

# Energy Charter Disclosure Report 2023



# Contents

CEO Introduction		3
1.	Our Customers and Communities	. 4
	What Ausgrid customers have told us they want	6
2.	Customer and Community Highlights	. 7
	<b>Pricing Innovation – Project Edith</b> Cost effectively supporting growth in customer energy resources through an opt-in distribution model	8
	<b>Community Co-designed Resilience Planning</b> How best to improve a community's resilience in the face of increased outages caused by extreme weather	9
	Electricity Safety Website Improved access to safety information	10
3.	Principles in Action	11
	1. We will put customers at the centre of our business and the energy system	12
	2. We will improve energy affordability for customers	13
	3. We will provide energy safely, sustainably and reliably	14
	4. We will improve the customer experience	15
	5. We will support customers facing vulnerable circumstances	16

## **CEO Introduction**



Since joining Ausgrid in January 2023 I have seen how embedded the voice of the customer is in the organisation and how it informs our decisions. Over the past few years Ausgrid has had to make some challenging decisions to ensure we delivered to customer and stakeholder expectations. These decisions, while difficult, are delivering strong customer benefits and making us a better business.

This year, we have assessed our overall maturity ranking as Empowered and we continue to work toward reaching Exceeding for all principles. In FY23, to provide the safe, reliable, affordable and innovative service which customers demand we have:

 Continued to provide energy safely, improving our Total Recordable Injury Frequency Rate (TRIFR) by 34%, now the lowest in seven years.

- Improved access to energy safety information for all Australians by launching an industry first electricity safety website.
- Tested how we can turn time of energy use data into customer savings through Project Edith, an end-to-end dynamic pricing trial which has received international recognition.
- Kept communities at the heart of decision making with continued direct Voice of Community (VoC) engagement to shape local climate resilience solutions.
- Received a record high reputation score from stakeholders (up nine points to 83.6) providing us with feedback that our initiatives are having a positive impact.
- Identified several measures which will contribute to customer savings through development of our Regulatory Proposal.
- Continued to explore innovation possibilities which will support an accessible, lowest cost transition including Federal grants to install 6 community batteries, connecting 11 JOLT Electric Vehicle (EV) chargers and 3 Stand Alone Power Systems (SAPS).
- Supported rural customers in the Merriwa community by committing to our first microgrid, which will provide backup power in the case of outages.
- Strengthened and built resilience in the grid for customers by completing 19 major projects.

We're committed to continuing to engage directly with communities and listen to how customers think we should navigate the energy transition together.

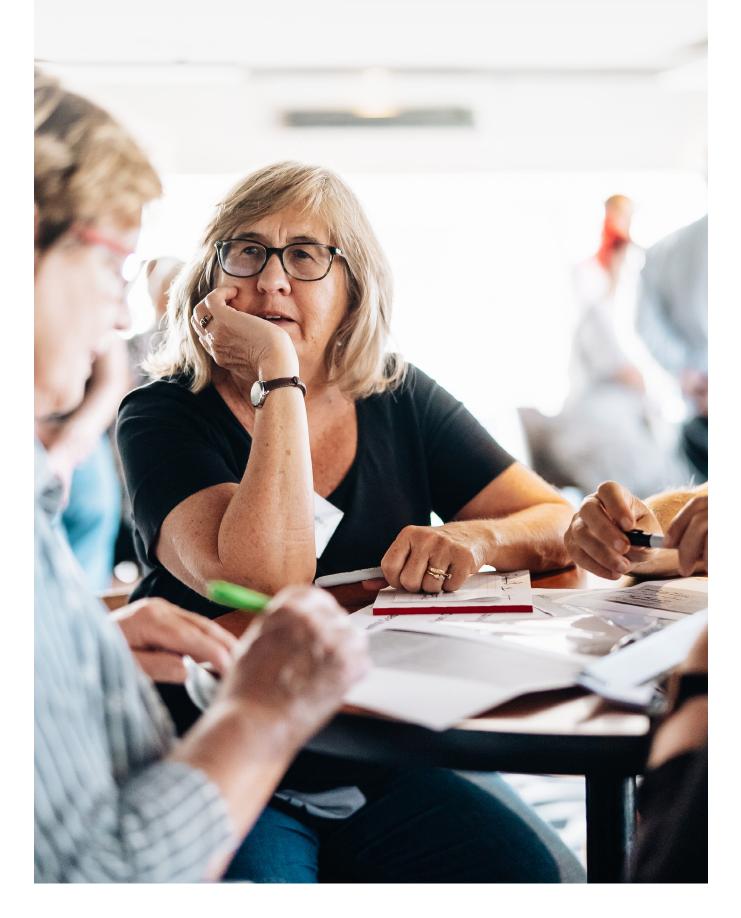
We continue to partner with retailers and the broader industry to share knowledge and improve customer outcomes. Ausgrid's focus in FY24 is to utilise the network platform to facilitate the increased electrification of homes and businesses – removing barriers and enabling our customers to access a more renewable future.

Our efforts will increase the connection of new renewable energy options and enable greater accessibility to renewables for all of society, not just the few. To do this, the Ausgrid team will continue to partner with our communities as we work together towards a net zero future.

Marc England

Chief Executive Officer, Ausgrid Group

# **Our Customers and Communities**



## **Our Customers and Communities**

Ausgrid provides electricity to 1.8 million customers – that means more than four million Australians rely on us daily.

Our network operates across 22,275 square kilometres, covering the traditional country of 17 First Nations language groups, tribes and nations in Sydney, the Central Coast and the Hunter regions of New South Wales.

Our network spans urban, rural and bushland areas. Almost half the private dwellings in Sydney are medium or high density, while our communities in agricultural regions have comparatively low populations but increasing energy consumption needs. Ausgrid's core business is electricity distribution. Importantly, we need to support our customers by responding quickly to major service disruptions and the impacts of 'once in 100 year' weather events that are rewriting the record books. Now faced with the combined pressures of climate change and cost of living impacts, our communities have said they need us to do more if we are to achieve a resilient, affordable, net zero future.

This year, we undertook extensive consultation to understand what customers value most, including how they think we should prioritise network investment. Based on customer feedback, Ausgrid took an industry-leading approach for our 2024-29 Regulatory Reset



preparations by co-designing an ambitious engagement framework with our customer advocates. The framework was designed to ensure we engaged directly with customers in an accessible way, maximising influence on our proposal.

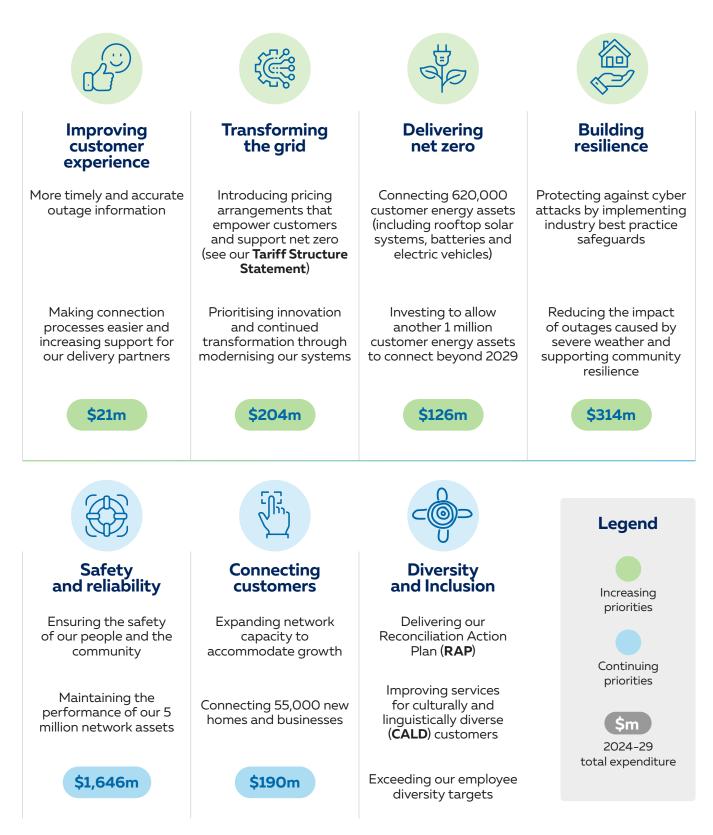
We deliberately sought out and lifted the quiet voices, going beyond typical reset engagement programs to seek out all minority perspectives. This included reaching out to all Aboriginal Lands Councils in our network to invite open dialogue with us on matters important to their communities. This focused engagement covered affordability, differing climate impacts and customer perspectives on service levels.

Our customers shaped our proposal by:

- Pushing us to deliver the same net zero customer outcomes for less (from \$153m to \$126m).
- Reducing our planned customer service investments by \$6.3m to \$21m.
- Encouraging an increase in innovation funding from current levels to \$54m (and they would have liked more).

The future of electrification is reliant on customers investing their personal resources upfront, in solar, EVs, or replacing gas powered heating, before they see demonstrable benefits. The burden of driving change sits with households and business, and they have asked us to do more, be innovative and lead, helping them to play their role. So that's what we plan to do.

## What Ausgrid customers have told us they want



Snapshot of Ausgrid's 2024-2029 Regulatory Submission.





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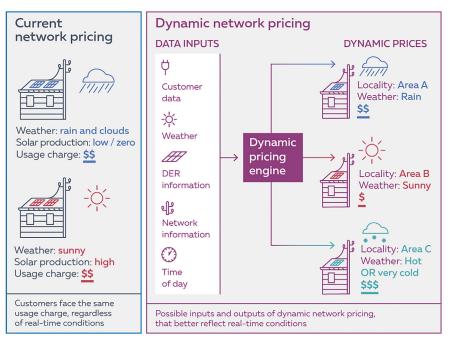
## **PRICING INNOVATION - PROJECT EDITH**

## Customer Challenge – Cost effectively supporting growth in customer energy resources through an opt-in distribution model

Project Edith is a world leading partnership between Reposit Power and Ausgrid, established to test new ways to unlock value for customers and from customer generated power, such as solar. Under the "Edith model", network charges are more reflective of the actual conditions for a given customer at a given location and time. It is an opt-in model that makes it simple for customers to adjust their energy usage. Negative prices are included as rewards for customers who behave in ways that support the network, such as exporting their solar during peak demand.

While time and location specific pricing is generally accepted to be the most efficient form of pricing, there is uncertainty across the industry regarding the practicality of implementation. Project Edith has demonstrated that it is possible to create an end-to-end dynamic pricing service based on existing systems. This proof of concept provides a way forward to providing more equitable pricing for customers who actively adjust their energy usage. It provides learnings for the whole energy industry from retailers through to distributors and equipment manufacturers.

Announced in May 2021, an active testing phase was carried out between July 2022 and June 2023. Our aim was to get a working model into operation as quickly as possible, to help make the concepts real for industry and policy makers.



## Outcomes and customer benefits

- Shared value with customers that use the network efficiently.
- The potential to drive down wholesale network prices through the application of flexible pricing that better reflects network capacity.
- Laid commercial and regulatory groundwork for reforms that could deliver significant economic benefits.
- \$150m of market benefits by 2040 forecasted in Ausgrid's service area.
- Attracted international attention as an outstanding example of the existing, but untapped, opportunities to optimise network investment.
- Demonstrated the potential to reduce implementation costs and complexity of decentralised distribution models.

Project Edith is named after Edith Clarke, a pioneer of electrical power system analysis, considered the 'Mother of Invention' at GE alongside Thomas Edison and Nikola Tesla



## **COMMUNITY CO-DESIGNED RESILIENCE PLANNING**

## Customer Challenge – How best to improve a community's resilience in the face of increased outages caused by extreme weather

As the frequency and intensity of extreme weather events add pressure on electricity services and infrastructure, our communities are the ones feeling the impact. During the co-design of Ausgrid's Engagement Framework for our 2024-2029 Regulatory Proposal, customers identified the need to invest in community and grid resilience to mitigate the risks of climate change.

Between February and June 2023, we engaged directly with customers through lived experience forums and via a Voice of Community (**VoC**) Panel. The panel was designed to represent three customer cohorts that reflected a combination of people with or without an immediate climate resilience threat, and who may or may not directly benefit from the proposed local investment.

Each customer group participated in a feedback loop, where they could share their views with other customer groups. It is the communities themselves who are often best placed to develop and shape locally specific community resilience solutions. We heard that resilience investment should be prioritised for communities for whom extreme weather has the most impact, and where people are least able to cope.

Taking customer and stakeholder feedback, climate risk and economic modelling, industry collaboration and the Mindaroo vulnerability index into account, we identified three regions for focus:

- Lake Macquarie
- Port Stephens
- Central Coast

Ausgrid demonstrated the high priority of this work through direct CEO and executive engagement in the <u>Energy Resilience Forums</u>. We believe this resilience engagement program is the first of its kind – putting people in affected communities firmly at the centre of decision making.

## Outcomes and customer benefits

- People had the opportunity to speak directly with key decision makers and have confidence that their views would be heard and would make a difference.
- Together with the community we identified network and nonnetwork solutions, that could aid communities before, during or after extreme weather (report submitted to the AER in June 2023).
- Most common response from community participants was '100%' when asked "How much of the proposed bill increase for resilience spend are you willing for all customers to pay?"
- Participants directly assessed the value of proposed solutions for their own community.
   **before** they are implemented enhancing the quality of the solutions and creating trusted local advocates in the process – removing community barriers to implementation.

 Watch video

 CEO Marc England talking to customers at Port Stephens

 Resilience Forum.

"It's very unusual to have this level of involvement of your ordinary consumer with an organisation such as Ausgrid" - Ian Rabbitt: community member



## **ELECTRICITY SAFETY WEBSITE**

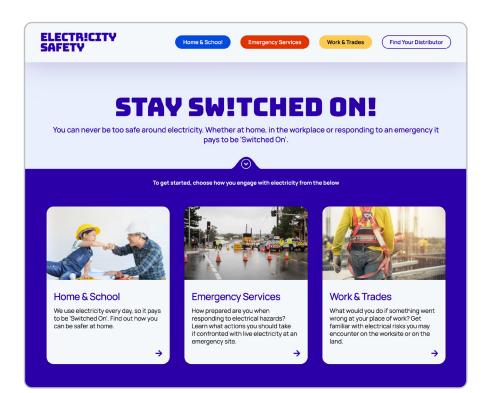
## Customer Challenge – Improved access to safety information

Safety is a core value for us at Ausgrid and we're committed to ensuring all communities – not just those in our network – are safer around electricity.

Safety risks around electricity can of course happen anywhere so this resource is for anyone nationwide to use – for families to be safer around the home, for emergency personnel who may be in dangerous situations and for construction and trade workers who face electrical hazards when on the job.

In October 2022, Ausgrid launched www.ElectricitySafety.com.au, an industry first electricity safety information hub as part of National Safe Work month. Bringing together multiple sources of information, facts, do's and don'ts from across the energy industry into one dedicated resource, we designed and launched the website over a 12 month period.

We welcome you to take a look and share with family, friends and colleagues. Please also feel free to provide us with any ideas or feedback that can make this an even better resource by emailing **ElectricitySafety@ausgrid.com.au**.



#### **Outcomes and customer benefits**

- One-stop-shop to help all Australians better understand risks around electricity.
- The site is not Ausgrid branded, so it is a resource that applies to all locations across Australia, and is relevant for everyone, no matter where they call home.
- Supports conversations about electricity safety.
- Provides clear and consistent information in a format that reflects the customer's perspective instead of approaching our safety messaging with a compliance mindset.
- 25,191 site views since October 2022 launch.



# **Principles in Action**



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#### **Delivery on commitments**

Against a backdrop of significant economic change, interest rate and electricity price rises, we saw our customer confidence score dip. Stakeholder and Partner scores received a lift, providing us with validation that we are on the right path for service delivery, leadership, conduct and innovation.

Ausgrid also launched our Community Giving program, with staff invited to submit community projects for funding, leveraging our people's understanding of local needs and involvement in their local community.

#### Regulatory Reset Engagement – Strong governance delivering consumer benefits

In 2019 Ausgrid received some strong feedback from customers and stakeholders – that we were putting our own interests first. In response, Ausgrid has been on a considerable cultural transformation journey, embedding customer feedback into every part of our business from the Board down.

Following collaboration with our Customer Consultative Committee (CCC), Ausgrid established an independent Regulatory Reset Panel (RCP) and co-designed an engagement framework that encouraged us to reach out to customers who are not traditionally part of the energy conversation.

Board members met regularly with the RCP and our executive, including Chairman and CEO, attended multiple engagement sessions. Employees from ICT, Customer Service, Engineering and Finance also attended, and were actively involved, in engaging directly with customers and our RCP. This was a significant effort for many, being over and above their normal workload and experience.

## Outcomes and customer impacts

• 90% of customers supported our regulatory proposal in September

2022 - this was prior to significant economic change, interest rate and electricity price rises. We tested this again in April 2023 and found 87.5% of customers still supported our proposal.

- When asked "How much of the proposed bill increase for resilience spend are you willing for all customers to pay?" the most common response from community participants was '100%', highlighting their prioritisation of more resilient communities.
- Communities told us they want Ausgrid to do more than continue to deliver safe and reliable energy services - they also want a more innovative and resilient grid that delivers better value and supports the transition to net zero.
- Feedback loops allowed customer groups to directly share their perspectives with other customer groups and to influence the views of others.
- RCP presented their own independent report to the AER stating "the outcome will be good for Ausgrid and also good for customers".
- Employees provided extremely positive feedback that the extra effort was worthwhile and led to better outcomes for customers.
- Strong RepTrak performance on the attribute driver "Ausgrid can be trusted to put the needs of customers first".
- \$125K in grants to support locallyled community organisations

including sporting groups to help cover costs like jerseys or new equipment, local charity groups like Jenny's Place (domestic violence and homelessness support), wildlife services and local fire brigades.

#### **Commitments for FY24**

Ausgrid's refreshed strategic approach puts customers squarely at the centre of decision making. Our focus for FY24 is to improve access for customers to participate in the energy transition. To do this, we will support growth in electrification in homes and business and increase the availability of EV chargers for renters to improve EV ownership equity as well as range anxiety. We will:

- Increase installation of community storage, with <5MW batteries at 1-2 hours located in our substations as well as grid scale batteries.
- Utilise existing network infrastructure to enable the growth of EV charging infrastructure in targeted areas.
- Implement a Customer Service Incentive Scheme (CSIS) that we designed with customers.

#### **Maturity Exceeding**

#### RepTrak Stakeholder Score: 83.6 (+9 points)

Partner Confidence: 72% (+11) Customer Confidence: 60% (-8)

# We will improve energy affordability for customers



#### **Delivery on commitments**

We continue to work to address customers concerns about affordability in the way we maintain and build assets, use pricing structures, innovation projects and trials to give customers greater control over energy bills. Efficiency measures have delivered a 27% reduction in FY23 relative to FY19 OPEX. Project Edith showcased how, through dynamic network prices, distribution networks can unlock more value for and from customer energy resources. Ausgrid's Behavioural Demand Response (**BDR**) trial successfully achieved savings for customers, as did our community battery trial. We identified significant savings via our Regulatory Reset process and were awarded the Asset Management Cost, Risk and Performance Award from the Asset Management Council. Our revised strategy recognises the importance of continuing to drive efficiency in our network operations to continue delivering customer benefits as we progress electrification for our customers.

#### Community Batteries FY23 – paving the way for a lowest cost transition

The transition to a low carbon economy calls for financial investment – in renewable power generation, upgraded vehicles, appliances and machinery – backed up by a buoyant network that can support the future of electrification. At a time when energy affordability is increasingly out of reach for many, Ausgrid took the initiative to trial innovative pricing models that can adapt to the diverse needs of our customers – giving them more control over energy bills.

Ausgrid's community battery trial continued throughout FY23 with around 60 participating households in Beacon Hill, Bankstown and Cameron Park. The trial tests how Ausgrid can enable additional value for customers within the existing regulatory and tariff frameworks. The customer value model we adopted, is effectively a replication of the credit system that currently operates between retailers and households with solar. This trial is due conclude mid FY24.

In FY23, Ausgrid was granted funding to install an additional six community batteries via the Federal Government's 'Community Batteries for Household Solar Program'. The funding enables Ausgrid to install infrastructure that contributes to firming the grid in the long term, without adding to customer bills. Eligible Federal Grant locations were Cabarita, Narara, Bondi, North Epping and Warriewood. Ausgrid is working with local councils and communities to determine their preferred customer value model for this pilot program – their choice of a \$50,000 investment in solar or EV charging infrastructure.

## Outcomes and customer impacts

- Identified several measures which will contribute to customer savings through development of our Regulatory Proposal.
- Around 150 MWh of solar energy stored virtually (Beacon Hill, Bankstown and Cameron Park).
- Testing effectiveness of community battery customer value models at small scale paves the way for broad application.
- The number of residential customers on demand tariffs has increased to over 230,000, the greatest number in the National Energy Market (NEM). We now have 35% of all residential customers on cost reflective network tariffs.

• Exceeded our \$2.7m target for recovery of third-party damage to our assets by \$100k.

#### **Commitments for FY24**

- Continue our focus on operational efficiencies.
- Support the proposed regulatory changes for an accelerated smart meter rollout so more customers have access to flexible and cost reflective network tariff options.
- Work with retailers to promote the pass through of our network price signals to customers where appropriate.
- Continue Behaviour Demand Response (BDR) and network infrastructure trials to increase customers choice on how they use electricity and increase distribution of renewable energy.

#### **Maturity Empowered**

OPEX: 27% reduction in FY23 relative to FY19

# We will provide energy safely, sustainably and reliably

#### **Delivery on commitments**

**SAFELY:** Ausgrid's safety performance was strong with our best TRIFR in seven years and international recognition for cyber security best practice from the Smart Grid Index. 93% of schools in our network participated in Electricity Safety Week and we launched our Electricity Safety Website, both providing reliable information on how to stay safe around electricity.

**SUSTAINABLY:** We became Australia's first distribution network service provider to have emissions targets and 100% of councils are on board with our LED Streetlighting upgrade program. Ausgrid connected 11 JOLT EV chargers bringing the total to 25 (just under our target of 30) and installed Australia's first pole mounted EV charger in Newcastle followed by a second in Glebe.

**RELIABLY:** We achieved our best ever SAIDI and SAIFI performance and completed an upgrade to our Advanced Distribution Management System (**ADMS**) – improving network management capability, reliability and our outage response. This technology also supports two-way electricity flow so the network can adapt to a growing mix of renewable and distributed energy resources in the future 'energy sharing' economy. Delivered a full program of works to invest in a more reliable network despite a challenging environment.

## Innovation to ensure a sustainable energy supply

Communities in more remote areas within Ausgrid's footprint are particularly vulnerable when the power goes out – with often only one main street to provide daily essentials. During FY23, Ausgrid installed innovative technologies in some of these regions to help firm up the grid and make it more reliable. This included undertaking community engagement ahead of installing microgrid infrastructure to provide backup power during outages, building community resilience.

We chose Merriwa for our first microgrid – it sits at the northernmost point of Ausgrid's network. Following engagement with local residents and businesses, we determined that a larger battery and generator would be required than we had initially planned. This increased capacity would ensure reliable power flow for key services along Bettington street, as well as a connection to the RSL to provide a community hub for residents to access during extended outages. Ausgrid also installed three SAPS in Mirannie near Singleton. Discussions continue with property owners to install another 15 units, helping to reduce network prices and improve reliability for identified landowners.

## Outcomes and customer impacts

- Around 3,200 children were taught how to be safe around electricity during Electricity Safety Week.
- Increased capacity of backup power generation ensures reliable energy supply for the local community hub in prolonged outages.
- A more reliable network helps to build community resilience and reduces impacts of vulnerability due to location.
- Scalable SAPS units address varying individual needs.
- The community used JOLT kiosks more than 50,000 times equivalent to around 390MWh and 2.77million km driven on green energy.

### **Commitments for FY24**

- Boost EV charging accessibility and do more to improve equity in the delivery of EV chargers.
- Scope 1 and 2 CO<sup>2</sup>e reduction relative to FY20 baseline: 50% by 2030.
- Improve our measurement of scope 3 emissions.
- Net zero by 2045 for our scope 1, 2 and 3 emissions.
- Continue implementation of our Modern Slavery roadmap.
- Prepare for future International Sustainability Standards Board (ISSB) disclosure.

#### **Maturity Exceeding**

**Safely:** TRIFR: 2.9 (34% improvement)

**Sustainably:** CO<sub>2</sub>e reduction vs FY20: 17.8%

**Reliability:** SAIDI: 59.6; SAIFI: 0.52

# We will improve the customer experience



#### **Delivery on commitments**

During FY23, we laid the foundations to deliver a single view of our customers on our Customer Relationship Management (**CRM**) platform to improve employee access to customer information and deliver better customer service. Our complaint management performance sustained a >25% reduction in Energy Water Ombudsman NSW (**EWON**) escalations since FY21. We expanded our customer assistance framework, provided Culturally and Linguistically Diverse (**CALD**) cultural training for customer focused employees and completed a review of system backend templates. All this helps to provide customers with more tailored responses to queries and issue resolution. Our 'Always On' Voice of Community Program, which continuously collects data on our customers' experiences, measures the effectiveness of improvement and continues to inform our business decisions.

#### Strategic realignment to enhance customer experience in the long term

We welcomed a new CEO in January 2023 and reset our Business Strategy and operating model. This led to a re-evaluation of our Customer Experience (CX) transformation program and a review of operating practices. We realigned aspects of our operating model to integrate priority end to end customer services under single executives. In May 2023, two stand-alone functions customer advocacy and claims - were brought within the contact centre. This created a multi-tiered escalation process within a single team, contributing to a smoother customer experience.

On a larger scale, we realigned end to end customer connections functions to prepare for our Connections Excellence Program (CEP). This will provide Accredited Service Providers (ASP) with improved visibility of the connections process, in turn enhancing the experience for the end consumer.

An efficient connections process will help to accelerate our electrification strategy by making it faster, easier and better value for customers and partners to connect to the grid. This responds directly to customer feedback that let us know we needed to streamline connection processes and reduce the burden and costs to customers of connecting to the network.

## Outcomes and customer impacts

- CRM and Contact Centre capability uplift increases the likelihood of first touch resolution.
- Resolved 89% of direct customer complaints within 20 days.
- 87% grade of service (on a 81.25% target) meaning we answer more calls within 30 seconds.
- Prepared the ground for significant CX transformation to commence FY24.
- Website upgrades make it easier to navigate and access relevant information.
- Reduction in handoffs for customers, information repetition and resolution duration.
- Upgraded customer portals increased ease of use for customers.
- \$700k annual savings from backend system integration, creating a more intuitive experience.

### **Commitments for FY24**

- Commence delivery of our three-year CEP – improving the connections process.
- Implement our SMS 'Going paperless', end to paper communications program.
- Undertake CRM enhancements to provide a more seamless customer experience.

#### **Maturity Empowered**

First call resolution: 91%

# We will support customers facing vulnerable circumstances

### **Delivery on commitments**

We continue to improve our approach to customers facing hardship, by providing direct support services, access to rebates and support for broader energy matters. We have maintained our track record of timely and flexible responses to unforeseen disasters, such as our COVID and flood assistance packages. We heard that resilience investment should be prioritised for communities for whom extreme weather has the most impact, and where people are least able to cope. In response, Ausgrid delivered a comprehensive community engagement program focused on building resilient communities, challenging typical network investment decision making that doesn't account for community vulnerability.

## Tailored support for customers in need

Cost of living pressures and the current housing crisis have seen an increase in customers presenting for assistance from welfare organisations. This includes a marked surge in people and families seeking support for the first time, bringing with it the need to navigate an unfamiliar system. The definition of 'vulnerable circumstances' is broadening, to address this Ausgrid has taken a tailored approach to specific customer needs:

- Set A\* (A star) accessibility as a minimum standard to make web content more accessible to people with disabilities.
- Continued investment in promoting electrical safety amongst CALD communities (between February 2022 and February 2023, 49 community leaders delivered 24 program sessions in 10 languages to 546 community members).
- Provided 20 refurbished iPads to communities in need.
- Expanded our Customer Consultative Committee (CCC) representation to reflect a broader set of vulnerabilities across Ausgrid's community including the Financial Counsellors' Association of NSW (FCAN).

- Conducted a Customer Assistance Policy refresh to enhance clarity and access.
- Conducted extensive community resilience and lived experience engagement in areas prone to the largest impacts of extreme weather events.

Ausgrid continues to support the ongoing role of Government to provide rebates and incentives, particularly improving their accessibility, with a focus on improved domestic energy efficiency and enabling the take-up of consumer energy resources.

We continue to participate in the cross-industry work to lodge a rule change which will improve outcomes for Life Support Customers (**LSC**).

## Outcomes and customer impacts

- Improved accessibility to short and long-term financial support.
- By building climate resilience plans that reflect community needs and meeting people where they are at, we will lift all residents and help prevent people from slipping into vulnerable circumstances.
- Targeted concession education raises awareness of available support - increasing likelihood and speed of access for those needing support.

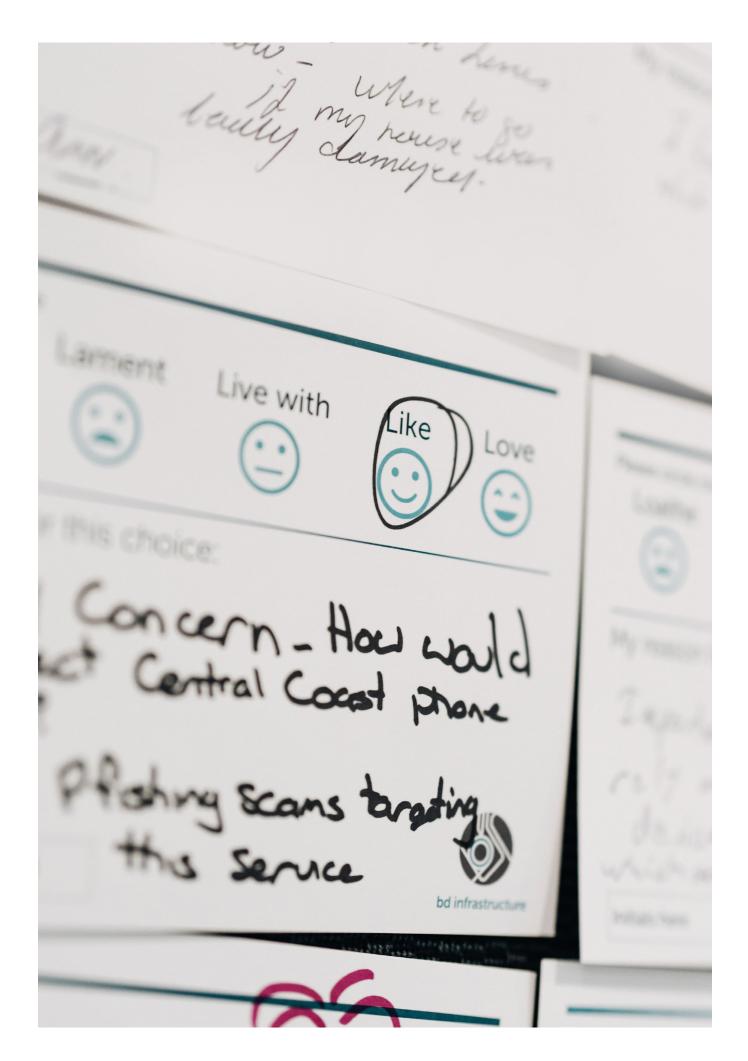
• Removes language and cultural barriers to gaining support.

#### **Commitments for FY24**

- Respond to all enquiries within 5 days, hold a meaningful assistance discussion with the customer within 10 business days of referral and complete all applications within 30 days.
- Partner with Mindaroo to develop Resilience plans for communities at risk from both climate change and vulnerability.
- Uplift in assisting people who are experiencing hardship through a commitment to fund the proposed Financial Counselling Scheme and providing support for EWON community days.
- Commit to 2024 Voices for Power CALD train the trainer energy literacy and safety program.

#### **Maturity Empowered**

Life Support Customer Confidence Score: 77%





We acknowledge the traditional owners of this land and pay respect to Elders, past, present and emerging.

Power outage, hazard or emergency



24 hours a day, 7 days a week

General Enquiries



Mon to Fri / 09:00 to 16:30