

ActewAGL Distribution Energy Consumer Reference Council

Meeting 17 Minutes 5 April 2017, 9:30-12:30

ActewAGL Greenway Depot, Greenway

Attendees

Allan Williams (Chairman)

Ewan Brown

Rick Lord

Nick Clarke

Liam Lilley

Glenys Patulny

Ron Thompson

Susan Helyar

Eileen Newmarch

Gungahlin Community Council

Council of the Ageing

Engineers Australia, Canberra Division

SEE-Change

Tuggeranong Community Council

Canberra Business Chamber

ACT Council of Social Services

Energised Consumers Project Officer

ActewAGL Distribution

Dennis Stanley

Lucy Hutton

Peter Cunningham

Chris Bell

Emily Brown

William Yeap

Michael Monck

Alison Davis

Helen Leayr

Kerri Hannaford

Branch Manager, Asset Strategy

Marketing and Corporate Affairs

Regulatory Manager, Asset Management

Manager, Electricity Networks Price Review

Manager, Regulatory Pricing

Manager, Gas Networks

Program Manager, Power of Choice

Manager, Electricity Market and Contact Centre

Consumer Engagement

Consumer Engagement

Guest speakers

Kurt Stephens

Dr Dennis R Van Puyvelde

Australian Energy Regulator

Director – Gas, Energy Networks Australia

Apologies

John Sullivan

Kirk Coningham

Michael Hopkins

Adrien Cirson

Stephen Devlin

Australian National University

Master Builders Association

Master Builders Association

Property Council of Australia, ACT

General Manager, Energy Networks

Papers distributed prior to the meeting:

- Agenda meeting #17
- Draft Minutes of meeting #16
- Framework and Approach Fact Sheet from the AER
- ENA Gas Vision 2020

1 Welcome and introductions

The Chair, Allan Williams, welcomed Council members and apologies were noted. Mr Williams noted that there has been a significant increase in media coverage about energy related matters. Mr Ron Thompson of Canberra Business Chamber was welcomed to his first ECRC meeting.

2 Review and ratify minutes of meeting # 16

Minutes of meeting #16 were ratified and the minutes are to be added to the website.

3 ECRC member updates

Mr Williams invited members to put forward matters for discussion and updates from previous meetings.

Ms Patulny noted that there is a lot of discussion around security of supply, 100% renewables, Tesla and the South Australian energy debate.

Ms Helyar noted that Eileen Newmarch, Energised Consumer Project Officer has prepared a submission to the Finkel Review. A link to the submission will be distributed.

4 Australian Energy Regulator Presentation

Mr Kurt Stephens, Australian Energy Regulator, presented to the meeting. The Australian Energy Regulator – ActewAGL Distribution reset – Framework and Approach document was distributed prior to the meeting. The presentation included:

- The AER's role in ACT energy
- Regulatory Framework incl. Framework and Approach (F&A)
- ACT Preliminary F&A
- Reset timeline
- Service classification guideline.

Discussion:

- Q. The rules are set by the Government, can they be changed? A. Yes, AEMC (Australian Energy Market Commission) is the rule maker, noting that the process to change the rules is lengthy. Q. How will the difference from 6-19% of the Dual Function Assets be resolved? A. The AER is talking to AAD about how this growth in valuation of assets can be best understood.
- Q. Have the complexities for consumers been considered when implementing changes such ring fencing? AAD have been criticised for this, and it creates confusion in our local market, but the changes are out of AAD control. A. This has

been considered by the AER, on balance the separation allows for competition which is an important outcome despite some of the downsides.

- Comment –Power of Choice changes are an example where the industry is becoming comfortable with the changes but concern remains about how well the customers understand the changes.
- Comment – like the mobile phone there is a lot of complexity but that does not mean the consumer is getting a better service offer in the end. The AER needs to balance complexity against choice for consumers and there are some smaller market segments that don't have the market impact to get appropriate service.
- Comment - The talk is around competition cutting costs but consumers are not seeing this outcome in their bills, where is the balance?
- Comment – Moving metering into the Retail sector will increase frustration for consumers and it will not translate to better prices.
- Comment – need to consider more than the economic aspects, also consider the triple bottom line of economic, social and environmental.

5 Regulatory Matters

Ms Emily Brown, and Mr Chris Bell, AAD presented on regulatory matters including:

- Tariff Structure Statement
- Ring Fencing
- ACTCOSS project update
- EN Regulatory proposal
- Framework and Approach

Discussion:

- Ms Brown thanked the ECRC and the community for input into the Tariff Structure Statement, this assisted AAD in receiving positive comments from the AER such as “ActewAGL is currently the most advanced distributor in the national electricity market in reforming its tariff structure.” (source: Australian Energy Regulator, Final Decision, Tariff Structure Statement, ActewAGL, Feb 2017)
- Ms Brown noted that rebranding of AAD by 1 January 2018 would be required to meet the new ring-fencing guidelines.
- Q. Will the rebranding be like the ICON Water rebranding process? A. Yes, ActewAGL Distribution will be rebranded.
- Q. Does this mean there will be extra costs for each company? A. The existing structure will remain with many corporate services shared however there will be a cost associated with re-branding.
- Comment from Mr Williams noting that he had contacted Paul Walshe to see if there would be an opportunity for the ECRC to receive early information on the rebranding.
- Comment – there will need to be education so the public know who to call if there is an issue.
- Ms Brown updated the meeting on the ACTCOSS workshop held February 2017. The key issue discussed was the trade-off between price and reliability. For increased reliability the trade-off is typically an increased price for customers. Ms

Helyar asked for some practical examples to be developed showing that if X level of service is provided/expected then Y would be the price, this same practical example needs to be reflected across a range of demographics and in different locations across Canberra. Following the February workshop ACTCOSS presented a report to AAD on the issues and challenges and information that would be useful to customers. The AAD response will be in the discussion paper due May 2017.

- Comment –For example, it would be good to be able to explore the impacts on customers that have ‘blackouts’ as a result of not being able to pay their electricity bills.
- Ms Brown noted that extensive consultation is planned over coming months on the Electricity Network Regulatory Proposal including a discussion paper, focus groups, survey, retail meetings and ECRC presentations.
- Comment – It would be useful if organisations such as ACTCOSS could be part of discussions with Retailers so that they can better understand issues such as hardship. Mechanisms will be investigated for AAD (Marketing and Corporate Affairs) to talk to ACTCOSS about other avenues.
- Q. Has there been any noticeable difference in service levels since the operational budget cuts to AAD from the last regulatory decision? A. The impact of these cuts will be seen increasingly over time. Early data is showing a similar number of outages, but an increasing average duration. It is anticipated that there may be a drop in service standards.
- Q. Is there an issue and enough of an incentive to replace depreciated assets and is there a trade-off between services in new areas and older areas of Canberra? A. The capital expenditure to replace the assets is not directly impacted by the cuts to operational expenditure. Customer service levels don’t differ based on location.
- Q. Is it more expensive to build infrastructure for greenfield areas or urban infill locations? A. It is not as easy to recoup the costs for an infill location as the explicit cost of particular development is not easy to calculate; for greenfield developments it is easier to calculate the capital contribution required from developers for the infrastructure.
- Q. In relation to the CAPEX figures shown, 20% for replacing aging infrastructure and 17% for growing our capacity – is there a potential for savings if CAPEX is deferred due to advances in technology? A. There is a lot of scenario planning being done to determine the right balance between these two aspects of CAPEX.
- Q. What is returned to shareholders from capital investment? What is the profit target? A. Return on capital is risk adjusted and determined by the AER regulatory process which determines the allowable return on capital. At a future ECRC meeting the return to shareholders and any changes over the last few years will be presented.

6 Gas metering and billing update

Mr William Yep, Manager Gas Networks, AAD presented to the meeting on gas metering and billing. The presentation included:

- Update since last ECRC update December 2016
- Current Update
- Next Steps

Discussion:

- Q. Can we stop using the estimated bills and how will smart meters factor? A. The estimated bill is required for certain circumstances, for instance if a meter reader cannot access the meter. The issue that led to such a large number of estimated bills has now been resolved. AAD is confident that each customer is only being charged for what they have used, once the adjustment for the estimation is finalised.
- Comment - The bill estimation rate decrease from 20% in May 2016 to 3% in February 2017 is a good downward trend.
- Q. Has it been considered that those receiving an estimated bill are provided with tailored information that provides the option of contacting AAD to discuss the bill or obtain an explanation? A. The estimated bill is given to the retailer to distribute to the household, we acknowledge that this could be done better.

7 Gas Vision 2050

Dr Dennis Van Puyvelde, Director – Gas, Energy Networks Australia presented to the meeting. The presentation included:

- Gas in Australia today
- Supporting the energy transformation
- Low emissions transformations technology
- Gas vision 2050
- Policy settings

Discussion:

- It was noted that in the ACT gas energy use is in approx. 80% of homes.
- Comment - due to the high cost of gas, consumers are moving away from gas. A. The 2050 Gas Vision diversifies gas supply by looking at options such as hydrogen and biogas which we believe can be cost competitive in the long term.
- Comment – In the ACT it is cheaper to have reverse cycle than gas. Some households are unable to heat their entire house; often just one room is heated. Gas prices need to decrease.
- Q. Going forward the role of gas will be determined by the price of gas. How does the price of gas in Australia compare to overseas prices for Australian gas? A. The Australian gas market is part of the Asian market and the price is linked to demand in Japan. Other markets, such as Europe, operate independently and don't significantly impact on Australia prices.

8 Power of Choice

Mr Michael Monck, Program Manager, Power of Choice, AAD provided the meeting with a demonstration on the customer portal currently being developed by AAD.

This portal will allow customers better access to their energy usage data.

Discussion:

- Q. Will there be any consumer guidance fact sheets on how households will use the data? Consideration could be given to using pop-ups on the screen ie 'this data tells me.' Care Financial Counselling may be able to assist with the types of questions consumers will have. A. Frequently Asked Questions will be included on the portal and we will take this suggestion on board. In the next few weeks links to the portal will be sent out to the ECRC for members use and feedback.

9 Other matters

There were no other matters discussed.

10. Draft post meeting communique

The following matters were noted for inclusion in the Communique

- AER presentation
- Gas Vision 2050
- Electricity regulatory matters
- Gas billing issues
- Power of Choice project

10 Next meeting

21 June 2017

11 Meeting close

Mr Williams closed the meeting at 12:30pm.