

# Minutes

## Regulatory Reference Group co-design workshop

Monday, 3 May 2021

Dexus Pl, 1 Farrer Pl, Sydney | 9.30am – 4.00pm

### ATTENDANCE

Member	Organisation
Adam Young	AER (observer)
Guy Chalkley	Endeavour Energy
Francoise Merit	Endeavour Energy
Leanne Pickering	Endeavour Energy
Andrew Pitman	Endeavour Energy
Keith Hoskins	Endeavour Energy
Colin Crisafulli	Endeavour Energy
Patrick Duffy	Endeavour Energy
Peter Langdon	Endeavour Energy
Jacqueline Crompton	Endeavour Energy
Kate McCue	Endeavour Energy
Daniel Bubb	Endeavour Energy
Robert Webster	Endeavour Energy Board
Stasha Prnjatovic	Endeavour Energy Board
David Bartholomew	Endeavour Energy Board
Scott Davies	Endeavour Energy Board
Trevor Danos	Endeavour Energy Board
Mark Grenning	Energy Users Association of Australia
Iain Maitland	Ethnic Communities Council
Sue Vercoe	Newgate Research (facilitator)
Miyuru Ediriweera	Public Interest Advocacy Centre
Mike Swanston	The Customer Advocate
Nic Pasternatsky	Western Sydney Regional Organisation of Councils

### WELCOME & INTRODUCTIONS

Facilitator Sue Vercoe of Newgate Research opened the meeting and acknowledged the traditional owners of country – the people of the Dharug, Wiradjuri, Dharawal and Gundungarra nations, as well as the Gadigal of the Eora Nation.

Meeting participants introduced themselves and Sue Vercoe established the agenda for the day.

## PARTICIPANT EXPECTATIONS

Participants were encouraged to share their expectations for the co-design workshop. Expectations are summarised as follows:

- Hear how customers would like to be engaged
- Test strawman assumptions for engagement mapping
- See Endeavour Energy become “best in class” for engagement
- Identify ways to integrate engagement in business as usual practices
- Achieve a better understanding of customer issues
- Keep current and future customers in mind when determining plans
- Have an open, constructive and transparent conversation
- Take the mystery and antagonism out of revenue and service planning (no surprises)
- Reach agreement on engagement planning

Participant	Highlight Contributions
<b>Miyuru Ediriweera</b>	<ul style="list-style-type: none"><li>• Would like to see EE pick up best performing engagement attributes and become “best in class” for early engagement. Good up-front engagement makes the revenue proposal process much easier.</li></ul>
<b>David Bartholomew</b>	<ul style="list-style-type: none"><li>• Has experienced the “bad old days” and is delighted to be part of this new approach.</li></ul>
<b>Iain Maitland</b>	<ul style="list-style-type: none"><li>• Also seen “the bad old days” and would like to see more improvements yet.</li></ul>
<b>Nic Pasternatsky</b>	<ul style="list-style-type: none"><li>• Focus on the future of the grid, bearing in mind Western Sydney is experiencing 1 million+ growth. Encourage incentives for take up EV infrastructure. Focus on “what we can do”.</li></ul>
<b>Mike Swanston</b>	<ul style="list-style-type: none"><li>• Wants to see EE “take the next step” in making the best and most appropriate proposal, while integrating engagement in business as usual practice</li></ul>
<b>Mark Grenning</b>	<ul style="list-style-type: none"><li>• Really excited by the workshop pack – suggests EE is pushing the envelope on best practice engagement.</li></ul>
<b>Adam Young</b>	<ul style="list-style-type: none"><li>• Has very high expectations and likes what he has seen so far.</li></ul>

## CHAIRMAN’S ADDRESS

Endeavour Energy Chairman, Robert Webster warmly welcomed participants to the workshop, and observed the precedent of bringing customers, the Executive leadership team and Board directors together. Mr Webster advised that we were there to listen and looked forward to a constructive day

## CEO REFLECTION

Endeavour Energy CEO, Guy Chalkley reflected on the challenges and opportunities ahead for Endeavour Energy and the industry and addressed the workshop on Endeavour Energy’s progress against commitments made in the previous revenue proposal.

Highlights include:

- We need to be braver harnessing the solutions that are already available to us.
- Posed the question: how hard do you push the envelope between lowest cost solution and long-term interests of customers?
- Networks will have to be trading networks in the future.
- Data is the key to implementing all the changes ahead of us, and key to making the best decisions for the customer in real time.
- We must innovate not just for today but for the longer term. We must gear up for changes beyond 2029.
- Our people are important – our people *are* the customer – we work and live in the franchise area – we live the customer experience ourselves. Our people are truly invested in the best outcomes for our communities.

## KEY ELEMENTS OF ENGAGEMENT

Endeavour Energy proposed a core objective for the regulatory engagement as follows:

*Delivering a revenue proposal that reflects the diversity and preferences of customers, provides sustainable returns to shareholders, and can be assessed as prudent and efficient by the AER.*

Sue Vercoe facilitated a discussion on the appropriateness of this core objective. It was agreed that “*capable of acceptance*” was a redundant objective, and that Endeavour Energy needs a simple statement that appropriately articulates the core objective of the engagement process, but that the wording of the core objective required finessing.

Participants agreed that “*balance*” would be a valuable inclusion, and “*affordability*” should also be included. It was agreed that sustainable shareholder returns could be retained, because acknowledging commercial imperatives is fundamentally honest, and because sustainable shareholder returns are necessary to fund innovations for the long-term interests of the customer.

Endeavour committed to presenting a re-phrased core objective following the co-design workshop.

Participant	Highlight Contributions
Miyuru Ediriweera	<ul style="list-style-type: none"><li>• Can the statement reflect the trade-off between short term and long-term interests of customers?</li><li>• A lot is tied to preferences: social, economic &amp; demographic.</li></ul>
Iain Maitland	<ul style="list-style-type: none"><li>• Should reflect sustainable returns to customers and shareholders.</li><li>• Suggests “balance” instead of “deliver”.</li></ul>
Nic Pasternatsky	<ul style="list-style-type: none"><li>• It’s a good start.</li><li>• Good companies are good corporate citizens. Not concerns about reference to shareholder returns.</li></ul>
Mike Swanston	<ul style="list-style-type: none"><li>• Very useful high-level statement.</li><li>• Must have regard to opex and capex – a balance between them</li><li>• Suggests including “ensuring customers pay no more than is necessary”.</li><li>• Objective should be linked to the corporate plan / strategic goals of the company. Should “reflect the DNA of the company”. If customers understand our vision (leader / follower?) then that will help them respond to our proposals in a more informed way.</li></ul>

Participant	Highlight Contributions
Mark Grenning	<ul style="list-style-type: none"> <li>• Should reflect efficiency and affordability. However, what's efficient today may quickly become redundant in the long term.</li> <li>• Should shareholder returns be retained in the objective?</li> </ul>
Trevor Danos	<ul style="list-style-type: none"> <li>• The proposal should benefit from appropriate customer engagement and respond appropriately to climate change.</li> </ul>

## ROBUST CAPABILITY CHALLENGE

Sue Vercoe facilitated a discussion on what a “robust challenge capability” should look like.

Participant	Highlight Contributions
Mike Swanston	<ul style="list-style-type: none"> <li>• The CCPs role has been to challenge engagement and question the content of proposals.</li> <li>• The last reset was very labour-intensive – there must be more efficient way to challenge proposals.</li> <li>• EE should be able to demonstrate that it has challenged itself.</li> <li>• There should be no surprises.</li> <li>• AER still feeling their way. Can EE say it's engaged its customers, and “can customers see the benefit in \$100 investment in x y z”.</li> </ul>
Mark Grenning	<ul style="list-style-type: none"> <li>• Resourcing and member of the RRG is very important.</li> <li>• Doing the work up front, before a proposal is submitted is preferred.</li> <li>• Robust challenge depends on to what extent the RRG is an active participant in the engagement process.</li> <li>• Can the RRG go out and engage independently with customers?</li> <li>• AER should be present at every engagement.</li> </ul>
David Bartholomew	<ul style="list-style-type: none"> <li>• Challenge only works with a high level of transparency.</li> <li>• Deep dives into capex can be very laborious but do offer ability to demonstrate appropriate responses.</li> <li>• Collaboration is easier in an environment of falling prices and low interest rates. These conditions will not remain.</li> </ul>
Stasha Prnjatovic	<ul style="list-style-type: none"> <li>• What is the framework for the AER considering proposals “prudent and efficient”?</li> </ul>
Adam Young	<ul style="list-style-type: none"> <li>• My role is to bring the right people from the AER to the table throughout the engagement process.</li> <li>• Engagement framework still being worked through, but EE should put every category of its proposal through the “prudent and efficient” lens.</li> <li>• AER can consider the overall societal benefit of proposal aspects, not just focus on the sums.</li> <li>• EE should evaluate alternatives to proposals and demonstrate a cost benefit analysis when putting a final proposal forward. Counterfactuals work well.</li> </ul>

## ISSUES IDENTIFICATION

Endeavour Energy displayed issues on the wall in colour-coded cards according to themes, in keeping with the information provided in the pre-reading pack. Sue Vercoe facilitated an interactive session on the issues identified by Endeavour Energy and encouraged participants to add or move issues on the wall.

Participants added issues and re-arranged some aspects of the original layout elevating some issues. All participants were also given colour-coded stickers and asked to identify their top three priority issues.

Based on participant feedback, the top priority theme was Future Grid and Innovation, and the top priority single issues were engagement approach, DER hosting and innovation, and capex inputs, assumptions and demand. Endeavour Energy will publish the revised issues chart following the workshop.



Before: starting point / straw man issues chart



After: issues and priorities identified at workshop

Participant	Highlight Contributions
Miyuru Ediriweera	<ul style="list-style-type: none"> <li>Balance of three options for resilience is key</li> <li>Essential Energy: provided tangible scenarios for customers to understand trade-offs, rather than simply asking customers if they wanted to pay more.</li> </ul>
Francoise Merit	<ul style="list-style-type: none"> <li>Should we call out the ICT licence? Do we want to separate controllable and non-controllable opex?</li> </ul>
Trevor Danos	<ul style="list-style-type: none"> <li>How do we deal with stranded assets / obsolete technology from a consumer's point of view?</li> <li>Ring fencing as it currently stands might not make sense in the future.</li> </ul>
Nic Pasternatsky	<ul style="list-style-type: none"> <li>Demand management a priority – state government policy on EV buses a good example of the demand we must meet.</li> <li>Are tariffs a regulatory matter? Also belongs in the regulatory matters section.</li> <li>Veg management and canopy cover an important issue to offset heat island effect in Western Sydney.</li> </ul>
Mike Swanston	<ul style="list-style-type: none"> <li>Capex and Future grid are blurring. Where does the tariff strategy interact?</li> <li>Is demand management about growth, or people using the network in a different way?</li> <li>Maybe capex should be investment in growth, with resilience as a capex subclass of existing asset management.</li> </ul>





Participant	Highlight Contributions
Leanne Pickering	<ul style="list-style-type: none"> <li>• Consumers may shift ring fencing to the right.</li> <li>• Retailers own a lot of data that is tracked...not sure if they will be willing to hand over that data.</li> </ul>
Mike Swanston	<ul style="list-style-type: none"> <li>• Good to have a visual perspective.</li> <li>• Networks resilience build options should move right from involve to collaborate.</li> <li>• Map forms a good basis to consider techniques / breadth and depth (Jacqueline Crompton concurred this is where Endeavour is going).</li> </ul>
Francoise Merit	<ul style="list-style-type: none"> <li>• Move data to the right.</li> </ul>
Mark Grenning	<ul style="list-style-type: none"> <li>• Capex should be collaborate – Ausnet undertook deep dives and specific capex forums.</li> <li>• Consider doing customer forums on some aspects of repex and augmentation.</li> <li>• Are we taking this back to the PCSC? Doing so is “consult” with the PCSC.</li> <li>• Move insurance to “consult” – Powerlink experience helped stakeholders to understand the insurance market, how much should be self-insured.</li> <li>• The more you have listed as involve and collaborate with the RRG, the better position the RRG will find itself to comment on reasonableness and support for EE proposals.</li> </ul>
Colin Crisafulli	<ul style="list-style-type: none"> <li>• Ring fencing = involve</li> <li>• Stranded assets = involve</li> <li>• ICT opex step changes = consult</li> <li>• ICT cyber security = inform</li> </ul>
Adam Young	<ul style="list-style-type: none"> <li>• Really good EE is being clear about engagement thresholds – important not to repeat earlier industry mistake of negotiating on issues that customers really couldn't influence.</li> </ul>

## ENGAGEMENT TECHNIQUES

Sue Vercoe and Kate McCue led a discussion on business and usual engagement and engagement techniques valued by RRG members. It was agreed that a detailed process of matching engagement techniques to our engagement map could be deferred to the net meeting of the RRG on 23 June to enable a deeper discussion, ensuring that interstate participants who had to leave for the airport would not miss out on this exercise. Endeavour Energy offered to create another “straw man” approach as pre-reading on engagement techniques and this was welcomed by RRG members.

Participant	Highlight Contributions
Stasha Prnjatovic	<ul style="list-style-type: none"> <li>• How do we engage with retailers?</li> <li>• To what extent should we engage collaboratively with other distributors?</li> <li>• Lack of historical alignment between state and federal governments creates difficulty</li> <li>• How do you want us to build in feedback loops?</li> </ul>

Participant	Highlight Contributions
Nic Pasternatsky	<ul style="list-style-type: none"> <li>• EE has been doing community batteries right – meeting with the right people.</li> <li>• Work closely with EV fast charging industry.</li> <li>• Energy from waste plant might be developed in Western Sydney, also a consideration for EE.</li> </ul>
Guy Chalkley	<ul style="list-style-type: none"> <li>• For BAU engagement we're moving away from "set and forget" – engaging more with the right people.</li> <li>• Must be more proactive with solution rather than reactive to the problem.</li> </ul>
Miyuru Ediriweera	<ul style="list-style-type: none"> <li>• PIAC can share a past letter / paper on commonly held issues re tariffs</li> <li>• Have consistent questions across distributor research to help build a bigger picture.</li> <li>• Take an iterative approach – start off with broad consultation -will help identify which issues need deeper engagement.</li> <li>• Strongly recommends deliberative forums rather than "town hall" approach. Suggest approx. 20 people split into groups of 4 or 5 for full-day weekend sessions – and bring those same groups back through the process.</li> </ul>
Leanne Pickering	<ul style="list-style-type: none"> <li>• Retailers don't like sharing information in group settings.</li> </ul>
Keith Hoskins	<ul style="list-style-type: none"> <li>• One of the main objectives of the Energy Charter was better collaboration with retailers.</li> </ul>
Iain Maitland	<ul style="list-style-type: none"> <li>• If EE does good engagement on tariff structure, might position us better to encourage retailers to pass them through.</li> <li>• Distributors should not need to double up their work – could combine CALD research.</li> <li>• For meaningful CALD outcomes we must engage the customers directly. NGOs can offer guidance, but "we've got to get out there".</li> <li>• 40% - 60% small business are owned by CALD families – they need small group and one-on-one engagement in language.</li> </ul>
Mike Swanston	<ul style="list-style-type: none"> <li>• Focus on what annoys retailers – they want simple tariff structures and easy connections.</li> <li>• Make the process easy for life support customers and for restorations – slick the tracks – make it about the best we can do.</li> <li>• Metering data is an important network input</li> <li>• Customer journey mapping has been fantastic – will that be ongoing?</li> <li>• How do we involve ASPs and customer advocates in more BAU engagement?</li> </ul>
Robert Webster	<ul style="list-style-type: none"> <li>• Engaging with government – go top down and bottom up – keeping public servants onside and Ministers informed.</li> </ul>
Sue Vercoe	<ul style="list-style-type: none"> <li>• From experience: check first with retailers what they might consider before embarking on expensive research</li> </ul>
Mark Grenning	<ul style="list-style-type: none"> <li>• Recommend the AGN model for serious consideration.</li> </ul>
Andrew Pitman	<ul style="list-style-type: none"> <li>• We have a robust process of engagement with industrial stakeholders, but our philosophy is to engage with our people – this is the best approach.</li> </ul>



## EVALUATION

Sue Vercoe asked participants whether evaluation techniques could be postponed to the next meeting to ensure a fulsome discussion on this important aspect of engagement. Participants elected to defer this matter to the next meeting of the RRG on 23 June.

## SUMMARY

On behalf of the Board and Endeavour Energy Executive leadership team and project team, Trevor Danos offered thanks to participants for a highly constructive day, and made the following observations:

- The day was marked by professionalism, common sense, transparency and constructive good will.
- We must commit to an outside in approach.
- We need to work more to understand what resilience means and what we mean by risk and risk appetite.
- Balance is critical – but we acknowledge there won't always be a simple solution to achieving it.
- Good governance is also critical to the success of our engagement.
- Climate change and sustainability must feature in our plans going forward.

## PARTICIPANT REFLECTIONS

Sue Vercoe asked participants to return to the expectations that they shared at the beginning of the meeting and asked for their reflections on the day.

Participant	Highlight Contributions
Robert Webster	<ul style="list-style-type: none"><li>• It's been important to gather like his – and it's important that we continue to gather, maintain the Board's involvement throughout the process.</li></ul>
Miyuru Ediriweera	<ul style="list-style-type: none"><li>• This has been a good first step. It's great to see the Board, and it's an industry first to see the Board so actively engaged.</li></ul>
Mark Genning	<ul style="list-style-type: none"><li>• Reiterated how impressed he was by the prereading pack and comes away from the day feeling enthused that EE is going to push the envelope on engagement.</li><li>• RRG and PCSC can add a lot of value, and I look forward to being of use to EE. Encouraged to see EE using PCSC and RRG well.</li></ul>
Mike Swanston	<ul style="list-style-type: none"><li>• Keep going on this track.</li><li>• The quality of the morning tea was outstanding.</li></ul>
Nic Pasternatsky	<ul style="list-style-type: none"><li>• If the board is truly involved in the submission, and meets regularly, that's going to be effective.</li></ul>
David Bartholomew	<ul style="list-style-type: none"><li>• Glad to hear that PCSC is keen to be involved more in our submissions generally – we should take up that offer.</li></ul>
Adam Young	<ul style="list-style-type: none"><li>• A good start. The AER needs to be in there at every meeting, and we must up our game – we're now running behind you.</li></ul>

## NEXT MEETING

10.00am – 1.00pm, Wednesday 23 June 2021 (venue TBA)

## MEETING CLOSE

Sue Vercoe brought the meeting to a close at 4.00pm