

Consumer
Challenge
Panel

CCP27 Advice to the AER

**Power and Water Corporation Electricity Distribution Revenue Proposal
(2024-29)**

10 May 2023

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Acknowledgement of Country

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

Confidentiality

To the best of our knowledge this report does not present any confidential information.

CCP27 Advice to the AER – Power and Water Corporation Proposal

1 Focus of this advice

The Consumer Challenge Panel (CCP27) was appointed in November 2021 to provide advice to the Australian Energy Regulator (AER) on matters affecting consumers in the following regulatory resets:

- Power and Water Corporation (Northern Territory) electricity distribution (2024-29)
- TasNetworks (Tasmania) electricity distribution and transmission (2024-29)

This Advice relates to the Power and Water Corporation (PWC) electricity distribution regulatory proposal, which PWC lodged with the AER on 31 January 2023. Hereafter we refer to this document as the *PWC Proposal*.

In line with our role agreed with the AER, and within the time and resources available, our Advice focuses on the following:

- An assessment of the PWC's consumer engagement activities, including the extent its proposals reflect consumer preferences in line with the AER's expectations for consumer engagement as outlined in the *Better Resets Handbook*
- Other key issues that we have identified from the AER's *Issues Paper for Power and Water Corporation's Electricity Distribution Determination 2024-29*

2 Summary of consumer engagement activities

PWC owns and operates three separate electricity distribution networks in the Northern Territory, in Darwin and Katherine, Tennant Creek and Alice Springs. Consumer engagement for the 2024-29 revenue proposal for its electricity distribution business commenced in mid-2021. PWC has engaged with a diversity of residential customers through customer focus groups in both Darwin and Alice Springs and established a customer People’s Panel to consider issues in greater depth. It has also engaged with businesses, large users, and retailers through various forums.

2.1 CCP27’s focus for assessing PWC’s engagement

Given CCP27’s resource constraints, we focused our review of PWC’s engagement primarily on its interaction with its Reset Advisory Committee (RAC) given the RAC’s ongoing interaction with PWC. We also reviewed PWC’s engagement materials and observed (face to face and online) a sample of PWC’s broader People’s Panel engagement.

We have prepared a table of PWC’s engagement activities from August 2021 by stakeholder group, which is provided in the Appendix. In that table we have indicated the engagement activities that CCP27 members observed to help inform this Advice.

In addition to our observations and review of PWC’s engagement materials, we conducted feedback sessions with PWC (online) and separately with members of their RAC (also online). These sessions provided us with an opportunity to gather further evidence of PWC’s engagement from its perspective and its RAC’s perspective. Our questions were aligned with the AER’s expectations of consumer engagement as detailed in the AER’s *Better Resets Handbook*.

Importantly we were looking for feedback on perceptions of the quality of engagement and consistency of responses between PWC and RAC members. AER representatives observed these meetings.

CCP27 also facilitated a structured question and answer session at the AER’s online Stakeholder Forum on 5 April 2023 in which it presented PWC with a series of open-ended questions (provided to PWC in advance of the Forum) and elicited PWC’s responses. Stakeholders who joined the Forum were also invited to comment and directly question PWC.

2.2 A note on PWC’s Reset Advisory Committee

As previously mentioned, PWC established an independent RAC. The group was made up of representatives from industry, organisational bodies and community members to provide a perspective on behalf PWC’s broader customer base. Some RAC members were recruited from other jurisdictions due to the difficulty in engaging suitably qualified and experienced energy consumer advocates in the Northern Territory.

The RAC’s purpose was to represent the perspectives of “residential and business, urban and rural, low-income and high-income stakeholders, youth and older customers and Aboriginal and Torres

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Strait Islander people”¹ and ensure PWC remained customer focussed throughout the development of PWC’s *Proposal*.

CCP27 notes the challenges faced by PWC in its ongoing engagement with its RAC, due to a combination of factors, which included limited availability among RAC members to attend the multiple events organised by PWC and a lack of familiarity with the spectrum of energy-related consumer issues in the Northern Territory. Additionally, PWC has experienced considerable turnover among staff members involved in its regulatory proposal development.

2.3 Features of PWC’s customer and stakeholder engagement

We note PWC prepared an engagement plan² for its *Proposal* which we obtained on request as we could not locate a published version on its website³. Regardless, PWC’s website contains detailed evidence of various engagement activities to inform its *Proposal*. As previously mentioned, CCP27 was only appointed in November 2021, so is not able to comment on the effectiveness of any of PWC’s early engagement or processes around the establishment of its RAC, other than relying on PWC’s engagement documentation.

In considering the overall effectiveness of PWC’s customer and stakeholder engagement, we note:

- PWC engaged broadly – capturing the views of individual customers in Darwin/Katherine and Alice Springs through face-to-face focus groups, its People’s Panel and surveys. However its engagement with customers in Tennant Creek was limited, to the extent the views of Tennant Creek customers were commonly inferred from the views of customers in other locations.
 - PWC is to be commended on the quality of its infographics including placemats and posters developed for its broader customer engagement to help explain how its networks operate, the services it provides and also to help reflect to customers what it heard from them. In particular, we heard People’s Panel participants comment on the value of these materials and to aid their understanding of PWC. In the May 2023 Alice Springs session it was clear this collateral helped instil consumer confidence in PWC’s engagement, as customers considered the collateral presented at the session reflected what customers told PWC.
- PWC attempted to engage deeply with other stakeholders including groups especially formed to consider its proposals (such as its RAC); however attendance at RAC meetings diminished over time.
- PWC engaged with individual customers systematically and with purpose, initially to establish what was important to them, then focusing on key issues, including acceptance or otherwise of its *Draft Plan* using face to face methods (in two of its networks) and online methods, as well as drawing on evidence of customer preferences through business-as-usual engagement activities.

¹ Power and Water Corporation, *Attachment1:01, Engagement*, 31 January 2023, p. 13.

² Power and Water Corporation, *AER2429 Stakeholder Engagement Plan*, Version 1.0, November 2020 (unpublished report)

³ We understand PWC did not publish its engagement plan, but we appreciated it made a copy available to the CCP and the AER on request.

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In August 2022, PWC published its *Draft Plan* and continued to engage with customers and other stakeholders to inform its proposal, which was lodged with the AER on 31 January 2023.

2.4 CCP27's overall assessment

PWC has proposed forecast revenue for the 2024-29 regulatory period of \$996.2 million, 14.8% more than the current regulatory period (2019-24). Anticipating a substantial increase in capital investment compared to the current period, PWC recognised the need to effectively engage with consumers on the affordability and community impacts of their proposed investments.

We believe PWC is genuinely committed to engaging with consumers to inform its 2024-29 regulatory reset. PWC demonstrated a reasonable investment in time and expertise, and we observed a clear intent by PWC to elicit consumer views to inform aspects of their proposal. Whilst much of the early stage of PWC's engagement was about *informing* customers, this was important for bringing them to a common understanding of the matters facing PWC.

However, PWC's engagement was challenged by a combination of limited resources, availability and capacity of customers and customer representatives with suitable experience and interest in energy regulation in the Northern Territory, reflecting PWC's small but highly diverse customer base and specific operating challenges.

While matters identified through PWC's engagement as important to engage upon, such as metering, embedded energy resources and operational efficiency generated interest and some discussion, we observed that PWC had genuine difficulties *consulting* with customers to any significant extent.

Similarly, key issues such as network performance, customer service capability and the development of customer energy resources were presented to consumers with good intention, but we are not clear how this targeted engagement specifically influenced PWC's proposal.

Regardless, we acknowledge the impact of energy price regulation in the Northern Territory restricted the effectiveness of any critical conversation between PWC and consumers regarding affordability.

3 Assessment of consumer engagement activities

Our assessment of PWC’s engagement considers the context for its engagement, our observations, engagement review meetings with PWC and members of their RAC and other engagement evidence we have gathered from PWC for its proposal which includes details of its engagement activities and related materials. Importantly we have framed our assessment in terms of the AER’s expectations as outlined in the *Better Resets Handbook*⁴.

Table 3-1: Overall assessment of PWC’s engagement against the AER’s *Better Resets Handbook*

<i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
Engage sincerely, openly and genuinely with consumers, such that consumers have confidence in the process	<ul style="list-style-type: none"> • PWC’s engagement commenced early involving stakeholders and customers to understand their needs and concerns • RAC representatives we interviewed commented that: <ul style="list-style-type: none"> ○ They felt PWC engaged with them openly and genuinely ○ They could raise issues and ask questions ○ There was value in the free time generally allocated for open discussions at the start of each meeting ○ They were a trusted group as PWC shared information with the RAC, such as financial information, that was not publicly available • We understand from RAC members they received a <i>modest</i> remuneration for their work 	<ul style="list-style-type: none"> • PWC has not formally published⁶ a detailed engagement plan against which the outcomes of its engagement could be assessed • We have not been able to establish PWC’s selection process for appointing RAC members, the RAC’s governance arrangements including its scope, conflict of interest, and independence. • Although RAC members received a remuneration, informal feedback from other sources suggests it was modest, and not systematically applied: <ul style="list-style-type: none"> ○ <i>“It would have been great to get more [remuneration].”</i> ○ <i>“It was a haphazard system, I’m unsure if I got paid for all the work I did – I sent things to claim. Big weekend workshops</i>

⁴ AER, *Better Resets Handbook*, December 2021

⁶ Although CCP27 was provided with a copy on request.

<i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
	<ul style="list-style-type: none"> ○ “[Remuneration] made a huge difference – it went to the organisation so I could work an extra half day” ● PWC staff we interviewed commented that: <ul style="list-style-type: none"> ○ Customers were “central to everything we do as government owned serving constituents, and the minister expects sincere engagement” ○ PWC had spent significant time and resources on its engagement to inform its regulatory proposal ○ They genuinely listened to their various stakeholders, had established feedback loops to respond to what they heard, and explored the different issues and perspectives presented to them by customers and other stakeholders ● PWC staff noted the challenges in “educating” customers to ensure they could meaningfully engage and provide input ● PWC has continued to engage with customers over more than two and a half years with regular meetings with key groups such as the RAC, and has indicated its intention to continue to engage with customers through its People’s Panel, and other stakeholders prior to lodging its <i>Revised Proposal</i> <ul style="list-style-type: none"> ○ CCP27 observed such engagement at PWC’s May 2023 Alice Springs People’s Panel in which PWC presented topics and 	<p><i>were different again and it’s unclear if you were paid if you were phoning in.”</i></p> <ul style="list-style-type: none"> ● CCP27 only observed limited involvement by PWC executives at selected engagement activities, while People’s Panel sessions were well-attended by PWC staff, their seniority was not apparent to us ● While PWC made a genuine effort to engage with its broader customer base across two of its networks (Darwin/Katherine and Alice Springs) they did not establish a Tennant Creek People’s Panel, and overall engaged less extensively with Tennant Creek customers ● The RAC had limited capacity to set the agenda for their sessions with PWC (although we recognise at least initially some RAC members would not have felt sufficiently confident to do so) ● Some RAC representatives commented to use that they felt: <ul style="list-style-type: none"> ○ Although PWC provided lots of information, sometimes there was insufficient time to read and digest the contents ○ Some topics were difficult to understand, although this was as much about their knowledge and confidence (or lack of confidence to ask PWC questions, especially in the early stages of PWC’s engagement with them)

<i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
	<ul style="list-style-type: none"> • PWC published details of its various engagement activities related to its regulatory proposal on its website⁵ 	
<p>Consider consumers as “partners”, rather than simply being asked for feedback</p>	<ul style="list-style-type: none"> • Through the RAC, People’s Panels and other stakeholder engagement activities, a number of consumer representatives and customers attended numerous engagement activities, helping to facilitate two-way engagement with PWC, and providing an opportunity for PWC to engage with them beyond merely <i>informing</i> and <i>consulting</i> • Feedback from RAC members indicates that they generally felt <i>involved</i> in PWC’s proposal development: <ul style="list-style-type: none"> ○ “I know I was listened to; I don’t feel like I was ignored or stumbling in the dark.” • We have observed various individuals questioning PWC in RAC sessions, and People’s Panel meetings and time was allowed for open questioning of PWC by participants • PWC has published reports on its engagement activities which illustrate how PWC listened to customers and considered their preferences 	<ul style="list-style-type: none"> • We question the extent those members genuinely felt like they were <i>partners</i> (beyond being <i>involved</i>), given they did not generally contribute to the agenda, and more commonly were responding to PWC: <ul style="list-style-type: none"> • “I think our feedback was taken on board.” • “It was hard to bring up extraneous things – but I didn’t bring them up because they were not the questions being asked – it constantly played on my mind.” • PWC services Tennant Creek customers on a separate network, but as mentioned above it did not establish a People’s Panel, limiting the opportunity for Tennant Creek customers to engage on PWC’s proposal. Dr Andrew Nance notes the <i>Independent Consumer Report</i> he prepared:⁷ <ul style="list-style-type: none"> ○ “There is a risk that Tennant Creek consumers are ‘forgotten’ in this process due to their even smaller scale of operations. The

⁵ <https://www.powerwater.com.au/your-say/recent-consultations/draft-plan> and <https://www.powerwater.com.au/about/regulation/our-future-electricity-plans/aer2429-engagement>

⁷ Dr Andrew Nance, *Power and Water Corporation – Regulatory Reset 2024-29, Independent Consumer Report*, 30 November 2022, p. 20

<i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
		<i>evidence suggests these are some of the “worst served” consumers on the regulated networks and warrant attention.”</i>
Equip consumers with accurate and unbiased information so they can engage effectively	<ul style="list-style-type: none"> • PWC presented clear and easy to follow information to customers who attended the People’s Panel sessions, including PowerPoint presentations, placemats and posters <ul style="list-style-type: none"> ○ From our observations, participants appeared to particularly the posters for their clarity of information • As observed and from direct feedback, RAC members received considerable information from PWC on the topics they were asked to consider, this included feedback on PWC’s wider customer engagement • PWC funded an independent expert (Dr Andrew Nance) to support and mentor RAC members <ul style="list-style-type: none"> ○ This was independent of any other support that PWC offered the RAC 	<ul style="list-style-type: none"> • RAC members acknowledged they received a considerable amount of information although it’s context or purpose were not always clear to them, and they needed more time to comprehend it: <ul style="list-style-type: none"> ○ <i>“We were given information about the customer research. I remember a few documents about what they heard – but I was unsure where they got them from and how they were put together.”</i> ○ <i>“Yes lots of good information but not enough time to read and digest, more time at the beginning describing the process, where the RAC sits.”</i> • CCP27 has not been able to locate Terms of Reference for the RAC or governance arrangements <ul style="list-style-type: none"> ○ Sharing and publication of such documents would aid RAC members’ understanding of their purpose and scope of work • Additionally we are not clear if there were any conflicts of interest and is so how they were managed

<i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
<p>Be accountable to consumers</p>	<p>PWC demonstrated accountability by:</p> <ul style="list-style-type: none"> • Encouraging customers and stakeholders to talk and ask questions during engagement activities and assigned time to providing feedback on questions • Publishing various engagement reports, its <i>Draft Plan</i> and <i>Proposal</i> on its website • Describing in its <i>Proposal</i> what PWC heard from customers and other stakeholders and how it responded⁸ <p>From a RAC perspective:</p> <ul style="list-style-type: none"> • PWC was generally responsive to their questions • PWC shared information with the RAC that may not have been available to the public • Members felt “listened to, I don’t feel like I was ignored” 	<ul style="list-style-type: none"> • While RAC members we interviewed appreciated PWC’s commitment to the RAC, those who remained involved were concerned that some members’ commitment was not consistent or enduring: <ul style="list-style-type: none"> ○ <i>“We had a big group initially then people petered off, it does impact on energy in the room, and therefore the group’s ability to hold PWC to account.”</i>

⁸ See Attachment 1.01 – Engagement 31 January 2023 and PWC’s Regulatory Proposal for the 2024 – 2029 regulatory period, Overview, page 13, and Section 1. Our customers and their feedback

<p>Engage broadly and deeply with consumers, including defining their expected level of participation and influence/ Allow consumers to guide the development of network proposals, based on consumers' desired outcomes</p>	<ul style="list-style-type: none"> • PWC developed a stakeholder engagement plan for its reset, with an embedded engagement strategy, which is a high-level document providing an overview of its proposed approach:⁹ <ul style="list-style-type: none"> ○ The plan clearly articulated PWC's engagement objectives and potential challenges as well as the relevance of different issues to different stakeholder groups ○ The plan allowed for both broad and deep engagement according to stakeholder group and through a variety of methods, including establishing People's Panels in Alice Springs and Darwin to engage broadly with consumers and the RAC to fulfil an advisory role • A sample of meeting agendas we reviewed indicated PWC informed, consulted and sought to involve customers on different aspects of its proposal. • Strengths of the People's Panel sessions we observed included: <ul style="list-style-type: none"> ○ Diversity of tools used to engage, including vibrant and easy to follow posters, placemats and videos ○ The energy and enthusiasm of the PWC facilitator(s) ○ Presence of subject matter experts (notwithstanding the imbalance in numbers between PWC representatives and customers present at some sessions) ○ Being able to conduct the sessions face-to-face with few COVID restrictions in place compared to other States 	<ul style="list-style-type: none"> • We are not aware that PWC published its engagement plan for public scrutiny • On reflecting on the effectiveness of PWC's People's Panel sessions and our observations, we have concerns about the influence of the following on participants' ability to fully engage on the subject matter: <ul style="list-style-type: none"> ○ Customers appeared to be outnumbered by others in the room (such as presenters and support people), which may have constrained customers' willingness to talk candidly ○ A significant proportion of time was spent on introductions and subject matter experts sharing their experiences ○ Mentimeter was used to gauge customer support for proposals in real time, which meant late responders to questions presented to participants could easily be swayed by earlier responders ○ Sometimes when discussion was permitted it was rushed, with the facilitator pushing timing rather than focusing on content, with comments to participants such as <i>"two minutes ... ten, nine, eight seconds"</i> ○ Consensus was often sought without issues being fully discussed
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<i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
	<ul style="list-style-type: none"> • PWC published detailed engagement reports after each People’s Panel engagements phases, which provides evidence of its engagement consistent with its engagement plan and illustrates the breadth and depth of engagement on different issues 	
Use a variety of engagement methods	<ul style="list-style-type: none"> • Methods were adapted to suit different customer and stakeholder groups’ preferences, skills and knowledge of the subject matter in line with the engagement purpose • CCP27 observed good use of infographics in People’s Panel sessions to aid communication and customer education 	<ul style="list-style-type: none"> • Although PWC used a variety of methods to engage with customers and other stakeholders, we were concerned that the ratio of PWC people and observers to consumers in some People’s Panel sessions could have stymied some consumers’ participation (see also our earlier comments)
Provide evidence of consumer impacts on their regulatory proposal	<ul style="list-style-type: none"> • PWC’s proposal provides an overview of its customer engagement by theme (supporting vulnerable customers, affordability and enabling renewables), what it heard and what it is doing in response to what it heard. For example: <ul style="list-style-type: none"> ○ In relation to supporting vulnerable customers, PWC has committed to developing a customer experience strategy, investigating alternative tariffs and providing more customer education through its website on energy efficiency and affordability ○ In relation to enabling renewables PWC has committed to investing in a “dynamic operating envelope” and improving 	<ul style="list-style-type: none"> • It is not entirely clear to CCP27 how PWC <i>balanced</i> customer and stakeholder views to shape its proposals: <ul style="list-style-type: none"> ○ CCP27 questioned PWC as to how it balanced customers’ expectations to keep bills as low as possible with other customer expectations in the AER’s April 2022 Stakeholder Forum ○ In its response, PWC primarily reiterated customer expectations around affordability and expectations to invest in renewables without providing any explanation as to how a balance was achieved

⁹ Power and Water Corporation, *AER2429 Stakeholder Engagement Plan, Version 1.0, November 2020* (unpublished report)

<i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
	<p>its data and network analysis to support more solar connections¹⁰</p> <ul style="list-style-type: none"> • PWC also attached a detailed <i>Engagement Report</i>¹¹ to its <i>Proposal</i> which brings together its learnings from all stakeholder groups involved in the phases of engagement that informed its <i>Proposal</i> 	<ul style="list-style-type: none"> ○ PWC’s <i>Proposal</i> does not make its approach to <i>balancing</i> views this clear either • We note from the AER’s Stakeholder Forum that PWC is still developing its customer experience strategy and accordingly any specific expenditure proposals are not detailed in PWC’s <i>Proposal</i> <ul style="list-style-type: none"> ○ We hope PWC’s Revised Proposal will provide further detail and consideration of consumer perspectives as PWC develops its customer experience strategy • CCP27 also notes PWC’s anticipated strong reliance on technology to drive its customer experience, and in the absence of any detailed information from PWC we are concerned as to how the needs and expectations of the most vulnerable consumers, who may not have the skills or resources to engage with technology-based services, will be looked after
Demonstrate independent consumer	<ul style="list-style-type: none"> • PWC commissioned Dr Nance to prepare an independent consumer report, in which he makes a number of observations around key themes such as community energy resources, 	<ul style="list-style-type: none"> • CCP27 is not clear from the <i>Independent Consumer Report</i> the sources of evidence upon which Dr Nance’s observations are made and therefore how consumer preferences link to his recommendations to PWC.

¹⁰ Power and Water Corporation, *Regulatory Proposal for the 2024-29 regulatory period*, January 2023, p. 13

¹¹ Power and Water Corporation, *AER2429 Stakeholder Engagement Plan*, Version 1.0, November 2020 (unpublished report)

<i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
support for the proposal	affordability and tariffs and provided recommendations for PWC to consider when finalising its proposal	<ul style="list-style-type: none"> ○ The report would also benefit from some endorsement by RAC members ● While PWC’s own engagement report provides a clear overview of its engagement approach and activities and its response to what it heard it is not an <i>independent</i> report

4 Other matters

In this section we provide some brief comments on key substantive issues referenced in the AER’s *Issues Paper*¹², and considerations for the AER in the context of PWC’s customer and stakeholder engagement.

4.1 Affordability

Affordability and support for vulnerable customers were two of the three key themes to emerge from PWC’s customer engagement for its 2024-29 regulatory reset.¹³ PWC is proposing to recover \$996.2 million (\$real, smoothed) from its customers over the 2024-29 regulatory period. We note this is 20.4% more than the amount approved for 2019-24 regulatory period¹⁴. We appreciate the difficulty in assessing the impact of a change in network revenue on a small customer’s electricity bill due to the role played by the NT Government’s Electricity Pricing Order. However, PWC has estimated significant price increases of 8.4% per annum in the first four years, moderating to 1.2% in the last year¹⁵.

Approximately 60%¹⁶ of PWC’s proposed revenue increase is attributable to changes in the external economic conditions (interest rates, inflation etc.), which PWC cannot control. The remaining increase of around \$47.5 million is because of PWC’s decisions and actions.

In response to customers’ affordability concerns, PWC states that it will invest in ICT systems, improve asset management capabilities and improve data quality¹⁷, none of which will improve affordability in the short term, and will have the effect of increasing investments and prices for customers in the next regulatory period. We have not observed detailed challenge of cost forecasts by customers or stakeholders. Nor are we aware of any cost reduction initiatives proposed by PWC for the next regulatory period.

A key message on affordability from PWC’s March/April People’s Panels was:

“Panel members recognise that some of their recommendations would increase overall costs and prices but want Power and Water to work out how to mitigate this impact on vulnerable members of the community.”¹⁸

We question whether PWC has effectively responded to customers’ affordability concerns.

¹² AER, *Issues Paper, Power and Water Corporation Electricity Distribution Determination 1 July 2024 to 30 June 2029*, March 2023

¹³ Power and Water Corporation, *Regulatory Proposal for the 2024-29 regulatory period*, January 2023, p. 13

¹⁴ AER, *Issues Paper, Power and Water Corporation Electricity Distribution Determination 1 July 2024 to 30 June 2029*, March 2023, p. 4

¹⁵ Power and Water Corporation, *Regulatory Proposal for the 2024-29 regulatory period*, January 2023, p. 110

¹⁶ Power and Water Corporation, *Regulatory Proposal for the 2024-29 regulatory period*, January 2023, p. 14

¹⁷ Power and Water Corporation, *Regulatory Proposal for the 2024-29 regulatory period*, January 2023, p. 13

¹⁸ Power and Water Corporation, *Peoples Panel Summary Report 2022*, p. 6

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4.2 Non-system capex

Since publishing its *Draft Plan*, PWC has indicated it has “undertaken a thorough review of [its] strategy and expenditure program.”¹⁹ As a result of the review, PWC’s *Regulatory Proposal* now includes two major capex investments that were not included in its *Draft Plan*, namely a proposal to co-locate staff into one PWC-owned location with an associated capex investment of around \$90 million; and increase in expenditure on major IT systems replacement of around \$30 million.

We have not observed any engagement with customers or stakeholders on these changes or proposed investments. PWC must engage with customers on the costs and bill impacts of these investments if it is to obtain customer support for its *Revised Proposal*. It will be particularly important for PWC to explain the anticipated *customer* benefits (rather than the business benefits) for these initiatives.

Major IT upgrade programs are notorious for cost overruns and delayed implementation timeframes. PWC’s customers and stakeholders also need assurance that appropriate and transparent governance and cost control mechanisms are in place to ensure delivery of the required outcomes within approved budgets.

4.3 Asset replacement

In its engagement, PWC effectively highlighted to consumers the quantum of asset replacement resulting from the massive reconstruction of Darwin’s overhead electricity network following Cyclone Tracy in 1974. Consumers proposed some alternatives to soften the likelihood of a looming significant investment step, but a meaningful and workable way forward consistent with the regulatory framework was difficult to establish.

We encourage the AER to consider this unique situation when considering the prudent levels of asset replacement capital and application of innovative asset management techniques.

4.4 Opex step changes

Proposed opex step changes have varied considerably between PWC’s *Draft Plan* and its *Proposal*²⁰. In its *Proposal* PWC is proposing six step changes totalling \$52.2 million for the 2024-29 regulatory period²¹.

To respond to affordability concerns, CCP27 expects PWC to engage deeply with customers and stakeholders on the drivers for these proposed individual step changes, and the quantum of expenditure. To date, we have not observed any in-depth engagement on opex step changes.

¹⁹ Power and Water Corporation, *Regulatory Proposal for the 2024-29 regulatory period*, January 2023, p. 17

²⁰ Power and Water Corporation, *Attachment 9.02 Operating Expenditure Step Changes*, 31 January 2023, p. vii

²¹ AER, *Issues Paper, Power and Water Corporation Electricity Distribution Determination 1 July 2024 to 30 June 2029*, March 2023, p. 20

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4.5 Ongoing engagement

4.5.1 The need to re-test customer preferences

Peoples Panels in Alice Springs and Darwin in March and April 2022, and again in August 2022 provided opportunities for PWC to understand customers' preferences and priorities around potential investments in the 2024-29 regulatory period. In the March and April 2022 sessions, when considering options for future PWC investments, participants were advised for the purposes of the discussion, to "assume" bill increases consistent with CPI²².

PWC retested the participants' preferences and priorities in the August 2022 sessions when its *Draft Plan* revealed that the revenue forecast of \$921 million was significantly higher than anticipated in the earlier sessions in March and April 2022²³.

Since that time:

- Economic conditions in Australia have markedly deteriorated; and
- PWC forecasts an even higher revenue requirement of \$996.2 million in its *Proposal*.

In addition, Peoples Panel participants were not previously appraised of potential additional costs and bill impacts arising from PWC's contingent projects identified in its *Proposal*. While we appreciate that contingent projects are uncertain, CCP27 maintains that it is possible to develop a range of scenarios with associated bill impacts for customers to consider when they are assessing their willingness to support additional investments.

Given the affordability concerns expressed by customers, we consider it is necessary for PWC to re-test customer preferences as part of its engagement to inform its *Revised Proposal*.

4.5.2 Customer experience preferences

In response to feedback on PWC's *Draft Plan*, we note that PWC is planning to develop a customer experience strategy to:

*"look at our customers' journey with us and set out a roadmap for improvement. An important focus of the strategy will be low-income customers and how they interact with us and our services"*²⁴.

We commend PWC for its decision to take a broad view of the customer experience, and PWC's commitment to maintain a focus on customers experiencing vulnerabilities. This initiative presents PWC with a timely opportunity to collaborate with customers to develop plans and approaches which best meet customer needs and expectations. We encourage PWC to underpin this work with robust engagement that recognises customers as *partners* in the development of fit-for-purpose solutions.

²² Noted by CCP members who observed the March/April People's Panel sessions.

²³ Power and Water Corporation, *August-Peoples-Panels-Panel-Decisions-and-Outcomes-Summary*, p. 3

²⁴ Power and Water Corporation, *Regulatory Proposal for the 2024-29 regulatory period*, January 2023, p. 13

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CCP27 understands that the strategy will cover the digital experience and will include a project to improve the functionality of its website and smartphone app²⁵. We expect PWC's projects and investment proposals arising from the development of the strategy will be subject to broad customer engagement in preparation for its *Revised Proposal*.

4.5.3 Business-as-usual engagement

The AER's *Better Resets Handbook* expects networks to engage with consumers as an ongoing business-as-usual process,²⁶ rather than a one-off process to prepare for a regulatory proposal.

We observed that PWC has struggled to support and sustain its RAC and some other business-as-usual processes over the past year. With the transition to a renewable energy future and the impact of the transition on all PWC's customers, it is more critical than ever that customers have a voice to ensure that the transition develops with their needs and interests at the centre of PWC's decisions.

We recognise that PWC is fully aware of the importance of this and commend it for seeking independent advice on practical mechanisms to support effective and sustainable ongoing customer engagement.

We encourage PWC to prioritise these considerations. We also encourage PWC to harness the knowledge, insights and interest built up through its various customer and stakeholder groups and activities it established for the current regulatory reset and to capitalise on these assets as it develops an approach for sustainable ongoing engagement.

²⁵ Power and Water Corporation, *Regulatory Proposal for the 2024-29 regulatory period*, January 2023, p. 38

²⁶ AER, *Better Resets Handbook*, December 2021, p. 13.

Appendix: PWC engagement activities

The following table lists PWC’s engagement activities as at the date of this advice, noting those observed by CCP27 members:

Stakeholder group and activity	Date	CCP27 Observed	No. of stakeholders in attendance ²⁷
Residential customers			
Focus Groups - Alice Springs # (X2)	Aug 2021	No	~60 across 4 groups comprising 25 ‘Easy to Ignore’ customers and 35 general residential customers ²⁸
Focus Groups - Darwin #1 (X2)	Aug 2021	No	
Youth Round Table #1	Oct 2021	No	Not established
Youth Round Table #2	Mar 2022	No	Not established
CALD Focus Group	Mar 2022	No	Not established
People’s Panel - Alice Springs #1	Nov 2021	No	~17 customers
People’s Panel - Darwin #1	Nov 2021	No	~22 customers
People’s Panel - Alice Springs #2	26-27 Mar 2022	Yes	~17 customers
People’s Panel - Darwin #2	2-3 Apr 2022	Yes	~22 customers
People’s Panel - Alice Springs #3	6 May 2023	Yes	7 customers
Business customers			
Chamber of Commerce	5 Aug 2022	No	120 small, medium and large customers
Business customer breakfasts NT	16 Sep 2022	No	Not established
Business Customers engagement forum - Large Customers (webinar)	21 Sep 2022	No	4 businesses
Business Customers engagement forum - SMEs	21 Sep 2022	No	Not established
SME survey	N/A	N/A	Not established
Reset Advisory Committee			
Reset Advisory Committee#1	29 Mar 2021	No	Not established
Reset Advisory Committee#2	8 Apr 2021	No	Not established
Reset Advisory Committee#3	22 Apr 2022	Yes	Not established
Reset Advisory Committee#4	6 May 2022	Yes	Not established
Reset Advisory Committee#5	20 May 2022	Yes	Not established

²⁷ Excludes CCP, AER/ACCC observers

²⁸ Power and Water Corporation, *Attachment 1.01*, 31 January 2023, p. 20

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Reset Advisory Committee#6	3 Jun 2022	Yes	5 RAC members
Reset Advisory Committee#7	17 Jun 2022	No	Not established
Reset Advisory Committee#8	1 Jul 2022	Yes	Not established
Reset Advisory Committee#9	15 Jul 2022	Yes	Not established
Reset Advisory Committee#10	29 Jul 2022	Yes	4 RAC members
Reset Advisory Committee#11	22 Dec 2022	Yes	2 RAC members
Retailers			
Retailers' forum	9 Nov 2021	No	4 retailers
Future networks forum			
Future Networks forum	29 Nov 2021	No	9 NT government, 8 retailers, 21 customers and generators
Future Networks forum	17 Jun 2022	No	9 NT government, 8 retailers, 21 customers and generators