Consumer
Challenge
Panel

Comments on the CitiPower, Powercor and United Energy Draft Regulatory Proposals (Draft Plans)

as part of the Victorian Electricity Distribution Businesses 2021-2025 Regulatory Reset

Consumer Challenge Panel Sub-Panel CCP17

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We also advise that to the best of our knowledge this report neither presents any confidential information nor relies on confidential information for any comments.

1 Introduction and context

The five Victorian Electricity Distribution businesses (AusNet Services, Jemena, CitiPower, Powercor and United Energy) have commenced preparation of their regulatory revenue proposals for the 2021 to 2025 Regulatory Control Period. Currently, the businesses' Regulatory Proposals are due to be lodged with the Australian Energy Regulator (AER) by 31 July 2019, although this may change based on information emerging from the Victorian Government. In common with current practice for the majority of regulated network businesses operating in the National Energy Market, each of the businesses has embarked on an early engagement programme with its customers in order that customer needs are well understood by the business.

Consistent with practices in other jurisdictions, the Distribution Businesses (DBs) have produced initial outlines of their regulatory proposals *('Draft Plans')* following completion of the majority of the consumer engagement activities associated with their resets.

CCP17 commends the Victorian DBs for this early engagement approach, and we are very supportive of the way they have made these Draft Plans available to Victorian energy consumers and other stakeholders. In responding to the Draft Plans, this document considers the information presented with the intention of:

- considering the linkages between the observed consumer engagement and the issues raised in the Draft Plans;
- identifying common themes that have been prevalent in the regulatory proposals in other jurisdictions, and shining a light on how these Draft Plans address the common issues;
- providing feedback to the DBs on matters of importance to consumers generally, including revenue trends, focus areas for expenditure, and trends in efficiency;
- highlighting areas where further consultation may be warranted leading up to lodgement of the Regulatory Proposal; and
- identifying any areas of importance to customers that may not yet be evident in the Draft Plan.

We present this report with the intended audience of:

a) the AER, to provide an early indication of how closely the Draft Plans reflect the outcomes of the early engagement programs;
b) the DBs themselves, to assist in engagement leading to the submission of the Regulatory Proposal; and
c) informed customers and stakeholders who are taking an interest in, or actively participating in, this regulatory process.

Key to the success of the engagement is that the Draft Plans are seen not as a summary of the eventual Regulatory Proposal, but as a lightning rod for conversation, comment and feedback. Critical is the way the DBs seek and consider any feedback from stakeholders, and listen to the sentiment, questions and emotion presented in the responses to the Draft Plans.

Over the next few months, CCP17 will keenly observe the way the DBs consider the feedback from the range of stakeholders, interact with their Customer Consultative Panels and Reference Groups, and take this excellent opportunity to best reflect the needs, thinking and suggestions from the community.

2 Overall Assessment of the Draft Plans

In their Draft Plans, CitiPower, Powercor and United Energy have delivered a set of well-presented, readable documents which enable stakeholders to understand the business drivers for the 2021-25 regulatory period and the businesses' proposed responses to those drivers. The graphical components with 'call-out' comments are particularly user-friendly. The three Draft Plans flag price reductions for customers in the 2021 year, which will be welcomed by all stakeholders. Use of the terminology 'how our plans are shaping up' highlights that the Draft Plan contents are not final, and that further consultation with stakeholders is expected. For the informed stakeholder, more quantitative information, possibly in appendices, would facilitate more detailed analysis of the plan content.

The businesses have taken an 'issues-based' approach to engagement regarding their capital investment plans, choosing to highlight key investment plans and seeking specific feedback on those initiatives. Choice of the particular issues of importance to raise has been informed by the early stages of the engagement program through deliberative forums and community workshops. The three businesses commenced their shared engagement programme with a series of 'scenario planning' exercises involving their Energy Futures Customer Advisory Panel. It would be helpful to better understand the linkages between outcomes from those workshops and the issues addressed the Draft Plans.

In the lead-up to the submission of the Regulatory Proposals, all three businesses are augmenting the information in their Draft Plans with workshops targeting broader areas, such as asset replacement and network risk. This report incorporates some of the issues that have been discussed in 'deep dive' workshops held subsequent to publication of the Draft Plans.

This 'issues-based' approach has advantages and disadvantages. On the positive side, engagement is targeted to specific initiatives of interest and impact to the community. On the other hand, it is hard to get an overview of the approach taken by the companies to more widespread issues of price and revenue trends, and investment trends over time.

Powercor is required to comply with state government mandated obligations, most notably the approach to bushfire mitigation. Powercor makes some reference to the significant obligation to the Rapid Earth Fault Current Limiting (REFCL) project, but it is not discussed in detail in the Draft Plan.

3 Common trends in the Victorian DBs' Draft Plans

This section presents some general comments that apply to all of the Victorian DBs Draft Plans, albeit in varying degrees. In the following sections, we will deal with the issues particularly pertinent to CitiPower, Powercor and United Energy.

Consumer engagement

Each of the Victorian DBs commenced its consumer engagement for this regulatory period early – about two years before the initial lodgement date, which has meant that there has been considerable opportunity to think through the issues, to engage with a diverse range of consumer interests, and to trial some new models.

AusNet Services is trialling a Customer Forum methodology as part of the NewReg project. We acknowledge that this is an important trial and a new methodology for energy network businesses in Australia, CCP17 is also well aware that the other four businesses have also trialled new methods for their engagement, including a "Scenario Planning" approach from CitiPower, Powercor and United Energy, and a "People's Panel" from Jemena Electricity Network.

Suffice at this stage for us to observe that there is considerable merit in each of these trials. These new methodologies are not the only approaches to consumer engagement that have been implemented by the five businesses. The range of engagement approaches applied has been significant for each business in their ability to glean a range of consumer perspectives.

CCP17 has prepared a separate 'Progress Report on Consumer Engagement by the Victorian Electricity Distribution Businesses'[1] spanning the period up to publication of the Draft Plans. The report provides details about our observations of the consumer engagement by each of the five businesses, in the context of the Draft Plans. We recognise that the consumer engagement has been of a high standard and we opine that the businesses have made concerted efforts to apply what they have heard from consumers to their Draft Plans. A recurring question has been the role of network business Customer Consultative Panels and Reference Groups, particularly given the various innovative strategies that have been applied. Our opinion is that ongoing Customer Consultative Panels and Reference Groups are a useful component of embedding consumer engagement as 'business as usual' for network businesses.

Network efficiency

There has been quite a deal of attention given in energy market commentary in Australia to the relative inefficiencies of network businesses and specifically in the 2018 ACCC report: "Restoring electricity affordability and Australia's competitive advantage, Retail Electricity Pricing Inquiry—Final Report."[2]

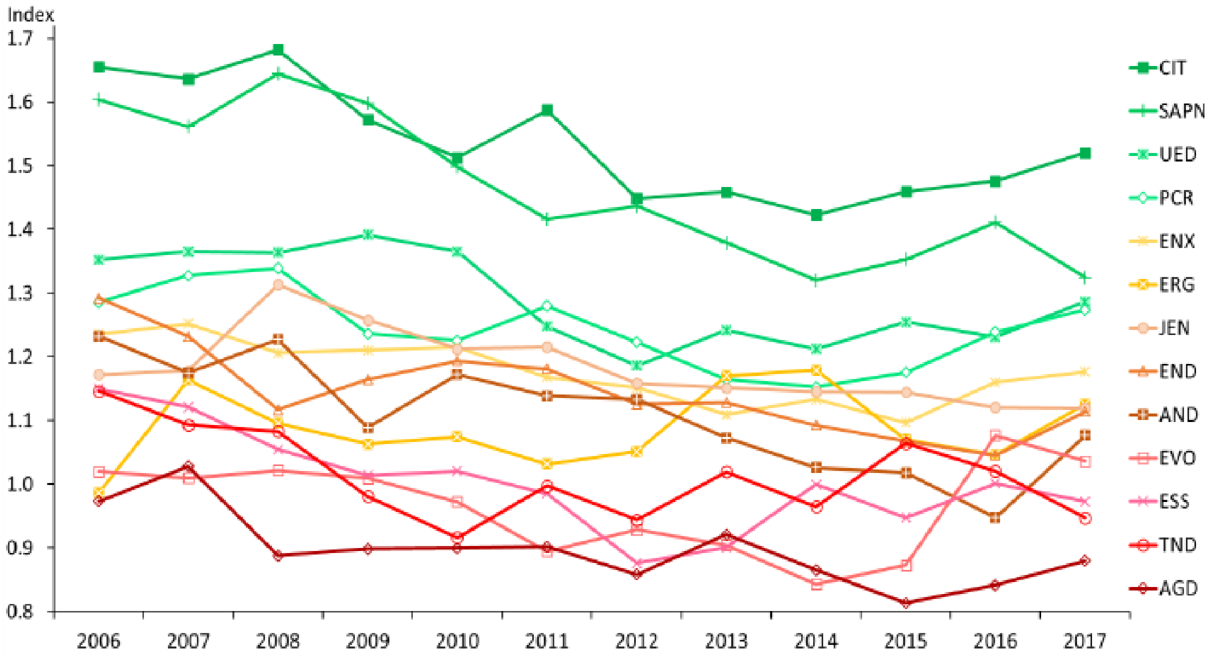
"Network costs are, on average, the largest part of the average NEM customer bill and have also been the largest factor in the increase in bills over the last 10 years."

" … the ACCC notes that the AER's most recent economic benchmarking analysis shows that the relative efficiency of electricity networks has decreased overall over time (although there was a slight increase in distributor efficiency in 2016). Arguably, this suggests that customers were getting decreasing value for money from networks over the same period that the significant investment was taking place."

[1] https://www.aer.gov.au/system/files/CCP17%20Progress%20Report%20on%20Vic%20DB%20Consumer%20Engagement%20-%20Final%20-%2027%20March%202019.pdf
[2] https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_0.pdf

It is clear that Victorian DBs have all been among the most efficient in the country for some time, which was recognised by the ACCC and is shown in the following graph from the AER's benchmarking report, 2018.[3] Using multilateral total factor productivity as the measure for network efficiency, three of the four most efficient network businesses were identified as the Victorian DBs CIT (CitiPower), UED (United Energy) and PCR (Powercor). Jemena, which is rated at 7th and AusNet Services at 9th are in the 'middle of the distribution' of Australian electricity distribution companies.

Figure 1: Multilateral total factor productivity by individual DNSP, 2006–17



CCP17 accepts that a starting point for consideration of DB Regulatory Proposals for 2021-25 in Victoria is that network businesses are efficient, or comparatively efficient. However, this does not mean that there is no room for improvements in efficiency over time. Efficiency is not a static condition; it is something for which ongoing effort is required.

<u>Victorian Government requirements</u>

There are some common trends across all Victorian DBs which have their roots in the design and equipment standards from the State Electricity Commission of Victoria (SECV), as well as the common requirements set by Energy Safe Victoria (ESV) and the Victorian Essential Services Commission (ESCV).

These trends appear to be:

1. Victorian DBs have a responsibility to comply with the findings of the 2009 Victorian Bushfires Royal Commission that placed requirements on network businesses for bushfire risk mitigation. The significant focus on investment in safety matters and bushfire mitigation continues, not only through the Rapid Earth Fault Current Limiting (REFCL) installation and maintenance programme, but also in the mandated requirements for overhead asset inspection and replacement of poles and overhead conductors. This issue is most evident in AusNet Services and Powercor with significant exposure to bushfire-prone areas, but is a responsibility for all, nonetheless.

[3] https://www.aer.gov.au/system/files/AER%202018%20distribution%20network%20service%20provider%20benchmarking%20report%20_0.pdf

2. An increase in activity for the replacement of aged equipment, particularly power transformers and outdoor 66kV and 22kV switchgear, is emerging as a large amount of this equipment approaches the end of its service life. Replacement capital continues to grow as the most significant area of network investment, placing significant pressure on the DBs to demonstrate efficiency and innovative risk management to try to mitigate asset growth against a background of moderate demand growth and uncertainty as to future network requirements.
3. The development of new network capacity is required in fast-growing new residential areas on the Melbourne urban fringe.
4. A key issue for all Victorian DBs for the coming regulatory period relates to the installation of small-scale photovoltaic (PV) systems on household and small-business rooftops. A 6-kW system can now be installed for about $2500 in Victoria due to a Government subsidy, making them affordable for many households and small businesses. The Government-sponsored programmes are raising the profile of the performance and capacity of low voltage networks. DBs are all considering increased investment in their low voltage networks, particularly in the form of low voltage monitoring, under the banner of 'future networks', 'future grid', 'smart grid' or 'open networks'. The CCP first highlighted the importance of a balanced and considered approach to this investment in a report to the AER regarding the proposed investment by SAPN.[4] We commend this report to Victorian DBs in preparing the Distributed Energy Resources (DER) investment aspect of their regulatory proposals. At the same time Victorian DBs have had the opportunity to observe the experiences of network businesses in Queensland and South Australia where solar penetration is already at much higher levels. Victorian DBs also have the advantage of several years of smart meter data and the capacity to utilise this data on an ongoing basis to significantly assist with network design in response to increases in solar PV penetration. While we recognise that a significant focus on DER and in particular installation of solar energy is an important aspect of work for the network businesses over the next regulatory period, there should not be any surprises for the Victorian DBs due to the rising solar PV penetration, and there should be no need for significant extra spending for network hardening or network capacity to deal with the growth in DER, including small scale solar installation.

   The advent of virtual power plants (VPPs) is of concern to DBs since they create the potential for significant surges in supply as the pool price increases. There is no contractual relationship between VPPs and distribution businesses so there is rightfully some concern among energy network businesses about the way that VPPs could behave. However, this is an issue that can be resolved by proactive discussion rather than by substantial extra network capacity expenditure.

These trends are apparent in all the Draft Plans.

Information and Communications Technology (ICT)

The CCP has indicated concern on several occasions about the apparent escalating costs of ICT across energy network regulatory proposals Australia wide. The issue is relevant to the Victorian DBs where CCP17 will be carefully considering the ICT proposals from network businesses, expecting to see efficiencies from such expenditure and expecting that savings can be identified and passed through to customers. There are many aspects of ICT, from network management through to national cyber-security issues, and consumer information technologies and other ICT applications. All ICT investments should be efficient and effective and benefit consumers.

[4] https://www.aer.gov.au/system/files/CCP%20subpanel%2014%20-%20Advice%20-%20Response%20to%20SAPN%27s%20approach%20to%20the%20challenges%20of%20the%20high%20penetration%20of%20embedded%20generation%20-%20June%202018.pdf

Five-minute settlement

An AEMC-supported rule change means that settlement of electricity markets in Australia will move from 30 minute to 5-minute settlement over the next Victorian regulatory period, applying from 2021, and this will have cost implications. At this stage we do not expect to see substantial cost increases in order to comply with five-minute settlement, which can be implemented over a 3½ year period, from announcement in November 2017.

Collaboration on tariffs

The Victorian DBs have collaborated effectively, particularly regarding tariffs, which continue to be of concern to customers. Consumers across the state expect to see consistent approaches taken with tariff setting and so we commend the businesses for meeting with each other and with consumer interests to seek a shared approach to tariff design.

Energy Charter

On 31 January 2019, the development of and commitment to an Energy Charter was announced by the CEOs of several energy businesses: generators and retailers as well as network businesses. The implementation of the Energy Charter has the potential to assist consumers through network businesses and retailers collaborating more effectively in the interests of consumers. Victoria is ideally placed for early implementation of the intent of the Energy Charter.

Draft Plan presentation

There are a couple of brief comments we wish to make about the actual presentation of the Draft Plans, which are intended to be helpful for the presentation of future Draft Plans:

1. While the narrative of Draft Plans is critically important, key data is also important. We suggest that a couple of pages of data, probably as an Appendix, would be particularly helpful. At a minimum, data would show, for broad aspects of capital cost, operating cost and connections, allowance for the current regulatory period, actual and predicted spending for the current regulatory period and amount proposed for the next regulatory period. Regulated Asset Base (RAB) growth is also of significant interest, as are a range of ratios such as RAB per customer, opex per customer, cost per connection etc.
   It would also be very helpful to see the price paths presented in a common format across all five businesses, for example percentage change from a base year, nominal terms, for each of the five years of the regulatory period.
2. A print friendly version of the Draft Plan will also be very helpful particularly for groups representing consumer interests who want to be able to download and print a copy of the Draft Plan without all the photos and colour associated with an externally printed copy.

4 Powercor

4.1 Highlights, trends and key parameters in the Draft Plan

Key objectives

- Powercor's objective is to deliver a safe, dependable and flexible network while keeping prices among the lowest in the country.

Revenue and prices

- The Draft Plan does not disclose the forecast revenue over the 2021-25 Regulatory Period, but it does indicate that revenue is expected to fall by 3.1% in 2021, followed by 4 years of no real revenue increase.
- Powercor is expecting a reduction in network charges of $24 for typical residential customers and $90 for typical business customers in 2021.

Operating expenditure

- Opex is forecast to be $1371 million.
- Opex step changes total $59 million.
- It is not clear whether an opex productivity factor has been included in opex forecasts.

Capital expenditure

- Capex forecast is $2,015 million.

4.2 Operating expenditure

4.2.1 Step changes and opex productivity

Powercor's Draft Plan indicates a commitment to following the AER's methodology in developing the Operating Cost (opex) expenditure proposal for 2021-25. In applying this methodology, base, trend and step are considered in turn to develop the total operating cost proposed for the regulatory period of $1,371 million (real, $2020).

<u>Base year</u>

2019 is being proposed as the base year for the development of the opex budget for 2021-25. While the actual expenditure for 2019 is currently unknown, there are reasons for CCP17 considering that proposal to be reasonable. First, 2019 will be the penultimate year of the current regulatory period and so should reasonably reflect the most recent, full year of known and audited costs, entering into a new regulatory period. Second, Powercor has a well-established track record of efficient operating costs. The most recent benchmarking data for electricity distribution businesses in Australia shows that Powercor is the most efficient electricity distribution network business in Australia as measured using the AER's operating expenditure productivity index. We also accept that the penultimate year of a current regulatory period is the most-used base year for subsequent regulatory periods. There is no reason to expect that there will be a significant departure from efficient opex costs for 2019.

Powercor estimates that base opex costs will be $1,189 million (real, $2020) for the current regulatory period, which we accept as "efficient", given that Powercor is benchmarked as having the most efficient opex productivity in the NEM.

Trend costs

The Draft Plan indicates a likely trend increase of $123 million (real, $2020) for the next regulatory period. We understand that this includes additional new costs associated with approximately 20,000 new connections per year over the period. The increase in trend costs also reflects "... likely increases in labour and contract prices. These trends are based on independent benchmarks or known price charges." Our expectation is that these "benchmarks" will be reviewed for the final Regulatory Proposal. In particular, CCP17 expects wage and cost escalators to be lower at lodgement time compared to when the Draft Plan was developed due to continuing low wage growth across the Australian economy. It would be unreasonable for energy customers, particularly those experiencing bill stress, to be paying for greater wage increases for their energy provider than they are receiving themselves.

It is not clear in the Draft Plan whether Powercor has applied the AER's operating cost productivity improvement of 0.5% per year, in line with the 2018/19 Opex Productivity Guideline.

Aggregate operating costs are proposed to increase over the 2021-25 regulatory period, but we are unclear about the direction of operating costs per customer due in part to new connections during the period. We share Powercor's observation that the business heard its customers say they want to keep prices low, so better understanding operating costs per customer will help to better understand the extent to which Powercor is planning to keep prices low.

Step changes

CCP17 is aware that stakeholders are generally wary of step changes, as there is past experience of these being bids by network businesses for increases in ongoing aspects of the business's costs. Step changes need to be the focus of exogenous "shocks" for which clear foresight would have been unlikely.

Powercor is seeking an additional $59 million (real, $2020) for step changes for 2021-25. A majority of the claimed step changes, $45.3 million, is for "new regulatory obligations". CCP17 is aware of new regulatory requirements placed on electricity DBs by the Victorian Government as a result of the Victorian Bushfires Royal Commission. We are also aware of new increases in cybersecurity requirements that have been determined by the Commonwealth Government. These externally imposed requirements are legitimate step changes. We expect the AER to scrutinise the actual costs of implementing these step changes, noting that there may be updated advice about the costs nearer to the time of proposal lodgement.

Further detail of all of the proposed step changes will be required in the Regulatory Proposal to enable stakeholders to understand the nature and drivers for each, as well as timing and cost breakdowns.

4.3 Capital expenditure

4.3.1 Capital investment trend

The Victorian electricity industry was not subject to the aggressive change to network reliability standards seen in Queensland and New South Wales earlier in the 2000s. Similarly, the recent REFCL programme is also somewhat unique to the Victorian regional electricity distributors. Powercor is significantly affected by this bushfire safety programme.

The AER Final Decision 2016-20 for Powercor allocated approximately $1,795 million ($2020) for capital expenditure in that period, suggesting that Powercor is seeking a significant increase in allowed capital expenditure. This trend is inconsistent with the plans for the majority of network owners in Australia, and strong and clear justification of this intention is required.

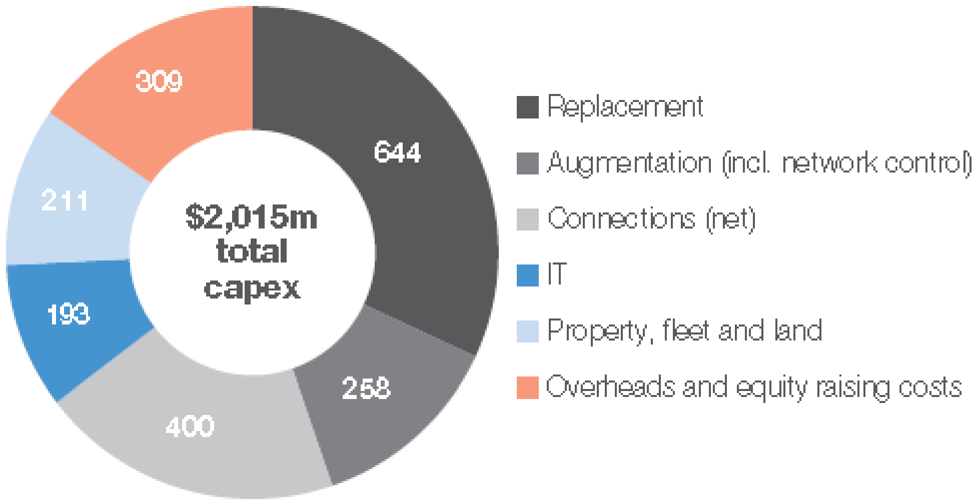
Customers expect utilities to moderate capital investment in networks, seeking new and efficient ways to 'do more with less' in network terms, and to be very sympathetic to the price risk inherent in growing the value of the Regulated Asset Base (RAB).

Moderating factors in capital investment are evident in some components of Powercor' s planned expenditure, such as the reduction in network capacity growth as a result of general trends of stable energy demand and influences that subdue overall peak demand growth, despite a general reduction in load factor due to embedded generation and changing customer attitudes to energy.

It is important to note the planned increase in expenditure to replace aged assets. Most utilities are using advanced risk mitigation approaches and new technology to mitigate the impact of ageing assets. In discussion with Powercor, we understand that recent issues regarding network safety are largely behind the planned increase in expenditure. We assume the issues that have been deemed to have led to three fires in western Victoria last summer in which property was destroyed or damaged, near the towns of Port Campbell, Rochester and Strathmerton, are uppermost in the consideration to change the approach to asset management.

Powercor has noted in its Draft Plan a planned capital expenditure of $2,015 million in the 2021-25 period, as shown in Figure 2 below.

Figure 2: Powercor - proposed capital investment (Source: Powercor)



Powercor has not provided any information in its Draft Plan regarding the priorities and break-up of the planned capital expenditure this period, so we are unable to understand any detail regarding the trends, or form an opinion as to any increases or savings that may be evident in the proposed capital plans.

We recognise the increases in capital requirements brought on by tranches 1 and 2 of the REFCL programme that may explain some of the increase in the capital requirement. Powercor does not make that amount available in its engagement information.

Powercor notes the following issues relating to capital investment as emerging from its initial engagement:

- customers expect a growth in distributed energy resources in the network, and expect access to new energy markets;
- affordability remains a high priority;
- reliability is a 'given'; and
- safety remains a high priority.

As part of the Draft Plan, Powercor is seeking to confirm and validate these key objectives.

4.3.2 Distributed Energy Resources (DER)

The CCP has been instrumental in asking DBs to be very clear as to their planned expenditure related to the growth of Distributed Energy Resources. Significant investment is based on a desire for customers 'not to have their exports constrained' – a subject that is often discussed in deliberative forums. We ask DBs to be very cognisant of defining the value of these investments to all customers, including the majority who do not invest in DER capability.

4.3.3 Network performance

Powercor has, like most utilities, experienced a marked improvement in network performance when measured by the overall and average performance indicators. A continually improving network performance, with average unplanned interruption duration now below 150 minutes, is commendable.

We understand that this can be attributed to better technology, improved asset management and efficient outage management processes.

Given this improvement, we assume Powercor has not identified the need for an increase in expenditure specifically targeted at network performance improvement. This information is not available in the Draft Plan. We expect it will be articulated in the Regulatory Proposal.

4.3.4 Proposed Investment – Network Growth

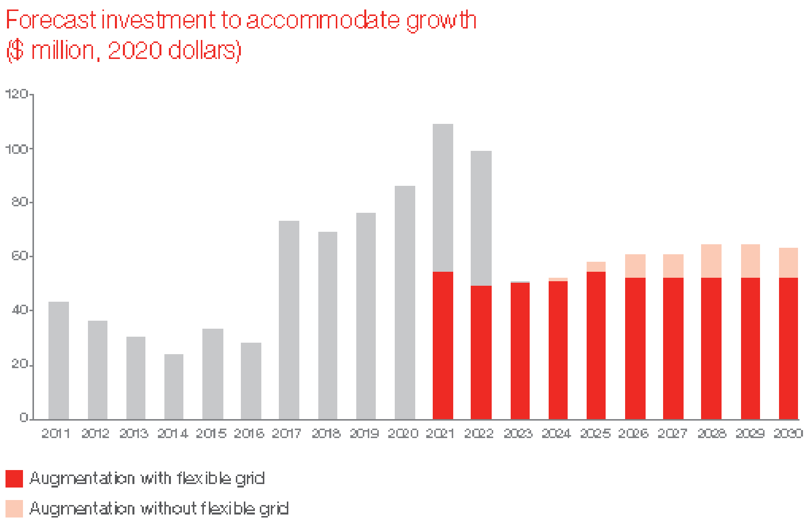
From the data provided in the Draft Plan, Powercor is proposing expenditure of $258 million on network augmentation, based on:

- forecasting peak demand growth at around 1.5% pa (slide 17);
- planning a $35 million investment in 'flexible grid' technology (slide 18), which is planned to deliver a $144 million deferral in capex (slide 19); and
- forecasting 20,000 new connections per year (slide 20).

As a result of demand and customer growth, Powercor's data, reproduced in Figure 3 below, tends to indicate a significant investment in network growth in the early years of the upcoming regulatory period. We can only assume that the record investment in these early years relates to the REFCL investment. Similarly, the impact of the 'flexible grid' savings will become clearer in the workshops on ICT and DER later in the year.

The trend of relatively flat investment in network augmentation is not overly consistent with trends seen on other utilities. The impact of trends in energy efficiency and price sensitivity has generally resulted in significant falls in the requirement for investment in network capacity. We recognise that there may be several elements in the Powercor growth proposal, and we expect these elements and trends will be evident in the Regulatory Proposal, if not later in the engagement process.

Figure 3: Powercor - forecast investment in network growth (source: Powercor Slide 19)



Powercor notes connection augmentation priorities for 2021-25 (Slide 20), including:

- $121 million to connect wind farms;
- $16 million for a demand management programme to defer augmentation near Ballarat;
- $25 million for new substation at Tarneit, and $17 million for new substation Torquay; both in fast-growing residential areas.

CCP17 has observed Powercor raise these issues as part of its deliberative forums and community workshops. As we understand it, there is general support for these proposals, which will ultimately be subject to cost-benefit analysis and Regulatory Investment Tests.

Customer connections

Powercor has stated an expected customer growth of around 20,000 per annum. Announcements by the Victorian Government in 2017 suggested significant suburban growth will continue, with 100,000 new lots announced to be rezoned in Melbourne's west and northern fringes (Figure 4).

These initiatives support Powercor's position of high rates of connections. It will be useful to confirm with Powercor the rising trend of connection investment evident in Figure 5 below, given an expectation that the level of funding in recent years has been already sufficient to meet the high rate of growth. It is unclear how the quoted net connection investment of $400 million relates to the graph below, provided by Powercor, where it appears that the net connections over the 5-year period is less than that total.

The impact of the proposed $121 million to connect wind farms could perhaps be clarified.

We also highlight the usefulness of the 'cost per connection' indicator, and the ability to demonstrate that the connections process is becoming more efficient. It is understood that there are several factors that influence this metric. However, some information to demonstrate ongoing efficiency and a drive for optimum network connections is important and useful to customers.

There has also been some mention of a proposed, albeit minor, change to the connections policy that applies to all Victorian DBs. CCP17 has not observed any customer engagement on this issue, however if this is the case, we commend the work done by Endeavour Energy in New South Wales where, in conjunction with CCP10, it was highlighted that any change to connections policy should:

- demonstrate a tendency towards 'causer-pays'; and
- include robust engagement with consumers, in particular the company's Customer Committee, to clearly explain the reasons for the change and the implications on all customers.

Figure 4: News release, March 2017 (source: news.com.au 1 March 2017)

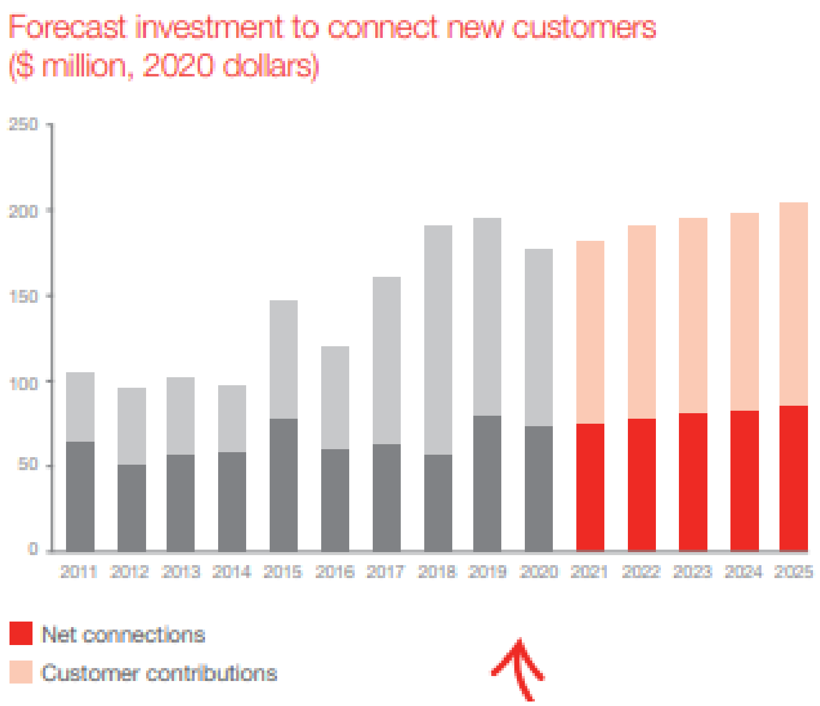
Victorian Government to unlock 17 new suburbs in Melbourne to tackle housing affordability

WELCOME to our new suburbia. At least, that's how it's being sold. Almost 20 new suburbs are opening around city.

Olivia Lambert @LivLambert news.com.au MARCH 1, 2

New suburbs in Melbourne will be unlocked in the city's outer north, northwest and southeast areas. Picture: Victorian Planning Authority Source:Supplied

Figure 5: Powercor investment in new connections (source: Powercor)



4.3.5 Proposed investment – repex

As noted in the general comments, Powercor has indicated an increasing level of funding required for asset replacement in the coming regulatory period. This includes a range of mandated requirements for asset inspection and replacement. These requirements flow into the asset replacement expenditure plans of $644 million, which includes $332 million for pole and line replacement and further expenditure on remote switches. Powercor, on slide 14, refers to additional initiatives that may take place based on government requirements or funding availability, including an unspecified investment in accelerated pole replacement in fire risk areas, and $140 million for an accelerated programme of undergrounding of rural distribution lines (Single Wire Earth Return, or SWER), should the programmes be approved by ESV. We understand that Powercor intends to carry out further consultation with stakeholders with respect to the potential accelerated pole replacement program.

Other initiatives planned by Powercor specified in the engagement information are (slide 13):

- $4 million to test and replace deteriorated earthing;
- $31 million for service cable test & replace; and
- an unspecified amount for powerline relocation at blackspots.

Otherwise, the underlying trend of increasing investment to replace aged assets is consistent with proposals by other DBs. Key to the future analysis will be the modelling by the AER for the replacement of large populations of assets, such as poles and switchgear.

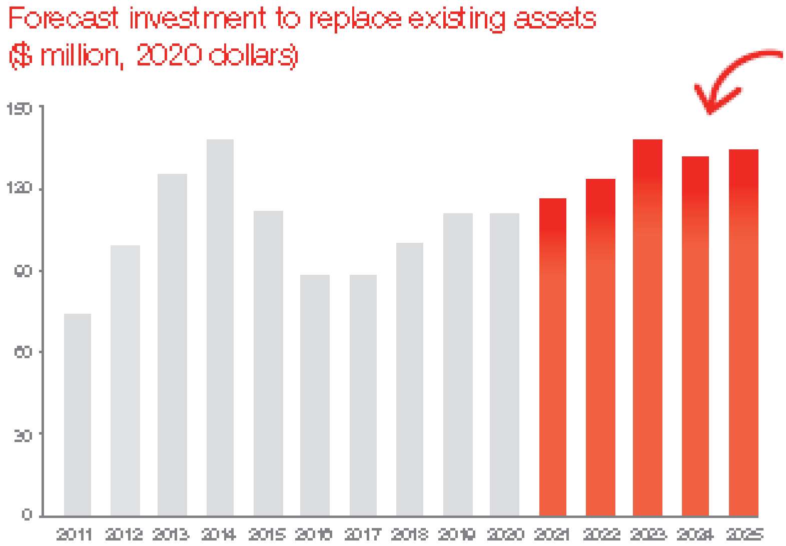
We note the focus taken by the three companies in articulating the risk analysis process undertaken in planning asset replacement, as highlighted in the risk workshop of early March 2019.

CCP17 commends Powercor to work with the AER constructively to refine further and improve the application of the AER repex modelling.

As part of the Regulatory Proposal, we expect that Powercor will devote significant time to explain the requirement, impact and cost of updating asset management plans, especially those associated with poles and conductors, following investigations into the recent fire-related disasters.

In addition, we encourage Powercor, as much as possible, to incorporate the intent and approach of the recently-released AER *Application Note for Asset Replacement*. This note provides a robust process for determining the risk of loss of amenity that an asset failure may create, with a separate consideration of the options to reinstate that amenity. We acknowledge that Powercor is well-advanced in its asset replacement planning. Recognition of the Application Note will greatly support its proposal. In particular, issues such as ‘base case’ planning, counterfactuals and further development in the risk assessment of failure would assist.

Figure 6: Powercor investment in asset replacement (Source: Powercor)



4.4 Information and Communications Technology (ICT)

Customer expectations

Overall, ICT investment by utilities is growing rapidly as the role of corporate support systems, real-time control systems, data gathering, and data analysis plays a much greater role in network businesses. Data analytics, low voltage network operation, regulatory commitments and cybersecurity obligations are all placing upward pressure on ICT requirements.

Utilities need to be held accountable for these significant investments in ICT, with clear discussion and validation of the benefits these investments deliver for the organisation and ultimately for customers.

Consumers need to be well-informed of the requirements, benefit, prudency and risk implications of investment in ICT and related assets, as they gain an increasing influence on business performance and efficiency (and hence operating cost), depreciation (again, influencing price to customers), data risk, service delivery, customer choice and network supply risk and performance.

Powercor's ICT Plan

In slides 22 and 23 of the Draft Plan, Powercor notes a requirement for increased ICT investment to $193 million.

Powercor advises some components of the planned ICT expenditure are:

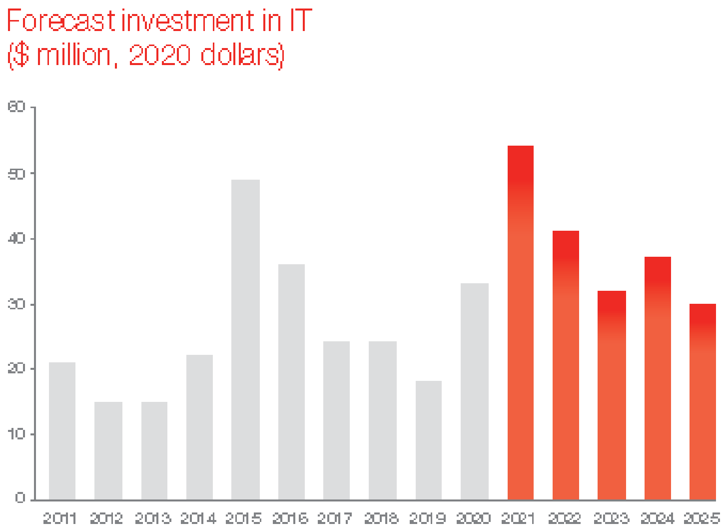
- $4 million to develop a better service for meter data and customer interaction (eg faults);
- $14 million for compliance with the 5-minute settlement rule change;
- $18 million to meet emerging cybersecurity obligations; and
- $16 million upgrade of the core SAP ICT systems.

Figure 7 below shows the increased ICT investment requirement. CCP17 can only highlight that ICT expenditure will be a significant component of the analysis regarding the value of the investment to consumers as part of the Regulatory Proposal process. In doing so, we expect to consider matters such as:

- Has the allowance from the current period been invested?
- What are the productivity benefits that have arisen from that investment?
- Have the risks of delaying the investment been meaningfully considered?

- Can the synergies of a common IT platform across multiple companies be demonstrated?

Figure 7: Powercor investment in ICT (Source: Powercor)



4.5 Demand Management

Apart from outlining a current Demand Management initiative on the Bellarine Peninsula, the Draft Plan contains few details of Powercor's proposed Demand Management programme for the 2021-25 period. The rationale for the $1.6 million opex step change for Demand Management is not explained in the document.

5 CitiPower

5.1 Highlights, trends and key parameters in the Draft Plan

Key objectives

- CitiPower's objective is to deliver a safe, dependable and flexible network while keeping prices among the lowest in the country.

Revenue and prices

- The Draft Plan does not disclose the forecast revenue over the 2021-25 Regulatory Period, but it does indicate that revenue is expected to fall by 4.6% in 2021, followed by 4 years of no real revenue increase.
- CitiPower is expecting reduction in network charges of $25 for typical residential customers and $94 for typical business customers in 2021.

Operating expenditure

- Opex is forecast to be $471 million.
- Opex step changes total $19 million.
- It is not clear whether an opex productivity factor has been included in opex forecasts.

Capital expenditure

- Capex forecast is $795 million.

5.2 Operating expenditure

5.2.1 Step Changes and opex productivity

CitiPower's Draft Plan indicates a commitment to following the AER's methodology in developing the Operating Cost (opex) expenditure proposal for 2021-25. In applying this methodology, base, trend and step are considered in turn to develop the total operating cost proposed for the regulatory period of $471 million.

<u>Base year</u>

2019 is being proposed as the base year for the development of the opex budget for 2021-25. While the actual expenditure for 2019 is currently unknown, there are reasons for CCP17 considering that proposal to be reasonable. First, 2019 will be the penultimate year of the current regulatory period and so should reasonably reflect the most recent, full year of known and audited costs, entering into a new regulatory period. Second, CitiPower has a well-established track record of efficient operating costs. The most recent benchmarking data for electricity distribution businesses in Australia shows that CitiPower is the second-most efficient electricity distribution network business in Australia as measured using the AER's operating expenditure productivity index. We also accept that the penultimate year of a current regulatory period is the most-used base year for subsequent regulatory periods. There is no reason to expect that there will be a significant departure from efficient opex costs for 2019.

CitiPower estimates that base opex costs will be $417 million for the current regulatory period, which we accept as "efficient," given that CitiPower is benchmarked as having the second most efficient opex productivity and Australia's second-best network utilisation, just behind Evoenergy, of all electricity distribution networks in the NEM.

Trend costs

The Draft Plan indicates a likely trend increase of $35 million for the next regulatory period. We understand that this includes additional new costs associated with about 20,000 new connections over the period, about 4,000 per year. The increase in trend costs also reflects "... likely increases in labour and contract prices. These trends are based on independent benchmarks or known price charges." Our expectation is that these "benchmarks" will be reviewed for the final Regulatory Proposal. In particular, CCP17 expects wage and cost escalators to be lower at lodgement time compared to when the Draft Plan was developed due to continuing low wage growth across the Australian economy. It would be unreasonable for energy customers, particularly those experiencing bill stress, to be paying for greater wage increases for their energy provider than they are receiving themselves.

In March 2019, the AER published its final decision paper for the Opex Productivity Review[5] and decided that a 0.5 per cent annual opex productivity growth rate reflects a reasonable forecast of the productivity growth a prudent and efficient electricity distributor can make. It is not clear in the Draft Plan whether an opex productivity factor has been incorporated.

Aggregate operating costs are proposed to increase over the 2021-25 regulatory period, but we are unclear about the direction of operating costs per customer, due in part to new connections during the next regulatory period. We share CitiPower's observation that the business heard its customers say they want to keep prices low, so better understanding operating costs per customer will help to better understands the extent to which CitiPower is planning to keep prices low.

Step changes

CCP17 is aware that stakeholders are generally wary of step changes, as there is past experience of these being bids by network businesses for increases in ongoing aspects of the business's costs. Step changes need to be the focus of exogenous "shocks" for which clear foresight would have been unlikely.

CitiPower is seeking an additional $19million for step changes for 2021-25. A majority of the claimed step changes, $14 million is for "new regulatory obligations." CCP17 is aware of new regulatory requirements placed on electricity DBs by the Victorian Government as a result of the Victorian Bushfires Royal Commission. We are also aware of new increases in cybersecurity requirements that have been determined by the Commonwealth Government. These externally imposed requirements are legitimate step changes. We expect the AER to scrutinise the actual costs of implementing these step changes, noting that there may be updated advice about the costs nearer to the time of proposal lodgement.

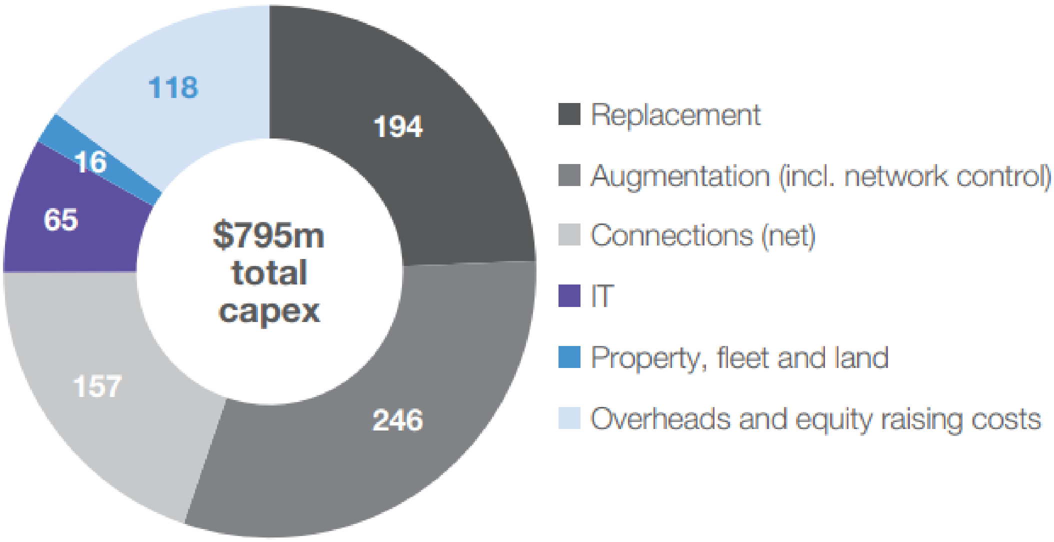
Further detail of all of the proposed step changes will be required in the Regulatory Proposal to enable stakeholders to understand the nature and drivers for each of them, as well as timing and cost breakdowns.

5.3 Capital expenditure

CitiPower has noted in its Draft Plan a planned capital expenditure of $795 million in the 2021-25 period, as shown in Figure 8 below.

[5] https://www.aer.gov.au/system/files/Opex%20productivity%20growth%20review%202018%20-%20Final%20decision%20-%208%20March%202019.pdf

Figure 8: CitiPower – proposed capital investment (Source: CitiPower)



5.3.1 Capital investment trends

The AER Final Decision 2016-20 for CitiPower allocated approximately $856 million ($2020) for capital expenditure in that period, suggesting that CitiPower is seeking a **net decrease** in allowed capital expenditure.

From its forums and workshops to date, CitiPower notes *affordability* is the primary concern of its customers (slide 28). As part of the Draft Plan, CitiPower is seeking to confirm and validate the objectives of reliability, price and flexibility with consumers.

Regarding overall investment drivers, CitiPower predicts peak demand to remain largely flat. CitiPower quotes demand growth of 0.4% pa (slide 16). There is no reference to the growth in customer numbers. Reliability performance is well within required parameters, and continues to improve.

Network growth and augmentation

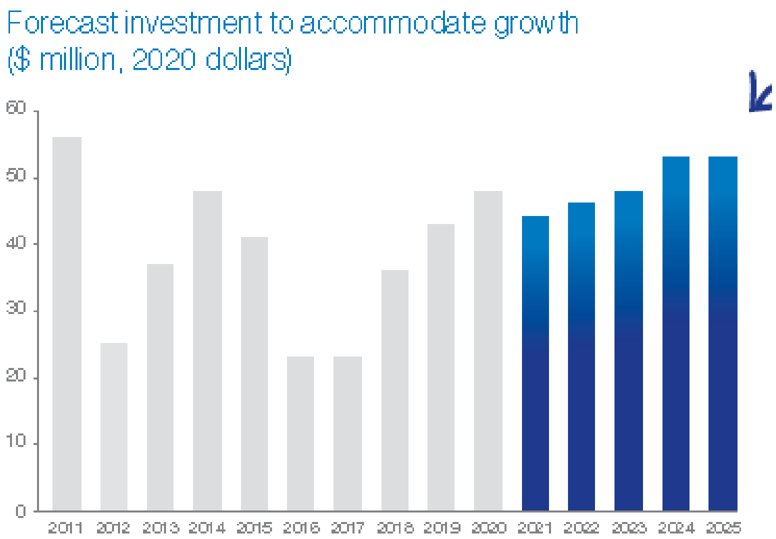
CitiPower is proposing significant increases in the investment to accommodate growth, as shown below in Figure 9, to a proposed investment of $246 million. This increasing investment in network augmentation is not consistent with that seen in other utilities. The impact of trends in energy efficiency and price sensitivity has generally resulted in significant falls in the requirement for investment in network capacity.

CitiPower notes an investment of $15 million on network improvements, in the context of supporting the export of energy by customers with DER. Again, we encourage DBs to be very cognisant of defining the value of these investments to <u>all</u> customers, including the majority who do not invest in DER capability.

CitiPower states in the Draft Plan "there may be occasions when we still need to limit (solar PV) exports to avoid network damage and maintain the safety of our electricity supply." CCP17 notes that the CitiPower network has significantly lower solar PV penetration than other networks in Australia, e.g. in Queensland and South Australia. We expect the Revenue Proposal to explain measures that CitiPower has undertaken to learn from and work with its network peers to minimise any adverse impacts for customers.

We expect these elements and trends will be evident in the Regulatory Proposal, if not later in the engagement process in the workshop planned to discuss DER Integration.

Figure 9: CitiPower- forecast investment in network growth (source: CitiPower Slide 17)

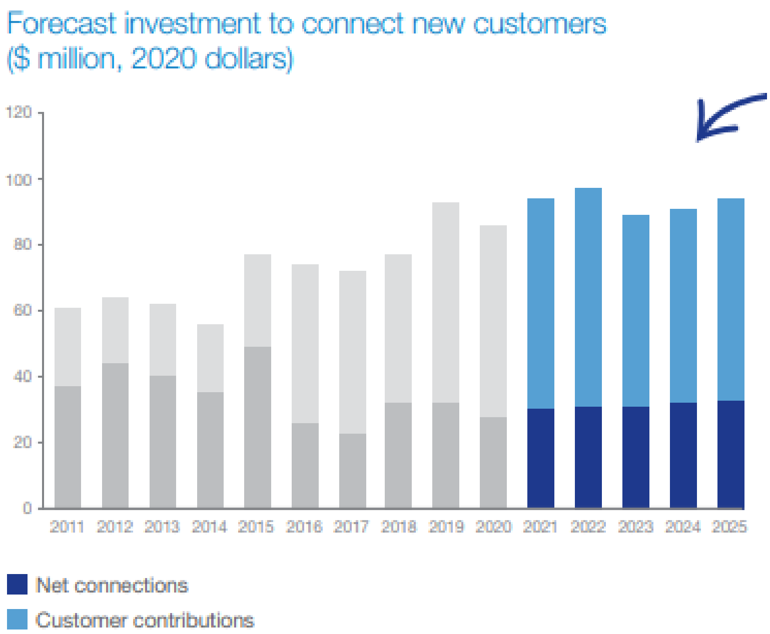


CitiPower also notes $44 million in investment to decommission older inner-urban zone substations and transfer the loads to newer sites. On the information presented, this appears to be a reasonable course of action. We look forward to the cost-benefit analysis for this somewhat unique initiative.

Customer connections

CitiPower advises the net investment in customer connections is planned to be $157 million, as shown in Figure 10 below.

Figure 10: CitiPower – customer connections investment trend (Source: CitiPower)



Based on information regarding energy requirements in the inner Melbourne area, we assume the investment includes a significant proportion of connections to larger energy users such as data centres and public infrastructure. This appears to support the high level of customer contributions.

We note CitiPower's intention to consult on the connections policy. CCP17 has not observed any engagement on this issue so far.

Asset replacement

Figure 11 below shows CitiPower's proposed asset replacement expenditure. From a total of $194 million, CitiPower plans to invest $51 million in pole and line replacement. Other initiatives planned by CitiPower specified in the engagement information are (slide 13):

- $2 million to test and replace deteriorated earthing;
- $6 million for service cable test & replace;
- $14 million to continue to repair underground pits in the CBD area; and
- Unspecified amount for a ''black spot' powerline relocation programme, still being considered.

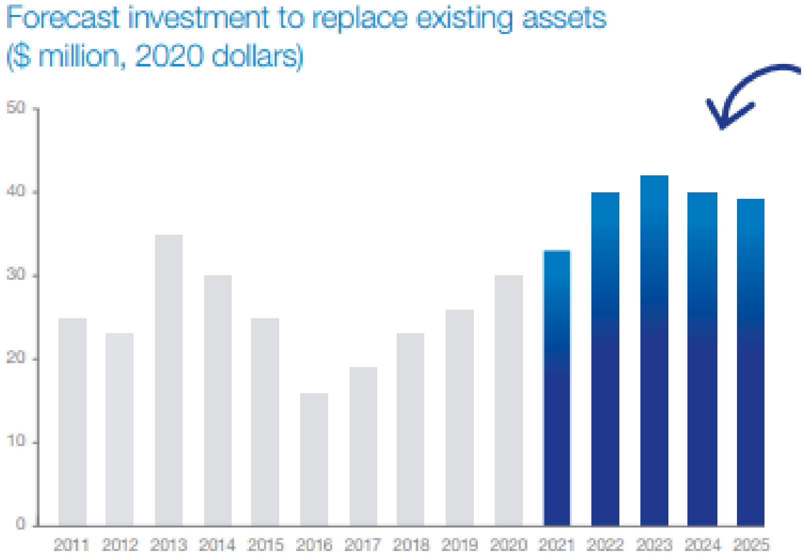
Otherwise, the underlying trend of increasing investment to replace aged assets is consistent with proposals by other DBs. Key to the future analysis will be the modelling by the AER for the replacement of large populations of assets, such as poles and switchgear.

We note the focus taken by the three companies in articulating the risk analysis process undertaken in planning asset replacement, as highlighted in the risk workshop of early March 2019.

CCP17 commends CitiPower to work with the AER constructively to further refine and improve the application of the AER repex modelling.

In addition, we encourage CitiPower, as much as possible, to incorporate the intent and approach of the recently-released AER *Application Note for Asset Replacement*. This note provides a robust process for determining the risk of loss of amenity that an asset failure may create, with a separate consideration of the options to reinstate that amenity. We acknowledge that CitiPower is well-advanced in its asset replacement planning. Recognition of the Application Note will greatly support its proposal. In particular, issues such as 'base case' planning, counterfactuals and further development in the risk assessment of failure would assist.

Figure 11: CitiPower investment in asset replacement (Source: CitiPower, slide 21)



5.4 Information and Communications Technology (ICT)

In slide 21 of the Draft Plan, CitiPower notes a requirement for increased ICT investment to $65 million.

As we have noted earlier in this report, utilities need to be held accountable for these significant investments in ICT, with clear discussion and validation of the benefits these investments deliver for the organisation and ultimately for customers.

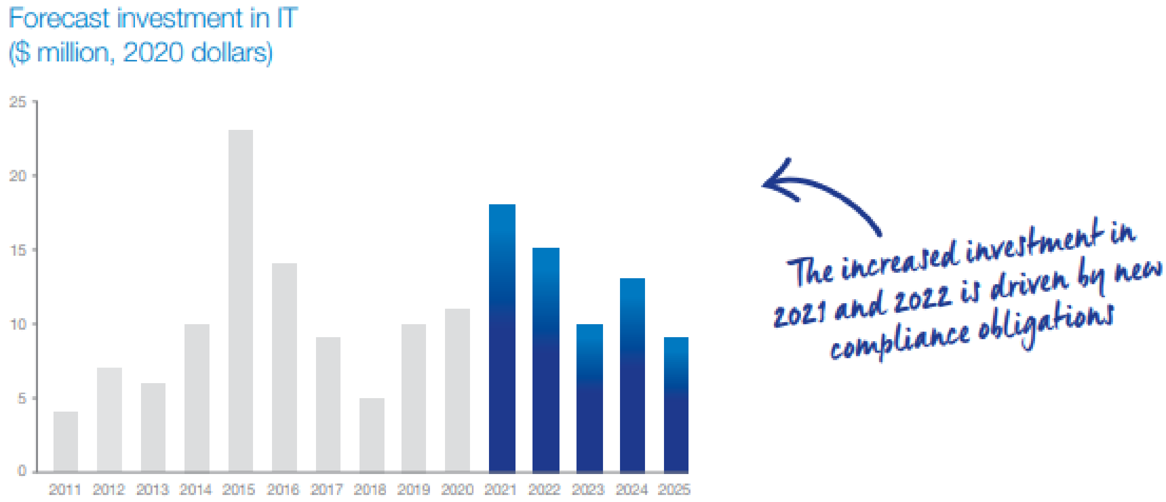
CitiPower advises some components of its planned ICT expenditure are:

- $2 million to develop a better service for meter data and customer interaction
- $14 million for compliance with the 5-minute settlement rule change,
- $8 million to meet emerging cybersecurity obligations, and
- $7 million upgrade of its core SAP ICT systems

Figure 12 below shows the increased ICT investment requirement. CCP17 can only highlight that ICT expenditure will be a significant component of the analysis regarding the value of the investment to consumers as part of the Regulatory Proposal process. In doing so, we expect to consider matters such as:

- Has the allowance from the current period been invested?
- What are the productivity benefits that have arisen from that investment?
- Have the risks of delaying the investment been meaningfully considered?
- Where is the company in the IT development cycle?

Figure 12: CitiPower investment in ICT (Source: CitiPower, slide 21)



5.5 Demand Management

The Draft plan is silent on the details of any proposed Demand Management programme for the 2021-25 period.

6 United Energy

6.1 Highlights, trends and key parameters in the Draft Plan

Key objectives

- United Energy (UE)'s objective is to deliver a safe, dependable and flexible network while keeping prices among the lowest in the country.

Revenue and prices

- The Draft Plan does not disclose the forecast revenue over the 2021-25 Regulatory Period, or the expected revenue reduction in 2021, but it does indicate that United Energy is expecting to reduce network charges by $44 for typical residential customers and $117 for typical business customers in 2021.
- The proposed price path for the remainder of the 2021-25 period is not discussed.

Operating expenditure

- Opex is forecast to be $710 million.
- Opex step changes total $38 million.
- It is not clear whether an opex productivity factor has been included in opex forecasts.

Capital expenditure

- Capex forecast is $1,130 million.

6.2 Operating expenditure

6.2.1 Step changes and opex productivity

UE's Draft Plan indicates a commitment to following the AER's methodology in developing the Operating Cost (opex) expenditure proposal for 2021-25. In applying this methodology, base, trend and step are considered in turn to develop the total operating cost proposed for the regulatory period of $710 million.

<u>Base year</u>

2019 is being proposed as the base year for the development of the opex budget for 2021-25. While the actual expenditure for 2019 is currently unknown, there are reasons for CCP17 considering that proposal to be reasonable. First, 2019 will be the penultimate year of the current regulatory period and so should reasonably reflect the most recent, full year of known and audited costs, entering into a new regulatory period. Second, UE has a well-established track record of efficient operating costs. The most recent benchmarking data for electricity distribution businesses in Australia shows that UE is the third-most efficient electricity distribution network business in Australia as measured using the AER's operating expenditure productivity index, and close to the best performed business, Powercor. We also accept that the penultimate year of a current regulatory period is the most-used base year for subsequent regulatory periods. There is no reason to expect that there will be a significant departure from efficient opex costs for 2019.

UE estimates that base opex costs will be $635 million which we accept as "efficient" given UE's benchmark position.

Trend costs

The Draft Plan indicates a likely trend increase of $36 million per year. We understand that this includes additional new costs associated with about 75,000 new connections over the next regulatory period. The increase in trend costs also reflects "... likely increases in labour and contract prices. These trends are based on independent benchmarks or known price charges." Our expectation is that these "benchmarks" will be reviewed for the final Regulatory Proposal. In particular, CCP17 expects wage and cost escalators to be lower at lodgement time compared to when the Draft Plan was developed due to continuing low wage growth across the Australian economy. It would be unreasonable for energy customers, particularly those experiencing bill stress, to be paying for greater wage increases for their energy provider than they are receiving themselves.

In March 2019, the AER published its final decision paper for the Opex Productivity Review[6] and decided that a 0.5 per cent annual opex productivity growth rate reflects a reasonable forecast of the productivity growth a prudent and efficient electricity distributor can make. It is not clear in the Draft Plan whether an opex productivity factor has been incorporated.

Step changes

CCP17 is aware that stakeholders are generally wary of step changes, as these can be bids by network businesses for increases in ongoing aspects of the business's costs. Step changes need to be the focus of exogenous "shocks" for which planning would have been difficult.

UE is seeking an additional $38 million per year for step changes for 2021-25. A majority of the claimed step changes, $28.9 million is for "new regulatory obligations." CCP17 is aware of new regulatory requirements placed on electricity DBs by the Victorian Government as a result of the Victorian Bushfires Royal Commission. We are also aware of new increases in cybersecurity requirements that have been determined by the Commonwealth Government. These externally imposed requirements are legitimate step changes. We expect the AER to scrutinise the actual costs of implementing these step changes, noting that there may be updated advice about the costs nearer to the time of proposal lodgement.

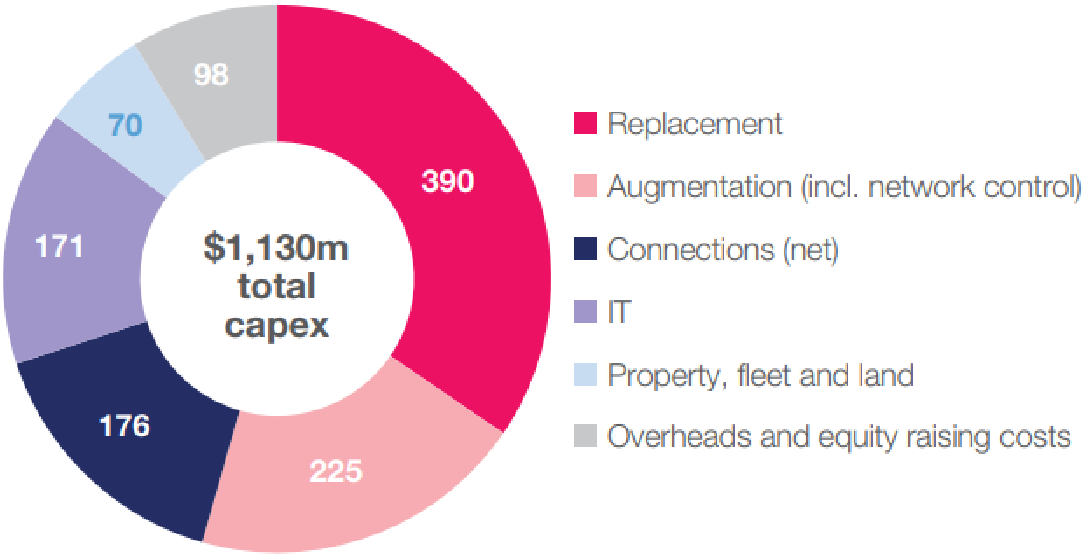
Further detail of all of the proposed step changes will be required in the Regulatory Proposal to enable stakeholders to understand the nature and drivers for each of them, as well as timing and cost breakdowns.

6.3 Capital expenditure

UE has noted in its Draft Plan a planned capital expenditure of $1,130 million in the 2021-25 period, as shown in Figure 13 below.

[6] https://www.aer.gov.au/system/files/Opex%20productivity%20growth%20review%202018%20-%20Final%20decision%20-%208%20March%202019.pdf

Figure 13: United Energy – proposed capital investment (Source: United Energy)



6.3.1 Capital investment trends

The AER Final Decision 2016-20 for UE allocated approximately $1,015 million for capital expenditure in that period, suggesting that UE is seeking a net increase in the allowed capital expenditure.

As with its related DBs, from its forums and workshops to date, UE notes *affordability* is the primary concern of its customers (slide 28). As part of the Draft plan, UE is seeking to confirm and validate the objectives of reliability, price and flexibility with consumers.

Regarding overall investment drivers, UE is largely silent in the Draft Plan on the growth in customer numbers, and notes a relatively benign forecast demand growth of 1% pa (slide 17). Reliability performance is well within required parameters, and continues to improve.

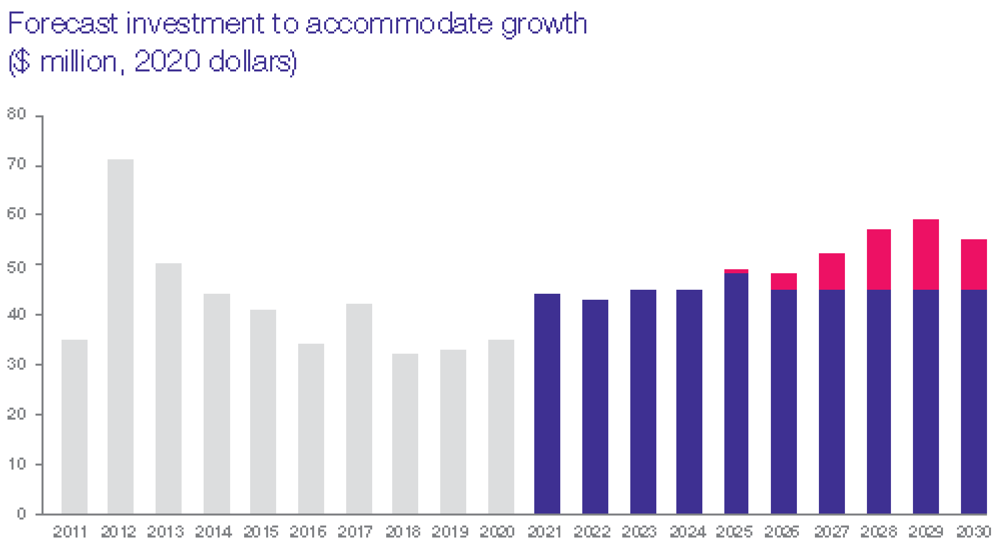
Network growth and augmentation

UE is proposing significant increases in the investment to accommodate growth to $225 million, as shown below in Figure 14. This increasing trend in network augmentation investment is not consistent with that seen in other utilities. We assume it includes allowances for the connection of embedded generation.

UE notes an investment of $20 million on the 'flexible grid', in the context of supporting the export of energy by customers with DER. The CCP has been instrumental in asking DBs to be very clear as to their planned expenditure related to the growth of DER. Significant investment is based on a desire for customers 'not to have their exports constrained' – a subject that is often discussed in deliberative forums. We ask DBs to be very cognisant of defining the value of these investments for <u>all</u> customers, including the majority who do not invest in DER capability.

We expect these elements and trends will be evident in the Regulatory Proposal, if not later in the engagement process in the workshop planned to discuss DER Integration.

Figure 14: UE – forecast investment in network growth (source: UE Slide 19)



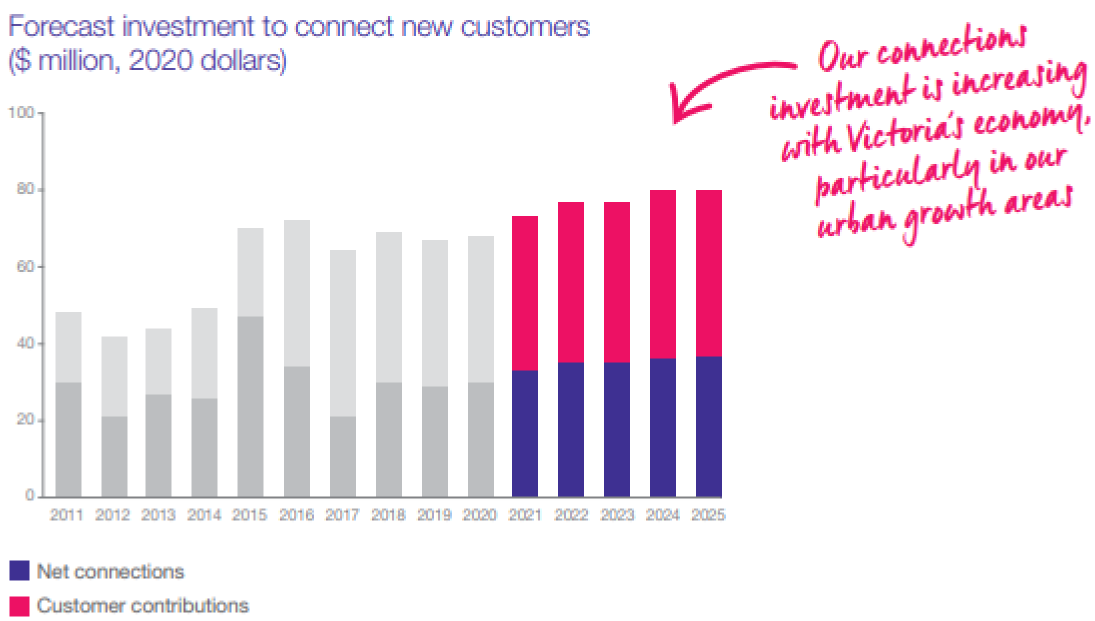
The implementation of the UE 'Summer Savers' continues to be a strong message in the context of the engagement regarding demand management. We support in principle the proposal by UE to invest a further $30 million on demand management activities on the Mornington Peninsular. The actual quantum of the expenditure will of course need to be tested for prudency and efficiency, and to demonstrate the clear value to energy consumers.

We note UE's plans to invest approximately $27 million on substation capacity upgrades, largely in the growth areas in the urban fringe.

Customer connections

UE advises the net investment in customer connections is planned to be $176 million, as shown in Figure 15 below.

Figure 15: UE – customer connections investment trend (Source: UE)



Based on information regarding energy requirements in Melbourne's south-east, we assume the investment includes a significant proportion of connections to new suburban developments. UE will of course need to provide more detailed information on population growth as this issue is considered further.

We note UE's intention to consult on the connections policy (slide 21). CCP17 has not observed any engagement on this issue so far.

Asset replacement

UE's forecast investment in replacing existing assets is shown in Figure 16 below. From a total of $390 million, UE plans to invest the majority of its asset replacement funding ($195 million) in pole and line replacement. In a programme common to the three DBs, UE plans to spend $12 million to test and replace service cables. UE is considering an unspecified amount for a 'black spot' powerline relocation programme.

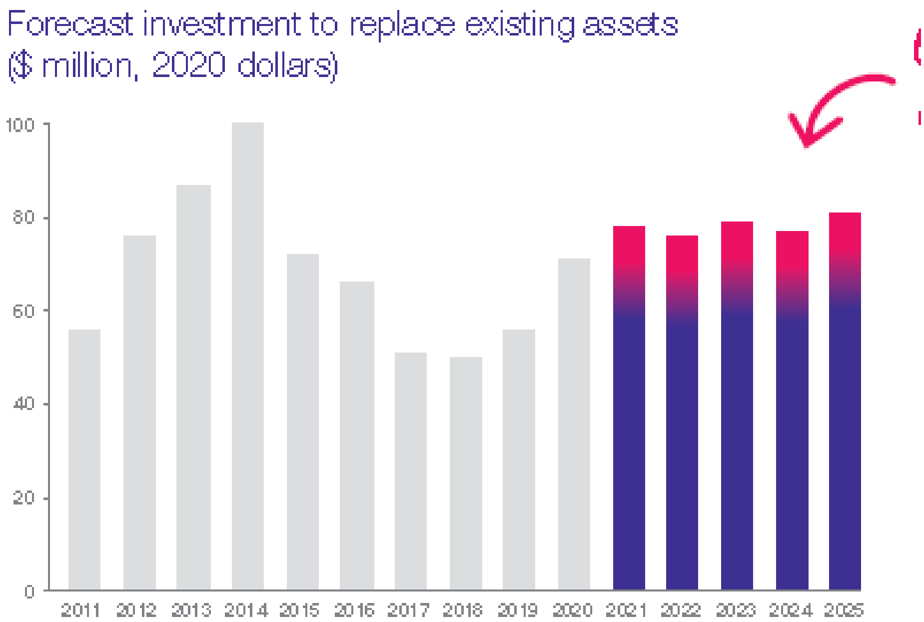
Otherwise, the underlying trend of increasing investment to replace aged assets is consistent with proposals by other DBs. Key to the future analysis will be the modelling by the AER for the replacement of large populations of assets, such as poles and switchgear.

We note the focus taken by the three companies in articulating the risk analysis process undertaken in planning asset replacement, as highlighted in the risk workshop of early March 2019.

As with the other DBs, CCP17 commends UE to work with the AER constructively to further refine and improve the application of the AER repex modelling.

In addition, we encourage UE, as much as possible, to incorporate the intent and approach of the recently-released AER *Application Note for Asset Replacement*. This note provides a robust process for determining the risk of loss of amenity that an asset failure may create, with a separate consideration of the options to reinstate that amenity. We acknowledge that UE is well-advanced in its asset replacement planning. Recognition of the Application Note will greatly support its proposal. In particular, issues such as 'base case' planning, counterfactuals and further development in the risk assessment of failure would assist.

Figure 16: UE – asset replacement investment trend (Source: UE)



6.4 Information and Communications Technology (ICT)

UE proposes a requirement for increased ICT investment to $171 million.

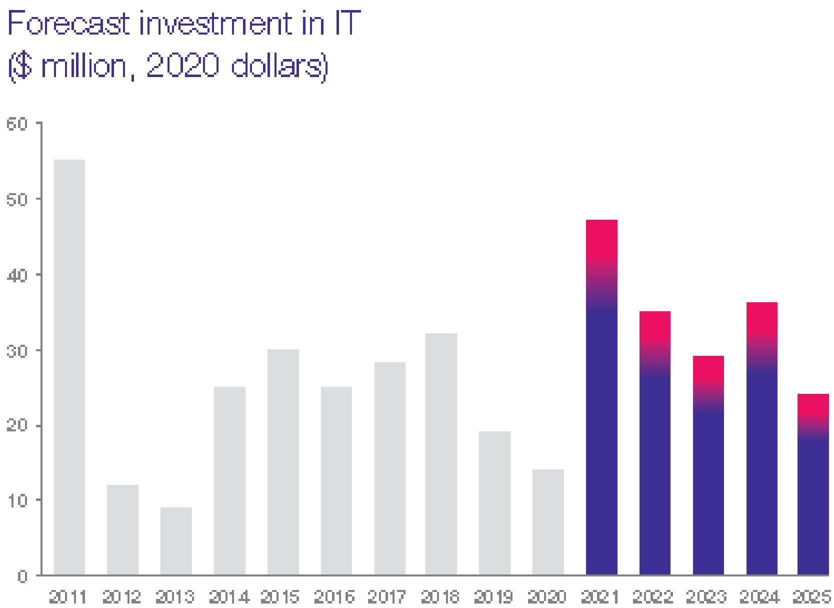
As we have noted earlier in this report, utilities need to be held accountable for these significant investments in ICT, with clear discussion and validation of the benefits these investments deliver for the organisation and ultimately for customers.

UE advises some components of its planned ICT expenditure are:

- $43 million to develop a better service for meter data and customer interaction;
- $35 million for compliance with the 5-minute settlement rule change, which includes a necessary upgrade to the metering data communication network;
- $9 million to meet emerging cybersecurity obligations; and
- $21 million upgrade of its core SAP ICT systems.

Figure 17 below shows the increased ICT investment requirement. CCP17 can only highlight that ICT expenditure will be a significant component of the analysis regarding the value of the investment to consumers as part of the Regulatory Proposal process.

Figure 17: UE – ICT investment trend (Source: UE)



6.5 Demand management

Apart from outlining the Demand Management initiative that has been applied on the Mornington peninsular, and the Summer Saver program, the Draft Plan does not provide details of any further proposed Demand Management programme for the 2021-25 period.

7 Metering

With the use of smart meters, as with the other Victorian DBs, the businesses should be in a position to understand the operation and performance of their low voltage network well, and this knowledge should be reflected in elegant planning and investment decisions.

8 Investment in Future Grid programmes

The businesses are not alone in considering the challenge of increasing DER and how to make a reasonable allowance for the likely impact of new customer technologies. CCP17 reinforces principles related to the 'least regrets' approach being taken by other DBs:

a) Maintain a view of the long-term interests of all consumers

b) Consider the customer value to all customers, not just those who participate in DER

c) Take a staged approach, implementing the investment not in a single step, but a series of steps. Deployment should target those networks and network segments where the consumer value is greatest (i.e. highest PV and storage penetration).

d) Pursue common platforms, standards and protocols.

e) Focus on framework and policy optimisation, through connection standards, Australian Standards, tariff reform and, demand management.

f) Make use of technical facilities that are already available, such as those inherent in the connection systems and inverters. This is not necessarily a permanent solution, but may represent a cost-effective deferral option.

g) Improved (cost reflective) tariffs may be effective for a period of time in reducing the risk of storage devices being used in a way that puts the network outside its operating envelope.

CCP17 is very interested, as are many stakeholders, in the approach to justifying investment – funded by all customers – in enhancement of the network to facilitate increased DER. Customer surveys, in particular around how the concept of 'export constraint' is presented, are very important. We trust that this issue will be considered in the lead up to the submission of the Regulatory Proposal.

9 Tariffs and pricing proposals

Customers will welcome the forecast reduction in prices in 2021. However, we have not yet seen details of how price reductions will flow through to different customer classes.

CCP17 understands that the Victorian DBs are collaborating on the introduction of cost-reflective tariffs for residential and small business customers. However, we are not aware of the tariff structures that will be proposed for the 2021-25 Tariff Structure Statement.

10 Questions and other matters for consideration

1. The businesses have not included adoption of the Customer Service Incentive Scheme proposed by AusNet Services, and we question whether this will be subject to further consultation with customers.
2. Have any step changes been included for ICT or cybersecurity costs? More information on the components of Opex Step and Trend is required.