



**ENERGY
CONSUMERS
AUSTRALIA**

ECA insights on the Victorian Electricity Network Distributor revenue proposals & AER Draft Determination

AER pre-determination conference
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Associate Director, Networks

Overview

1

**Our vision
for the market**

2

**What consumers
are telling us**

3

**Outcomes of the
Draft
Determination**

4

**Evidence Gaps
and Assurance**

5

**Where to
from here?**

1 Our vision for the market



Our vision for the market

ECA promotes these three advocacy principles as the basis for better consumer outcomes.

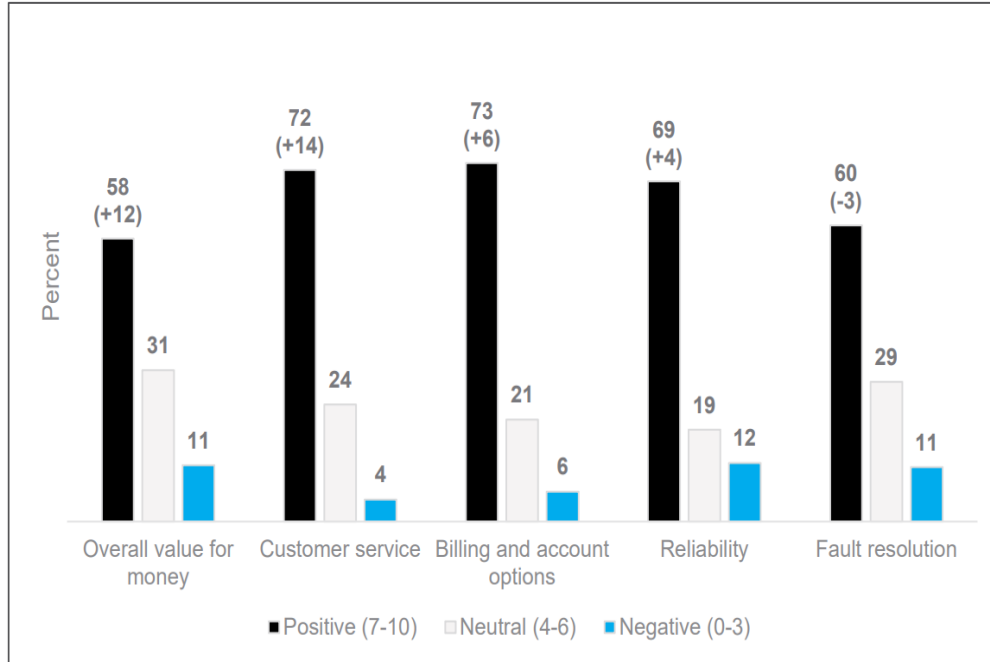


2

What consumers are telling us



Satisfaction with electricity



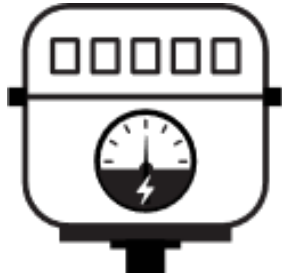
Source: [Energy Consumer Sentiment Survey June 2020](#)

AER pre-determination conference – Victoria Electricity – October 2020

58%

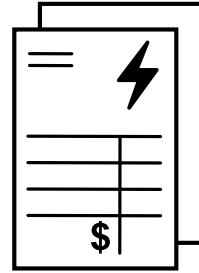
of Victorian households
are satisfied with the
overall value for money
of their electricity
service

Household consumer confidence in long-term outcomes



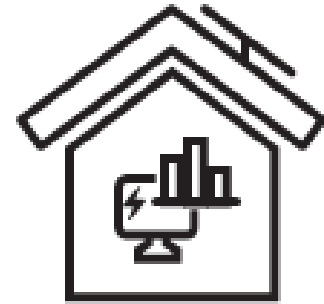
51%

Are confident there will be more reliable services in the future



39%

Are confident of better value for money

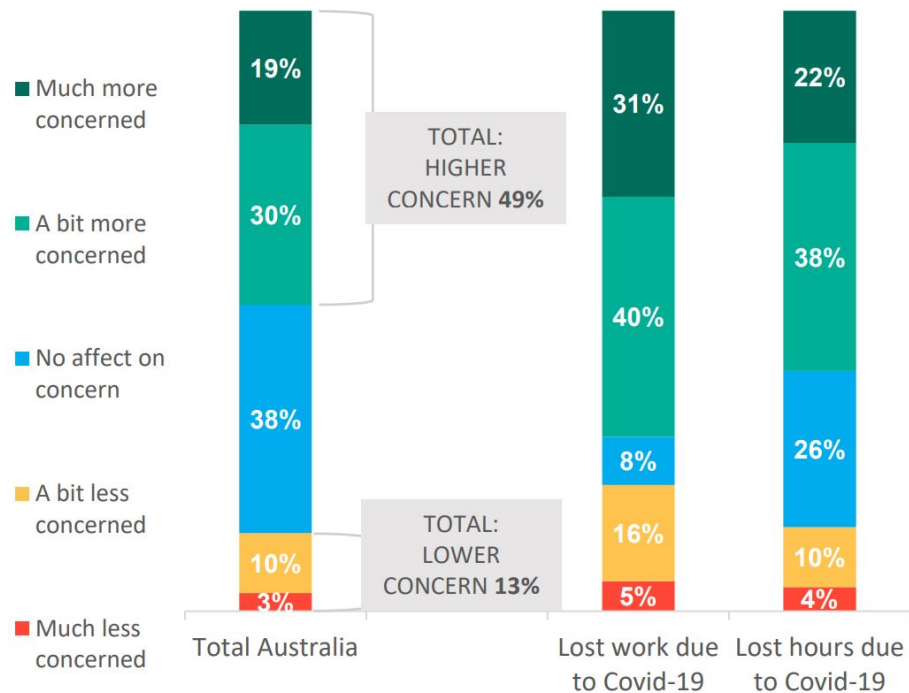


51%

Are confident that future technological advances will improve their ability to manage their energy use and costs

Impacts of COVID-19

Concern with paying bills (%)



As I am 68 yrs old now, the chances of me getting employment in the current climate are nil. Even with the skills and experience I have to offer the job market is crowded to the max with younger chaps than myself. (Financial Pressure)

My line of work will take a while to recover. I sell to retail stores who all but shut down until 2 days before Mother's Day... if all goes well, I will be selling to them again starting mid-September. (Small Business)

I don't think I could make my bills more affordable unless I looked at getting more energy efficient kitchen/kitchen equipment, which is not financially viable right now. I feel a bit of worry sometimes when they come in as they tend to be big bills, but I feel able to pay them usually. (Small Business)

I feel that I can make choices around how I use energy and that is my best way to control my bills. I can choose to wear warmer clothing during cooler days to minimise the use of my heater. (Working from home)

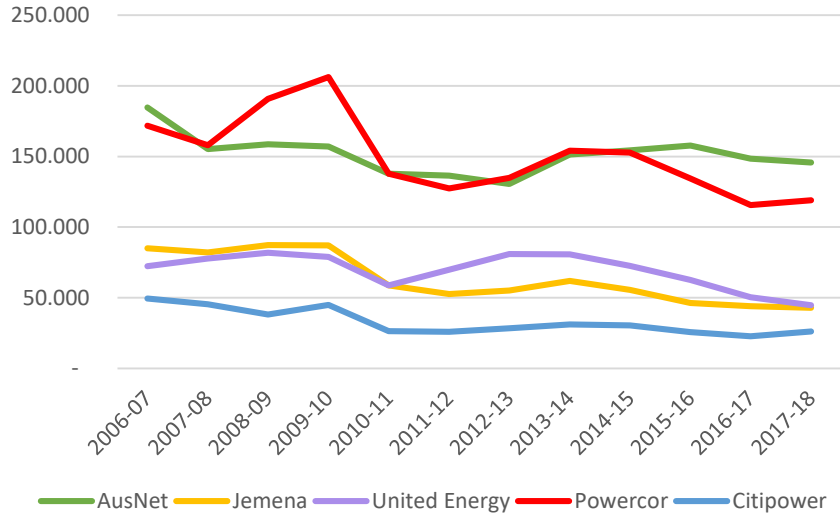
I don't feel in control, it seems like every time I get close to paying it off another bigger bill comes in. (Financial Pressure)

3 Outcomes of the Draft Determination

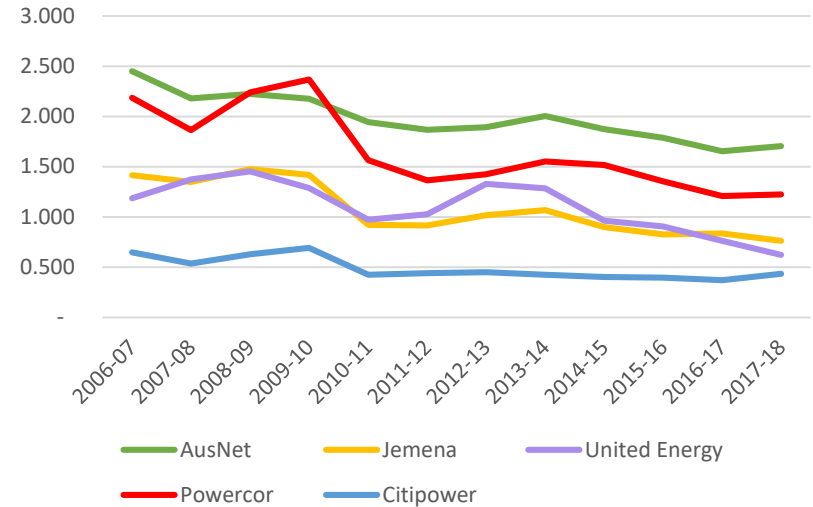


Reliability across the networks

SAIDI performance FY2007-FY2018

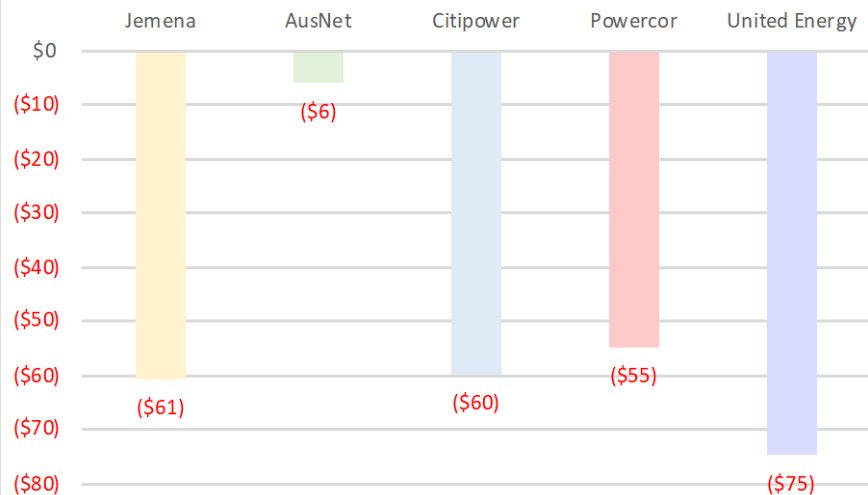


SAIFI performance FY2007-2018

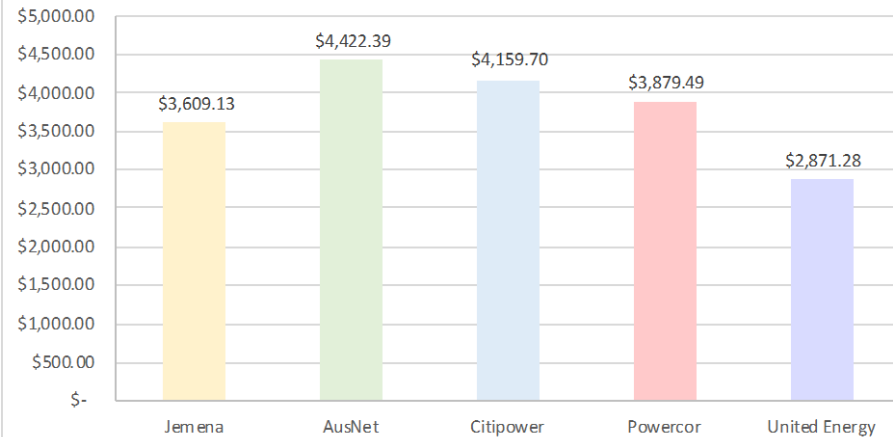


Pricing outcomes for consumers

Price reduction (residential)

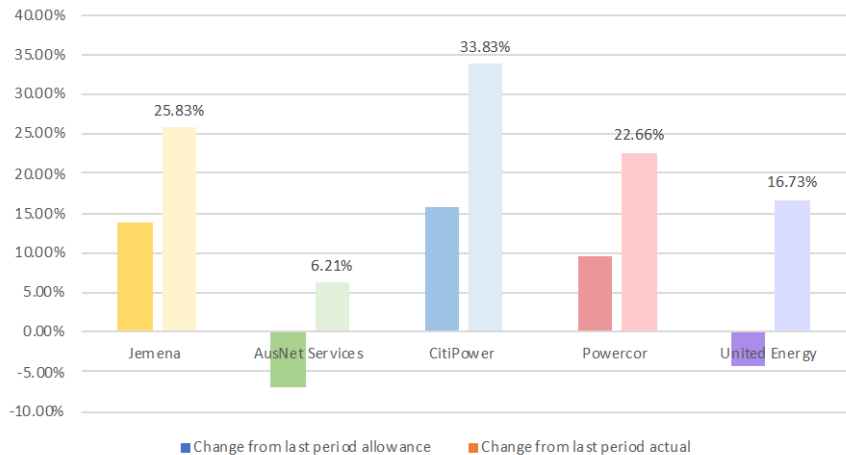


Revenue / customer (2021-26)

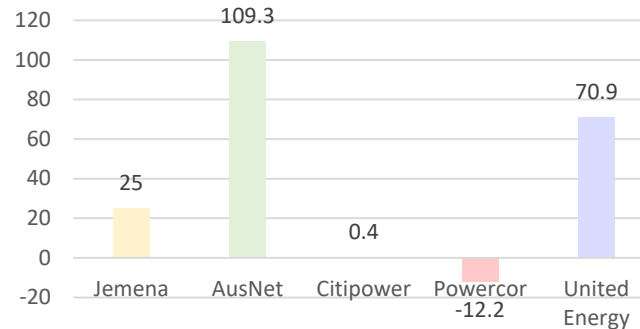


Operational expenditure (opex) outcomes for network businesses

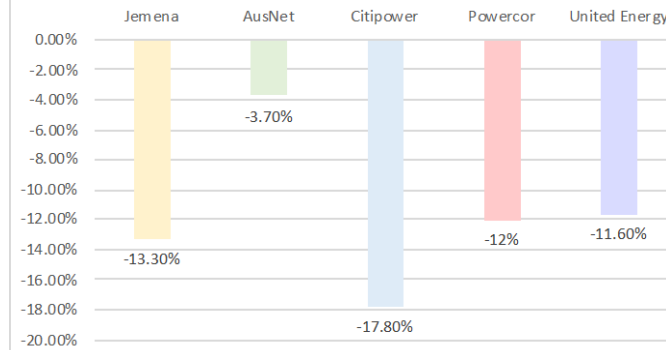
Change in opex from 2016-21 period



EBSS payments (2021-26) (\$m)

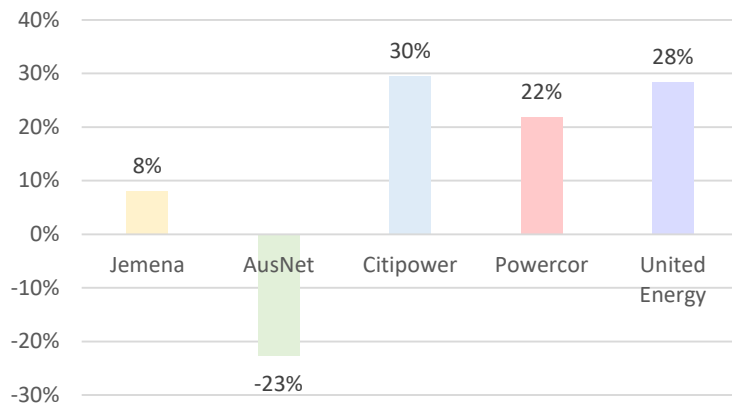


Opex reduction %

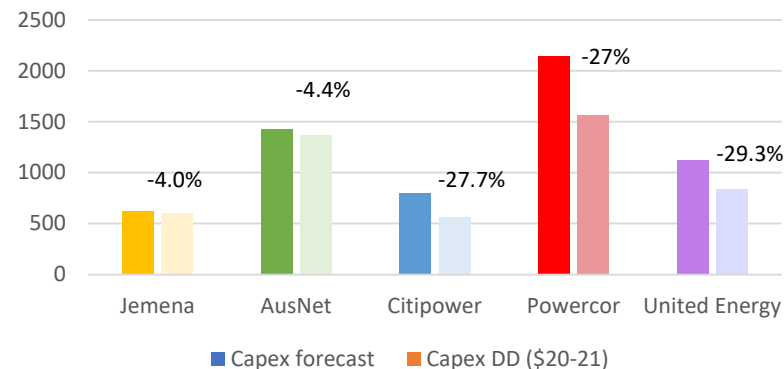


Capital expenditure (capex) outcomes for network businesses

Proposed change to capex compared to actual (2021-26)



Capex proposed and DD approved (2021-2026)



Incentive regime payments

	Jemena	AusNet Services	Citipower	Powercor	United Energy
EBSS rewards (\$2020-21)	\$25m	\$109.3m	\$0.4m	-\$12.2m	\$70.9m
CESS rewards (\$2020-21)	\$38.3m	\$56.5m	\$63.8m	\$65.9m	\$49.7m
Total revenue for 2021-26 period (\$nominal)	\$1273.3m	\$3259.3m	\$1425.4m	\$3242.1m	\$1966.9m
% of total revenue (2021-26)	4.9%	5.09%	4.5%	1.65%	6.13%

4 Evidence Gaps and Assurance



Consumer Engagement

ENERGY CONSUMERS AUSTRALIA

Application

Energy Network Industry Consumer Engagement Award 2020

This award is to recognise an Australian energy network business that demonstrates outstanding leadership in consumer engagement.

Energy network businesses are making significant changes as Australia rapidly transitions to the future grid. Integral to the success of this transition is for the Australian community to have trust and confidence that networks are incorporating the values of their customers into all aspects of their business and delivering the services consumers want.

Key dates

- Applications open - 1 July
- Applications close - 18 August
- Shortlisted finalists - approx. 3 September
- Shortlisted finalist with judging panel - 2020 (if required)
- Awards announced - October 2020

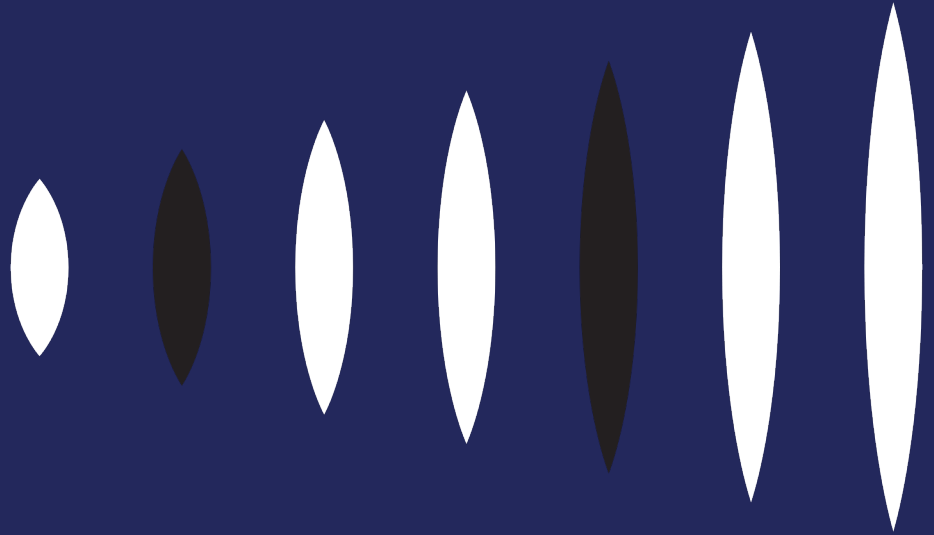
Application criteria

- 1. Name of Project**
- 2. Project partners** (if any)
- 3. Project timeline** (if any)
- 4. Location** eg Tamworth, NSW
- 5. Description** 100 words max. **No weighting**
Please provide a short description of the consumer engagement initiative which may include why and how the consumer engagement strategy was developed?
- 6. Benefits to consumers** 150 words max. **No weighting**
 - What benefits did the consumers receive as a result of this consumer engagement initiative?
 - Why did you undertake the project?
 - What did you set out to achieve by undertaking this project?
- 7. Approach** 300 words max. **25% weighting**
Please provide a description of the engagement approach which may include:
 - How you identified key customers and other important stakeholders and their roles?
 - This might include stakeholders from within your organisation or external.
 - What innovative strategies or methodologies did you use to engage consumers?
 - How did your approach apply the principles of accessibility, inclusiveness, transparency and measurability?
 - How was this project an improvement on your organisation's previous approach?
- 8. Benefits, results and outcomes** 400 words max. **50% weighting**
Please provide evidence of the outcomes of the consumer engagement project. You may also like to include:
 - What difference did this project make to consumers?
 - What were the learnings from the consumer engagement initiative, including application for other network organisations?
 - What changes have been made in your organisations following this project?
- 9. Leadership and transferability** 300 words max. **25% weighting**
 - What was the key learning for your organisation from this project?
 - How was the leadership team in your organisation involved in this project and how does it align with the organisations' culture more generally?
 - How will this project contribute to ongoing consumer engagement practice, culture change and decision making by senior leaders in your organisation?
 - How can this contribute to leading consumer engagement practice across the energy network sectors?
- 10. Optional background information** 500 words max. **No weighting**
Additional background information may be provided for the judging panel that will not be published (up to a maximum of 500 words) and may not be read by the judges in order to shortlist applications.
 - Please indicate which question the additional information relates to. Additional weighting will not be given to this section however, text included may, at the judges' discretion, be considered and weighted according to the relevant question.

Energy Networks Australia

Area of expenditure	Evidence gap	Assurance or reduction
Opex	<ul style="list-style-type: none"> Step changes were significant and, in some cases, unjustified Pleased at withdrawal of Environmental Protection Authority step-changes Change in economic circumstances make previous forecasts untenable Impact of pass-through of superannuation guarantee changes on labour costs. 	<ul style="list-style-type: none"> A consistent approach is applied to similar step changes Forecasts reflect new economic circumstances What is the evidence that distributors will pass on superannuation guarantee as increase in total remuneration, not just reduction in take home wage?
Capex	<ul style="list-style-type: none"> It is not clear why replacement capex (repex) would increase to the extent proposed in the next period Significant costs applied to Rapid Earth Fault Current Limiters (REFCL) Will accelerated depreciation help put downward pressure on prices in the next period? 	<ul style="list-style-type: none"> Assurance that CESS payments are not being paid for projects not delivered in current period Demonstrate how cost savings in current period have been incorporated into forecast program costs REFCL costs updated to reflect latest Energy Safe Victoria (ESV) discussions & consistent approach to compliance across Victoria.
Poles	<ul style="list-style-type: none"> Will ESV findings will be applied to same extent across all Victorian distribution businesses? Concerned about backlog of pole replacement in current period & implications for broader Asset Management Programs. 	<ul style="list-style-type: none"> Assurance that Asset Management Programs are sound and are being delivered in a safe, staged way that also minimises affordability impacts.
Distributed Energy Resources	<ul style="list-style-type: none"> While there has been significant effort to model when constraints will occur, there is less transparency around how program costs were constructed. 	<ul style="list-style-type: none"> Application of consistent approach to solar PV benefits Assurance that costs of program are not biased towards more expensive solutions.
COVID	<ul style="list-style-type: none"> Dramatic impact on economy 	<ul style="list-style-type: none"> Forecasts updated to reflect most recent economic data Testing of HIA data against industry forecasts Use of multiple forecasters in a period of uncertainty.
Tariff Structure Statements	<ul style="list-style-type: none"> Appetite for greater innovation and reform. 	<ul style="list-style-type: none"> Assurance that the proposed tariffs are delivering the best optionality for consumers and maximising capacity utilisation.

5 Where to from here?



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