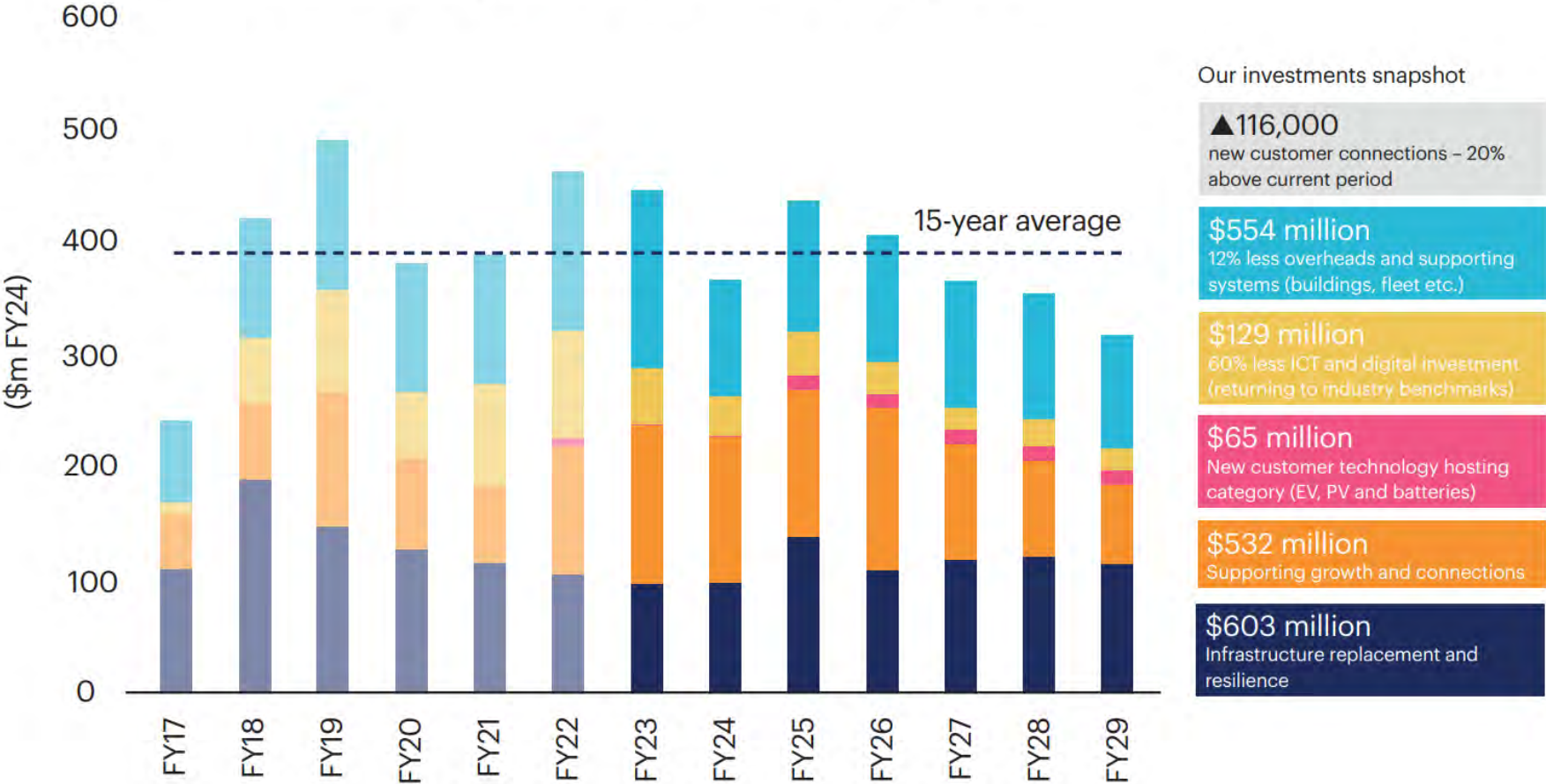
Installing batteries to support the modern and efficient development of the grid



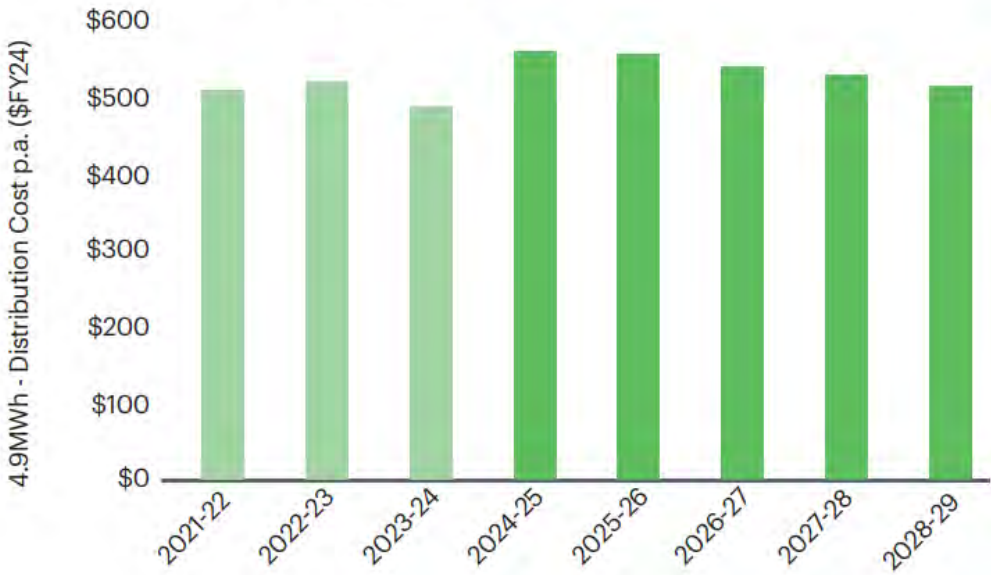
Establishing a \$25m Innovation Allowance to help customers prepare for an accelerated energy transition through actions like trials of emerging technology

Delivering stable network charges by targeting investment to the priority outcomes our customers most valued and continuing our efficiency trend

Endeavour Energy's actual and forecast capital expenditure



Average residential distribution bill




RRG Independent Members Panel Report, November 2022:


“We commend Endeavour Energy for its commitment to stay within the parameters of the early signal pathway agreed with the AER, and its focus on affordability and providing energy consumers with services that are clearly seen as valued.”

Our approach to customer tariff reform


Empowering customers to take greater control of their energy use and save money through changes to Endeavour Energy's tariff strategy.



Empowering customers with access to the right information and tools to make bill savings by changing when they use energy throughout the day to take advantage of off-peak pricing



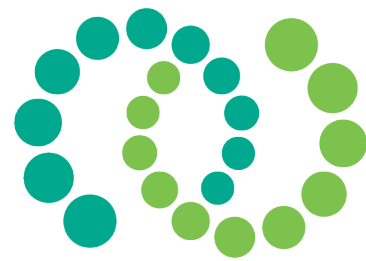
Lowering long-term costs for customers by reducing customer demand by almost one per cent in peak evening periods across the existing network over the next ten years



Improving equity and fairness for customers through efficient transitional tariffs designed for new technologies such as electric vehicles and batteries

How cost reflective tariffs impact different Endeavour Energy customers as demonstrated by our Tariff Structure Explanatory Statement (TSES)

Who	Lynette and Ian Pensioners from Shellharbour 1,600kWh/year Without solar	The Hanlons Renewable energy family from the Blue Mountains 1,800kWh/year With solar	The Williams Family of four from Cranebrook 4,800kWh/year With solar	The Patels Young family from Seven Hills 6,000kWh/year Without solar	Downtown Dry Cleaning Dry cleaner from Parramatta 13,100kWh/year Without solar	Jamberoo farmer Producer from Jamberoo 13,500kWh/year With solar
Current flat tariff	\$378	\$396	\$696	\$803	\$1,713	\$1,552
Cost-reflective tariff	-\$6 saving	\$20 cost	\$16 cost	-\$6 saving	-\$427 saving	-\$8 saving
Change in timing of energy use away from peak periods	-\$4 saving	-\$7 saving	-\$15 saving	-\$18 saving	-\$3 saving	-\$34 saving
Total impact of cost-reflective tariff and change in timing of energy use	\$10 saving \$368	-\$13 cost \$409	-\$1 cost \$697	\$24 saving \$780	\$430 saving \$1,283	\$42 saving \$1,510



**Endeavour
Energy**



**POWER
together**

Essential Energy

Public Forum on our 2024-29 Regulatory Proposal



April 2023

What we are proposing



Safety

Continue to manage the network to reduce bushfires and other hazards

(real \$ 2023-24)

2024-29	
OPEX	CAPEX
\$2,296 M	\$2,696 M

Opex 2.6% higher than last period

Capex 4.8% higher than last period

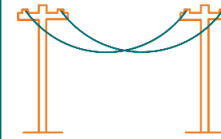
Affordability



Keep costs as low as possible and support those in financial hardship

- > Based on recent placeholder rates, network bills will increase by 2.97% each year in real terms over the period
- > Without increases in inflation and interest rates, we would have proposed annual bill reductions of 0.09%

Reliability and resilience



Maintain a consistent supply, plan for and respond quickly to extreme weather events

- > Maintain reliability under normal conditions
- > Improve community and network resilience to extreme weather events



Good customer service and communication

Be easy to deal with and keep customers informed

- > Improved customer service metrics developed with customers

Future focused

Proactively plan and integrate renewables and new technologies in a sustainable way



- > Improving power quality
- > Facilitating greater levels of exports and electric vehicles
- > Reducing carbon emissions by more than 160,000 equivalent tonnes over 2024-29



Collective benefit

Cater to the diversity of customer needs in a fair and inclusive way for all

- Making pricing fairer by transitioning to more cost-reflective pricing and two-way prices



Transparency and simplicity

Make managing electricity clear and simple so customers feel empowered to make informed choices

- > New customer system with basic portal
- > A commitment to extensive customer education around pricing changes

Network

Community

Individuals

Addressing concerns in the AER Issues Paper

Consumer engagement

Open, genuine, sincere, responsive, wide scope, followed a good process and had evolved from the previous period.

Our stakeholders say

- > genuineness removes the need to challenge

Engagement plans

- > late additions
- > promises made
- > impending changes
- > new issues that arise

Depreciation

Appropriateness of the proposed weighted average asset age for the new DER asset class?

Will consider disaggregating into

- > solar panels
- > batteries
- > generators
- > distribution lines and cables (*existing asset class*)

CAPEX

Targeted review of about 50% of capex – focus on resilience, future network, non-recurrent ICT spend, fleet and connections

Our proposed investments

- > programs are all NPV positive
- > achieve overall objectives which reflect customers preferences
- > increasing load through connections will help manage the impact of our RAB

OPEX

Will target future networks step change and our opex forecasting approach

Customers support

- > Our increased future network spend

Our forecasting approach

- > accepted all the other AER recommended changes to our Draft Proposal
- > will be revisited with customers and stakeholders

Tariff Structure Statement

Desire more customer impact modelling and detail around managing adverse impacts for customers

Note that a grace period is not proposed

We have since

- > Shared customer impact modelling with the AER

We will

- > Engage with customers as to whether a grace period should apply

Planned engagement

We will undertake deeper one-on-one engagement with retailers and aggregators

Public holidays		WEEK 1							WEEK 2							WEEK 3							WEEK 4							WEEK 5		
School holidays		Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed				
March						Pink team																										
April		SCC Meeting		PCC Meeting																												
May	Retailer and aggregator meetings	Retailer and aggregator meetings	Retailer and aggregator meetings	Retailer and aggregator meetings			CAG	SCC Meeting												Public lighting workshop			PCC Meeting									
June								SCC Meeting	Large customer Q&A					New tech provider forum				Large customer Q&A	Peoples' Panel meeting	Large customer Q&A						PCC Meeting						
July			SCC Meeting																			Public lighting workshop										
August			SCC Meeting					CAG															Peoples' Panel meeting									
September								SCC Meeting																	Customer forum material testing							
October							Customer forum	Customer forum	SCC Meeting				Customer forum	Customer forum	Customer forum		New tech provider forum	Peoples' Panel meeting	Customer forum	Customer forum	Public lighting workshop	Peaky load workshop		Retailer and aggregator meetings	Retailer and aggregator meetings							
November			Retailer and aggregator meetings	Retailer and aggregator meetings				CAG	SCC Meeting	PCC Meeting							OECC meeting				PCC Meeting	SCC Meeting										
December																									OECC meeting							

Draft only – dates may change pending clashes and staff availability

- PCC meeting
- SCC meeting
- Retailer & aggregator meetings
- Customer forum
- Peoples' Panel meeting
- New tech providers forum
- Peaky load customer workshop
- Large customer Q&A session
- Public lighting workshop
- CAG meeting
- OECC discussion



Thankyou



AER areas of focus

Arek Gulbenkoglou
General Manager,
Network Expenditure

Better Resets Handbook

- This is the first set of proposals developed and 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

Early Signal Pathway

- Business receives formal feedback during its pre-lodgement engagement
- Early signals provided at the Issues Paper stage on whether we will undertake a targeted review of a proposal
- A targeted review means that the AER has been able to narrow the scope of issues to be assessed, based on the expectations on key topic areas in the Handbook being met
- We may be able to accept most or all major aspects of a proposal at the Draft Decision stage

Common drivers

- External economic conditions driving increases in rate of return, forecast inflation, insurance premiums
- Capital and operating expenditure relating to new and emerging issues such as Distributed / Consumer Energy Resources (DER/CER), cyber security and network resilience
- Tariff structure statements - two-way pricing

Areas of focus – Ausgrid

- High quality proposal driven by strong stakeholder engagement
- Areas of focus:
 - Capex – key projects in the repex category, fleet, non-recurrent ICT, as well as expenditure in new areas of CER integration, resilience and cyber security.
 - Proposed base year adjustments for forecast opex
 - Seven step changes proposed

Areas of focus – Endeavour Energy

- As part of the early signal pathway, the AER is inclined to accept Endeavour Energy's proposal at the draft decision, subject to limited further review
- Targeted areas for review include:
 - A small proportion of capex (15%) relating to demand forecast, DER, resilience and cyber ICT capex.
 - New step changes relating to DER
- First time we are seeking to send a signal at the Issues Paper stage
 - We are seeking stakeholder input on the scope of our targeted review

Areas of focus – Essential Energy

- As part of the early signal pathway, the AER's initial assessment is that a greater scope of review will be required prior to the draft decision compared to Endeavour Energy
- Targeted areas for review include:
 - Key drivers of replacement and augmentation capital expenditure, and ICT – representing about 50% of the total capex forecast
 - Proposed new asset class and asset life for depreciating DER assets
 - Forecasting approach for base opex and the Future Networks step change

New South Wales Distribution Determination

CCP26 discussion questions for AER Stakeholder Forum
5 April 2023

CCP26: Mark Henley (Chair), Elissa Freeman, and Robyn Robinson

Consumer
Challenge
Panel


1. How did you balance diverse customer and stakeholder views to shape your proposals? Where there were differences in views, how were these resolved, including for tariffs (eg Flat tariffs vs Time of Use)?
2. How restrained is Endeavour's 2024-29 proposal, noting rising cost of living pressures on customers? Are there further opportunities for savings for customers that Endeavour is testing?
3. Are there new issues or perspectives that have arisen through the current "Confirm" phase of your engagement? Should any of these impact the 'targeted review topics'?
4. Western Sydney is one of the fastest growing regions in Australia and includes the Western Sydney Airport (aerotropolis), which is due to be operational by 2026. How has Endeavour planned for this growth, without putting additional cost burden on (existing) customers?

1. How does your Regulatory Proposal set the business up to operate at industry best practice for efficiency?
2. How can you be confident that this increase in expenditure is valued by customers, and that they are willing to pay for the increase given current cost of living pressures?
3. Your proposed resilience expenditure is relatively high \$229m. Given the uncertainty and long-term challenge of Network Resilience, isn't it better to take a more cautious approach? (and recognise that other bodies also have responsibilities too?)

1. What do you see as your role in this environment and how is that reflected in your regulatory proposal? If economic conditions deteriorate rapidly in the coming months, what changes would you consider making to your regulatory proposal?
2. Your proposed resilience expenditure is relatively high: \$202m. Given the uncertainty and long-term challenge of Network Resilience, isn't it better to take a more cautious approach?
3. How have the recommendations from the Ausgrid Community Panel report been reflected in Ausgrid's Regulatory Proposal? Were there any aspects of the recommendations that Ausgrid didn't adopt?

- **Any other questions or issues relating to Ausgrid, Endeavour Energy or Essential Energy's proposals or the AER's Issues papers?**

Next Steps

Milestone	Date
Ausgrid, Endeavour Energy and Essential Energy submits their regulatory proposals to AER	31 January 2023
AER published an issues paper for each business	28 March 2023
AER holds a public forum	4 April 2023
 Submissions on regulatory proposals close	12 May 2023
AER publishes draft determination decision	by 30 September 2023
AER holds a pre-determination conference	October 2023
Ausgrid, Endeavour Energy and Essential Energy submits revised regulatory proposals to AER	December 2023
Submissions on revised regulatory proposals and draft decision close	January 2024
AER publishes distribution determinations 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

