

Energex

Large Customer Tariff Implementation Project

Project update to
the Australian
Energy Regulator

Energex Limited
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1 Purpose

This paper outlines the extensive process Energex has undertaken to communicate and engage with business customers and retailers on the changes proposed in Energex's Pricing Proposal for 2015/16.

2 Background

The Large Customer Tariff Implementation Project (the Project) was established to implement tariff changes for large business customers for the 2015/16 financial year, subject to approval by the Australian Energy Regulator.

The project scope of work included:

- Reviewing the National Metering Identifier (NMI) Class, network tariff and metering type for all business customers and undertaking reassignment and/or instigating metering upgrades, as required, in preparation for kilovolt ampere (kVA)-based demand charging from 1 July 2015
- Introducing kVA-based charging for demand-based network tariffs
- Removing the capacity charge from Connected Asset Customer (CAC) 11kV tariffs
- Transitioning CAC and Embedded Generator (EG) 33kV customers to Individually Calculated Customer (ICC) tariffs
- Restructuring Tariff Classes from five to three.

To ensure Energex can make the necessary changes to network billing requirements from 1 July 2015, the implementation of system, process and operation changes has commenced.

The appointment of a dedicated Project Manager, Project Team and Project Steering Committee was undertaken to ensure the Project worked with customers within a robust governance framework.

3 Engagement and communication

Extensive retailer and customer engagement has been undertaken in accordance with Energex's Customer Engagement Strategy, which aligns with the best-practice engagement framework developed by the International Association of Public Participation (IAP2).

Stakeholder engagement with all retailers regarding the changes and impacts on business customers was undertaken in the early stage of the Project. Ongoing retailer engagement and communications has been managed through Energex's Retailer Relationships Manager.

Customer engagement and communication regarding the changes and impacts on business customers has been managed by the Project Manager and, for some customers (CAC and ICC), with the assistance of the Major Customer Relationship Manager.

Energex's Demand Management Delivery Group was responsible for managing all energy efficiency and power factor correction subsidy enquiries.

Communications and engagement with customers consisted of approximately 42,500 letters (refer Section 4) and approximately 1,700 enquiries (refer Section 5) and was supported by a dedicated project team that managed customer calls and emails, conducted site visits and provided a project website with information, fact sheets and an enquiry form.

The following sections detail the number of customers impacted and the communications delivered under each sub-project.

3.1 Customer Assignment and Metering Review

Initial impacted customers: ~ 3,300

In preparation for the introduction of kVA-based demand charging for business tariffs commencing 1 July 2015, Energex reviewed the classification, metering type and network tariff assignments of its business customers to ensure their network tariffs were appropriate for their energy consumption under Market Rules and Energex's tariff conditions.

Communications to business customers, undertaken in three stages, advised of the outcome of the review, the changes required and the estimated impacts to their business. Tailored messaging to this group of customers resulted in an initial 21 unique letters due to the complexity of the changes required. For customers who were subject to a NMI Class and/or tariff reassignment, an Assignment Review Process Fact Sheet was enclosed to ensure their statutory rights to request a review of the reassignment.

Initial impacted customers: ~ 80

This review also identified a group of small customers on a demand-based tariff with basic metering. With the change to kVA-based demand charging from 1 July 2015, customers on this tariff require a communications-enabled meter to allow network billing. Communications to business customers, undertaken in two stages, provided two options; upgrade their basic metering to communications-enabled metering or revert to an energy-based tariff.

3.1.1 Transition management plan

Energex's analysis indicated that a small number of business customers impacted by the Customer Assignment and Metering Review would see significant increases in Network Use of System charges and may face challenges absorbing the additional costs into their operational budgets.

To support these impacted customers with their move to a kVA-based demand tariff, a Transitional Management Plan was developed to facilitate a more flexible process for tariff reassignment and, where possible, accommodate customers' unique circumstances to mitigate the impacts of increased electricity network charges.

3.2 kVA-based Demand Charging from 1 July 2015

Initial impacted customers: ~ 13,000

From 1 July 2015, Energex will implement kVA-based demand charges for large business network tariff codes (NTC) 8000, NTC8100 and NTC8300 to ensure prices more accurately reflect the physical capacity and costs of the network required to provide adequate electricity supply to specific customer sites.

Analysis of the impacts to this customer group identified that, subject to their future electricity usage and individual circumstances, approximately 50 percent may experience an increase in their network charges whilst 50 percent may experience a decrease. As a result, customers on NTC8100 and NTC8300 received tailored messaging based on this analysis. A separate letter to NTC8000 customers regarding this change were also advised of the change to their electricity network tariff class.

Communications to business customers, undertaken in four stages, included premise indicative electricity use data, for those who may wish to investigate the installation of power factor correction (PFC) equipment, and a Fact Sheet explaining the introduction of kVA demand charges for large customers.

To assist customers who may experience an increase in network charges due to low power factor, Energex's Demand Management Delivery Group initiated a broad-based funding program to help eligible customers install PFC onsite (refer Section 5.1). The Group engaged with customers offering assistance via direct mail and by leveraging existing relationships with suppliers, consultants and businesses.

3.3 Capacity Charge Removal from Connection Asset Customer 11 kV tariffs

Initial impacted customers: ~ 500

Alignment of the tariff structures for Energex's demand-based network tariffs by removing the capacity charge from tariffs that will be assigned to the CAC Tariff Class from 1 July 2015, i.e. NTC4000 11 kilovolt (kV) Business and NTC4500 11 kV Line.

Communications to business customers, undertaken in two stages, advised that, under this change, revenue that would normally be recovered through capacity charges will be recovered through the demand charge.

3.4 Reassignment of Connected Asset Customer and Embedded Generator 33kV customers to Individually Calculated Customer tariffs

Initial impacted customers: ~ 20

Reassignment of customers on sub-transmission voltage EG (NTC2500 EG 33 kV) and CAC tariffs (NTC3000 CAC 33 kV) to the ICC Tariff Class and NTC1000.

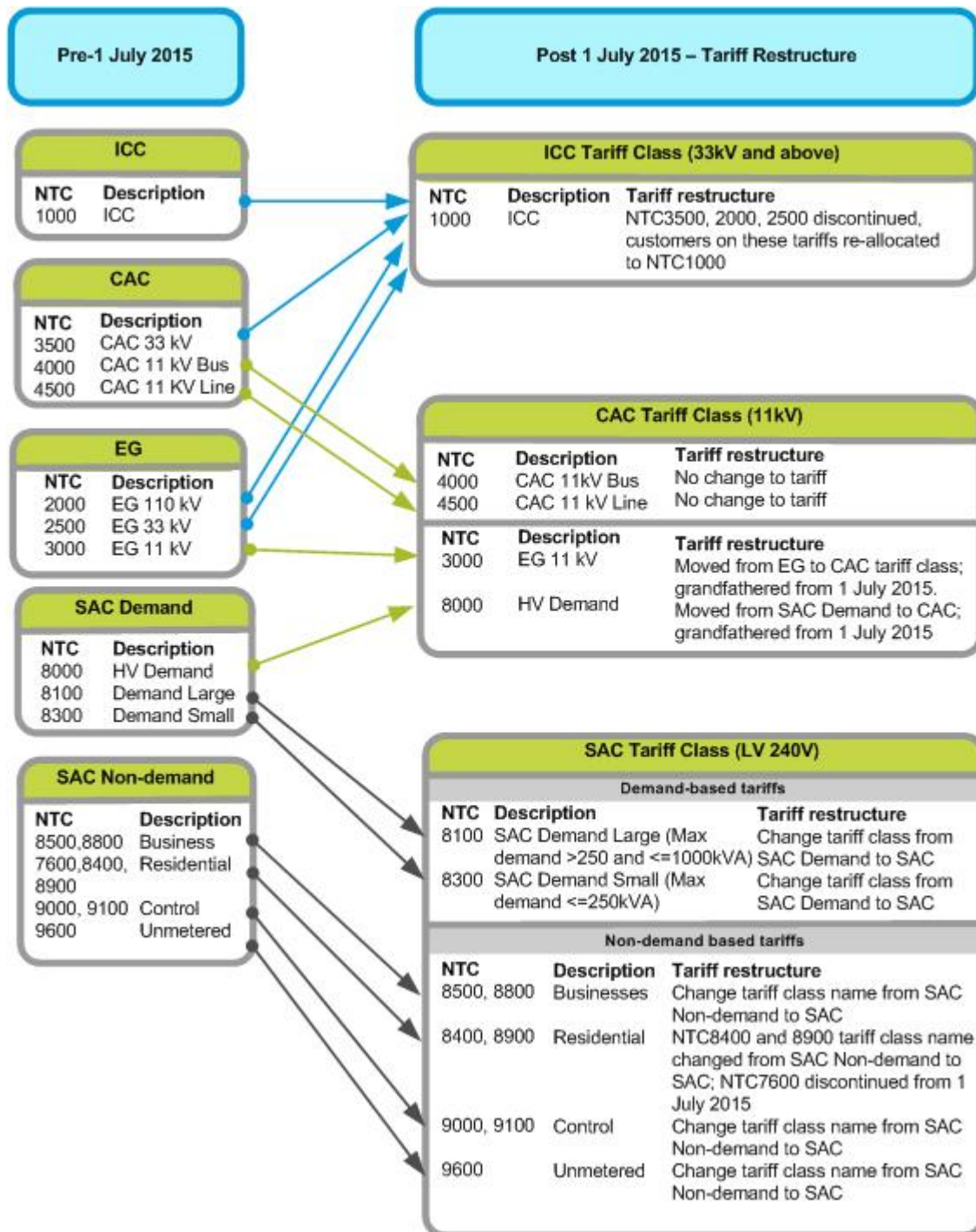
Communications to business customers, undertaken in two stages, advised that this reassignment would provide customers with opportunities to manage their electricity use, peak demand and network impacts. The Assignment Review Process Fact Sheet was enclosed to ensure their statutory rights to request a review of the reassignment.

3.5 Tariff Class Restructure

Impacted customers: ~ 12,000

In Energen's 2015-20 Regulatory Proposal tariff classes were simplified, as illustrated in Figure 1. This involved the removal of the EG and Standard Asset Customer (SAC) Demand Tariff Classes.

Figure 1: Map of Tariff Class Restructure proposed

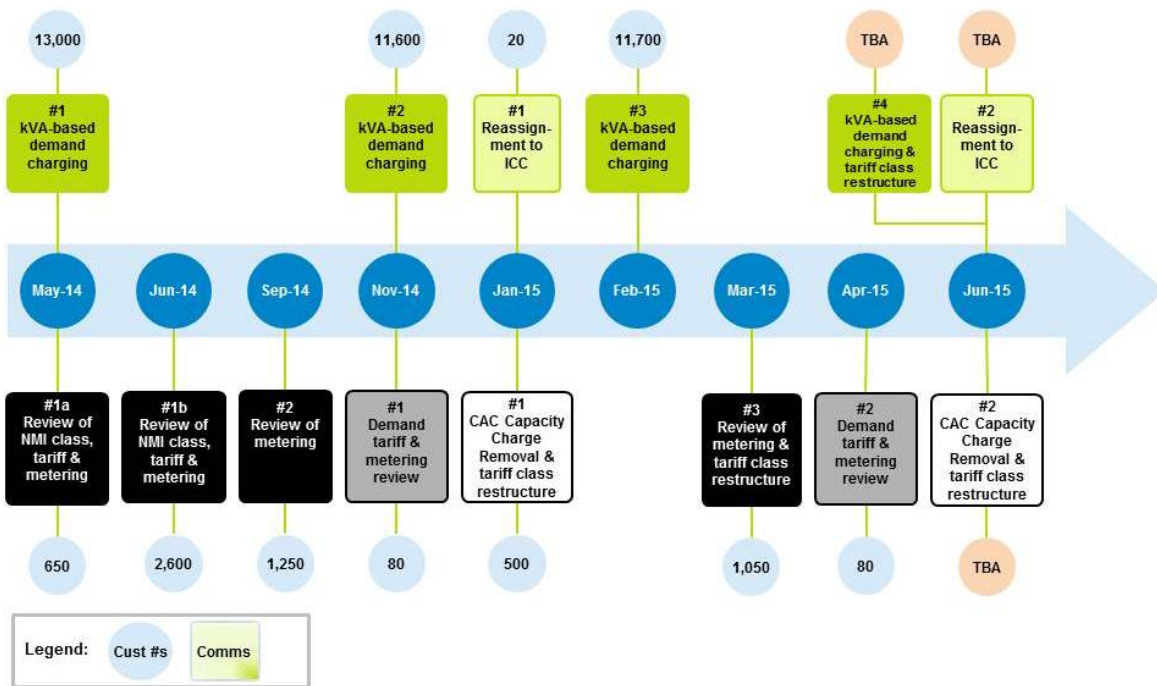


Pre-empting approval of this restructure, this change and its impacts are being communicated through all sub-projects.

4 Communications timeline

Communication with business customers regarding the changes and impacts to their business has been managed by the Project Manager through a series of written communications, as shown in Figure 2.

Figure 2: Energex's timeline of communications



Approximately 42,500 letters have been sent to business customers advising of the changes expected to take place from 1 July 2015. In support of all Project communications, a number of web pages, fact sheets, FAQs, a tariff map, a tariff comparison chart, a tariff assignment flowchart and an on-line enquiry form were made accessible to customers and retailers via Energex's website, email and written communications.

With each communication release on the above timeline, retailers were provided with the customer's NMI, copies of all communication materials and information required to facilitate system changes for implementation.

Post project support will be available to ensure customer enquiries are managed following the introduction of kVA-based demand charging.

4.1 Communications update

The list below provides the status of communication plans for each sub-project:

- The final stage of a three-stage communication plan on the Customer and Metering Assignment Review is now complete.
- The final stage of a two-stage communication plan on the demand tariff and metering review is now complete.
- The third round of a four-stage communication plan on kVA-based demand charging is complete with the final stage scheduled for June 2015.
- The first round of a two-stage communication plan on the capacity charge removal is complete with the final stage scheduled for June 2015.
- The first round of a two-stage communication plan on reassignment to ICC is complete with the final stage scheduled for June 2015.

5 Project outcomes

The extensive communications undertaken by Energex (approximately 42,500 letters) has resulted in approximately 1,700 enquiries, as shown in Table 1.

Table 1: Customer enquiries by activity

Activity	Count
Emails in	1,299
Phone calls in	354
Meetings	9
TOTAL	1,662

Sentiment of each enquiry was assessed as positive, neutral or negative, as shown in Table 2. Neutral enquiries largely consisted of customers wanting further information regarding the changes such as price impacts, subsidies, necessary actions etc.

Table 2: Customer enquiries by sentiment

Sentiment	Count
Positive	70
Neutral	1,534
Negative	58
TOTAL	1,662

Overall, the Customer Assignment and Metering Review sub-project received seven escalated complaints ranging from the pressures of increased costs on small business to the requirement to upgrade their meter.

Results from the Customer and Metering Assignment Review sub-project are as follows:

- 98 percent of Large to Small and 93 percent of Small to Large NMI reclassifications were actioned.
- 92 percent of customers identified being on an inappropriate energy-based tariff have been reassigned to the appropriate demand-based tariff.
- 43 percent of customers identified as having unsuitable metering have now upgraded their metering.
- Engagement with the 31 worst impacted customers has been undertaken with 26 customers scheduled to transition to the appropriate demand-based network tariff on 1 July 2015 and five customers scheduled for review of NMI Class in June 2015.
- 62 appeals for review have been received with 35 actioned. The remaining 27 appeals are scheduled for review in May, June and July 2015.

5.1 Power Factor Correction funding

For customers who may experience an increase in network charges as a result of the introduction of kVA-based demand charging, the Demand Management Delivery Group initiated a broad-based funding program to help customers install PFC onsite where low power factor may adversely affect customers' demand charges.

The introduction of this broad-based funding initiative has produced the outcomes shown in Table 3.

Table 3: Funding initiative outcomes

Approved applications	Estimated demand reduction	Funding approved excl. GST	Customer supply and installation costs excl. GST *	Total investment excl. GST *
431	25.2 MVA	\$1.93M	\$9.2M	\$11.13M

* Excludes investments made by customers directly with external suppliers.

Throughout the engagement with customers, the Project Manager advised that some customers indicated they were investigating PFC equipment for their premises regardless of a subsidy.

The broad-based funding for this Project ceased on 31 March 2015 however Energex's Positive Payback Business funding continues for customers in targeted areas.