

From: Kath McLean
Sent: Friday, 25 September 2015 3:56 PM
To: 'DD17'
Subject: Comments on TasNetworks' Directions and Priorities Consultation Paper

Dear John et al,
TasCOSS appreciates the opportunity to provide comment on TasNetworks' *Directions and Priorities Consultation Paper* for its Distribution Revenue Determination 2017-2019.
Please see below for brief responses to some, but not all, of the questions posed in the *Directions and Priorities Consultation Paper*.
We look forward to further consultation on TasNetworks' revenue proposal in coming months.
Regards,
Kath

Question 2

Do you have any suggestions as to how TasNetworks could improve its customer engagement?

Although I have raised this in other forums, I re-iterate that it would be useful for TasNetworks to seek further input from customers living outside of Tasmania's major population centres, and to specifically target customers living in communities where reliability does not generally comply with established reliability standards (in terms of frequency and duration of outages).
In addition, TasNetworks could provide more information to customers involved in customer consultation activities. See response to Question 3 below.

Question 3

Do you think we should consider network educational programs as part of our customer engagement in future?

Yes, educational programs are vital if TasNetworks expects its customer engagement activities to yield useful information and opinions that are grounded in the reality of network service provision and costs.
Network services, costs, and revenue determination processes are not the stuff of everyday life for most Tasmanians and are both complex and unfamiliar. It is therefore very important that customers who are consulted by TasNetworks are well-informed on the issues about which their opinions are sought.
I would argue that TasNetworks has no choice but to provide network educational programs as part of its customer engagement processes if its customer engagement is to be genuine and valuable.

Question 4

Do you support the proposed reliability strategy to maintain rather than improve existing levels of reliability?

In general this is probably a good strategy, however, there appear to be quite a number of communities in Tasmania (as per the Tasmanian Economic Regulator's 'supply reliability areas / communities') where reliability needs to be improved to meet reliability standards, both in relation to frequency and duration of outages.
It is clear that work to ensure that reliability standards are met needs to be done.

Question 8

What additional information would you like us to provide to support our capital expenditure forecast?

- Further information on forecast demand – and how this is determined. This could helpfully include a comparison of actual demand from the current determination period and forecasts for the next.

- Further explanation of the categories of capital expenditure on page 23 of the *Directions and Priorities Consultation Paper*. While the 'System' and 'Non-system' categories are explained on page 23, the explanations do not relate directly to the expenditure categories that appear in the graph on the same page.

A clearer explanation of each of the expenditure categories that appear in the 'Capex Forecast \$2015-16(real) – by expenditure category' graph would be very helpful in understanding proposed capital expenditure.

- Given that this revenue determination period is for two years only (in order that future transmission and distribution determination periods are aligned) it would be instructive to see early estimates for capital expenditure in future years, ie from 2019/20 to 2012-22. This would assist customers to know where capital expenditure is headed in coming years and if some could be carried out over more years.

Question 9

Do you have any feedback on our preliminary forecast capital expenditure?

Expenditure proposed for the 'Reliability and quality maintained category' of capital expenditure in 2018-19 appears to be significantly higher than in previous years, as is 'Customer initiated' expenditure – are there particular reason for these large increases?

It is a concern that it is TasNetworks' stated aim to maintain both prices and reliability at their current levels in the coming determination period, yet capital expenditure is set to increase significantly in 2017-18 (by \$23.5 million or 28%) before it falls in 2018-19 (by only \$7.5 million). This must have an impact on prices.

It is also a concern that the cost of a new 'integrated business system' necessitated by the merger of Transend and Aurora may ultimately surpass the efficiency gains in operating costs said to have resulted from the merger.

Question 13

What information would you like to better understand TasNetworks' proposed network tariff strategy?

It would help to know what that strategy is beyond the information provided here:

'Our initial view is that time of use demand-based network tariffs may be the best network tariff to reflect the costs of providing network services ...' (page 32)

This tells us very little about a proposed network tariff strategy.

Question 15

Is there other information you think we need to help us finalise our network tariff strategy?

Obviously more detail on a strategy is needed, as well as information on the impact of TasNetworks' proposed strategy on different types of residential customers.

Question 16

Is there anything that our direction and priorities hasn't considered that is important to you?

Yes, customer impact. It is important for TasCOSS, and customers in general to know how TasNetworks' revenue proposal will impact on electricity prices in the determination period. This is the most critical piece of information for customers for whom, you have found through customer engagement processes, 'cost is the greatest concern' (page 12).



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