

# Addressing CAP feedback

## Customer Advisory Panel – Meeting 2

**Table 1 – Tariff structure statement: Objectives and principles**

What we heard	What we propose to do
<ul style="list-style-type: none"> <li>Affordability is not an appropriate objective for tariffs given there is so much outside of the distributor’s control. Recommendation to reframe this objective to focus on increasing the value customers can extract from the network. This evolves into a narrative about customer agency.</li> </ul>	<p>Reframing affordability to value customers can extract from the network will be factored into stakeholder and customer consultation.</p>
<ul style="list-style-type: none"> <li>The challenge of whether customers can afford their electricity bills is more relevant to income policy discussions as opposed to tariffs i.e., social welfare policy</li> </ul>	<p>Noted. The AER game changer initiative may shed further light on the issue of network tariffs in social welfare.</p>
<ul style="list-style-type: none"> <li>Simplicity may not be the right objective for tariffs. Consumers do not engage directly with network tariffs, and having fewer, more simple tariffs may mean they do not reflect costs and constrain the ability of retailers to meet the needs of different consumers. Recommendation to reframe this objective to focus more on predictability. Predictability and customer understanding of how their actions affect their bills is also key to affordability.</li> </ul>	<p>Simplicity was the main preference of some vulnerable customer groups, retailers, and the Victorian government. A view was that many customers, especially vulnerable customers, can’t understand price signals or don’t have the capacity to respond. Simplicity and predictability probably go hand in hand. The simple single rate tariff is predictable because the less I consume at any time the less my bill. There is a limit because the most simple and predictable tariff is a fixed monthly charge, but almost all stakeholders are opposed to fixed charges because it removes the customer control over their bill and does not incentivise behaviour which could reduce the future cost of distributing electricity.</p>
<ul style="list-style-type: none"> <li>Question as to whether transparency should be included as an objective as this ties into predictability and customer understanding of tariffs</li> </ul>	<p>See previous comment</p>
<ul style="list-style-type: none"> <li>Recommendation to combine economic efficiency and adaptability into one objective called dynamic efficiency.</li> </ul>	<p>We are considering the CAPs recommendations and will consult further with our customers and panel on the objectives including seeking feedback on dynamic efficiency as an objective.</p>

<ul style="list-style-type: none"> <li>Recommendation to more clearly articulate what equity means in the context of tariff design given it can be interpreted in many different ways</li> </ul>	<p>We could define equity as customers receiving the same tariff structures, options and rates no matter where they are located on the network or in Victoria. This can help tease out the balance between the conflicting objectives of efficiency and equity.</p>
<ul style="list-style-type: none"> <li>The temporal nature is missing from the narrative. Recommendation to consider the uptake of EVs and home batteries and how the network will avoid cross subsidies in tariff design</li> </ul>	<p>We will take into account the growth of EVs and batteries in tariff design.</p>

**Table 2 – Tariff structure statement: Trials and other analyses of impact on consumers**

What we heard	What we propose to do
<ul style="list-style-type: none"> <li>How the tariff reform impacts different customer groups is important and it must be presented in a way that customers and stakeholders understand so that challenges can be identified and worked through</li> </ul>	<p>The presentation of network tariff impacts will be discussed in more detail with the CAP tariff sub-committee.</p>
<ul style="list-style-type: none"> <li>Recommendation to conduct analysis on tariff reform including how it impacts customers. A good way to illustrate this is to build customer profiles of who might be the ‘winners and losers’ in certain reform scenarios. This will allow for more meaningful discussions as to how the ‘losing households’ could be assisted by the network and also other agencies (i.e., Government or social services)</li> </ul>	<p>The presentation of network tariff impacts will be discussed in more detail with the CAP tariff sub-committee.</p> <p>The role of networks in customer communication and education will be explored with stakeholders and customers.</p>
<ul style="list-style-type: none"> <li>Recommendation to model different tariff design scenarios and then overlap the temporal scenarios and bring in customer segmentation work</li> </ul>	<p>Tariff options will be built into our Future Network Scenarios to estimate their impact on network demand.</p> <p>Customer segmentation will be discussed in more detail with the CAP tariff sub-committee.</p>
<ul style="list-style-type: none"> <li>There was interest in understanding how tariff trials are exploring what type of value can be released with the new agency being unlocked through Home Energy Management Systems (HEMS) and aggregators etc.</li> </ul>	<p>We are planning to consult on network tariffs for flexible load which will include HEMS. None of the Victorian have relevant tariff trials, so we will look to other trials for learnings.</p>

- Question raised as to how the business evaluates tariff trials. CAP expressed interested in seeing the outcomes of tariff trials conducted by the business e.g., EV tariff trial

We will share tariff trial findings with the tariff sub-committee.

### Table 3 – Tariff structure statement: Engagement

What we heard	What we propose to do
<ul style="list-style-type: none"> <li>• Joint distributor engagement is a good way to align on an approach to tariffs however, it is important to recognise that tariff structure will differ per distributor as different distributors have different peak periods</li> </ul>	<p>We are currently undertaking analysis on peak demand on network assets at various levels of the network to identify whether different peak pricing periods are justified.</p>
<ul style="list-style-type: none"> <li>• The business’s approach to C&amp;I engagement means that results may be strongly influenced by who happens to complete the survey within each business. It is critical to ensure that the survey reaches the most appropriate people. Recommendation to tailor C&amp;I surveys to increase the likelihood of engagement and participation in surveys</li> </ul>	<p>Broadening C&amp;I surveys will be explored.</p>
<ul style="list-style-type: none"> <li>• Recommendation that more engagement is needed in the current tariff engagement plan. It is likely stakeholders may feel uncomfortable with tariff changes in the beginning and that is why engagement and analysis is needed</li> </ul>	<p>Based on the CAP’s feedback we have now included a customer panel in our engagement plan</p>

### Table 4 – Customer vulnerability: Defining vulnerability

What we heard	What we propose to do
<ul style="list-style-type: none"> <li>• Recommendation to engage social service organisations to better understand the spectrum of vulnerability</li> </ul>	<p>We want to develop our definition in collaboration with our stakeholders. We agree that social service organisations should inform our work. As a starting point, a customer vulnerability workshop was held on the 9 May 2023 with all five Victorian Distributions and participations from key social service organisations as well as the AER and its CCP. Philip Cullum and Gavin Dufty both participated in the workshop. Planning for a focus</p>

	group discussion is also underway with the assistance of St Vincent de Paul and the Victorian Council of Social Services.
<ul style="list-style-type: none"> <li>There are certain customer characteristics that define a vulnerable customer when interacting with the network i.e., customers experiencing climate-based events, customers experiencing financial hardship and life support customers</li> </ul>	We will look to articulate the ways in which customers interact with us (including via network tariffs, climate events, outages, digital and phone communication, future energy services) and unpick (in collaboration with stakeholders) what certain customer characteristics may lead to a customer experiencing vulnerability or challenges in those interactions.
<ul style="list-style-type: none"> <li>Customer groups that are typically overlooked are middle income families struggling with rent/mortgage and families who are recovering post covid i.e., lost savings during lockdowns</li> </ul>	Noted. The lens of customer vulnerability should capture customers who are currently experiencing vulnerability and customers who are at high-risk of experiencing vulnerability. The business is very conscious of the cohort as they were vocal with their concerns during the broad and wide engagement and our engagement with First Nations people.

**Table 5: Customer vulnerability: Vulnerability understanding and insights**

What we heard	What we propose to do
<ul style="list-style-type: none"> <li>It is important to explore customer needs and feedback from the margins and then validate with the broader customer base</li> </ul>	Noted. We intend to take back feedback from our marginal customers and test with the broader customer base. We will also look to explore this issue in more depth with the AER.
<ul style="list-style-type: none"> <li>The business should seek to analyse and report on where vulnerable customers are, the challenges they face and the magnitude of those challenges, to then be able to approach organisations like St Vincent’s De Paul for assistance</li> </ul>	Noted. Through our work on customer vulnerability, we will seek to identify both our role as a distributor in providing a certain service, or our role in providing other organisations certain insights which may inform the design of their own support services.
<ul style="list-style-type: none"> <li>The more the business can increase network utilisation the more it can decrease the unit cost for customers. Recommendation to conduct network utilisation analysis</li> </ul>	Noted.
<ul style="list-style-type: none"> <li>Recommendation to do more engagement with customers who are going to be paying for customer vulnerability reform</li> </ul>	Noted. We will seek to engage with the wider customer base on the allocation of costs in relation to vulnerability measures

<ul style="list-style-type: none"> <li>Recommendation to conduct an analysis on any existing customer vulnerability packages to understand how effective they are</li> </ul>	<p>We will consider how to approach an analysis of the effectiveness of our existing vulnerability packages. Our current support strategies include (but are not limited to) on the ground community support during climate events, tailored multi-language comms, interpreter services, accessibility standards for all website communication, and dedicated web material and videos targeting energy literacy.</p> <p>It can be difficult to analyse the effectiveness of these services in a meaningful way. While it is feasible to monitor or estimate the number of customers reached within the initiatives, the impact is difficult to measure without qualitative research. We would welcome additional CAP feedback on an approach to understanding and measuring effectiveness of customer vulnerability packages in a more holistic way.</p>
<ul style="list-style-type: none"> <li>Recommendation to conduct an analysis to understand how many customers are at home during the day and what bill reduction potential there is for tariff reform</li> </ul>	<p>Noted. Network tariff impacts will be discussed in more detail with the CAP tariff sub-committee.</p>
<ul style="list-style-type: none"> <li>There are tariff opportunities for vulnerable customers and there is opportunity for networks to work with the Victorian Government on this</li> </ul>	<p>Noted. Our business is working very closely with the Victorian Government on network tariff reform meeting at least once every two months.</p>

**Table 6: Customer vulnerability: Vulnerability issues within the wider reset**

What we heard	What we propose to do
<ul style="list-style-type: none"> <li>Linking vulnerability to the narratives that apply to other workstreams will help create a stronger narrative i.e., tariff, resilience, Distributor System Operator (DSO), reduced capex and emissions reductions. Assisting vulnerable customers should be a part of the broader narrative of future networks and a just and fair transition</li> </ul>	<p>Agree, customer vulnerability should not be viewed in isolation but as a lens applied to all elements of our future network vision. We will work to articulate this approach more clearly.</p>

<ul style="list-style-type: none"> <li>• There is opportunity for alignment between demand management and helping customers with high usage as well as disconnections for non-payment. There is also opportunity to work with landlords on demand management programs</li> </ul>	Noted.
<ul style="list-style-type: none"> <li>• Recommendation to think about vulnerability under the banner of network resilience and how climate change will impact communities</li> </ul>	Agree. Customers who are a part of communities affected by climate change may experience vulnerability during, and after, climate events. We will work to overlay the customer vulnerability lens to our work in network resilience.
<ul style="list-style-type: none"> <li>• The most meaningful reform a distribution network can do for vulnerable customers is to unpick the cross subsidisation</li> </ul>	Noted.
<ul style="list-style-type: none"> <li>• There is potential risk that the network may create vulnerability through poor network service such as single earth wire return (SWER) or poor reliability feeders</li> </ul>	<p>Agree. We are aware of the potential widening of the service gap between urban and rural customers. We are advocating for a more balanced regulatory framework which considers both average customer reliability and worst-served customer reliability.</p> <p>To explore this, we will be conducting a review of the areas within our networks which are most vulnerable to climate events. The regional summit on 26 June is also dedicated to examining and seeking solutions to the service gap. The outcomes of the regional summit will be discussed further with CAP members on 27 June.</p>

**Table 7 – Tracking performance 2021/2022**

What we heard	What we propose to do
<ul style="list-style-type: none"> <li>• Recommendation to add more commentary around what impact expenditure and allowance results may have on the future regulatory period</li> </ul>	We will provide this commentary where robust information is available, recognising this robustness will increase as the end of the regulatory period nears.
<ul style="list-style-type: none"> <li>• Recommendation to present longer term expenditure trends over multiple regulatory periods</li> </ul>	We will include further detail on prior year expenditure in future presentations.

- Recommendation to draw out more clearly what the business has done for the expenditure and the reason/s for underspending or overspending - distinguish between forecast error, poor productivity, delays, efficiency etc.

We will include further detail on service performance in future presentations. We will also seek to quantify the drivers of expenditure variations to allowance where practicable. It can be challenging, however, to attribute under/overspends to single factors (e.g. process improvements may be offset by material cost increases).

### Table 8 – Framework and approach

What we heard	What we propose to do
<ul style="list-style-type: none"> <li>• Recommendation to frame the framework and approach consultation around the potential value and upside for customers i.e., more solar, less emissions, less augmentation, and lower customer bills to improve accessibility for customers</li> </ul>	<p>We agree that customer benefits should underpin development of our framework and approach consultation and will propose changes to the framework and approach where outcomes will benefit customers. Ensuring that the customer benefits of proposed changes are clear will also improve consultation accessibility.</p>
<ul style="list-style-type: none"> <li>• Recommendation to focus on critical framework and approach issues like service classification for future discussions</li> </ul>	<p>We will discuss our draft framework and approach positions with customers at a future CAP meeting.</p>