

Representing consumers in the 2021-2026 EDPR

Electricity Distribution Price Reset



Presentation outline

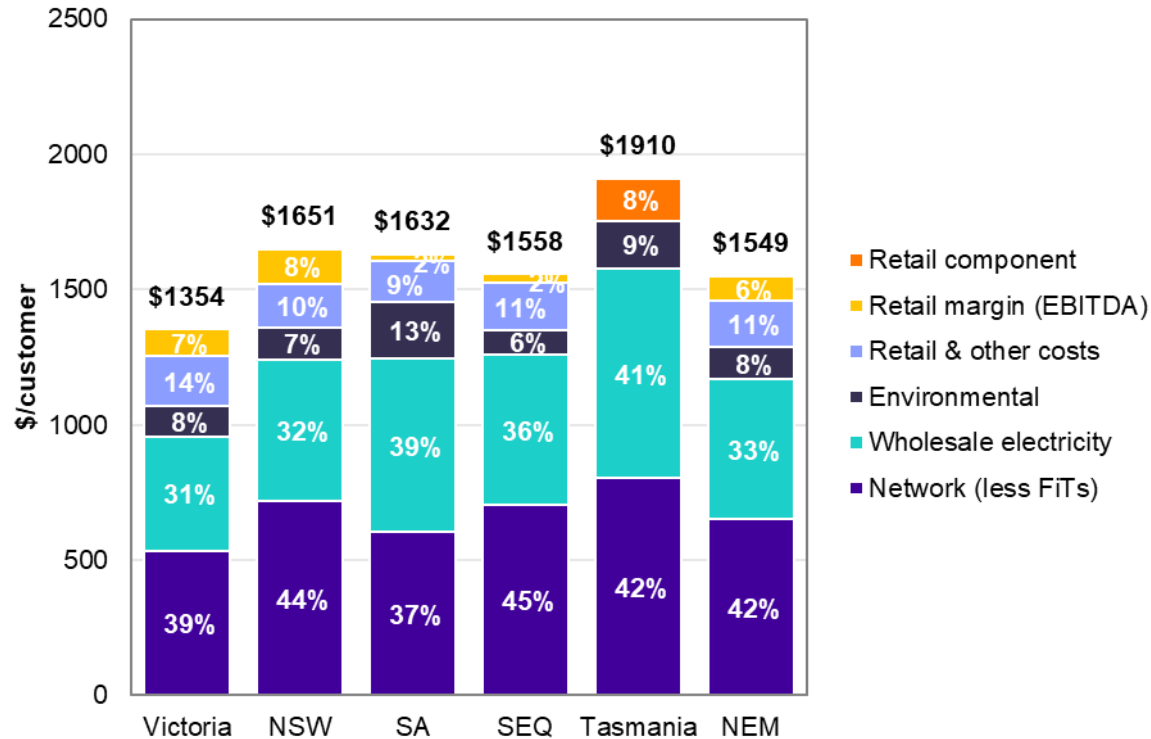
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Aims of presentation today - EDPR

- To get a shared understanding of EDPR process and what's at stake
- Consider policy and investment issues for AER public forum
- Goals and options for advocacy

What's at stake – why engage

Cost stack of average consumer bill 2017-2018



ACCC, 2019, Inquiry into National Electricity Market

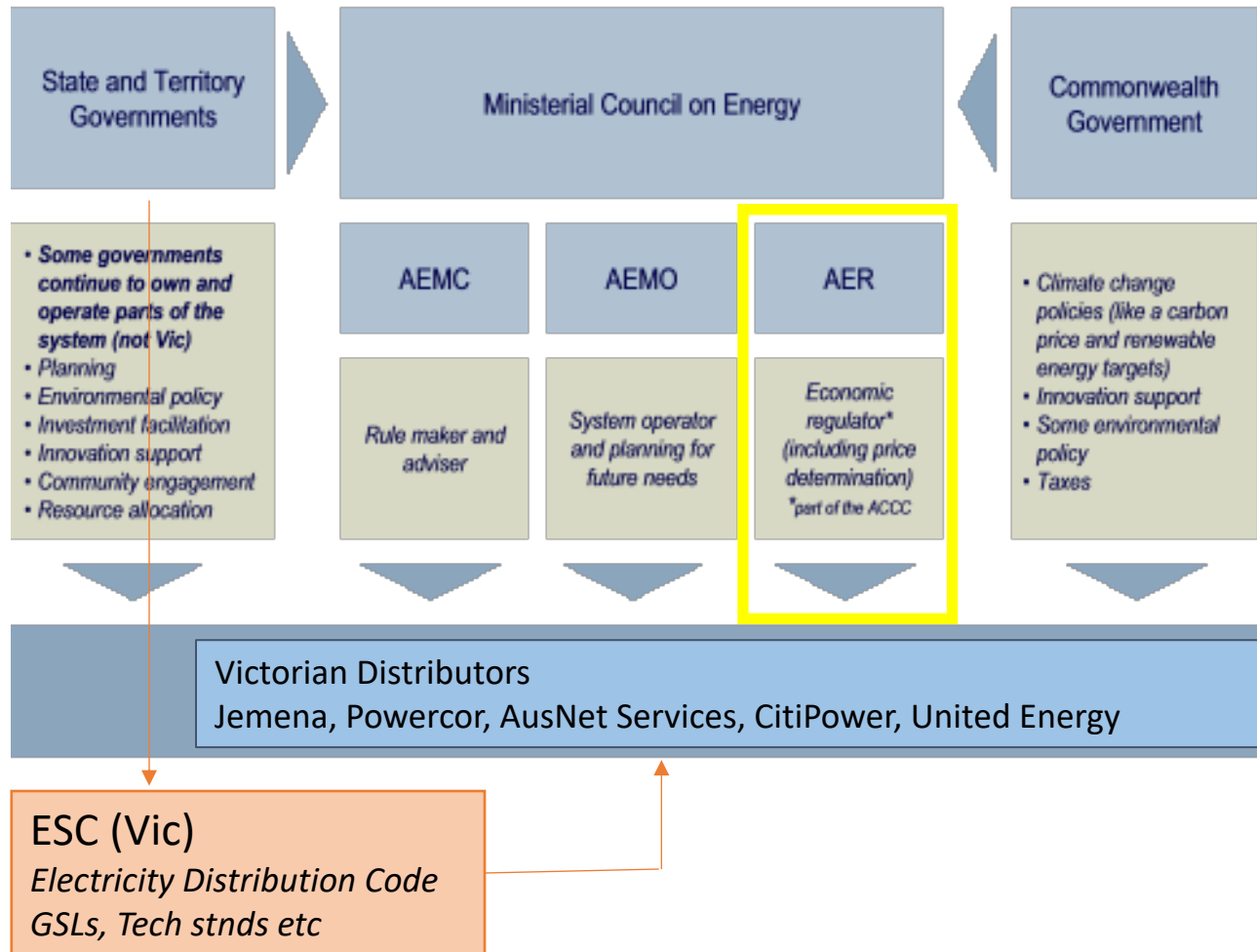
EDPR only deals with Distribution, not transmission...

...which is about 85% of the Network costs, so 33% of the average customer bill.

Will set distribution prices for 5 years – but new investment will be paid off over decades.

Regulatory structure

AER determination process



ESC handed regulation of revenue determination to AER in 2009.

AER conducts determination in accordance with chapter 6 of the National Electricity Rules NER.

In making the rules the AEMC must comply with the NEO – National Energy Objective.

ESC grants the licenses to businesses in Vic.

It regulates the compliance with the ESC's Electricity Distribution Code including Guaranteed Service Levels, Technical standards.

EDPR Timeline

Process so far

AER published preliminary Framework and Approach	18/9/18
Stakeholder forum	25/10/18
Submissions on preliminary Framework and approach closed	9/11/18
AER to publish final F&A	31/1/19
Draft proposals issued by DBs	1/2/19
Consultation on draft proposal	...
Vic distributors submit regulatory proposals to AER	31/1/20
AER releases issues paper	7/4/20

Process through to Jan 2021

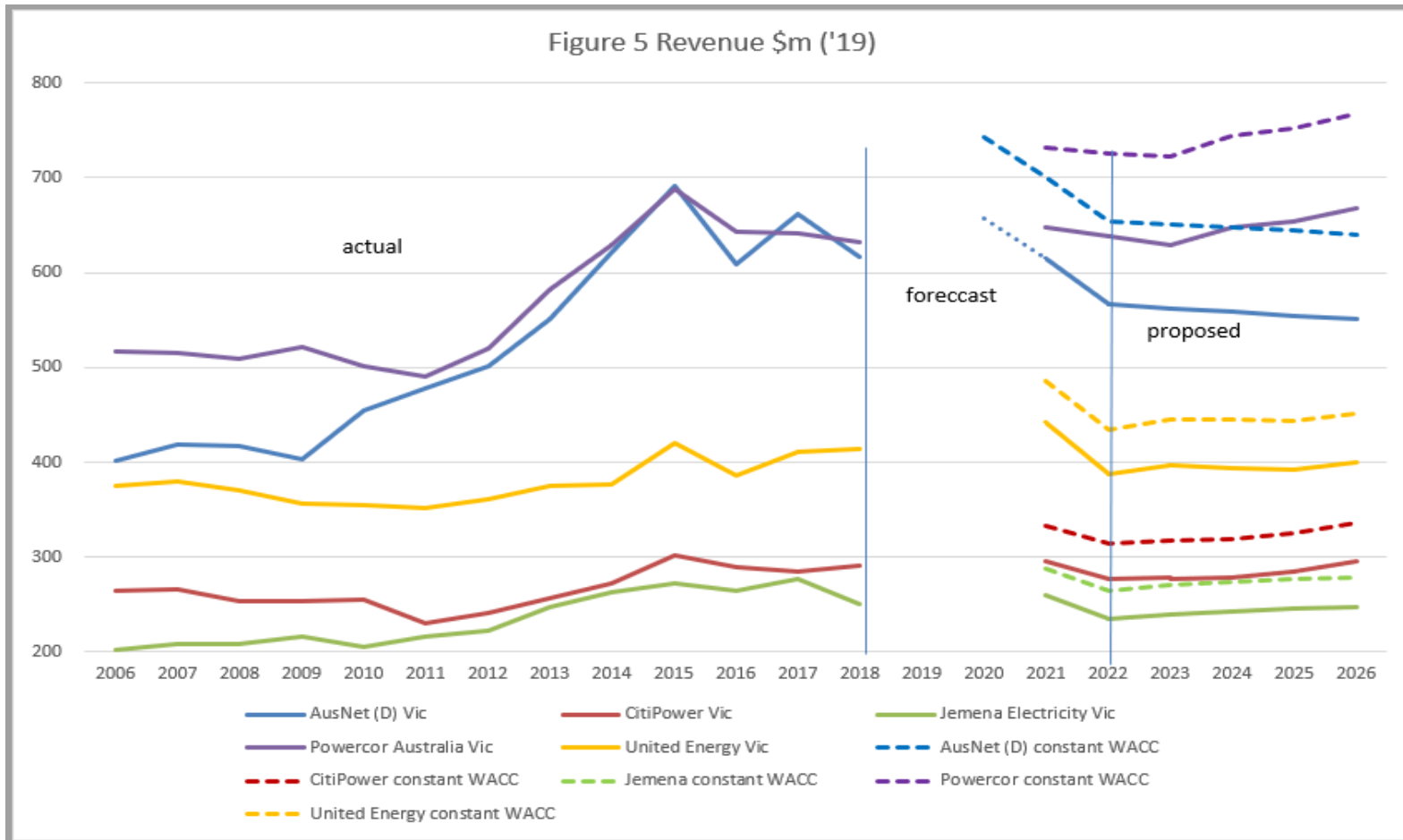
AER holds public forum	22/4/20
Public Forum questions due	1/5/20
Submissions on regulatory proposal close	3/6/20
AER to publish draft decisions	1/9/20
AER to hold a predetermination conference	1/10/20
Vic distributors submit regulatory proposals to AER	1/12/20
Submissions on revised regulatory proposals and draft decisions close	1/1/21
AER to publish distribution determinations for regulatory control period	30/4/21

Proposed revenue – headline impacts

Overall bill impacts of EDPR proposals

	Residential customers	Small business customers
Citipower	Distribution + metering charges to fall by average of \$38 per annum (to \$331 per annum)	Average \$119 saving per annum for small businesses
Powercor	Distribution + metering charges to fall by average of \$24 per annum (to \$407 per annum)	Average \$68 saving per annum for small businesses (to \$1,610 per annum)
United Energy	Distribution + metering charges to fall by average of \$54 per annum (to \$331 per annum)	Average \$238 saving per annum for small businesses
Jemena	Reduction in network charges of \$320 over five years (avg reduction of \$64 per annum)	Reduction in network charges of \$740 over five years (avg reduction of \$148 per annum)
AusNet Services	Charges per customer to decline by \$110 from December 2020 to July 2021, and then increase in line with inflation. *	
	* These savings are shared between residential and non-residential customers resulting in a one-off reduction in distribution charges of \$48 for residential and \$627 for non-residential as well as a reduction of \$30 in metering charges for households and small business customers.	

Apparent savings depend on current low capital costs

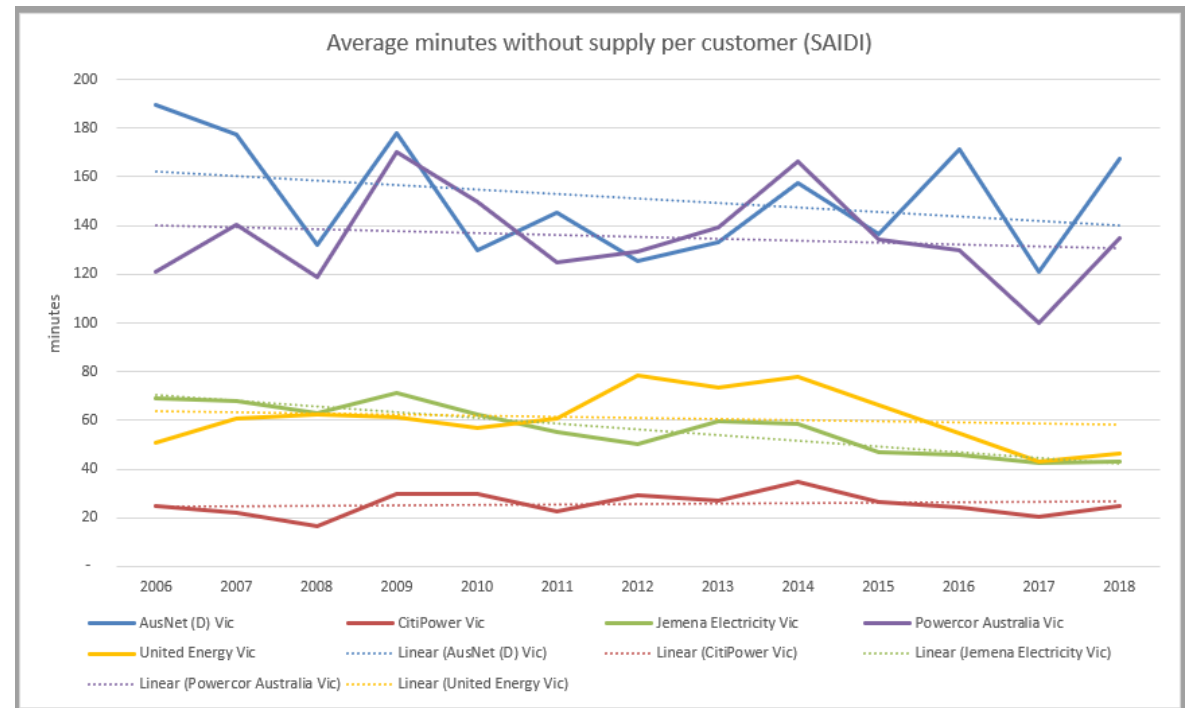
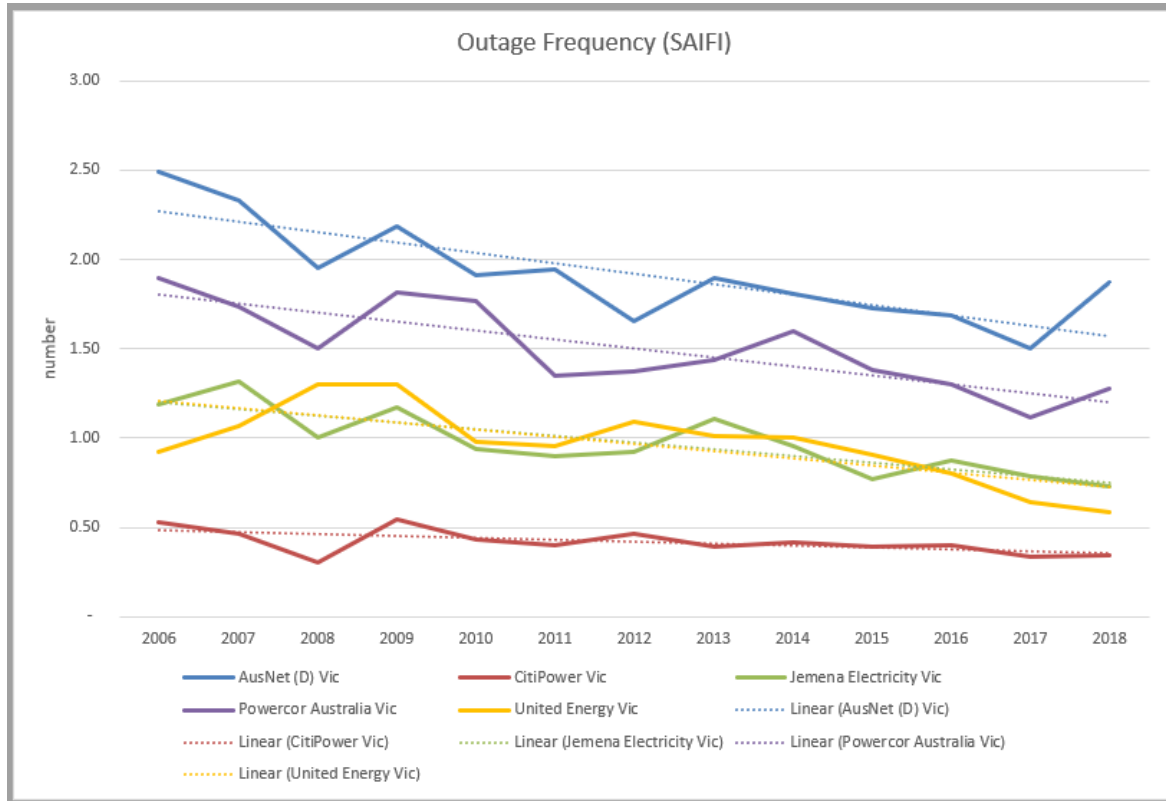


Bill savings depend on the the current low cost of capital.

If we use the 2018 cost of capital (dashed lines), instead of 2020, the proposed revenue is increasing for most DBs, not declining/leveling.

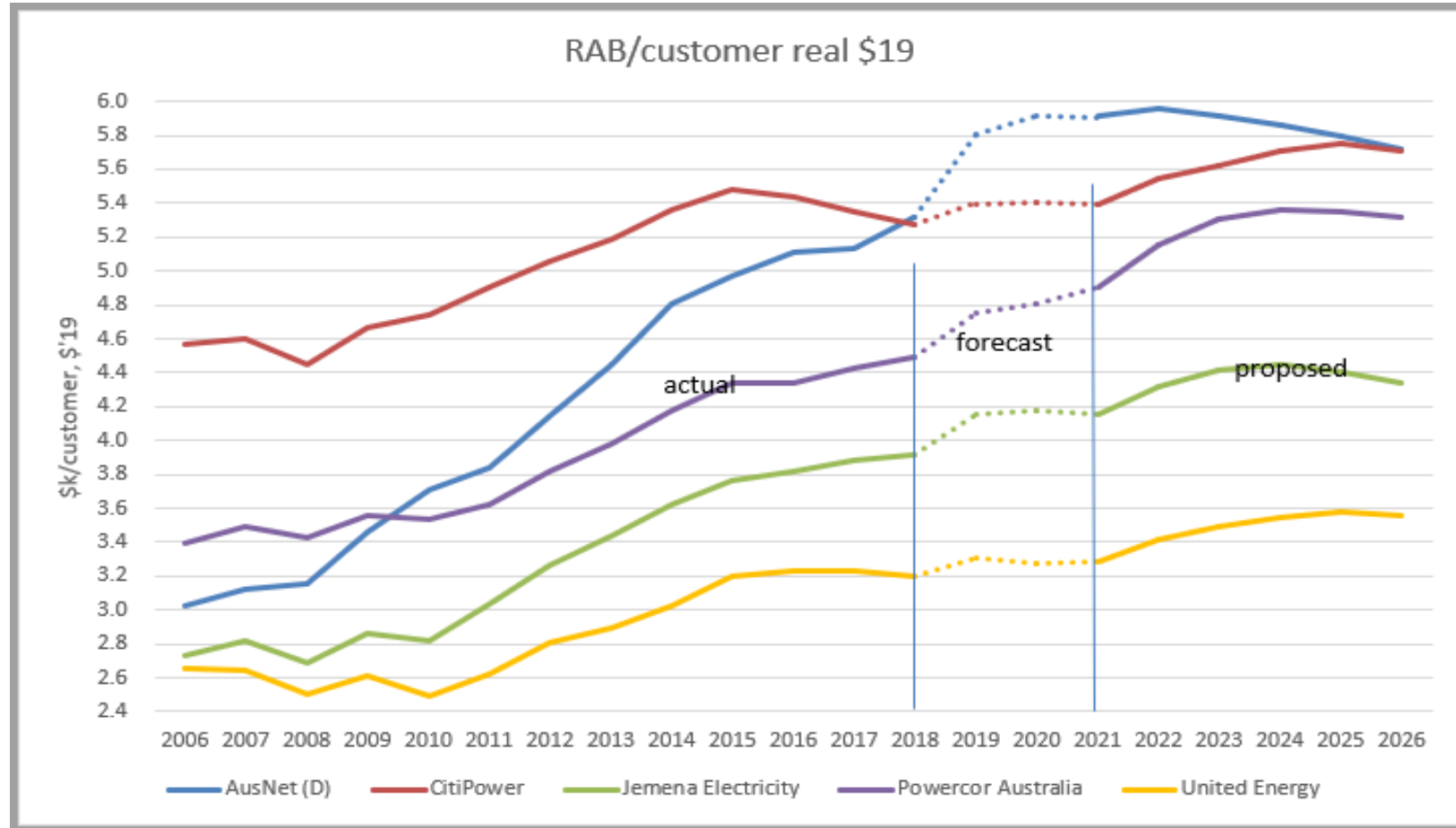
Its important to achieve bill reductions based on fundamentals, not just current interest rates, in order to protect affordability in the long term.

We are paying for ongoing reliability increases



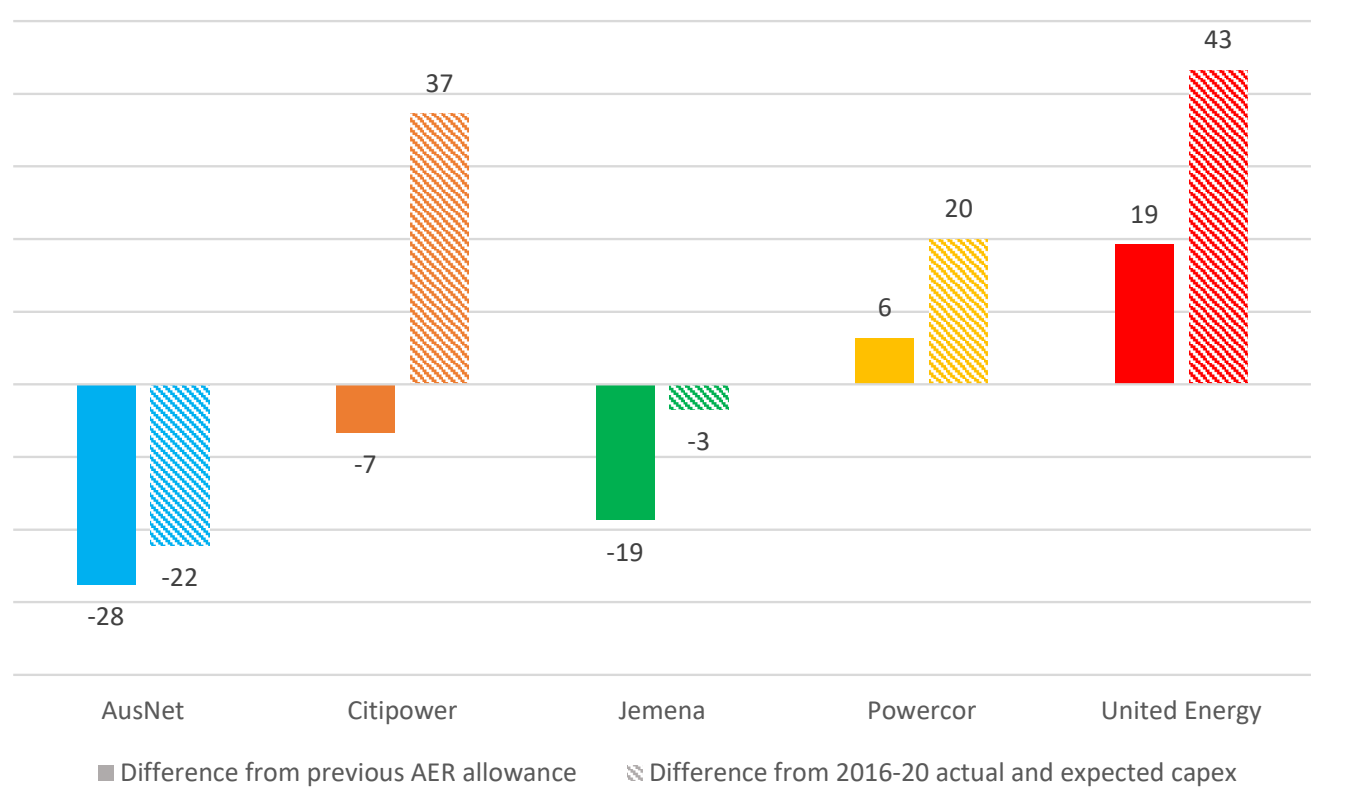
SAIDI and SAIFI

Value of the “asset base” (the RAB) is still rising



Where is the increased spending

Figure 8 Change in capex determination allowance and actual and estimated capex for 2016–20
Figure 6 Change in total opex from 2016–20 determination allowance



Investment planning issues, and policy brought up by this EDPR

- Investment in the network to accommodate rooftop solar (DER)
- New noise regulations from the EPA and how they apply to distribution infrastructure
- NewReg process, and including customers in infrastructure decisions
- Time of Use Tariffs

Planning investment to accommodate rooftop solar

Solar enablement proposals and related IT expenditure

	AusNet Services	CitiPower	Powercor	United Energy	Jemena
Augmentation	\$41.6 m	\$33.3 m	\$63.6 m	\$44.5 m	\$10.8 m
IT	\$10.2 m LV visibility and DENOP	\$1 m, including DERMS	\$2.6 m, including DERMS	\$2.1 m DERMS	\$12.9 m – LV visibility and dynamic platform
Annual bill impact (estimated)	\$0.95 per customer	\$4.40 per customer (aug. only)	\$3.50 per customer (aug. only)	\$3.00 per customer (aug. only)	Unknown, anecdotally <\$1
Outcomes	<p>Improved voltage performance for 93,000 solar customers</p> <p>Enable 70% of previously unserved generation</p> <p>Targeted dynamic exports rollout</p>	<p>Implementing dynamic voltage management system for CitiPower / Powercor</p> <p>Enable all customers to connect solar and enable exports in 5 kVA solar systems for the majority of customers – supported by dynamic exports platform</p> <p>Remove existing solar constraints where its efficient to do so, and benefits outweigh costs</p> <p>Assist customers where its uneconomic to remove constraints to get the most out of solar</p>			<p>Enabling all residential customers to export 5 kW</p> <p>Option of dynamic exports solar connection for C&I customers</p>

Time of Use Tariffs

- New Time of Use Tariffs, with a peak rate between 3pm and 9pm

	Fixed (\$/year)	Peak rate (c/KWh)	Off-peak rate (c/KWh)	Peak / off-peak ratio
AusNet Services (NAST11)	111	18.56	3.37	5.50
CitiPower (CRTOU)	95	10.64	4.26	2.50
Jemena (A120)	71	13.10	4.40	2.98
Powercor (PRTOU)	140	12.88	5.15	2.50
United Energy (URTOU)	80	13.27	5.31	2.50

- New connections (newbuilds)
 - 3 phase, and EV customers
-
- Generally opt out for these groups – AusNet solar is an exception

NewReg trial

- Pilot program to trial “Early engagement” between distributors and customers, in shaping a proposal.
- Customers were represented by a small ‘Customer Forum’ who argued for their interests through an 18-month negotiation process.
- Success? - Achieved impressive reductions in revenue, between the draft plan (2019) and the Initial proposal (2020).
- Some are concerned that these processes might partially displace close regulatory scrutiny from the AER, and input from other community stakeholders.

Outcomes – NewReg negotiation

Comparing the AusNet Services position at the commencement of the Customer Forum’s engagement with what was ultimately negotiated, significant savings have been achieved for customers without compromising customer service levels. Major savings include:

- average cost saving per customer rising from \$58 (\$2021) in February 2019 to \$110 (\$2021) at the final negotiation;
- augex falling by 36% to \$8 million (\$2021) following the deferral of the augmentation of the Doreen Zone Substation to 2028;¹⁰
- repex falling by 27% to \$78.3 million (\$2021) following the deferral of two zone substation replacement projects from 9 to 7 without significantly compromising reliability for customers;¹¹
- metering charges falling from an average of \$96 per customer (\$2021) over the 2016-20 period to an average of \$66 per customer (\$2021) from 2022-2026, a reduction of 31%;¹²
- opex cost absorption of \$21 million (\$2021) resulting in AusNet Services achieving a productivity saving greater than the AER mandated 0.5%.¹³

The Customer Forum’s negotiations with AusNet Services will contribute to cost savings for customers of at least \$490 million (\$2021) over 2022-2026.

Outcomes – NewReg negotiation

The Customer Forum has negotiated elements of AusNet Services' 2022-2026 Electricity Distribution Price Review (EDPR) which will deliver significant benefits to customers. The outcomes recognise key concerns of AusNet Services customers,¹ and include:

- an overall average cost reduction of at least \$110 per customer per annum (\$2021), representing a fall of around 12% from currently anticipated prices at the end of 2020;
- cost increases limited to inflation only after the initial fall; and
- for the first time in many years, a reduction in the Regulated Asset Base (RAB) per customer, which lays the foundation for lower costs for customers in the future.

Joint submission

How do we want to submit?

We will circulate David Headberry's research in May, and also a draft of a joint submission, for organisations who would like to sign on, or adapt this version for their own submission.

Other issues – DER investment, NewReg and Tariff Structures – separate submissions?