

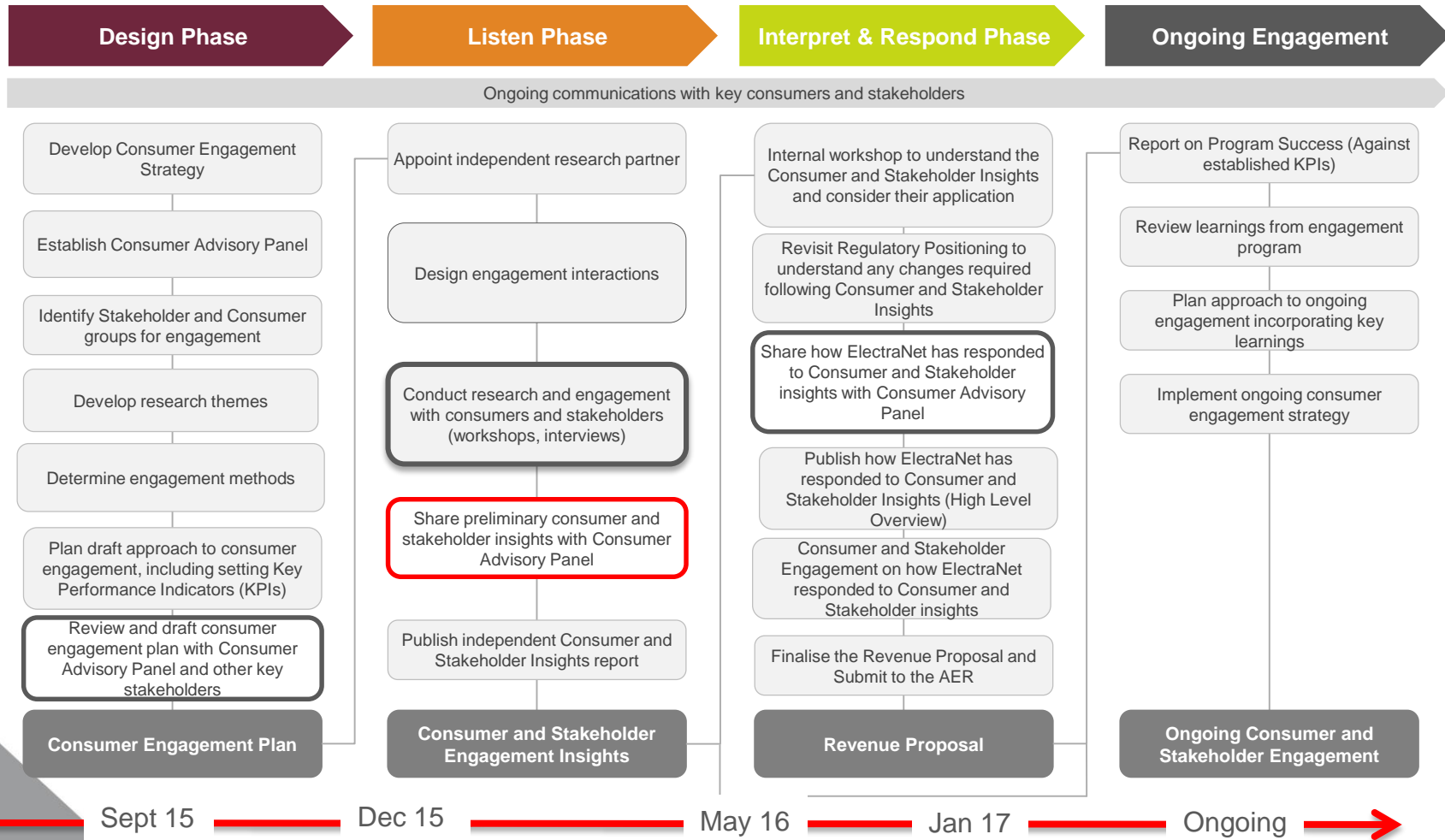
# What are the Outcomes and Implications of the 'Listen' Phase?

## Consumer Advisory Panel Meeting #5

Rainer Korte  
Executive Manager Asset Management

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Research Partner, Deloitte

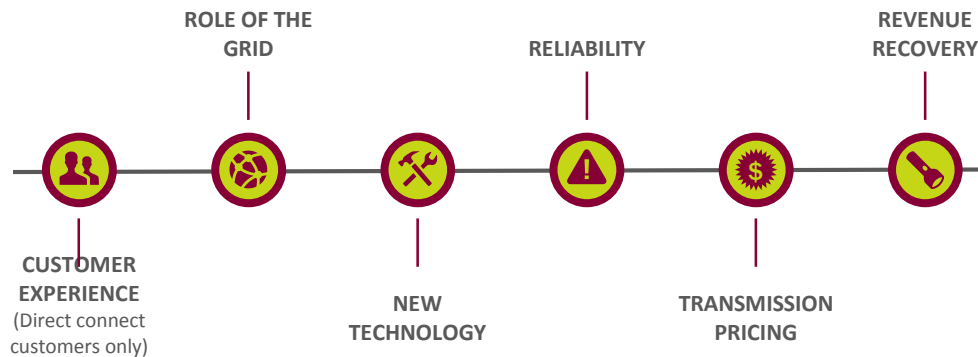
# ElectraNet Consumer Engagement Plan



# A qualitative research approach was used to generate customer insights

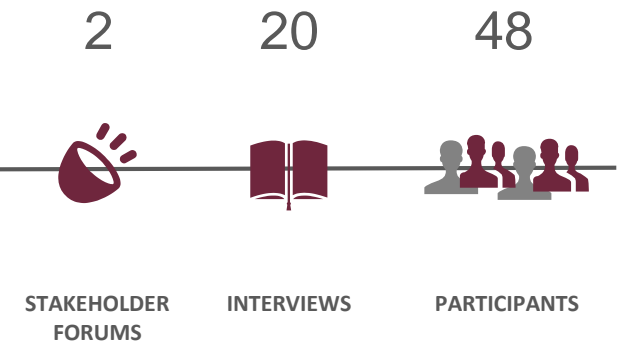
## RESEARCH THEMES

Research Themes were used to categorise customer findings

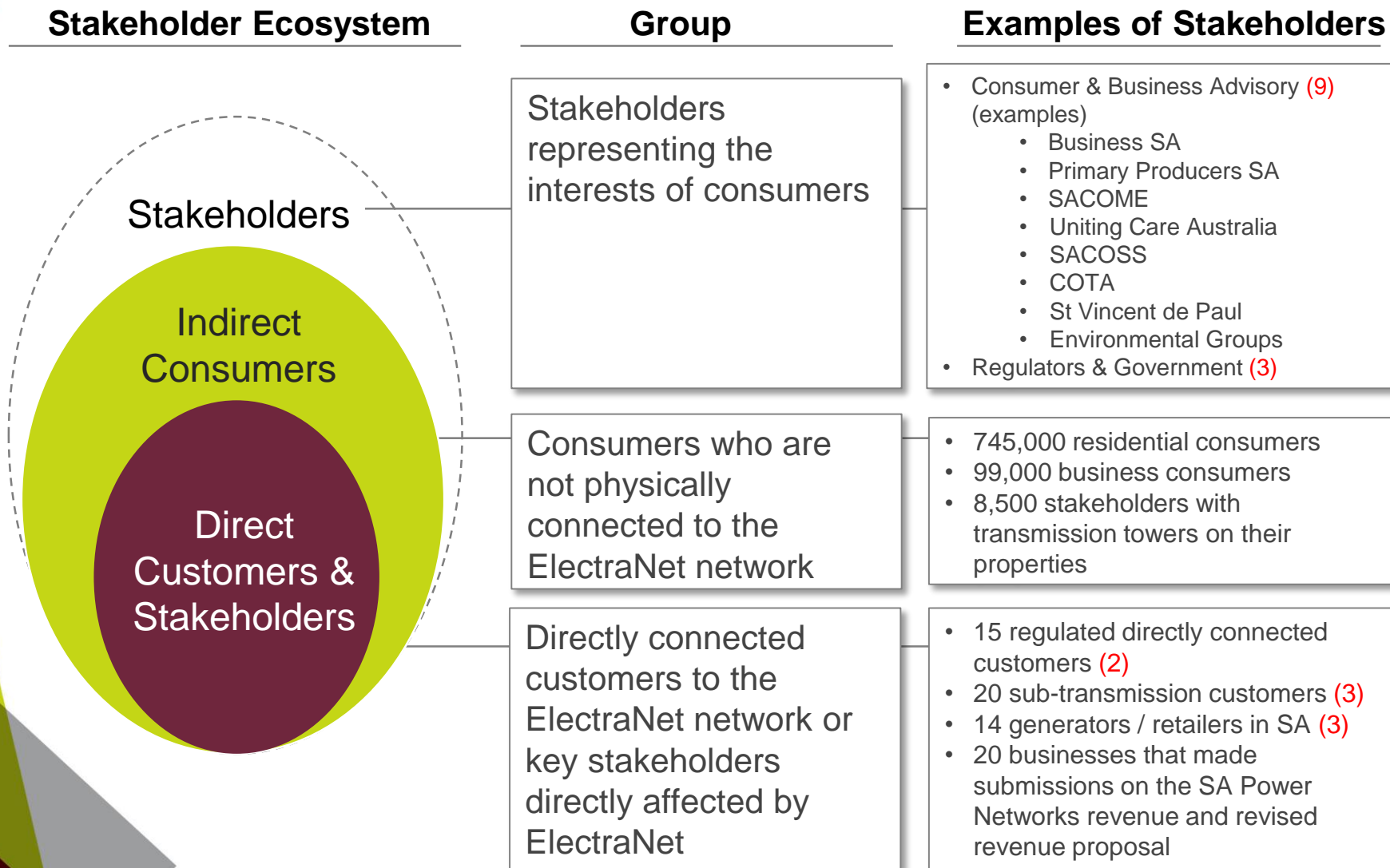


## QUALITATIVE RESEARCH








Qualitative research provided an idea of customers' thought processes



# Who we interviewed (20)



# What we heard

 <b>OVERARCHING INSIGHTS</b>	 <b>CUSTOMER EXPERIENCE</b>	 <b>ROLE OF THE GRID</b>	 <b>NEW TECHNOLOGY</b>	 <b>RELIABILITY</b>	 <b>TRANSMISSION PRICING</b>	 <b>REVENUE RECOVERY</b>
<p><b>1.</b> Consumers want lower, more stable and transparent electricity costs.</p> <p><b>2.</b> The majority of Consumers are not aware of ElectraNet and the role it plays in the South Australian electricity supply chain.</p>	<p><b>3.</b> Customers who deal directly with ElectraNet are generally satisfied with the service they receive.</p> <p><b>4.</b> Customers and Stakeholders are seeking to increase their relationship with ElectraNet as opposed to working through SA Power Networks.</p>	<p><b>5.</b> The Transmission network will continue to play an important role in the future by facilitating the integration of renewable energy generation and ensuring consumers receive a reliable and stable connection.</p> <p><b>6.</b> The Transmission network will need to adapt to meet the needs of South Australia as distributed generation levels and storage solutions increase.</p>	<p><b>7.</b> Consumers view storage solutions as part of the future of the grid when it becomes economically feasible, however are unclear on what ElectraNet's role should be.</p> <p><b>8.</b> Consumers are supportive of ElectraNet exploring demand management initiatives and view incentives as the key to assisting customers change their usage patterns.</p>	<p><b>9.</b> Consumers are satisfied with the current reliability levels of the network.</p> <p><b>10.</b> Consumers view ElectraNet's approach to CAPEX and OPEX as prudent so long as a risk-based approach is adopted and reliability standards continue to be met.</p> <p><b>11.</b> Consumers believe ElectraNet should employ a cost-benefit approach when considering asset retirement.</p>	<p><b>12.</b> Most consumers are unaware or confused by transmission pricing structures.</p> <p><b>13.</b> Direct Connect customers generally don't support ElectraNet using peak demand as a base for determining charges.</p>	<p><b>14.</b> Consumers are unclear as to the best method of recovering depreciation charges for the Transmission network.</p>



## OVERARCHING INSIGHTS



## CUSTOMER EXPERIENCE



## ROLE OF THE GRID



## NEW TECHNOLOGY



## RELIABILITY



## TRANSMISSION PRICING



## REVENUE RECOVERY

1. Consumers want lower, more stable and transparent electricity costs.
2. The majority of Consumers are not aware of ElectraNet and the role it plays in the South Australian electricity supply chain.



“I struggle to understand how the peaks and demands affect the price I am paying. It just seems to fluctuate and go up and down.”

“People are increasingly under stress from electricity bills.”

“If you want to remain relevant then you need to go back to reasonable pricing. We are beyond the point of tolerance and are looking at alternative solutions to go off grid.”

“There have been rapid increases in prices which many consumers have found challenging.”

“There is confusion around what we are paying for, and who we paying”

“Price is a significant issue for consumers.”

“I have no idea what ElectraNet does and what SAPN does and what the split between the two is.”

“I like idea of no real price increases however opportunities for price decreases should be explored.”





3. Customers who deal directly with ElectraNet are generally satisfied with the service they receive.

4. Customers and Stakeholders are seeking to increase their relationship with ElectraNet as opposed to working through SA Power Networks.



“The responsiveness of ElectraNet in listening to complaints is good.”

“My overall impression of ElectraNet is pretty good.”

“Pretty good service overall. There have been no major issues.”

“As a land owner I am totally happy with engagement.”

“I’m confused when SAPN contacts me to do work on behalf of ElectraNet.”

“ElectraNet is pretty good to deal with. They provide advice and respond to all issues. There have been no complaints from our main customers.”

“General feedback is positive - better than most TNSPs.”

“As a land owner I have always had good contact and a good experience with ElectraNet when compared to other infrastructure companies.”





5. The Transmission network will continue to play an important role in the future by facilitating the integration of renewable energy generation and ensuring consumers receive a reliable and stable connection.
6. The Transmission network will need to adapt to meet the needs of South Australia as distributed generation levels and storage solutions increase.

“ElectraNet has a role to play with getting renewable energy to the market.”

“Reliability is the major requirement. As renewable sources aren't 24/7 we will require backup electricity sources to be provided by the network”

“There is an ongoing role to facilitate adoption of new technologies and provide flexibility to meet future needs and community expectations.”

“ElectraNet should facilitate connecting up small-scale generation to the grid in a least cost approach.”

“Monitor the new technology and help define at what point it makes sense to retire, remediate or replace the grid (or parts of the grid).”

“I can't see the network disappearing. The amount of electricity carried might change but there will still be a need for the backbone and ElectraNet need to ensure it is as efficient as possible whilst minimising costs.”







7. Consumers view storage solutions as part of the future of the grid when it becomes economically feasible, however are unclear on what ElectraNet’s role should be.
8. Consumers are supportive of ElectraNet exploring demand management initiatives and view incentives as the key to assisting customers change their usage patterns.



“It is a given in the future, I just don’t know the date given the associated costs.”

“I’m mixed on the issue, I’m aware that networks owning what are effectively generators will cause issues for consumers. Some work has suggested that networks shouldn’t be able to own storage at all.”

“The extent to which ElectraNet pursues demand-side solutions depends on the scale of the plant and the type of load. It makes sense at a domestic level but I’m not sure how it would work commercially for users with large energy requirements.”

“Grid scale storage will give the ability to make best use of renewable energy.”

“ElectraNet has a very important role in encouraging demand-side participation by allowing those that do something to benefit through lower transmission charges.”

“ElectraNet needs to not only look at if grid scale storage is the solution, but whether or not it should be involved in that or release the information and let others act on it.”

“It is fairly conceptual idea at the moment due to the expense associated with pursuing the storage solution.”





OVERARCHING  
INSIGHTS



CUSTOMER  
EXPERIENCE



ROLE OF THE  
GRID



NEW  
TECHNOLOGY



RELIABILITY



TRANSMISSION  
PRICING



REVENUE  
RECOVERY

9. Consumers are satisfied with the current reliability levels of the network.

10. Consumers view ElectraNet's approach to CAPEX and OPEX as prudent so long as a risk-based approach is adopted and reliability standards continue to be met.

11. Consumers believe ElectraNet should employ a cost-benefit approach when considering asset retirement

“

“It is a sensible approach and strikes a good balance between cost vs availability.”

“Im pretty happy happy with it. There have been no major problems or infrastructure issues.”

“Safety first and economic approach.”

“Seems sensible on the surface but it depends on the anticipated longer term needs of the asset.”

“Needs to be a risk-based approach to ensure reliability standards are met.”

“Case by case approach with a costs/benefits analysis conducted in each situation.”

”



12. Most consumers are unaware of or confused by transmission pricing structures.

13. Direct Connect customers generally don't support ElectraNet using peak demand as a base for determining charges.

“I would like to see some cost structures reduced or eliminated as they are confusing.”

“I am unclear how the costs of maintaining assets translates into charges.”

“A mix of demand only driving prices and demand incurred on the peak 10 days (like in Victoria) would be a great step forward.”

“Most distribution customers do not see transmission price signals.”

“I don't like the idea. Maximum demand is very cost-prohibitive.”

“Tend to be peaky – demand-based means consumers would pay more.”

“The deals are confusing.”

“Customers won't understand demand-based tariffs or different tariff types and there is too much complexity with changing customer behaviour.”





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14. Consumers are unclear as to the best method of recovering depreciation charges for the Transmission network



“ElectraNet should be considering the options on a case-by-case approach for each individual asset.”

“I don’t have a firm view. Accelerated depreciation makes sense. ElectraNet need to come up with a solution to last the expected timeframe of the need for the asset. Ensuring future network development allows for higher degree of flexibility such as shorter asset life span by using cheaper materials.”

“It is a can of worms and pressure is only building. ElectraNet should look at recovering revenue now as only the people that can’t afford solar with be stuck with network costs.”

“Front ending depreciation is not a good outcome for end consumers.”

“I don’t think ElectraNet should be looking to change. In general, I don’t agree with the shorter recovery because it is forcing current customers to pay for future customers. This could create potential to accelerate the ‘death spiral’ of consumers going off grid and may cause consumers to make inefficient and uneconomic decisions.”

“Most members support cost reflective pricing.”

“You need to strike a balance between leaving customers in the long-term with too high a burden versus short -term pain.”



# Stakeholder feedback on Network Vision

- > Support for ongoing role for transmission
- > Desire for active and ongoing consumer engagement
- > Concerns about overall price, capex and opex
- > Impact of electric vehicles may be underestimated
- > Increasing impact of alternative technologies such as battery storage and solar PV, and desire for customer choice
- > Support for increased interconnection to export renewables & import cheaper power
- > Transmission has to be cost competitive to remain viable and relevant
- > Transmission extensions for big spot loads may be required
- > Transmission may shrink in regional or remote areas with off grid/ storage alternatives more economic

# Implications for Directions and Priorities

Implication	Proposed Response
Customers are seeking material price reductions	<ul style="list-style-type: none"> <li>• Deliver meaningful and sustainable transmission price reductions in the Revenue Proposal</li> <li>• Show leadership in favourably influencing the delivered price of energy</li> </ul>
Consumers/ stakeholders want ongoing and genuine engagement with the business	<ul style="list-style-type: none"> <li>• Commit to ongoing and transparent engagement with consumers, focused on the Consumer Advisory Panel</li> </ul>
Little stakeholder support for accelerated depreciation options	<ul style="list-style-type: none"> <li>• Apply accelerated depreciation only to those assets no longer required (e.g. due to closure of Northern Power Station)</li> </ul>
Limited stakeholder support for asset decommissioning	<ul style="list-style-type: none"> <li>• Rule out any large asset removal projects</li> </ul>
Transmission needs to facilitate the integration of renewable generation and adapt to increasing embedded generation and storage levels	<ul style="list-style-type: none"> <li>• Reprioritise the capital program towards facilitating investments within a reduced overall spend level</li> </ul>

# What is the Status of ElectraNet's Preliminary Revenue Proposal?

Consumer Advisory  
Panel Meeting #5

Simon Appleby  
Senior Manager Regulation & Land Management

# Preliminary Revenue Proposal - Scope

Focus is on the expenditure forecasts and overall revenue and price outlook

Section	Content
<b>Background &amp; Context</b>	The current operating environment and key trends and influences impacting on the transmission network
<b>Consumer Engagement Approach</b>	The key issues, challenges and insights identified in consultation with consumers and wider stakeholders
<b>Strategic Priorities</b>	The directions and priorities for the transmission network and how the views of consumers and other stakeholders are being taken into account
<b>Performance</b>	Historic cost and service performance in the delivery of transmission network services to consumers in South Australia
<b>Revenue &amp; Pricing Impact</b>	The overall transmission revenue outlook and price impacts on South Australian electricity consumers
<b>Capital Expenditure Forecast</b>	The capital program and expenditure forecast for 2018-2023, including itemised summary of large projects and indicative contingent projects
<b>Operating Expenditure Forecast</b>	The operating program and expenditure forecast for 2018-2023, including overview of the maintenance program and projects
<b>Depreciation Forecast</b>	Overview of depreciation profile and assumptions
<b>Other Inputs</b>	<ul style="list-style-type: none"> <li>• Indicative Network Capability Incentive Parameter Action Plan</li> <li>• Overview of opening Regulated Asset Base, rate of return (WACC) assumptions and tax allowance calculations</li> </ul>

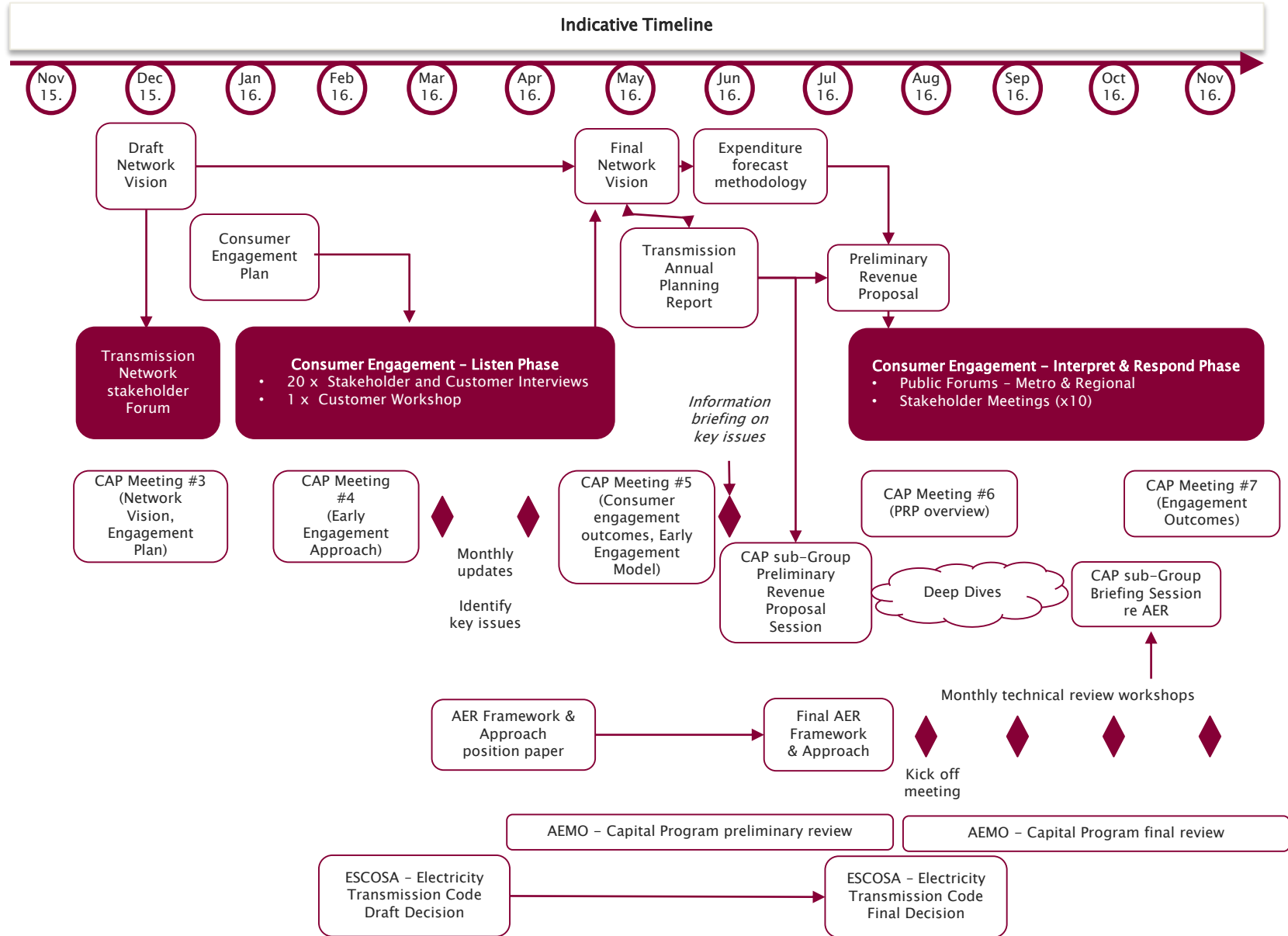
The content of the Preliminary Revenue Proposal is not expected to be at the same level of detail as a full Revenue Proposal



# How will the Early Engagement Approach operate in practice?

## Consumer Advisory Panel Meeting #5

Rainer Korte  
Executive Manager Asset Management



Thank you