

Customer Forum

Scoping discussion

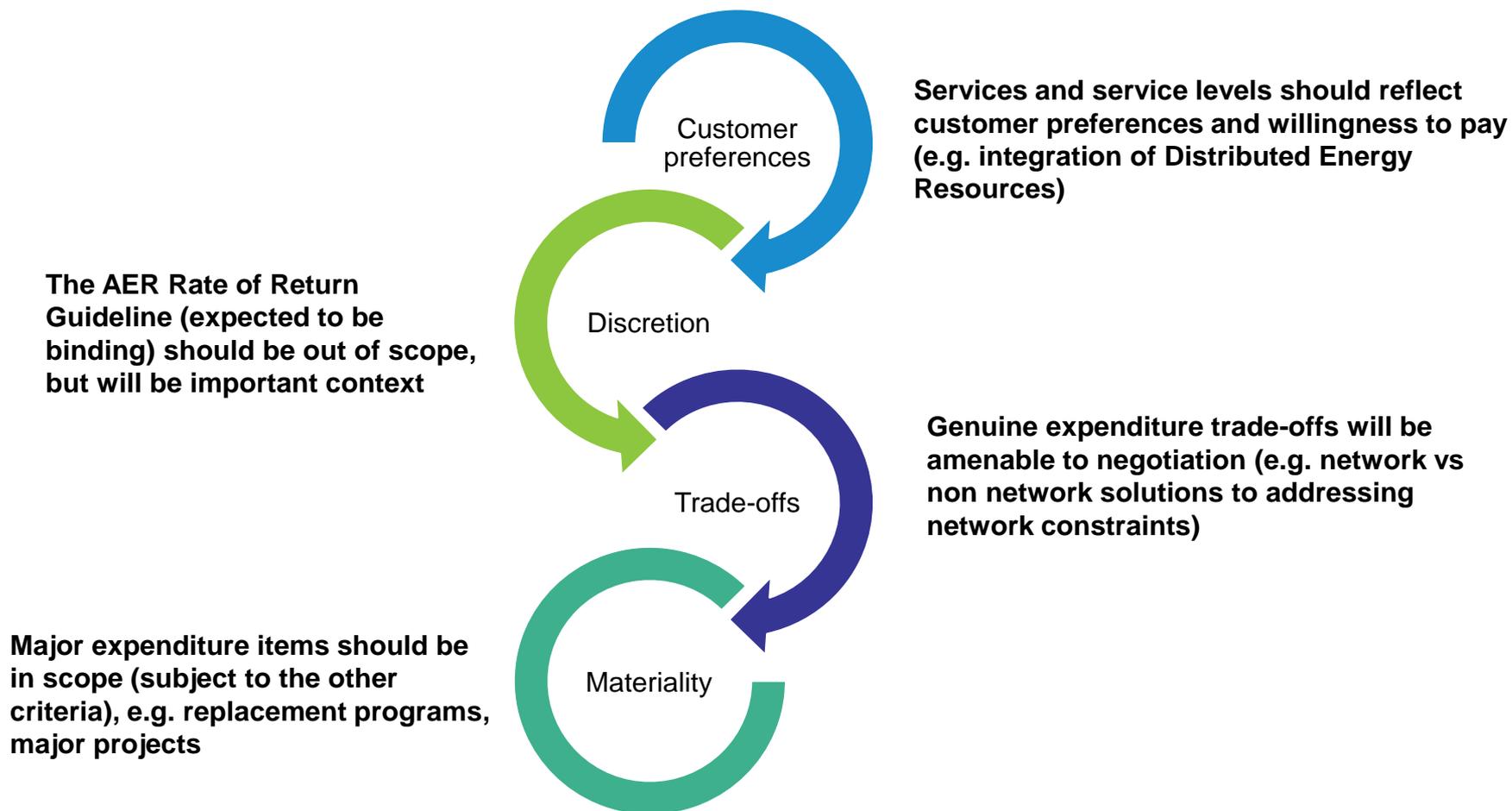


27 April 2018

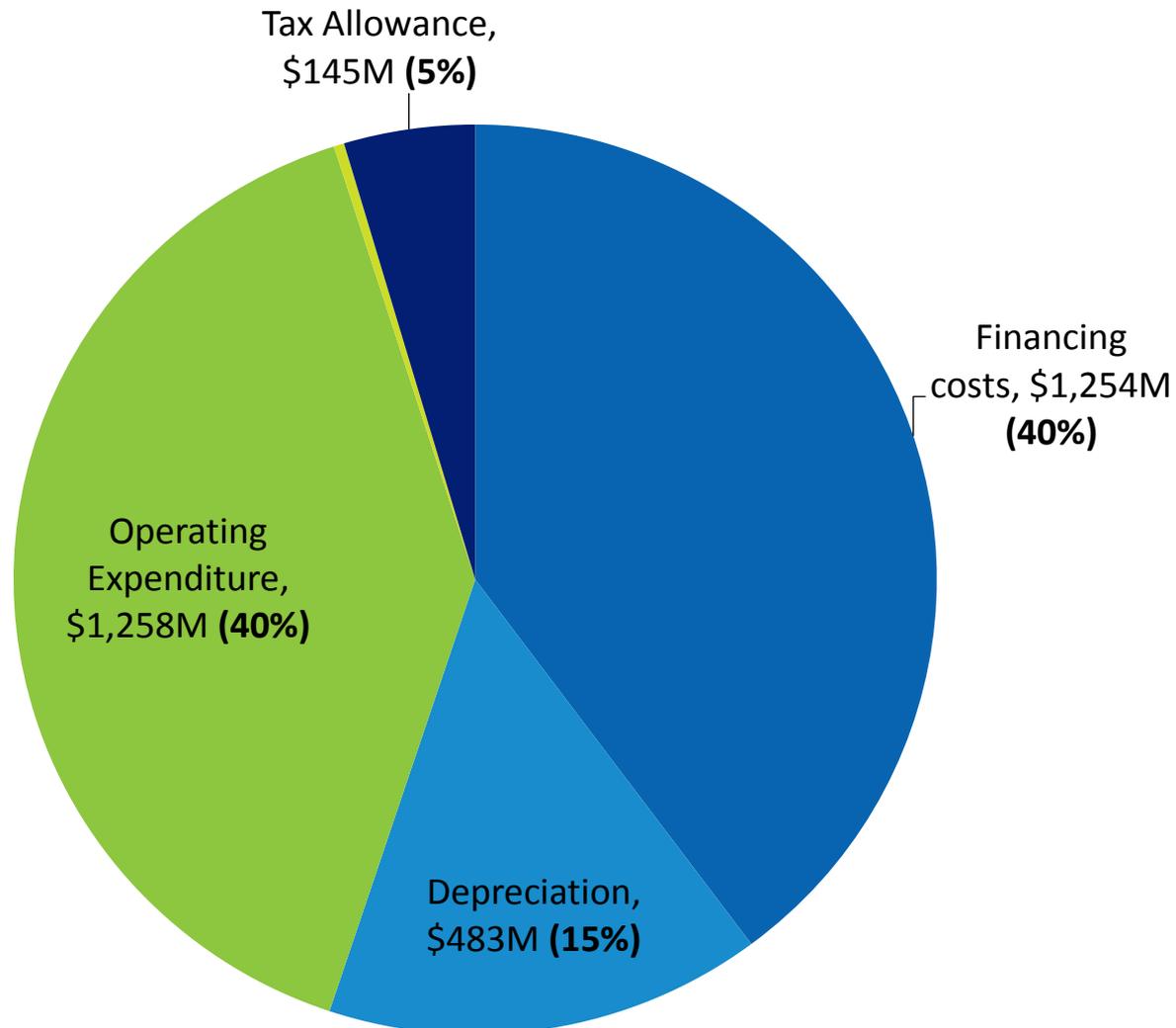
Session Objectives

- › To discuss and agree first 'tranche' of issues proposed to be in the scope of negotiations between AusNet Services and the Customer Forum
- › To discuss some preliminary questions pertaining to each issue
- › To discuss timeframes and information requirements for each issue

Principles/criteria for setting the scope



2016-20 'building block' revenue breakdown



First 'tranche' of issues proposed for inclusion in scope



Issue	Rationale
Operating expenditure	<ul style="list-style-type: none"> • Forecast in a 'top down' manner using non-technical inputs which are amenable to negotiation • High materiality in respect of revenues and prices
DER integration capital expenditure	<ul style="list-style-type: none"> • Customer preferences should drive the amount of this expenditure and how it is recovered from some/all customers
Augmentation and non network expenditure	<ul style="list-style-type: none"> • Customer preferences and economic efficiency should drive which solutions are used to meet location-specific demand growth (e.g. network vs non networks)
New connections capital expenditure and contributions policy	<ul style="list-style-type: none"> • Volume and unit rate forecasts are relatively non technical and amenable to negotiation • Customer contribution policy influences which customers fund connections expenditure and the timing of its recovery
Customer experience improvement	<ul style="list-style-type: none"> • Customer experience is expected to be central to the negotiations (e.g. connection process, outage notification and communication etc.) • Changes may not require funding through the EDPR
Innovation expenditure	<ul style="list-style-type: none"> • Customer appetite to bear/fund innovation risk should drive this expenditure (e.g. investment in electric vehicle infrastructure)

Some preliminary questions



Issue	Questions
Operating expenditure	<ul style="list-style-type: none"> • Base – Are we spending on the right activities that lead to positive customer outcomes? Does our base expenditure reflect efficient levels i.e. compared to peers? • Step – Are any step changes (+ve or –ve) supported? Are incentives a more appropriate recovery mechanism? • Trend – Is the approach to applying any productivity adjustment, output growth and/or labour escalators appropriate?
DER integration capital expenditure	<ul style="list-style-type: none"> • Is AusNet Services approach to forecasting (high level) DER integration expenditure appropriate? • How should DER uptake be managed to address the needs of both solar and non-solar customers? • How should costs be recovered?
Augmentation and non network expenditure	<ul style="list-style-type: none"> • Is AusNet Services' high-level approach to forecasting demand and customer numbers appropriate? • Bearing in mind the relative price and localised reliability impacts of options to address growth (i.e. network and non-network), are AusNet Services' proposed solutions appropriate? • Is the timing of projects appropriate given those reliability trade-offs?

Some preliminary questions cont.



Issue	Questions
New connections capital expenditure and contributions policy	<ul style="list-style-type: none">• Is AusNet Services' high-level approach to forecasting volumes of customer connections appropriate?• Does AusNet Services' customer contributions approach appropriately balance cost recovery from connecting customers and the wider customer base?
Customer experience improvement	<ul style="list-style-type: none">• Should AusNet Services make any changes in its interactions with its customers? If so, how?• Are incentives a more appropriate recovery mechanism?
Innovation expenditure	<ul style="list-style-type: none">• Should customers fund specific (non-DM) innovation projects?• Are incentives a more appropriate recovery mechanism?