

Customer & Consumer Panel

7 December 2017



Agenda

- Welcome
- Customer Advocacy role
- RIT-T engagement
- Afternoon tea
- Rate of Return guidelines
- Panel feedback & 2018 priorities

Customer Advocacy Role

- Role commenced in September 2017
- Designing, developing and implementing Customer Advocacy Framework
- Work has commenced on Powerlink Customer Service Charter
- Embedding customer-based decision making
- Operationalise customer DNA into Powerlink

Regulatory Investment Test for Transmission (RIT-T)

Roger Smith
Manager Network & Alternate Solutions



What is the RIT-T?



- Economic cost-benefit analysis
- Promotes efficient investments
- Greater consistency and transparency
- Technology neutral.

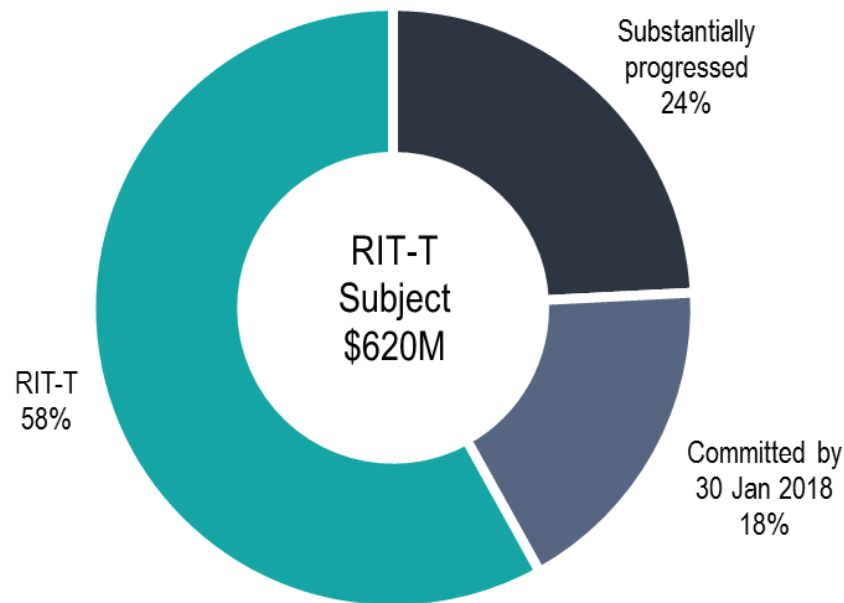
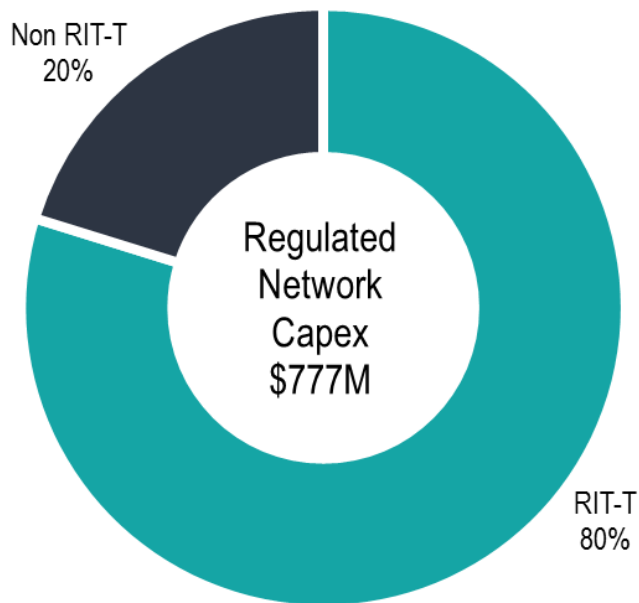
Application – simple rule of thumb

- The RIT-T is applicable to all investments where a credible option is over \$6 million

...with a few exceptions.



Impact on investment program 2018-22



RIT-T Consultations 2018-22

- \$360 million
- 74 projects
- 57 RIT-T.



How to apply the RIT-T



- Identify need

- Identify base case & options

- Identify reasonable scenarios

- Quantify expected costs

- Quantify expected market benefits

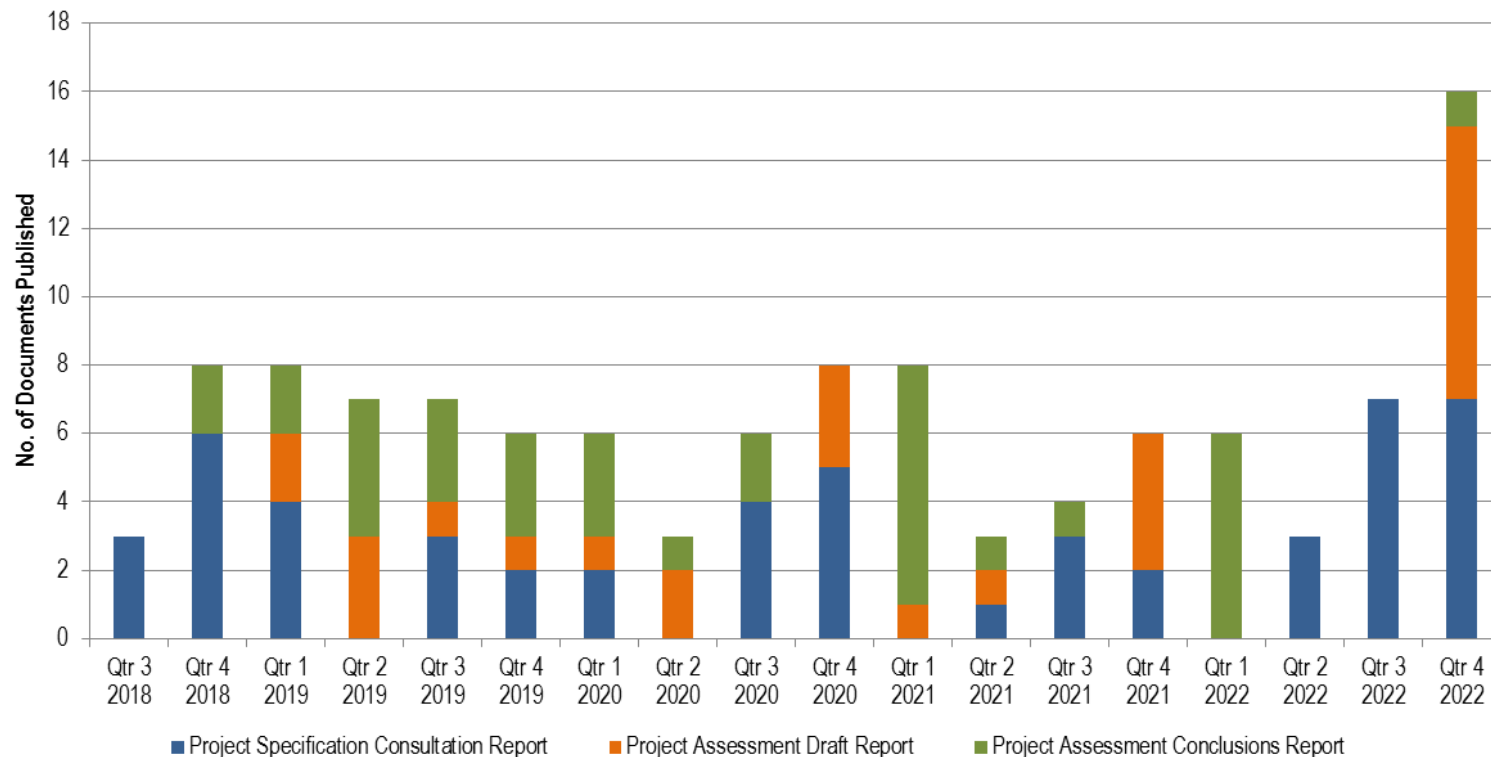
- Quantify net economic benefits & identify preferred option

RIT-T consultation process



¹ Rules stipulate 30 calendar days

RIT-T Publications by Quarter (2018 - 2022)



How do we engage appropriately with stakeholders?

- Apply lessons learned from regulatory revenue determination process:
 - AER Stakeholder Engagement Guidelines
 - Use new communication channels and tools e.g. webinars
 - Continue stakeholder briefings and forums as required
- Seek to engage where most effective to enhance value of outcomes.

Proposed RIT-T Engagement Strategy Matrix

RIT-T Type/ Engagement Level	Context	Methodology	Alignment with AER Stakeholder Engagement Framework	RIT-T Process
Minor	<ul style="list-style-type: none"> • Non-network solutions unlikely • No market benefits identified • <\$41 million 	<ul style="list-style-type: none"> • NNESR notification • AEMO Notice and summary • Powerlink website publication 	Seek views and provide feedback	PADR exempt
Normal	<ul style="list-style-type: none"> • Minor network reconfiguration/ material impact on network users • Possibility of non-network solutions • Market benefits identified 	<ul style="list-style-type: none"> • NNESR notification • AEMO Notice and summary • Powerlink website publication • Webinar* • Stakeholder briefings* 	Seek views and provide feedback	Full
Complex	<ul style="list-style-type: none"> • Network reconfiguration • Material impact on network users • Likelihood of non-network solutions • Market benefits identified 	<ul style="list-style-type: none"> • NNESR notification • AEMO Notice and summary • Powerlink website publication • Webinar* • Stakeholder briefings* • Forums* 	Seek views and provide feedback/ partnerships (possible for non- network solutions)	Full

* Case-by-case basis

Questions

1. Is the proposed classification of projects at a particular engagement level appropriate?
2. Is the proposed engagement methodology appropriate with each level of engagement?
3. Are there other ways we should seek to engage on RIT-T processes?
4. Does this strike an effective balance with internal and stakeholder resource allocation?

Afternoon tea

AER Rate of Return Guideline Review

Jennifer Harris
General Manager, Network Regulation



AER Rate of Return (RoR) Guideline Review

- Sets out the AER's approach to setting the regulated rate of return for electricity and gas networks
- Targeted approach rather than a 'blank slate' review
- Broad support for incremental approach
- AER to complete its review by 17 December 2018

Review Timetable

Date	Milestone
Oct 17	AER Issues Paper released
8 Dec 17	Submissions on Issues Paper close
Feb-Mar 18	Concurrent evidence sessions
May 18	AER publish DRAFT Guideline
Jun-Aug 18	Independent Panel process
Aug 18	Submissions on DRAFT Guideline
17 Dec 18	AER publish FINAL Guideline

Why is the RoR important?

- Key factor in setting approx 60-70% of annual regulated revenues.
- **To consumers?**
 - It will affect nearly every Australian energy consumer.
 - Do not want to pay any more than necessary for network services
- **To networks?**
 - Need sustainable business outcomes through a commercial return on investment to support safe, reliable and efficient delivery of regulated services.

Energy Networks Australia – Target?

- Guideline that is capable of acceptance
- Complies with the Rules arrangements
- Build on work already done
- Provide a clear understanding of how the AER considers evidence and reaches conclusions
- Principles:
 - transparent methodology
 - stable outcomes over time

ENA Engagement Approach

- Engage directly with stakeholders to gain input and feedback to inform own considerations and positions
- Complement AER's process
- Target 'involve' level of engagement
 - Work to ensure concerns are understood and considered
 - Reflect concerns and how input has influenced our decisions
- Engage prior to major AER review milestones

Seek your feedback on:

1. ENA DRAFT response to AER Issues Paper
2. Any other feedback we should consider for the review?
3. ENA DRAFT Engagement Approach document

Panel feedback & 2018 priorities

- Distribute a feedback form to:
 - Gain feedback on 2017 panel sessions
 - How can they be improved for 2018
 - Identify what key topics you would like to discuss

Close