

The Electricity Distribution Revenue Reset Project

Presentation to the Customer Forum

Deirdre Rose

22 March 2018



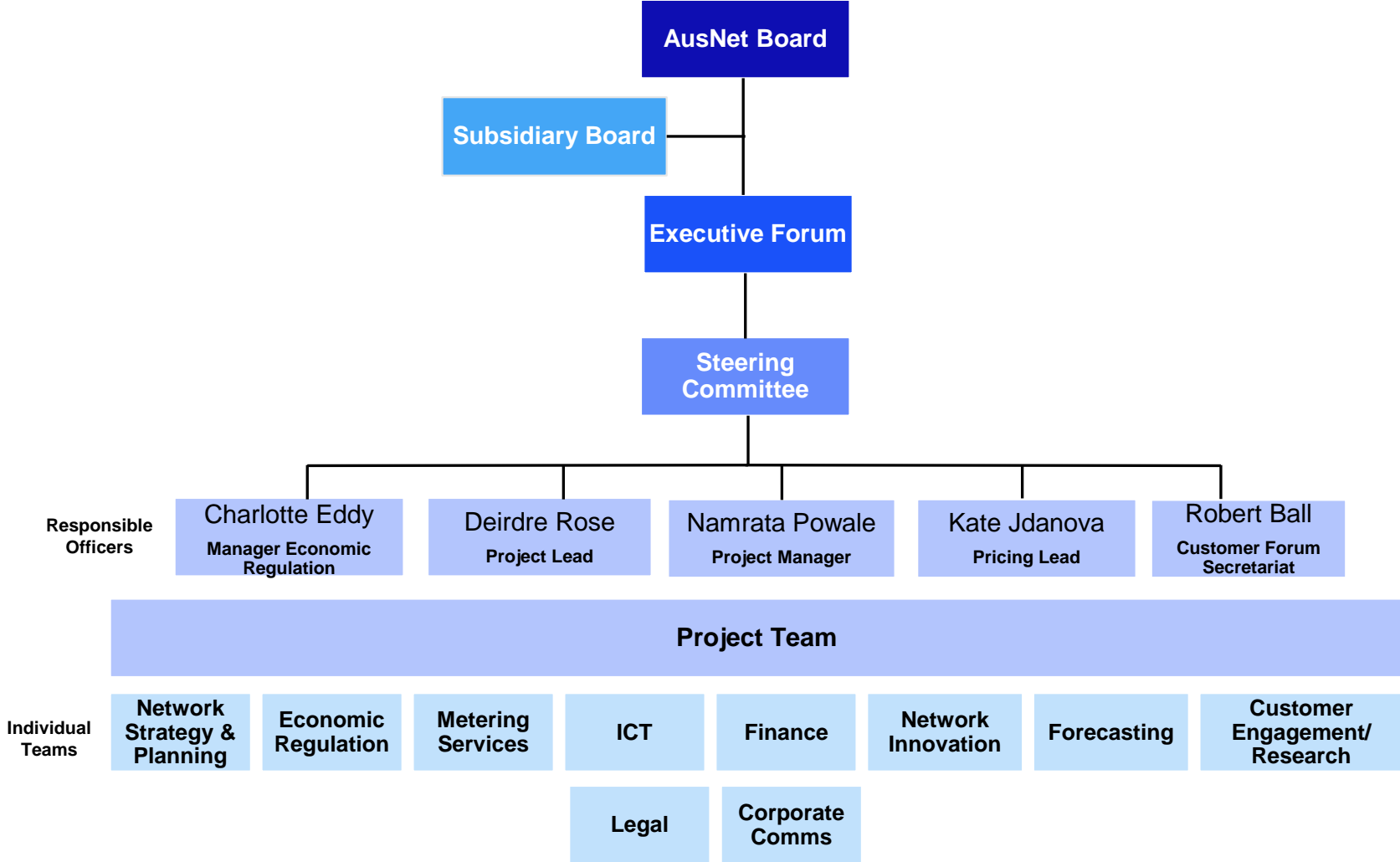
Overview

- ▶ **Project governance**
- ▶ **Project plan and key milestones**
- ▶ **Key work streams**
- ▶ **Priorities for the 2021-25 reset**
- ▶ **Objectives and role of customer research and engagement**
- ▶ **Regulatory proposals**

Project Governance



Governance Structure



Role of key project governance bodies

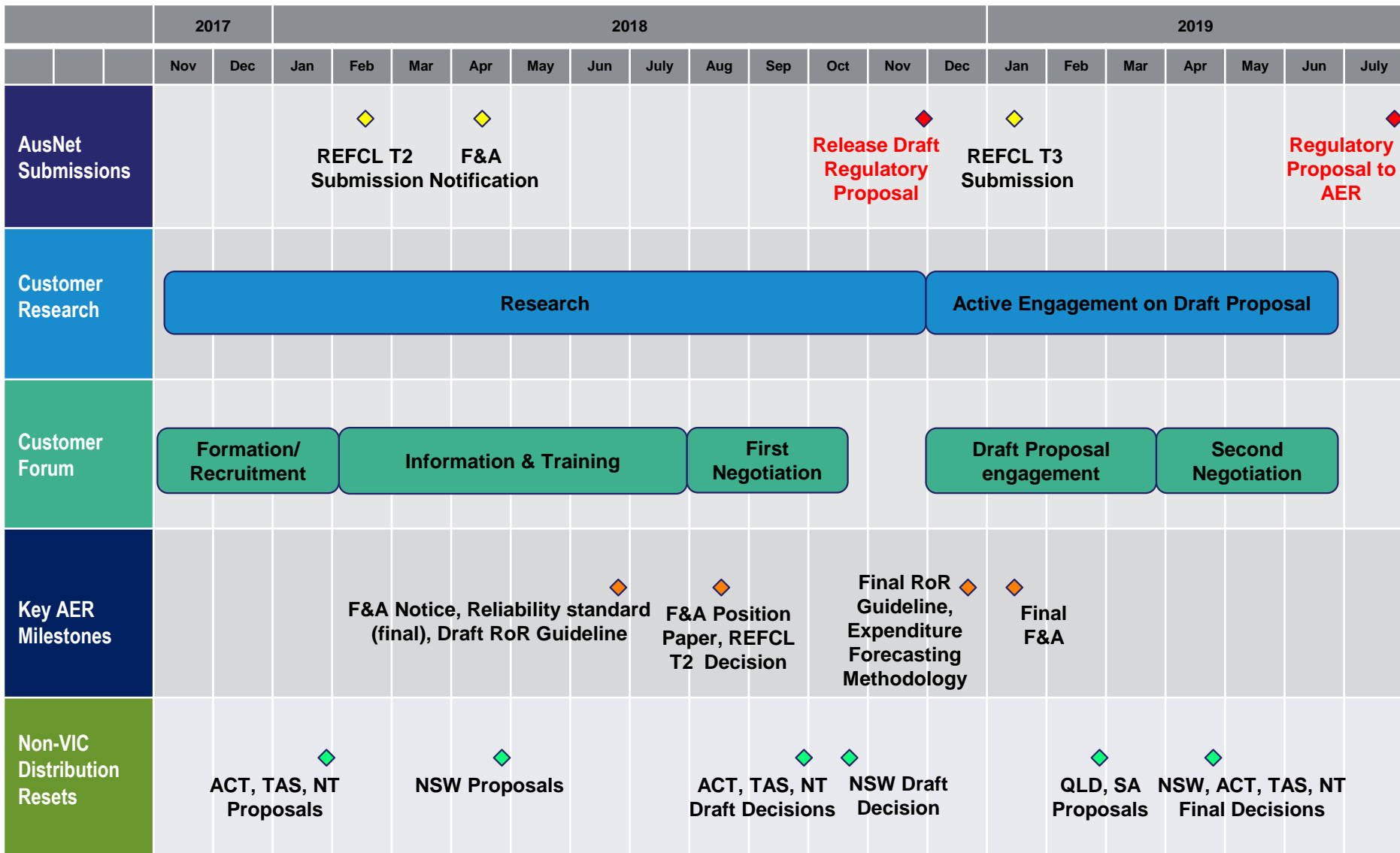
Governance body	Role	Meeting frequency
Board/Sub-board	Review and approve critical strategic decisions (including negotiating parameters for the Customer Forum) and key documents including draft regulatory proposal for public release and regulatory proposal to the AER	In accordance with relevant milestones
Executive Forum (Snr Executives and 3 external independent advisors)	As above – prior to submission to the Board	In accordance with relevant milestones
Steering Committee (Snr Managers from relevant areas of business and an external independent advisor)	To provide: <ul style="list-style-type: none"> the overall strategic direction and oversight for the project early input to the thinking of the project teams and to engage in key debates on strategic or complex issues 	At least every 2 months

Project plan and key milestones



Timeline to final AER decision





REFCL = Rapid Earth Fault Current Limiter (reduces fire starts) – this expenditure is being approved separately to the proposal

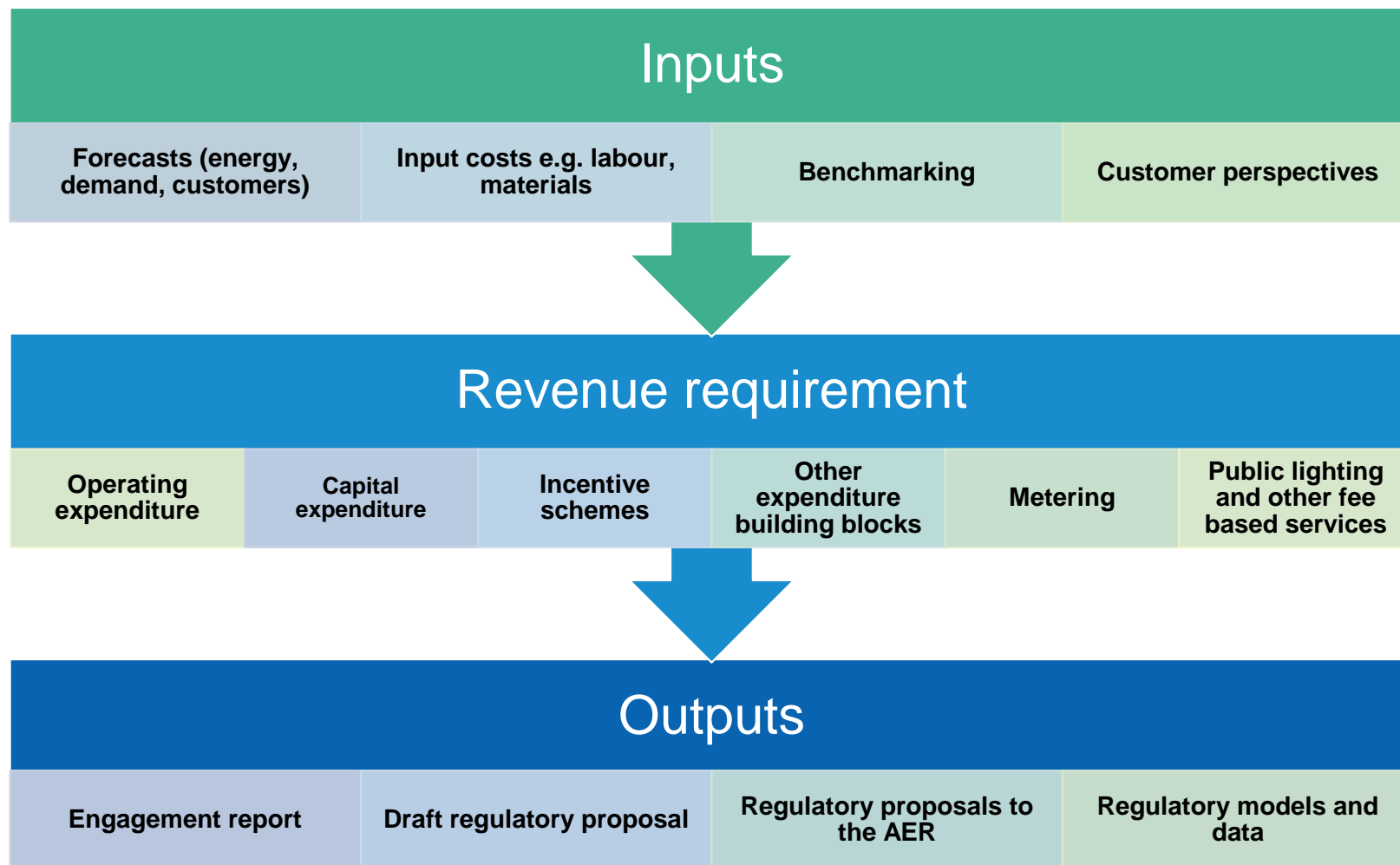
F&A = Framework and Approach - this is the first step of the regulatory process that confirms the services to be regulated, price or revenue regulation and length of regulatory period, incentive schemes that will apply, expenditure forecasting tools that will be used by the AER to test the expenditure proposals)

ROR Guideline = Rate of Return Guideline (WACC)

Key work streams



Key work streams



Priorities

2021-25



2021-25 priorities: aligned to business strategy



▶ Customer-centric approach

▶ Delivering value for customers

- › Strong reliability performance, delivering on bushfire risk reduction
- › Continued focus on reducing operating costs & moderating prices
 - Extent of price moderation impacted by external factors e.g. REFCLs, interest rate movements

▶ Facilitating customer energy choices and control

- › Support adoption & use of a range of energy technologies including solar PV, batteries and EV
- › Support new services/competition (distributed energy market, data)

▶ Continuing innovation in network service delivery

- › Demand management, peak rebates, grid batteries, stand alone power systems, AMI benefits

Objectives and role of customer research and engagement



Objective of customer research and engagement



- ▶ **The guiding objective of our regulatory proposal is to provide value for our customers**

- ▶ **In order to deliver on this guiding objective we need to**
 - › Understand what our customers value
 - › What their expectations are around our service (in an environment of transformation)
 - › What their views are on how we can change or balance our priorities and expenditures to deliver value

- ▶ **Therefore the objective of the customer research and engagement is to**
 - › Gain the necessary understanding and insights from our customers
 - › Reflect these in our expenditure proposals

Role of customer research and engagement



- ▶ **The customer research provides us with information and insights**
 - › variety of approaches, sources
 - › input from experts and the Customer Forum to ensure that it provides the quality of insights that we need

- ▶ **The customer engagement are the processes we use to**
 - › test our understanding
 - › incorporate this in our proposals
 - › negotiate and iterate on how this is addressed in our proposal

- ▶ **The Customer Forum is a key engagement mechanism along with our draft regulatory proposal**
 - › Customer Forum is a unique opportunity to negotiate in a far more direct and in-depth way
 - › Also aids significant increase in transparency over how consumer value has been considered and acted on

Expenditure areas where customer insights will be crucial



- ▶ **Where customers have expressed concerns; customers have expressed expectations for the future; there are customer-driven balances to be made**

- ▶ **Examples (not a full list)**
 - › Value of the network and delivering affordable services
 - Timing of expenditure, reliability/affordability trade-offs

 - › Transition to a renewables future
 - Should we invest in strengthening the network to allow more renewables to connect; who should pay? e.g. solar customers, all customers

 - › Role of the network in energy transformation future
 - What services, support for EV

 - › Demand management
 - Willingness to engage, preferences, incentives required

 - › Reliability
 - How much unplanned time of supply is reasonable, SAPS

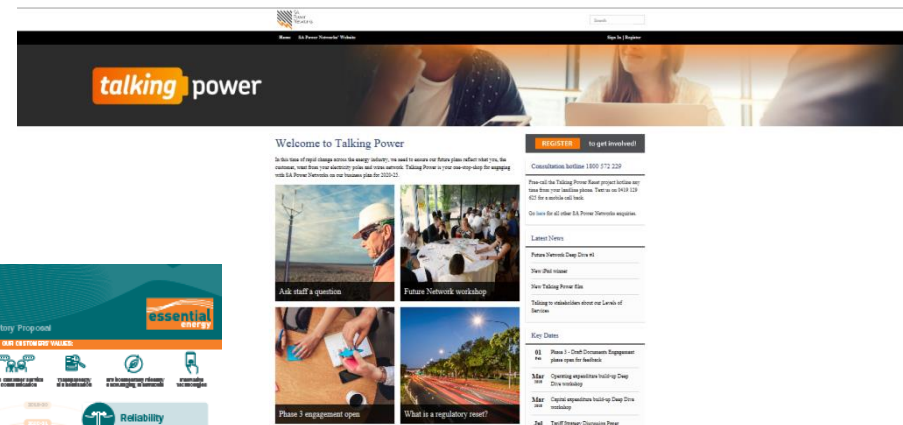
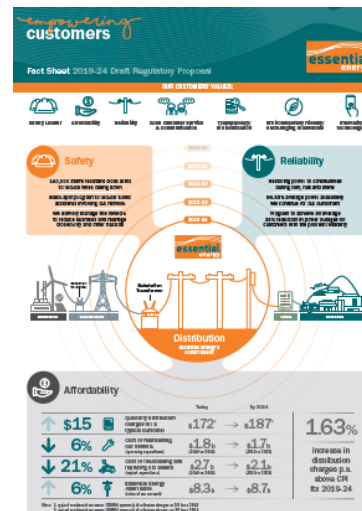
Regulatory proposals



Draft proposal for public consultation - late 2018 release



- › Readily understandable and range of associated communication tools (animation, infographics, online content)
- › Provides complete expenditure proposal and revenue requirement
- › Describes our customer research and engagement processes and how this is reflected in the proposal



Full regulatory proposal to AER

- must be submitted to AER July 2019

- › full case for final expenditure proposals in accordance with the requirements of the AER and National Electricity Rules (NER)
- › companion consumer-friendly document and infographic will also be provided
- › typical content:

