

CUSTOMER CONSULTATIVE COMMITTEE

24 September 2020



A man and a woman are in a kitchen, smiling and preparing food together. The man is leaning over the sink, and the woman is standing next to him, holding a knife and a lemon. The kitchen has white cabinets and a window in the background. The text "Safety Share" is overlaid in the center of the image.

Safety Share

Agenda

#	SESSION	FACILITATOR	TIMING
1.	Welcome - Safety Share - Agenda	Selina O'Connor	9:30 – 9.35
2	Opening comments – Welcome to Alex McPherson	All	9:35 –10:00
3	CEO discussion	Richard Gross	10:00 – 10:30
4	Customer experience update	Karthik Venkataraman	10:30 – 11:00
	BREAK #		11:00 – 11:15
5	Financial Review - Ausgrid FY19 and FY20 expenditure performance - Rate of Return / Inflation review – discussion on customer impact	Rob Amphlett Lewis	11:15 – 11:45
5	Climate Resilience discussion	Junayd Hollis	11:45 – 12:30
	BREAK		12:30 – 1:00
7	2024-29 Regulatory Proposal - Developing the approach to Engagement	Alex McPherson Selina O'Connor	1:00 – 1:45
8	Energy Charter - Disclosure Report Feedback from members	Selina O'Connor	1:45 - 2:15
	Updates to be reviewed out of session <ul style="list-style-type: none">• Preparation for 2020 Bushfire Season + outcomes from the NSW Bushfire Inquiry• Regulatory update• Sustainability policy and emissions targets update		



Opening comments

All Advocates

Customer Consultative Committee Members



Mike Swanston
Customer Advocate



Louise Benjamin
Customer Advocate



Shelley Ashe
Energy Consumers
Australia



Janine Young
NSW Energy & Water
Ombudsman



Rory Campbell
EWON



Helen Sloan
Southern Sydney Regional
Organisation of Councils



Mark Grenning
Energy Users Association
Australia



Mark Byrne
Total Environment Centre



Gavin Dufty
St Vincent's de Paul
Society



Iain Maitland
Ethnic Communities
Council (NSW)



Pete Newman
Council of the Ageing



Craig Memery
Public Interest Advocacy
Centre



Miyuru Ediriweera
Public Interest Advocacy
Centre



Sam Stone
Urban Development
Institute of Australia

An aerial night photograph of a coastal city. The foreground shows a dark, rocky cliffside with a modern, multi-level walkway featuring glass railings. The middle ground is a densely packed residential area with many lights glowing from windows and streets. To the left, the ocean is visible with waves crashing against the shore. The sky is dark and overcast.

CEO Opening

Richard Gross

CEO opening discussion

- Financial update
- Customer highlights
- Return to live work
- Ready for bushfire season
- Climate change and sustainability

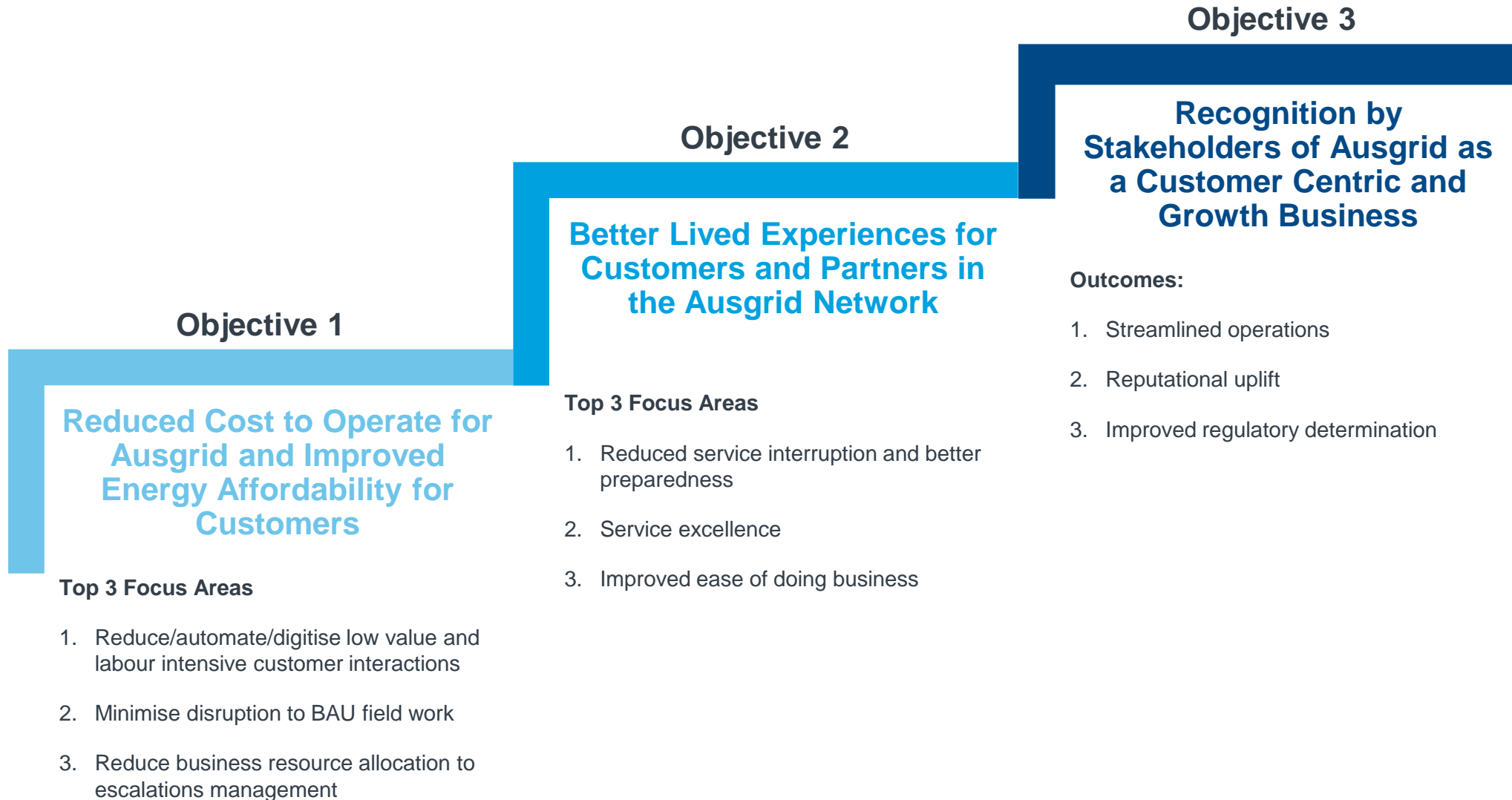
A photograph of two women standing in front of a house. The woman on the left is older, with short blonde hair, wearing a white shirt with a blue floral pattern. She has her hand on her hip and is looking towards the other woman. The woman on the right is younger, with dark hair tied back, wearing a bright orange long-sleeved shirt with a logo that says 'grid'. She is holding a green clipboard and looking down at it. The background shows a house with grey siding and a large window. The image has a dark overlay.

Customer Transformation

Karthik Venkataraman

Objectives and focus areas for Customer Transformation

Creating a customer centric and growth business



Current metrics of performance/progress for Customer Transformation

Maintaining accountability and transparency

Objective 1

Reduced Cost to Operate for Ausgrid and Improved Energy Affordability for Customers

Current Metrics

- Reduce/automate/digitise low value and labour intensive customer interactions
 - Website First Touch Resolution
 - Contact Centre First Touch Resolution
- Minimise disruption to BAU field work
 - NSW Public Lighting Code Compliance
 - Planned Outages Cancelled
- Reduce business resource allocation to escalations management
 - Average days to resolve complaints
 - Average days to resolve claims
 - Contact center abandonment

Objective 2

Better Lived Experiences for Customers and Partners in the Ausgrid Network

Current Metrics

1. Reduced service interruption and better preparedness
 - Type 1 Life Support Breaches
 - Average customer hours interrupted per planned outage
 - Average customer hours interrupted per unplanned outage
2. Service excellence
 - Service Resolution
 - Customer Satisfaction
 - Customer Effort
3. Improved ease of doing business
 - Reputational NPS

Recognition by Stakeholders of Ausgrid as a Customer Centric and Growth Business

Current Metrics:

1. Streamlined operations
 - AER benchmarking (MTFP)
2. Reputational uplift
 - Reputational NPS
 - Reprtrak
3. Improved regulatory determination
 - Enterprise Value

Key initiatives for Customer Transformation

Making choices that will deliver the best return

Objective 1

Reduced Cost to Operate for Ausgrid and Improved Energy Affordability for Customers

Key Initiatives

- Reduce/automate/digitise low value and labour intensive customer interactions
 - Website user and content enhancements
 - SMS service for unplanned outages
 - Digitise outage notifications
- Minimise disruption to BAU field work
 - Public safety streetlights register and field process
 - Transform the ASP planning process
- Reduce business resource allocation to escalations management
 - Contact Centre cloud platform
 - Transform MP and EWON complaints process
 - Increase first touch complaints resolution
 - Improve bushfire season compliance - 1

Objective 2

Better Lived Experiences for Customers and Partners in the Ausgrid Network

Key Initiatives

1. Reduced service interruption and better preparedness
 - Transform Retailer LSC data and registration/deregistration process
 - Differentiate LSC based on equipment
 - Customer segmentation to identify and communicate with customers of lower resilience and higher community impact during outages
 - Improve LSC support resource and accessibility - 2
2. Service excellence
 - Call backs for unresolved service requests
 - Ausgrid Customer Advocacy and Community Engagement function
 - Automated escalations to Customer Advocate or EWON for unsatisfied claims and complaint cases
3. Improved ease of doing business
 - Follow-up calls and meetings for low reputational NPS scoring partners
 - Service design workshops with partners driving continuous improvement pipeline
 - Transform claims and hardship policies

Objective 3

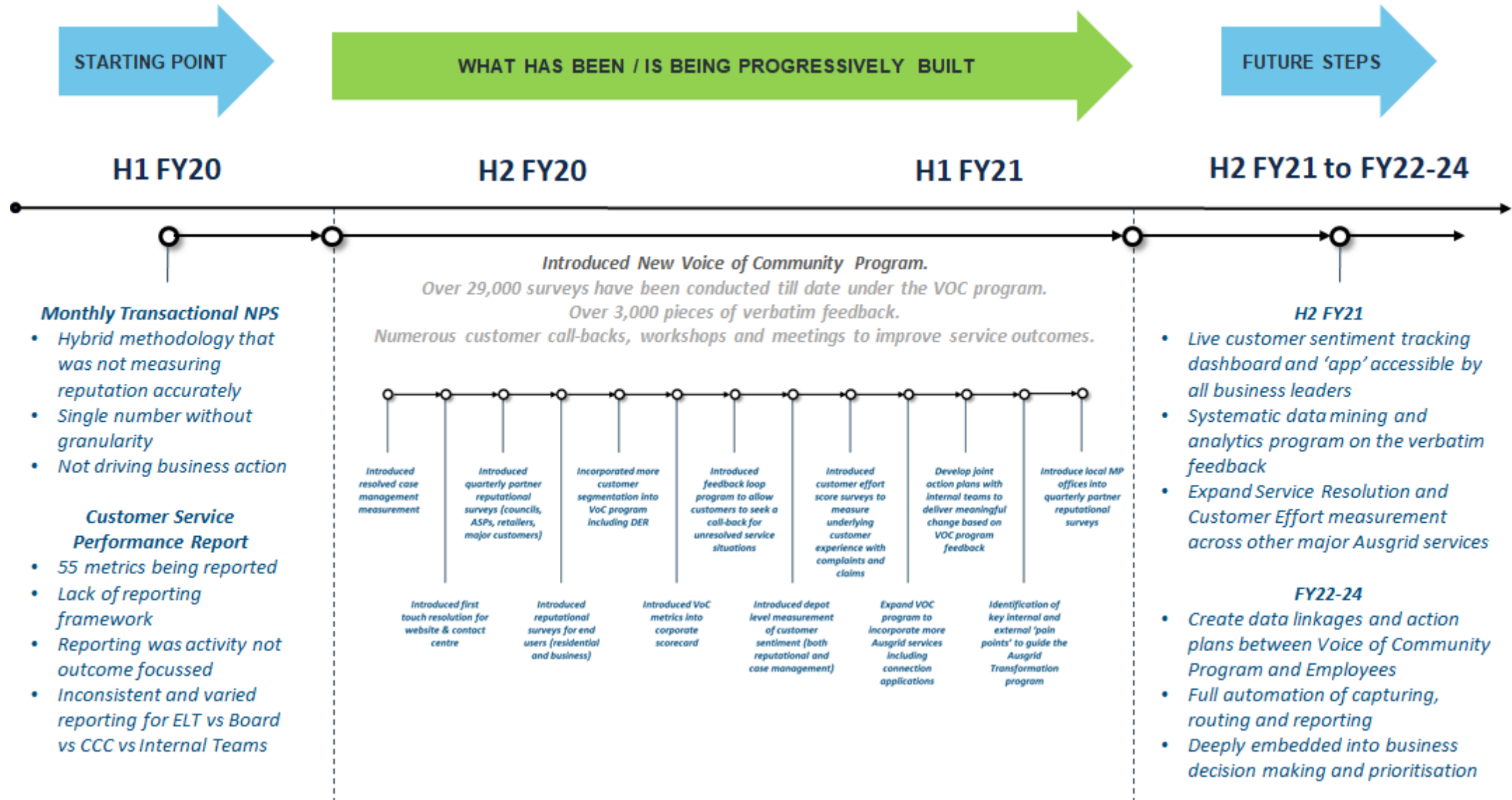
Recognition by Stakeholders of Ausgrid as a Customer Centric and Growth Business

Key Initiatives

1. Streamlined operations
 - Internal end-to-end process value levers
2. Reputational uplift
 - External reputational value levers
3. Improved regulatory determination
 - Engagement, collaboration and buy-in with key stakeholders (Customer Consultative Committee, Energy Charter, Council Peak Bodies, NECA, NDIA, Ministerial Offices)

- 1-
 - More upfront education material
 - 30 & 60 day customer outreach
 - New hardship payment plan options
- 2-
 - New 'Plan B' factsheet co-designed and translated into top 10 languages for Ausgrid Network
 - Dedicated webpage for LSC
 - Digitised short notice waiver for LSC
 - Dedicated contact centre queue via the Hazards and Emergencies number (13 13 88)

Evolution of the Voice of Community program





Financial Review

Rob Amphlett Lewis



Climate Resilience

Junayd Hollis

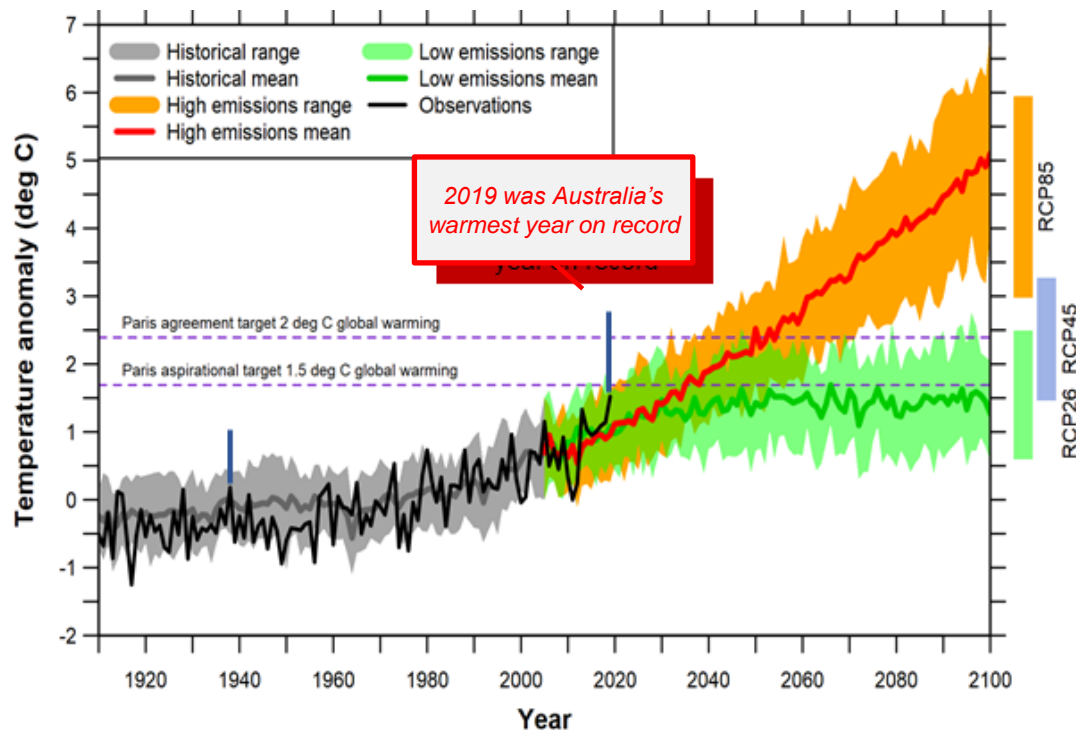
2019 was Australia's warmest year on record. By 2030 this is expected to be the norm, with the risk of climate related damage to our network predicted to materially increase as a result.

Australia's size, location and geographical characteristics drive a **naturally variable** climate, however a trend towards a **warmer future** is apparent. Australia's warmer climate trajectory is set and climate modelling suggests a homogenous forecast over the next 20 years regardless of future greenhouse gas emission scenarios. Climate models predict changes in a range of climate variables including **air temperature, rainfall (droughts), sea temperature and sea level rise**.

A **warmer climate trajectory** is expected to drive challenging weather conditions including:

- **Extreme heat:** a higher frequency of extreme heat days and increased average duration of warm spells;
- **Water Cycle Disruption:** increased intensity of extreme daily rainfall and storm events, extended drought periods and decreased winter rainfall;
- **Bushfire Risk:** longer fire seasons and harsher fire weather driven by protracted extreme warm and dry weather;
- **Rising Sea Levels:** continued mean sea level rise and increased height of extreme sea-level events; and
- **Severe storm events:** increased intensity of extreme weather events.

Australian Historical and Forecast Temperature Anomalies¹



East Coast Lows

These storm events have caused significant damage to our network in the past. They form off the coast and are associated with extreme rainfall, wind, ocean waves and flooding. Only a fraction of East Coast Lows drift over the land and damage our assets.

Rises in average sea temperatures and sea levels, will lead to East Coast Lows with more extreme rainfall, storm surge and coastal flooding. They are also expected to form closer to land and cause more asset damage. With increased severity of droughts the impact of storms on our network will be exacerbated by higher rates of vegetation related damage from wind and extreme rainfall.

East Coast Lows typically occur during the winter months. Some models predict that the frequency of East Coast Lows will decrease in winter, and remain the same or increase in summer. Combined with summer thunderstorms, the shift of East Coast Lows to summer will increase the 'peakiness' of storm activity and probability of multiple severe storms in quick succession.

The risk of storm damage to our network is predicted to materially increase as our climate changes.

To date the measurable change has been modest, but we are now starting to see observable business impacts that correlate with the climate models

Severe storm events have led to pass-through applications to the AER to recover our storm response costs.

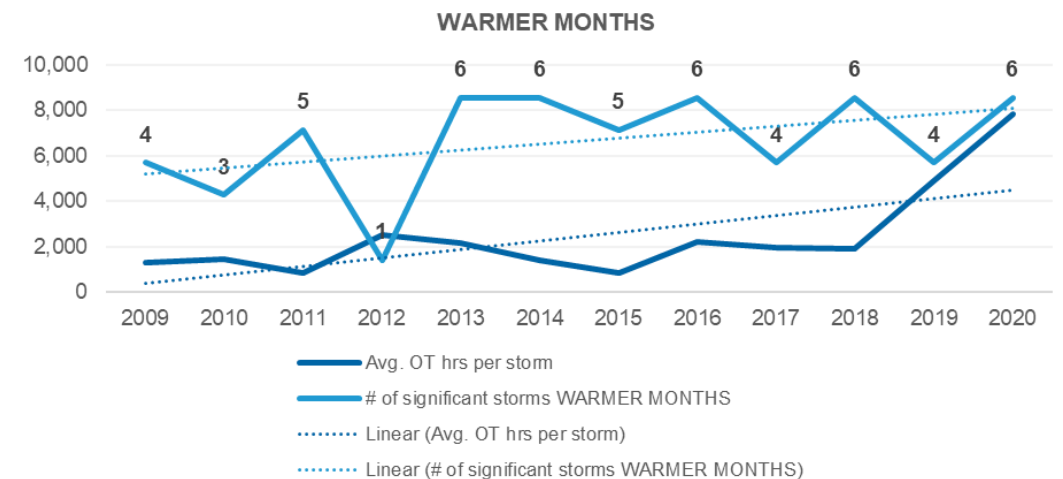
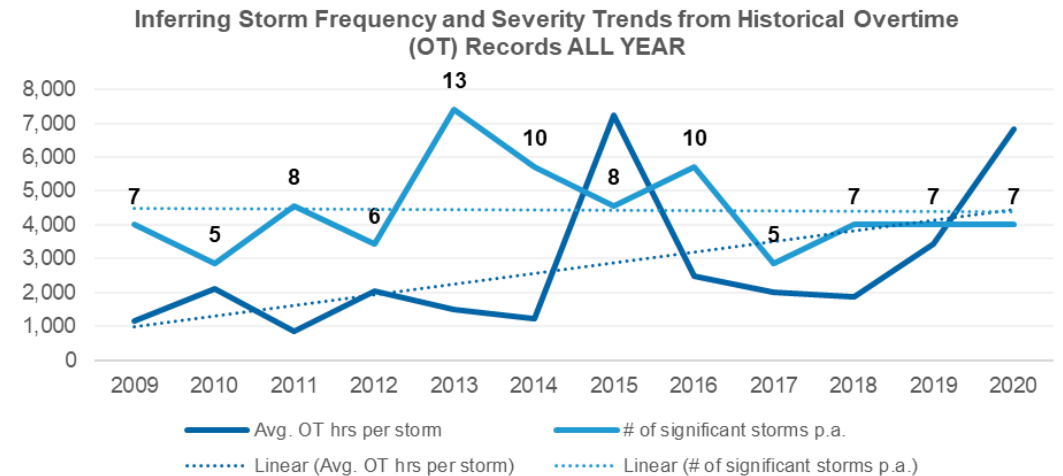
The April 2015 and February 2020 East Coast Low events were among the worst storms to impact Ausgrid's network in terms of customer interruptions, network hazards, and restoration costs. Storm response costs were in excess of \$30m.

Storm related overtime records over an 11 year period indicate a potential trend both in the frequency and severity of storms in warmer months, however correlations are weak and the timeframe over which this analysis has been done is not sufficient to attribute to results to longer term climate trends.

Our bushfire risk management focuses on avoiding fire start. We also need to be considering the physical threat of fire to our assets.

The 19/20 Black Summer saw widespread, long-lasting and intense bushfires throughout Australia. More intense conditions saw fire containment difficulties, prolonged fires burning for several months, and the generation of pyro cumulonimbus clouds and fire storms.

While we were fortunate that the Black Summer bushfires did not heavily impact Ausgrid's network area in terms of physical damage, large parts of are network are situated in high bushfire risk areas. We were able to observe the impacts in other jurisdictions of significant infrastructure damage and communities isolated by bushfire for extended periods, including Mallacoota and Cann River, Victoria (Ausnet Services).



We want your input on customer wants and needs around climate resilience ahead of our next regulatory proposal.

- What are your views on climate resilience?
- What are our customer vulnerabilities to climate?
- How are other networks responding?
- How do we continue this discussion?



Starting the journey towards the 2024-29 Regulatory Proposal

Alex McPherson

Selina O'Connor






Ausgrid Engagement Principles

In late 2018, in the lead up to our 2019-24 revised proposal, we developed the following engagement principles to assist our cultural change and our efforts to be more open and transparent.

- Be collaborative:** Don't be defensive and remain open to possibilities
- Be quantitative:** Provide data from the customer's perspective
- Be accountable:** Agree a timeframe and deliver
- Be transparent:** Encourage and support our stakeholders in holding us to account on progress, agree timeframes and deliver
- Be adaptable:** Be prepared to change based on feedback from stakeholders

Before we start the journey towards the 2024-29 distribution determination, do our engagement principles need a refresh?

Recap – 2019 Post implementation review findings

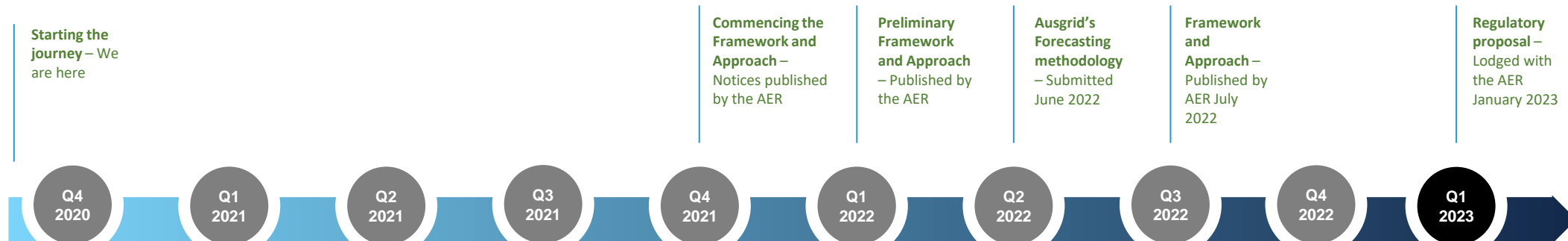
Themes	Feedback
Customer engagement	 <ul style="list-style-type: none">▪ Early consultation document shared informally but then never formally published in Oct 2017 caused significant consumer backlash about transparency and sincerity of customer engagement▪ Initial Proposal: Ausgrid was criticised for inadequate customer engagement▪ Revised Proposal: Ausgrid commended for noticeable improvement in customer engagement
Strategy, alignment & planning	 <ul style="list-style-type: none">▪ Ausgrid should commence with a clearer view of the desired strategic outcome (i.e. what we want / what does success look like / clear vision upfront)▪ Lack of guidance on capex strategy (e.g. aggregate capex target) hindered development of Initial Proposal▪ Regulation team did not commence relationship building across the business early enough▪ Strategic guidance for IT and Fleet teams was unclear
Investment governance	 <ul style="list-style-type: none">▪ Lack of a robust, formal capital governance framework to demonstrate prudence and efficiency of capital investment proposals resulted in many business cases not being sufficiently robust to withstand AER scrutiny
People capability & collaboration	 <ul style="list-style-type: none">▪ Lack of strategic resource planning for delivery cycle (pre-Initial Proposal and Revised Proposal) to ensure consistent and high-quality outcomes▪ High churn of project team members▪ The right skills, values and experience should be planned and locked in sooner – not just in time
Project management	 <ul style="list-style-type: none">▪ Initial Proposal: Lack of effective project management capability resulted in poor transparency and quality of deliverables. AER information requests were also submitted late.▪ Revised Proposal: Noticeable improvement for Revised Proposal however further action can be taken to better plan and deliver the next Regulatory Proposal by supporting strategic alignment initiatives

Do customer advocates have any further reflections on the 2019-24 process?

2024-29 Regulatory Determination – starting the journey

We have approximately 27 months until we submit our 2024-29 regulatory proposal in January 2023. How should we use that time to best understand and incorporate customer views?

2024 – 29 Regulatory Determination Timetable



Questions for discussion:

- Who do you think has done engagement well, including in other sectors?
- Should we consider features of NewReg when designing our engagement approach?
- Is our new committee structure right?
- What does COVID-19 mean for how we design our engagement process?



Customer commitment update

Rob Amphlett Lewis

Customer Commitments Update



DEVELOP

Our business
& shared
understanding

Commitment	Ausgrid Action	Outcome	Status Update	Committee
Share and improve internal cost benefit analysis, risk-based assessment, internal governance processes and forecasting investment - customers views better incorporated.	<ul style="list-style-type: none"> Revising Investment Governance Framework to target customer outcomes and developing an improved investment evaluation framework (better cost benefit analysis) 	<ul style="list-style-type: none"> Improved quantification of customer benefits and consideration of customer in investment decisions Provide transparency on incorporating customer preferences in decisions (Energy Charter) 	<ul style="list-style-type: none"> Ausgrid has reviewed KPMG recommendations for investment evaluation approach to improve the transparency in how we demonstrate customer benefits in our investment decision making. Richard McIntosh to provide an update at the next TRC meeting 25 September. 	CCC and Technical Review Committee
Explore role of optionality in long term asset decisions - show that investment decisions have taken into consideration optionality (eg: new technologies)	<ul style="list-style-type: none"> Incorporated in above 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Continuing to refine understanding of and ability to deploy demand side solutions (DMIA workstreams, dynamic connections, etc) Developing new tools and embedding them in our BAU network planning processes (e.g. SAPS assessment tool). Developing a new investment governance framework, including new business case templates that will <i>more</i> explicitly embed value of optionality. 	Technical Review Committee
Support industry-wide IT review	<ul style="list-style-type: none"> Co-develop submission to the AER ICT review submitted on AER 19 June 	<ul style="list-style-type: none"> Ensure efficiency of ICT expenditure Better articulation of customer benefits from ICT expenditure 	<ul style="list-style-type: none"> Ausgrid to share the ICT PIR process and the resulting PIR for the Cloud Foundations Project which established the foundational components required for the migration of applications from on premise infrastructure to cloud infrastructure. The Cloud Foundations Project PIR recently commenced, with interviews occurring in October and review/report due by end of November. 	Technical Review Committee
Engage with customers on cyber expenditure & “target states” (formerly “maturity levels”)	<ul style="list-style-type: none"> Determine decision making frame and trigger for additional cyber security capex 	<ul style="list-style-type: none"> Improved customer understanding of cyber spending 	<ul style="list-style-type: none"> Meeting with Critical Infrastructure Centre on 25 September. 	Technical Review Committee

Customer Commitments Update



DRIVE

Industry Development

Commitment	Action	Status	Committee
Jointly develop policy & regulatory framework submissions	Maintain list of policy submissions prepared and submitted Progressively seek input from CCC members on submissions.	<ul style="list-style-type: none"> • Collaboration updates provided at CCC meetings • See update on slide 39 	NIAC, TRC and PWG
Collaborate with AER to improve Repex model and drive greater confidence in the tool	Draft submission shared with CCC 27 Sept 2019 Submitted to AER 7 October 2019	<ul style="list-style-type: none"> • Review finished • AER RIN review possible in FY21 or FY22 	Technical Review Committee
Work with AER to give effect to tax Review Final Decisions and accept Rate of Return decision	Updated PTRM	<ul style="list-style-type: none"> • Complete 	Complete



DELIVER

Better outcomes

Establish Network Innovation Advisory, Technical Review Committee, Pricing Working Group	<ul style="list-style-type: none"> • Website update to improve transparency • NIAC meeting 21 October 2020 • TRC meeting 25 September 2020 • PWG meetings ongoing (Embedded networks) 	<ul style="list-style-type: none"> • Committees established • Collaboration ongoing 	
Implement Opex productivity from FY21			Complete
Deliver against Energy Charter principles	<ul style="list-style-type: none"> • First Disclosure report submitted (Oct 2019). • Independent Accountability Report delivered. Nov 2019 	<ul style="list-style-type: none"> • Compile 2020 report • To discuss at CCC meeting 24 September 	CCC
Deeper engagement in customer strategy and business planning	<ul style="list-style-type: none"> • Transform the way we work program overview • Develop scorecard improve transparency of performance and provide input to actions 	<ul style="list-style-type: none"> • Voice of Community and Customer transformation updates at CCC meetings. 	All committees
Greater focus on non-network/DM solutions and work on demand response rule change	<ul style="list-style-type: none"> • Deployed an air-conditioning load control DMIS-eligible project in the Gillieston Heights area to defer a \$700,000 network upgrade in 2019/20. • AEMC wholesale demand response mechanism rule change implemented on 11 July 2020. 	<ul style="list-style-type: none"> • Ongoing DMIA projects and consideration of DM as cost-effective for specific capital investment projects. 	NIAC/TRC
Exclude Innovation, cyber and ADMS from CESS		<ul style="list-style-type: none"> • Complete 	Complete

A photograph of two women standing in a doorway. The woman on the left has blonde hair and is wearing a white shirt with a blue floral pattern. The woman on the right has dark hair and is wearing an orange polo shirt with a logo that says 'grid'. She is holding a green folder. The background shows a room with a blue sofa and a decorative hanging object made of bamboo and yellow beads.

Energy Charter 2020 Disclosure Report

Selina O'Connor
Government and Stakeholder Relations Manager

Status of 2019 commitments

Promise	Achieved	Reasoning	In report
PIA 1.1 Development of an externally reported Customer Performance Scorecard.	Yes	VOC dashboard shared with CCC	Yes
PIA 1.3 Drive culture change with the development of a comprehensive internal communications program to raise awareness of improved customer focus programs to support better customer outcomes.	Yes	Individual transformation programs aimed at supporting better customer outcomes/ customer-focused performance incentives	Yes
PIA 1.3 Improve awareness of Energy Charter principles across our business	Yes	Internal articles and contribution from working group members, inclusion in customer interactions training and Voice of Community objectives	No
PIA 2.1 Review of investment Governance (incorporating customer views)	Yes	KMPG review - in effect FY21	Yes
PIA 2.1 Further consider demand management solutions	Yes	Power2U program/ Virtual Power Plant	Yes
PIA 2.1 Review of Repex model	Yes	Complete	Yes
PIA 2.2 Provision of independent advice to customers	NO	Initiate not progressed based on CCC feedback	Yes
PIA 2.3 Addressing concerns raised by Accredited Service Providers (ASPs)	Yes	We working through resumption of live work requirements with improved engagement with senior ASP representatives and wider ASP group through Ausgrid forums.	No
PIA 2.4 Feasibility test of community batteries	Yes	Testing continued on customers views on community batteries	Yes
PIA 3.1 Resumption of some live work tasks	Yes	Stage 2 return to live work commenced	Yes
PIA 3.1 Communicating with stakeholders on safety measures	Yes	Refers to Live Pause communications. improved engagement with senior ASP representatives and wider ASP group through Ausgrid forums	No
PIA 3.1 Assessing effectiveness of public safety communications program	Yes	Initiative proceeded with updates to bushfire safety and storm communications	Yes











Status of 2019 Commitments

Promise	Achieved	Reasoning	In FY20 report
PIA 3.1 Development of Public Safety Risk Management Framework	Yes	Work will continue in 2020-21 to improve integration between the three layers of control through their respective management systems. Including review of the risk analysis within the Public Safety Formal Safety Assessment and review of recommendations from previous public safety reviews and audits.	Yes
PIA 3.6 Developing policy to address requirements of Modern Slavery provisions.	Yes	In progress (info here)	Yes
PIA 4.2 Continuous website improvements	Yes	Storm page, updates to online forms, testing pages for planned and unplanned outage (FY21)	Yes
PIA 4.2 Improve response times to streetlight outages	Yes	Backlog cleared and response times improved with the resumption of live work tasks	Yes
PIA 4.2 Vegetation Management improvements	Yes	FY20 program improved based on feedback from customers and councils	Yes
PIA 4.2 Measuring effectiveness of website tools	Yes	Improving areas with the most traffic, also looking into investing in services that assist us with this measurement	Yes
PIA 4.3 Creation of a Customer Community Reference Group for feedback on programs and services	Yes	incorporating customer views and feedback into service improvements	Yes
PIA 4.3 Increasing the use of mass notification platforms to customers, such as SMS notifications	Yes	Unplanned outage testing underway - mass SMS to impacted customers	Yes
PIA 4.4 CRM improvements	Yes	A series of improvements to CRM have been deployed and will continue to be updated as needed	Yes
PIA 5.2 Research to better understand life support customers device choices.	Yes	In depth research into LSC, covering device choice to help shape our improvements of comms and service for these customers	Yes

Updates to be reviewed out of session

- Action update
- COVID-19
- Return to live work
- Network resilience
 - Preparation for 2020 Bushfire Season
 - Outcomes from the NSW Bushfire Inquiry
- Regulatory update
- Sustainability policy and emissions targets

Review of actions

	Action Items	Status	Comments
1	Unplanned outages – Jeremy to call Mike Swanston	Complete 	
2	CALD Customer information – Ellen and Iain Maitland to discuss	Ongoing 	Life support Plan B materials review
3	Technical Review Committee – Investment Governance Review + Cyber - meeting set for 25 September	Complete 	
4	Inflation Review – meeting held	Complete 	
5	Voltage issue complaints - Review complaints classifications to identify/get ahead of inverter/voltage issues.	In progress 	
6	Storm Pass through submission - shared	Complete 	
6	UDIA Hunter meeting attendance – emailed Sam Stone	Complete 	
7	Customer commitments - Update	Update Completed 	In pack
8	Energy Charter Disclosure report – shared	In progress 	Update in meeting
9	Regulatory Proposal 2024-29 program – collaboratively agree on approach to engagement	In progress 	Update in meeting

COVID-19 Update

- **COVID Response:**
 - Introduction of customer impact assessment to prioritise critical works to reduce customer impact
 - Hardship support suspension of disconnections for non-payment
 - Life Support Customer changes
 - increased communication by phone with life support customers to advise of outages,
 - information on website updated to better reflect customer questions and creation of a new life support flyer
 - Changed to planned outage notifications
 - Continued to complete maintenance work, connect new customers, fix defects, fix street lights and support customers through the customer contact centre.
 - Give us a wave campaign
- **Ausgrid Network Customers Relief Package**
 - Package finalised on 5 May 2020, after two rounds of retail consultation, providing immediate cashflow relief to retailers.
 - As at 9 September 2020, 19 retailers have sought relief through the NSW package, applying for rebates for 6,017 customers and deferrals for 17,197 customers
- **AEMC proposed network deferral rule change**
 - The rule change came into effect on 8 August, restricted to smaller retailers and residential and small business customers. As at 17 September Ausgrid has not received any notices for deferral.
 - We worked with TransGrid, the other NSW DNSPs and retailers to implement the AEMC's new rule which allows retailers a six-month deferral of network charges for COVID-19 impacted customers.
- **Capacity reset**
 - Ausgrid has pro-actively applied capacity resets to 2,034 medium to large business customers with a more than 75% drop in demand in either April or May 2020 compared to April/May 2019, due to COVID-19.

Return to Live Work - Update

During the past 18 months we have:

- risk assessed more than 200 Live Work Tasks;
- conducted medical and fitness assessments for all Ausgrid employees performing live work;
- created and delivered new training and verification of competency programs;
- verified the competence of all employees in performing live work and applying the critical controls; and
- developed new and updated procedures and established a new Assurance Program to monitor how the controls are being applied in the field and identify opportunities for improvement.

By the end of the month

- Stage 3 Live Work Tasks will be able to be performed live, by appropriately trained and authorised employees.
- With the resumption of Stage 3 Live work tasks, Ausgrid and appropriately trained ASPs will be performing approximately **90% of the volume** of tasks live as we were doing before the pause on live work was introduced in 2019.

Remaining tasks

- Detailed independent and internal risk assessments have also led to the decision not to resume a number of live work tasks at this time.
- This will allow time to monitor the performance on the tasks we are now performing live and the effectiveness of the critical controls we have put in place to keep our people and industry partners safe.
- This decision will be reviewed in 12 months and in the interim these tasks will continue to be performed de-energised.

Network Resilience - Bushfire season commences 1 October 2020

Ausgrid and Customer preparation:

- **Network inspection** -We completed an inspection of our network via aerial helicopter patrols to ensure it's in good shape to avoid our electricity network starting, or exacerbating, a bushfire.
- **Bushfire Hazard Inspection Program** - Ausgrid inspected over 30 thousand ratepayers' properties looking for potential bushfire risks, like faulty private poles as well as vegetation growing too close to power poles and powerlines. During this process we identified >1300 risks that we asked ratepayers to rectify or rectified ourselves.
- **Ausgrid to increase engagement with Council Bushfire Management Committees** - To ensure you Council see Ausgrid 'at the table' this season, our Incident Response Team has been working with staff across the business to establish primary, secondary and back up representatives on both Local and Regional Emergency Management Committees, as well as Bushfire Emergency Management Committees.
- **Communications with customers with privately owned poles in a bushfire area to:**
 - Maintain all privately-owned poles (including pole-top fittings) and overhead powerlines on their property,
 - keep trees, branches and other vegetation a safe distance away from all poles (including pole-top fittings) and overhead powerlines on property, and
 - keep trees, branches and vegetation a safe distance from Ausgrid's electricity network, including our poles and overhead powerlines, which may be located near your property.

Network Resilience - Outcome of the NSW Bushfire Inquiry

Government Action:

The Energy Utilities Services Functional (EUSFA) in the Department of Planning, Industry and Environment will be arranging a meeting with energy representatives to discuss the implementation on the recommendations shortly. A representative from NSW Rural Fire Service will be helping to co-ordinate the government's response.

Related Recommendations:

- **Recommendation 29** – Maximise the protection of Critical Infrastructure (CI) in a bushfire, Australian governments revise the regulatory framework for the information about CI including metadata for appropriate planning, preparation and response for bushfire.
- **Recommendation 30** – minimise communication outages and extend basic coverage.
- **Recommendation 54** – ensure mobile generators are sourced and distributed on a priority basis during natural disasters. The EUSFAC work with the TELFAC and stakeholders to develop a mobile asset deployment strategy.

Regulatory Update – key policy processes

Policy process	Summary	Strategic rationale/ Ausgrid views
Energy Security Board post 2025 review	The Energy Security Board (ESB) has been tasked with developing advice on a long-term, fit for purpose market framework that could apply post 2025 and to recommend improvements that could be implemented in the short term. A comprehensive consultation package was published on 7 September 2020	The development of new markets could have significant implications for a future role as Distribution System Operator (DSO). We are developing a submission to contribute to the national debate. Our submission will focus on the development of two-sided markets and DER integration, and the importance of taking customer views into account in any possible reforms.
AER Inflation review	The AER is reviewing its approach to inflation and is examining the method used to estimate expected inflation as well as whether the regulatory framework successfully delivers a real rate of return outcome.	Our submission (lodged 29 July) advocated for a better approach to forecasting inflation and amendments to the inflation framework. AER draft decision expected September 2020.
Pathway to the 2022 rate of return instrument	The AER commenced the process for creating the 2022 Rate of Return Instrument and is publishing working papers in the lead up to formally commencing the rate of return process in mid-2021: June 2020: return on debt working paper August 2020: international approaches to WACC August 2020: capital asset pricing model (CAPM) other return on equity approaches	Return on debt: the AER has indicated it may change benchmark debt assumptions based on actual debt data. Our submission (lodged 14 August) did not support this proposal because we have concerns with the method used by the AER for calculating the average network debt cost. International approaches to WACC: The AER raises some interesting features from other jurisdictions that we are investigating. We support the use of cross checks as part of the WACC framework. CAPM: We will make some comments about the AER's application of the CAPM and information sources used.
Network planning and access for DER rule change	The Distributed Energy Integration Program (DEIP) resulted in three rule change proposals (from Total Environment Centre/Australian Council of Social Services, St Vincent de Paul Society, and SA Power Networks) relating to how the costs and benefits of DER integration should be shared by customers.	We support the symmetrical treatment of consumption and export services as electricity distribution services and the incorporation of export services in planning and investment decisions. We support the removal of the prohibition (6.1.4) on charging for exports and the proposal for DNSPs to engage with their customers on export charges when developing their Tariff Structure Statement. Submissions due 10 September 2020.
IPART review of distribution reliability standards	The NSW Premier has asked IPART to review the NSW reliability standards. IPART is taking an economic approach to reviewing the standards and is also looking at other issues such as the integration of DER and stand alone power systems (SAPS) on the network.	IPART has confirmed that the reliability standards will be a safety net for the worst served customers and should trigger a compliance investigation, rather than driving investment decisions. IPART is also considering requiring networks to disclose information about the quality of service provided to DER customers and reforms to customer service standard payments. Draft decision due early October.
Commonwealth Critical Infrastructure consultation	The Commonwealth Department of Home Affairs is consulting on a revised framework for the protection of critical infrastructure, including enhanced cyber security obligations.	We support the development of a revised, risk based framework for the protection of critical infrastructure. The interaction between any new national obligations and state based obligations in our licence conditions will need to be considered. Any new obligations are likely to result in Ausgrid incurring capital costs in order to meet any new obligations

Sustainability Policy and Emissions Targets

Overview

Since we have commenced our sustainability journey we have undertaken and completed several key activities.

These include:

- Publishing a Global Reporting Initiative compliant Sustainability Report
- Publishing our Energy Charter Report
- Publishing our Climate Change Statement
- Setting public Emissions Reduction Targets
- Progressing our climate change response
- Furthering our activities to address modern slavery and developing our Modern Slavery Statement
- Publishing our Sustainability Policy

Our Sustainability Policy

We have developed a Sustainability Policy to provide guidance for our leaders to incorporate sustainability into decision making processes and provide further information to our stakeholders on our sustainability approach.

The Policy also complements our ISO14001 accreditation for our Environmental Management System.

It provides important guidance across a range of areas on how to make our business activities more sustainable.

- It contains overarching guiding principles that are common to all stakeholders and activities of our business.
- Key sustainability principles are provided in the topic areas of Environment, Social, Governance and Climate Change.
- Key related documents that provide important supporting information are mentioned in the Policies for easy reference.

Our Emissions Targets

Ausgrid has the following emissions targets

- 8% reduction in all emissions by FY2024 and 17% by FY2030.
- 44% reduction in all emissions, excluding line losses by FY2024.

(All emissions includes our direct scope 1 and 2 emissions, and our indirect scope 3 emissions from travel / accommodation, waste and streetlights. Our baseline year is FY2017.)

Progress on our 8% target has been promising and this has been assisted by grid decarbonisation and reduced demand in electricity due to COVID-19. This means the current FY20 performance may lessen post the pandemic period.

All Emissions target - achieved and target

	FY17	FY18	FY19	FY20 * Estimate	FY24 target
Base year		-0.2%	-7.5%	-11.8%	-8.0%

Excluding LL target - achieved and target

	FY17	FY18	FY19	FY20	FY24 target
Base year		-0.6%	-4.2%	-13.3%	-44.0%

* Final numbers undergoing accuracy checks