



AER Pre-determination conference

13 November 2018



About us



4m
Australians



20%
of Australia's
GDP



1.5m
Homes



200k
Businesses



1,238
Schools



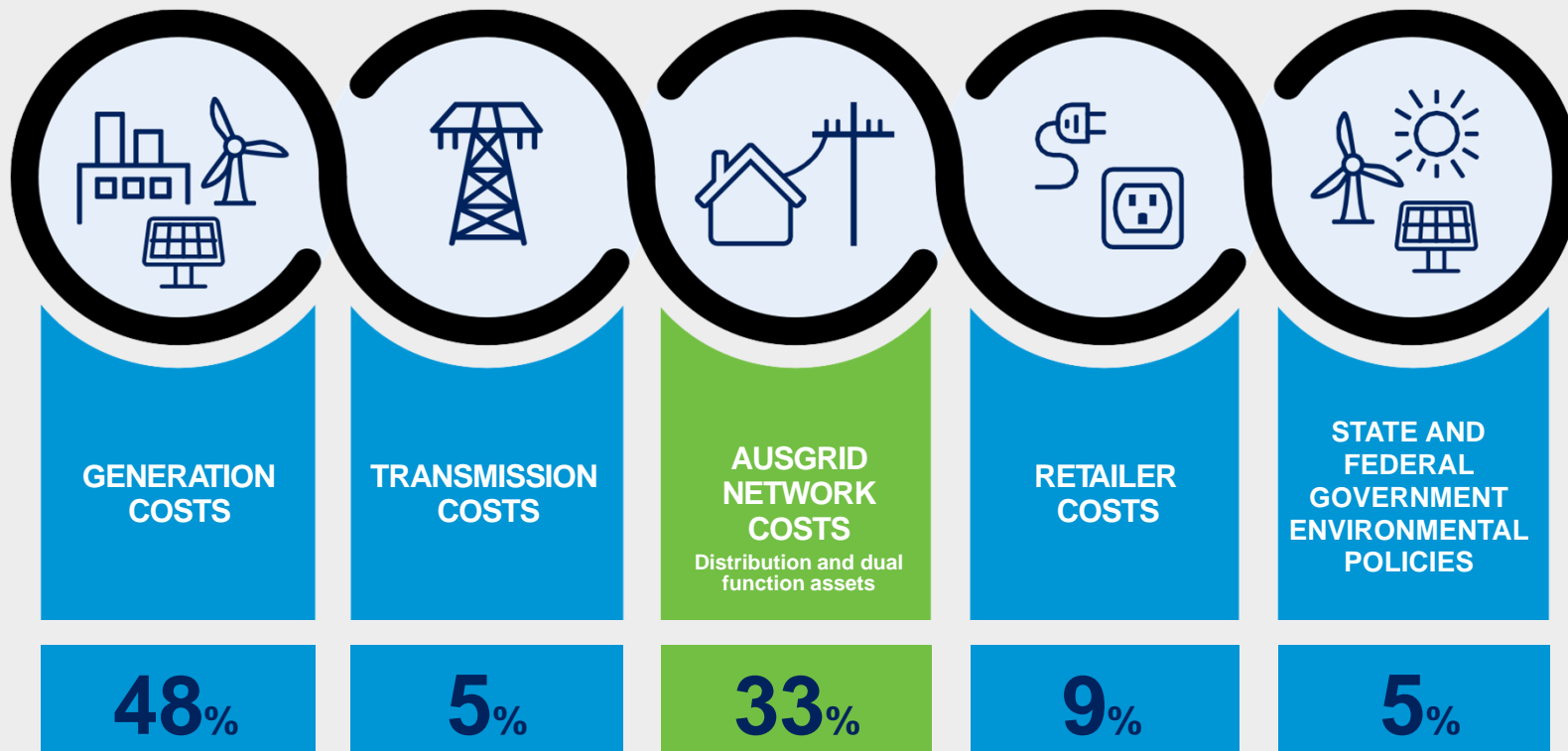
105
Hospitals

AustralianSuper

ifm
investors

NSW
GOVERNMENT

Ausgrid's contribution to residential bills



What customers told us prior to submission of our proposal



AFFORDABLE

- Customers are challenged by rising prices
- Many customers experience bill shock



RELIABLE

- Customers value reliability and security
- Most customers are happy with current levels of reliability
- Customers want us to better utilise existing capacity



SUSTAINABLE

- Customers support investment in renewables and want to feed their electricity back to the grid
- Customers expect energy companies to support the transition to a lower carbon economy

WE CONTINUE TO FOCUS ON AFFORDABILITY

Lower prices Network charge reduction per customer since 2014
\$237
With more savings to come

↓ 34%

Reduction in average household network charges between 2014 and 2019

\$100m **More efficient**
Operating cost savings (pa) since 2014
\$76pa Benefit per customer

What have we been doing since April 2018?

Reviewing customer submissions

Engaging with the AER and its consultants

Meeting with consumer groups and their consultants

Changing our approach to pricing with the Pricing Working Group

Engaging with the AER on our 2015-19 remittal

Considering the impact of the AER's draft decision on the binding rate of return guideline

Engaging with the AER on its corporate tax review

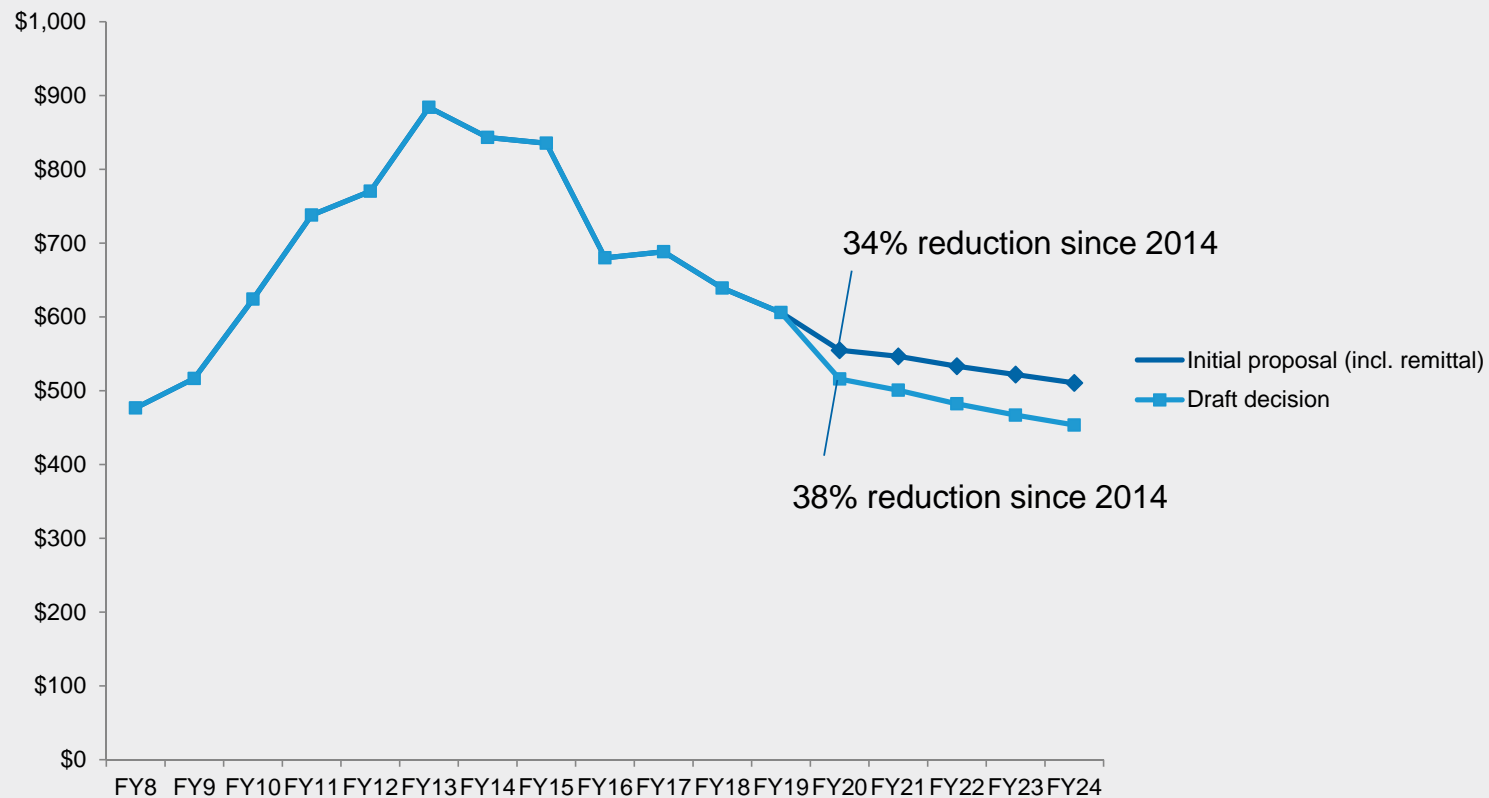
Participating in the AER review of its approach to productivity

 Feedback on our proposal

 Processes external to our regulatory determination

Average residential revenue per customer

Ausgrid residential revenue per customer (\$ FY19)



What customers and the AER said about our proposal



Customers

Prudency and efficiency

The prudency and efficiency of Ausgrid's proposal needs to be better justified

Benefits clarity on past investments

Stakeholders want to better understand the benefits from past investment

Demand management

Greater consideration of demand management and new technology is needed

Opex productivity

Customers consider an opex productivity forecast is needed

Demand tariffs

Ausgrid's tariff structure statement (TSS) was not supported, with submissions advocating for demand tariffs



Cost benefit analysis

The AER sought more evidence of project need and quantitative cost benefit analysis of our capex program

Governance

The AER and its technical consultant raised concerns about our governance framework.

Demand management

Considered that some of Ausgrid's proposed demand management projects need to be better justified

Network innovation

Recognised that our proposed distribution management system upgrade and network innovation projects are likely to have economic benefits

Demand tariffs

The AER expressed concern about the lack of demand tariffs in Ausgrid's TSS

How we are responding to feedback



Prudence and efficiency of capex

- Working through feedback about our capex proposal
- Considering our approach to replacement capex
- Subjecting a large portion of our capex proposal to quantitative risk assessment and cost benefit analysis

Governance

- We have made changes and continue to review our governance framework to strengthen the role of internal challenge processes

Opex

- Accepted feedback on our tariff design step change
- Providing further information in relation to emergency recoverable works and reviewing our demand management programs
- Considering our approach to productivity

Demand tariffs

- Based on feedback, we are working with customers to incorporate demand tariffs in our revised Tariff Structure Statement

Continued consumer engagement

- We will continue to engage with our customers prior to lodging our Revised Proposal with a view to securing customer support for our Revised Proposal

We have listened to consumers and AER feedback on our proposal.

We will continue to engage with customers prior to lodging our Revised Proposal on **8 Jan 2019**

This will include both formal and informal engagement

Upcoming engagements:

- 15 November - Pricing Working Group
- 23 November - Network of the Future Forum
- 30 November - Revised Regulatory Proposal Working Group
- 11 December - Final Consumer Consultative Committee meeting for 2018

Questions

