

Ausgrid Customer Committees Draft Terms of Reference



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Overview

Ausgrid is working hard to improve customer engagement and embed a customer focused approach across our entire business. In the 2019-24 regulatory period, we will strengthen this focus in partnership with the following four customer committees:

- Customer Consultative Committee (**CCC**)
- Pricing Working Group (**PWG**).
- Network Innovation and Advisory Committee (**NIAC**)
- Technical Review Committee (**TRC**)

In past years, the CCC has been Ausgrid's sole forum to engage with customers. This changed in 2018 with the convening of the PWG. Through the PWG we collaborated with customer advocates to develop an approach to pricing that we took to the Australian Energy Regulator (**AER**). The NIAC and the TRC are new initiatives designed to take on a key role within our business from the 2019-24 regulatory period and beyond.

This expansion of our customer engagement to include multiple committees presents a need to develop a terms of reference (**ToR**) for each of the newly established forums and to revisit the current ToR (or 'Charter') that is in place for the CCC. We recognise that we need to undertake this process collaboratively and, to that end, the purpose of this draft ToR is to ask customers how they want each of the four committees to be run.

To facilitate this feedback, draft ToRs for the CCC and each subcommittee are set out in Appendix A-D for comment.

Background

The electricity industry is undergoing a significant transformation. For over a hundred years energy flows have been predominantly one directional, with energy moving from large thermal generators to households and businesses along high voltage transmission lines and lower voltage distribution lines.

This paradigm is changing quickly. Households, communities and businesses now want to generate, consume, and store their own electricity, and sell any excess back into the grid. This is resulting in two-way flows across the network and creating challenges in terms of managing a growing mix of distributed energy resources (DER).

The scale, speed and complexity of these changes has led Ausgrid to recognise that we 'do not have all the answers' and that collaboration with our customers is not only critical, but in our long-term interests. Through engagement and collaboration with our customers we can learn about their changing needs and recalibrate our business accordingly, setting up Ausgrid to be in the best possible position to thrive as the electricity industry transforms.

Stakeholders have also told us that they want to play a greater role in the decisions we make, particularly in relation to technology and innovation. In its submission to our April 2018 Revised Regulatory Proposal, the Consumer Challenge Panel stated:

CCP10 expects distributors to demonstrate active engagement with developers, technology providers, retailers and consumers with a clear commitment to not only carry out trials but reflect a genuine and intentional focus on demand management, new technologies, customer engagement and non-wires solutions in their planning for growth and asset replacement.

The Electricity Network Transformation Roadmap (the Roadmap), published by Energy Network Australia (ENA) and the CSIRO, came to similar conclusions about the importance of customer engagement. One of the Roadmap's key findings was that networks need to enhance their relationships with customers built on improved data analytics and a deeper understanding of customer needs. The Roadmap also recognised that networks will play a key role in the delivery and connection of an expanding range of innovative products and services to customers.¹

Our engagement objective

The International Association for Public Participation (IAP2) public participation spectrum helps define the public's role in an effective participation process. In our circumstances, the new NIAC and TRC committees are not being established

¹ ENA/CSIRO, Energy Networks Transformation Roadmap 2017, p16

as forums to simply consult with customers. Through our customer committees we aim to **collaborate** with customers about the future direction of the network and develop potential solutions together. This recognises that while Ausgrid will retain decision making responsibility on all matters being considered by our customer committees, consumer views will be incorporated to the maximum extent possible. When this is not possible, we will articulate the reasons why.

On the public participation spectrum, collaboration has the following characteristics:

Public participation goal

To partner with the public in each aspect of the decision including the development of alternative and the identification of the preferred solution

Promise to the public

We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.

Ultimately, through collaboration we want to provide evidence that we have embedded customer choices in our business decisions on an ongoing basis and include customers in our thinking about strategy and operations. This is a key part of our broader aim is to be the leading distribution business in National Electricity Market in terms of efficiency and we know we will only achieve this with the support of our customers. This approach also aligns with the principles in the Energy Charter.

Ausgrid engagement principles

In 2018 we recognised that we needed to build customers' trust and improve our decision making. We developed a set of Engagement Principles that will assist with our cultural change and our efforts to be more open and transparent.

Our Engagement Principles

Ausgrid's objective is to continue building trust with customers. The following principles aim to support this goal.

Be collaborative: Proactively engage and collaborate with stakeholders

Be quantitative: Provide data from the perspective of the consumer

Be accountable: Agree a timeframe and deliver

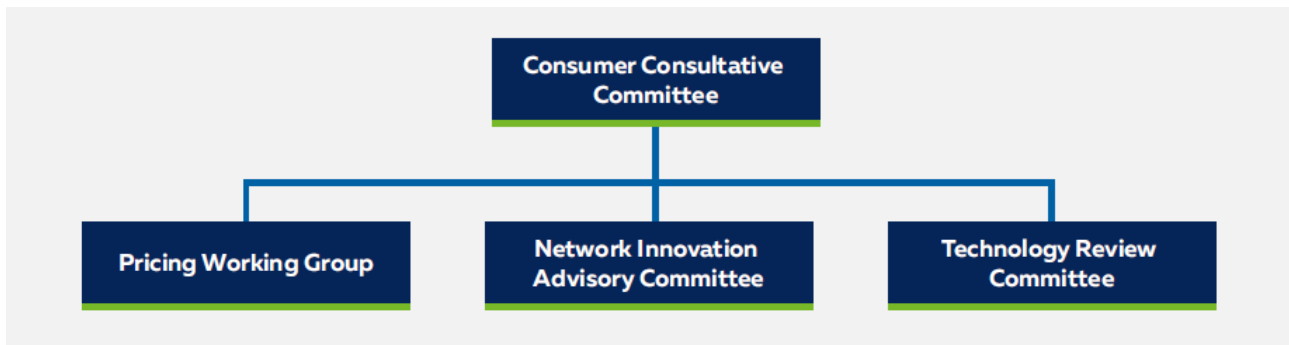
Be transparent: Ask for regular feedback, understand what is required

Be adaptable: Be prepared to change based on feedback

The role of the CCC and each sub-committee

The CCC will continue to be the key body for broad customer advocate input to Ausgrid's business planning. The approach to our CCC will be focused on customer and business strategy development and implementation.

We are proposing four CCC meetings per year with time allocated to a customer strategy update, business review and progress reports on customer advocate led initiatives. The CCC will also be complemented by three sub-committees: the PWG, NIAC and TRC.



PWG (Pricing Working Group)

The PWG was established to develop better tariff approaches capable of delivering lower overall system cost.

Together with the PWG we have co-designed the tariff structure and prices incorporated in our 2019-24 Regulatory Proposal and our aim is to continue using this forum to help support the smooth implementation of cost reflective prices. We expect that, through the PWG, customer advocates will also help us develop the right information to guide our broader customer base to take the right decisions that minimise their network costs and get the best value out of their network services.

NIAC (Network Innovation Advisory Committee)

We have established the NIAC to place our customers at the centre of investment decisions as we transform our network. This will ensure that our network evolves to support greater customer choice and control over their energy usage, things that customers told us they expect from a network of the future.

The NIAC will drive our network innovation investment decisions. It will do this by working collaboratively with Ausgrid to review business cases for planned innovation projects and help oversee a \$42 million capital funding envelope approved for innovation programs in the 2019-24 regulatory period. In addition, the NIAC will advise on phase 3 of the Advanced Distribution Management System (ADMS) program.

Importantly, where it is agreed that capital expenditure is to be overseen by the NIAC, the Capital Expenditure Sharing Scheme (CESS) will not apply to that expenditure.

TRC (Technical Review Committee)

The TRC will provide a specialist forum for customer advocates to work with Ausgrid to improve transparency of ICT expenditure and cyber security investments.

This forum will also work towards optimising the business cases we use to support investment decisions and to review how improvements can be made to the Australian Energy Regulator's (AER) replacement expenditure model (**repex model**).

Arrangements applying to all committees

The following arrangements apply to all committees and form part of this Terms of Reference:

Members' responsibilities

Committee members will:

- a. have an interest in electricity related issues
- b. regularly attend meetings and actively participate in discussions
- c. read and review papers provided in advance of committee meetings to bring customer perspectives to discussions
- d. suggest agenda items in advance of meetings
- e. report the views of their organisation and those they represent to Ausgrid
- f. give feedback from the committee meetings to their organisation and the wider community when appropriate.
- g. respect the views of other committee members
- h. respect any information or material that may be confidential
- i. respect the position they hold with regard to access to information from Ausgrid, and not use this position in any way for personal gain

Ausgrid acknowledges committee members' right to make public comment (other than on confidential material or matters). Where possible, Ausgrid requests members advise the committee chair or media advisor of any impending media items relating to the committee or Ausgrid.

Ausgrid's responsibilities

Ausgrid will:

- a. work within the framework of the Committees Terms of Reference
- b. provide a Chairperson and other resources as required
- c. provide the required agenda, papers and other documentation in advance of each meeting.
- d. provide requested information including reports, business cases, decision documents, and other material that will allow the committees to perform their roles in a timely way, or give specific reasons for the inability to provide information
- e. encourage all committee members to present their views.
- f. respect the input and advice from all committee members as given in good faith
- g. pass on each committee's advice and recommendations to relevant Ausgrid managers and staff.
- h. where appropriate, give written feedback on all suggestions and ideas made by committees, explaining how each contributed to the decision-making process or reasons they did not

Membership

Each of the committees will be a different size and have different membership, depending on its purpose. Membership will be agreed upon by Ausgrid and consumer representatives.

Membership of the committees is at the discretion of Ausgrid's Chief Executive Officer or their nominee. New members can be invited to join the committees at any time.

Confidentiality

Confidentiality arrangements may be put in place to ensure that committee members can be provided with confidential material as needed.

Conflicts of interest

Conflicts of interest can involve financial or non-financial interests of the committee member and the interests of a business partner or associate, family member, friend or person in a close personal relationship with the committee member.

If a committee member has a conflict of interest in relation to a particular issue or item of discussion, the committee member should make this position clear to the Chairperson.

Publication of information

Outcomes and presentations from each of the committees may be published on the Ausgrid website. The information to be published will be discussed by the relevant committee.

Independent advice

The committees may engage independent advice as required, the funding of which will be discussed by the relevant committee.

Sitting Fees

Not for profit member organisations can be paid a sitting fee and reimbursed for any out-of-pocket expenses (e.g. travel, parking and accommodation) agreed to by Ausgrid. Please contact Ausgrid if you wish to discuss sitting fees.

Consultation on this document

Ausgrid has shared this document with an invitation to provide feedback on the draft ToR for each of our engagement committees. These ToRs are outlined in Appendix A-D.

Feedback can be provided verbally at the first CCC meeting of the 2019-24 regulatory period to be held on 25 July 2019 or the first NIAC meeting on 24 July 2019. Alternatively, written comments may be provided to John Skinner, Regulatory Policy Manager, at john.skinner@ausgrid.com.au.

A. Customer Consultative Committee

Overview

Ausgrid currently has a 'Charter' in place for the CCC that sets out the purpose of the committee and provides a framework for how Ausgrid engages with members. This Charter is set to expire in 2019 and we propose including new CCC governance arrangements in this document.

Our draft CCC ToR is shorter and simpler than the existing Charter. The draft CCC ToR, which we expect will apply until the end of the 2019-24 regulatory period, is set out below.

DRAFT CCC TERMS OF REFERENCE

Purpose

1. The main purpose of the Customer Consultative Committee (CCC) is to provide oversight and advice to assist Ausgrid in becoming a customer centric business that is sensitive to the needs and views of its various stakeholders.
2. The CCC will assist Ausgrid to become a better business by engaging with stakeholders to better understand their needs and views and consider these perspectives in the decisions Ausgrid makes. The CCC and its members are also well placed to advise on how Ausgrid engages with its customers more broadly to achieve those same aims.
3. The CCC will be Ausgrid's main consultative body providing customer and external stakeholder perspectives around:
 - a. Ausgrid's business plans, policies, service plans, and service delivery
 - b. Ausgrid regulatory submissions and the regulatory framework
 - c. ensuring appropriate and effective customer and stakeholder engagement.
 - d. assisting the development of a climate of trust between Ausgrid and the community it serves by fostering an open, honest and collaborative approach to the planning and delivery of Ausgrid's services, tariffs and policies
 - e. providing a transparent and open forum for stakeholders to have effective input into and examination of Ausgrid's planning, performance and decision-making processes
 - f. providing a forum for facilitating two-way communication around Ausgrid's service development initiatives and responses to customer concerns
 - g. assisting in understanding the environment and market in which Ausgrid operates, including trends and technological developments which impact on future plans and strategies
 - h. providing a forum for oversight of Ausgrid's customer research, consultation, and engagement plans and activities
 - i. representing the needs, experiences and views of customers and the community Ausgrid serves
 - j. representing the needs, experiences and views of vulnerable, disadvantaged, low-income and minority sectors of the community
 - k. promoting a just, equitable, effective and sustainable delivery of Ausgrid's services.

Membership criteria, selection of members, terms of office

4. As the main consultative body, the CCC needs to have a representation of diverse perspectives whilst also remaining a manageable size. There are opportunities to involve some customer or stakeholder groups or organisations via issue-specific working groups or focused consultation.
5. CCC Members should be able to provide valuable input across a range of issues as well as advocating for their members or organisation's core purpose.
6. It is desirable to have a CCC membership that represents or can provide informed input on the following perspectives:
 - a. the community Ausgrid serves and community groups

- b. vulnerable and disadvantaged customers
 - c. customers in low-income households
 - d. older customers
 - e. customers with disabilities
 - f. ethnic minority communities
 - g. Aboriginal communities
 - h. customers from culturally and linguistically diverse backgrounds
 - i. customers living in rural and urban fringe areas
 - j. business customers and business groups
 - k. environmental groups
 - l. local government.
7. Any member of the CCC may represent more than one section of the community, or multiple perspectives. Each CCC member represents the organisation which nominated them, but also brings a wealth of knowledge and experience as an individual.
8. Ausgrid may appoint organisations to the CCC to represent one or more sections of the community or consumer perspectives. Committee membership is made up of representatives from those organisations. The organisations must satisfy the following criteria:
- a. be a formally constituted entity.
 - b. have direct links and interest in promoting the interest of one or more section of the community.
 - c. be non-party political in nature.
9. It is expected that members of the CCC will serve for the duration of the 2019-24 regulatory period.

Meetings

10. The CCC will meet for a minimum of four meetings annually at an Ausgrid office.
11. Ausgrid's Chief Executive Officer will chair each CCC meeting. In their absence, the Chief Customer Officer or another member of Ausgrid's Executive Leadership Team will be invited to chair the meeting.

B. Pricing Working Group

Overview

We set up our PWG following the submission of our Initial Proposal in April 2018 to guide our pricing reforms.

Members who have participated in the PWG to date include: the AER Consumer Challenge Panel, Energy Consumers Australia, Energy Users Association Australia, NSW Business Chamber, Public Interest Advocacy Centre, St Vincent de Paul Society and Total Environment Centre.

Our aim is to continue using the PWG as a forum to help support the smooth implementation of cost reflective prices and establish better tariff approaches capable of delivering lower overall system cost.

DRAFT PWG TERMS OF REFERENCE

Purpose

1. The purpose of the PWG is to provide a forum for Ausgrid and customers to collaborate on a pricing strategy comprising of network tariffs and other supporting incentives and measures that:
 - a. promote the efficient use of our network by our customers and encourage efficient investment in distributed energy resources and energy efficiency
 - b. are consistent with achieving long-term benefits for customers, to make our network services more affordable, reliable and sustainable
 - c. reduce peak demand, which is the principal driver of our future costs, and will reduce costs for all customers in the long term
 - d. provide a more equitable way to recover our total network costs, leveraging the capabilities unlocked with the introduction of smart meters

Items for collaboration

2. The PWG will provide an opportunity for Ausgrid and customers to collaborate on the following:
 - a. the development of just and equitable network tariffs capable of signalling the costs that drive network investment
 - b. design features of future network tariffs, such as demand signals and how to recover residual costs in a way that is 'least distortionary'
 - c. customer impacts of tariff reform, including the findings from comprehensive modelling of those impacts on various users (classified by tariff class, usage patterns and socio-demographic characteristics)
 - d. the basis of the estimation of long run marginal cost (LRMC)
 - e. the relevant costs for pricing reform, including the market costs (i.e. what the utility pays) or economic costs (i.e. resource costs such as environmental costs)
 - f. to the extent that it impacts on costs, whether the emergence of two-way flows of energy on networks should be reflected in pricing
 - g. how tariffs should evolve to support emerging technologies and market transformation
 - h. any other matters that may arise from time to time that relate to Ausgrid's pricing strategy.

Meetings

3. The PWG will meet as needed at Ausgrid's offices.

C. Network Innovation Advisory Committee

Overview

The NIAC puts in place formal arrangements to give customers a role in driving our innovation investment program. It is a new forum for customer engagement that will meet for the first time in the 2019-24 regulatory period.

The draft ToR for the NIAC are set out below. This adopts the draft ToR developed with customer advocates at the November 2018 Network of the Future Forum and consulted upon in the lead-up to submitting our 2019-24 Revised Proposal.

DRAFT TERMS OF REFERENCE

Purpose of the NIAC

1. The NIAC will provide a forum for Ausgrid to collaborate with consumers on innovation investment and the transformation of our network. As technology evolves it may become apparent that certain innovation projects are no longer appropriate and investment is better directed elsewhere. The NIAC will provide advice on this prioritisation.
2. Specifically, the investment to be overseen by the NIAC includes:
 - a. Network Innovation program funding (forecast at approx. \$42 million in our 2019-24 Revised Proposal)
 - b. Stage 3 ADMS Advanced Application funding (forecast at approx. \$10 million of which Ausgrid proposes to self-fund a significant proportion in our 2019-24 Revised Proposal)
3. Committee members may propose additional projects for the Committee's consideration. Opportunities for collaboration with other networks may also be identified and acted upon.
4. Where capital expenditure is to be overseen by the NIAC, the Capital Expenditure Sharing Scheme (CESS) will not apply to that expenditure.
5. The NIAC will make decisions in accordance with the guiding principles for innovation (see below).

Guiding principles for innovation

6. All innovation projects must be in the long-term interests of consumers with respect to price, quality, safety, reliability and security of supply. In relation to innovation, this means that all projects must be safe and create measurable value for customers.
7. The NIAC will consider projects in accordance with the following principles:
 - Maximise economic utility of new and existing assets
 - Lower costs for customers
 - Solves a specific problem
 - Unique-ness of problem and collaborative opportunities
 - Accelerate cost effective decarbonisation
 - Improve fairness
 - Reliability and price

Meetings

8. The NIAC will meet at least three times per year, or as needed, at Ausgrid's offices.
9. At its inception, the NIAC will discuss the need for further governance arrangements such as:
 - a. a robust process of risk/cost benefit analysis and management in considering proposed investments. Such processes should operate at various stages of projects (e.g. project conception, planning, implementation and evaluation)
 - b. a committee charter

D. Technical Review Committee

Overview

The primary purpose of the TRC is to improve transparency of ICT expenditure and cyber security investments.

The TRC will also provide a forum for customers to work with Ausgrid to optimise the business cases we use to support investment decisions and to review how improvements can be made to the AER's repex model.

DRAFT TERMS OF REFERENCE

Purpose

1. The primary purpose of the TRC is to seek advice from consumers regarding the prudence and efficiency of \$20 m in additional cyber security capex that formed part of Ausgrid's approved capital funding in the AER's 2019-24 Regulatory Determination.
2. The \$20 m in "additional cyber security capex" referred to above is excluded from the Capital Expenditure Sharing Scheme (CESS) and is supplementary to the \$144 m the AER approved in "standard" ICT capex for the 2019-24 Regulatory Period.
3. The TRC will be used as a forum for ongoing collaboration on other technical matters besides cyber security. These other matters may include a range of topics including, but not limited to, an exploration of ways to:
 - a. improve cost-benefit analysis and identify ways to give customers a more meaningful role in developing spending plans
 - b. engage with customers on post implementation reports quantifying the customer benefits from recent investments
 - c. assess the role of optionality in long term asset decisions (network and non-network investments)
 - d. collaborate with the AER to improve the repex model and drive greater confidence in the tool.

Meetings

4. The TRC will meet as needed at Ausgrid's offices.