



The Energy Charter: 2019 Signatory Disclosure TransGrid

30 September 2019

Executive Summary

The Energy Charter is a positive industry-led initiative that is focusing energy businesses on improving the value we provide to customers and energy consumers. This is TransGrid's first disclosure on our performance against the principles of the Energy Charter and it will provide a base-line for future years. To develop this disclosure we consulted with customers and stakeholders, and engaged with our board, executives and staff to present a full picture of our current performance against the Charter principles.

Our transmission network connects large scale wind, solar, hydro, gas, and coal generators to distribution networks that connect directly into homes and businesses. For a select few businesses which consume a large amount of energy, the transmission network provides a direct connection between these businesses and generators. As a transmission operator, we aim to deliver value to customers and consumers by maintaining the reliability and security of our network, and by working to ensure that we are delivering this service to directly connected customers and energy consumers at the lowest possible cost.

Principles of the Energy Charter

1. We will put customers at the centre of our businesses and the energy system

We are working to embed the needs of customers and energy consumers at the centre of our business and decision making processes. As a recently privatised business, we are transforming organisational culture to improve the way we approach our role within the energy system and deliver on our obligations to customers and energy consumers.

2. We will improve energy affordability for customers

We operate our network efficiently and work to optimise investment so that benefits are delivered to consumers. As a demonstration of this, we have reduced our prices by 5.2 per cent¹ on average from our last revenue period.

3. We will provide energy safely, sustainably, and reliably

We deliver energy safely, reliably and sustainably across the transmission network in NSW and the ACT. This is our role in the energy supply chain and key to the value we provide customers and energy consumers.

4. We will improve the customer experience

We recognise the need to develop a contemporary understanding of how we can improve the customer experience. We are working to develop this through direct engagement with customers and stakeholders on how we can improve customer experience.

5. We will support customers facing vulnerable circumstances

With a transmission network spanning NSW and the ACT, we interact with communities all across the state. Our relationship with customers differs from energy distribution and retail businesses, however, we work to support our customers and consumers facing difficult circumstances and those at risk of hardship.

Next steps

This disclosure document is a first step in our self-assessment and is part of a transformation process to develop a business wide culture which is focused on the best outcomes for consumers. We welcome feedback on how we can improve the services we provide to consumers and how we present this information in future Energy Charter disclosure.

¹ Calculation is based on a comparison between AER's final decision for TransGrid's transmission determination 2014/15 -17/18 and 2018/19 - 22/23 regulatory periods.

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Have your say

We would like to hear your feedback on our Energy Charter disclosure, and about the service we provide. If you have any feedback, questions or ideas about how we can improve, please don't hesitate to contact us.

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Call us on: 9284 3431

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Foreword



Jerry Maycock
TransGrid Chair



Paul Italiano
TransGrid CEO

TransGrid is:

- > Managing our network responsibly to ensure we deliver safe, reliable and affordable energy. In the past year we have had one outage event greater than 0.05 system minutes and no major public safety incidents.
- > Facilitating the connection of new renewable generation to the grid to support the transition to a low-carbon economy, with 1,463MW signed to connect in the last year.
- > Working to improve our efficiency and reduce consumer energy bills, and have reduced transmissions costs by 5.2 per cent from last revenue period.
- > Delivering new infrastructure projects to improve access to lower cost generation in other states to provide long term benefits to energy consumers.
- > Committed to improving the transparency of our decision making, and are looking at ways to increase customer and energy consumer involvement in the delivery of projects.

From our Chair

The Energy Charter marks an important inflection point within the energy industry. The Charter represents the collective ambition of energy leaders to reflect on our current performance in the eyes of consumers, and a commitment to delivering better outcomes for customers and energy consumers.

Boards and directors have a crucial part to play in this process by providing leadership to drive cultural change within the industry. Cultural change often takes time, but we have been given clear signals to put customers first and to work harder to reclaim consumer faith in the sector.

As Chair of TransGrid's board, I am proud of TransGrid's participation in the Energy Charter and of the steps the business is taking to drive a more consumer-focused culture and of the work being undertaken to continue to improve the service that we provide for our customers and all energy consumers.

From our CEO

Energy consumers have sent our industry a clear message. They want us to focus on customer needs, to deliver better service and to put downward pressure on price. As an industry, we must recognise this and make the changes that are necessary to improve customer outcomes and experience. The Energy Charter is a first step in this direction. It signals to consumers that they have been heard and that we are working across the industry to deliver better outcomes.

Our transmission network is centrally placed within the National Electricity Market (NEM) linking major load centres and large-scale generation. TransGrid's network ensures consumers have access to safe, reliable and affordable electricity. We work to provide that access efficiently and to connect customers to the lowest-cost generation available within and between the regions of the NEM. We are proud to be a part of the Energy Charter and I welcome feedback on our first disclosure as we strive to meet the expectations of our customers and the community.

1. Introduction

1.1 Who we are

TransGrid operates and manages the high-voltage electricity network within NSW and the ACT, connecting NSW to Queensland and Victoria. Our network consists of 106 bulk-supply substations and over 13,000 kilometres of high voltage transmission lines and underground cables. Our network connects large electricity generators to the load-centres of NSW and the ACT, and through distribution networks, to more than three million homes and businesses. Our network also provides the platform on which energy is traded within NSW and the ACT, and between adjoining states, providing energy consumers with access to the lowest cost generation available.

The NEM is currently undergoing a period of transition as the generation mix changes to include more renewables and technology allows consumers greater participation in the energy market. We are engaging with customers, energy consumers, the energy supply chain and decision making bodies to ensure that consumers see the benefits of this transition.

1.2 Who are our customers

Our network does not directly connect to the homes and businesses of most energy consumers. We are aware however, that the decisions we make flow through to distribution networks and retail businesses and impact all energy consumers within NSW and the ACT. When examining the impacts and benefits of our decisions on consumers, TransGrid considers all electricity consumers within NSW and the ACT and not only those who are directly connected to the transmission network. TransGrid also serves six large industrial electricity users via direct connections to our network. Upstream generators connected to our network are also customers and are considered in decisions about how we operate our network and manage our business.

1.3 Development of our disclosure

TransGrid was one of the first signatories to the Energy Charter. By signing, we have committed to providing a frank disclosure which identifies areas where our performance can be improved and which commits us to continual improvement of our service over time.

In the first year of the Energy Charter, we have reflected on our current business practices to ensure our decisions and processes are driven by the best interests of consumers. We have started to raise awareness internally of TransGrid's commitment to the Charter and its principles and we have included a presentation on the Energy Charter in our new employee induction program, and in our CEO reports to staff in 2019.

This disclosure is intended to provide consumers with insight into how our business is changing to better meet their needs. We also intend for this disclosure to provide the catalyst for further action on how we can improve the service we provide and the value we deliver.

While developing this disclosure, we consulted with customers and stakeholders and engaged staff across all levels of the business to ensure we presented an accurate account of our current performance against the Charter's principles.

The disclosure statement is limited to the recommended page length and to information we believe will be most relevant and interesting to our customers and stakeholders and to assist them to gauge our progress against Charter principles. We welcome all feedback and suggestions about what additional information could be included in future disclosures.

2. What does value to consumers look like for a transmission network?

The Australian Energy Market Commission's National Electricity Objective² states that value to consumers is based on the price, quality, safety, reliability and security of supply of electricity, and the reliability, safety and security of the electricity system. The recently released Energy Consumer Sentiment Survey report for June 2019³ from Energy Consumers Australia, has reinforced the need for energy businesses to deliver affordable, and reliable services to consumers. As a transmission operator we aim to deliver value to consumers by maintaining the reliability and security of our network and by working to ensure that we are delivering this service at the lowest possible cost.

2.1 Reliability

We recognise that access to a reliable source of electricity is an essential service and that consumers expect electricity to be available to them when they want and need it. We manage our network in line with mandated reliability standards to meet this expectation. To achieve this, we work with generators, other transmission networks, distribution networks, and the Australian Energy Market Operator (AEMO) 24 hours a day, 365 days a year to ensure that we balance supply and demand across the network and enable consumer access to reliable electricity. In the last reporting period, TransGrid had only one Energy Not Supplied event of greater than 0.05 system minutes, meeting the AER's upper target for reliability events in the Service Target Performance Incentive Scheme.

As part of our work to maintain a reliable transmission network, we are currently planning a key reliability project in Sydney's Inner West: 'Powering Sydney's Future' (PSF). This project is being built to ensure the continued reliability of supply to Sydney's CBD and surrounding areas as older distribution cables are retired. For the project, we have also consulted extensively with customer representatives, and with them, worked to implement a more responsive and innovative approach to stakeholder engagement through the PSF Stakeholder Monitoring Committee. The monitoring Committee model allows for ongoing consumer engagement throughout the delivery of the project and the model will be used for other major projects. Details of the PSF Stakeholder Monitoring committee can be found in the below summary or [here](#).

Powering Sydney's Future Stakeholder Monitoring Committee

In 2018, we created a consumer oversight committee, including representatives from key consumer and industry bodies, to oversee implementation of the PSF capital project and provide consumers with a mechanism for continued engagement throughout the delivery of the project. This committee was created in partnership with Energy Consumers Australia and recognised the need to provide consumers with greater transparency and confidence in the project drivers and implementation strategy. The Powering Sydney's Future Stakeholder Monitoring Committee (PSFSMC) is chaired by Energy Consumers Australia and provides committee members with access to full project details. The committee's role is to provide ongoing consumer oversight and feedback to TransGrid on implementation over the duration of the project. Meeting reports are circulated to the executive steering committee for the project, which includes records from the discussion, key areas of feedback and recommendations to be put forward.

2.2 Security

A secure energy system means that there is sufficient supply available to meet demand. Transmission plays a key role in providing electricity security for consumers by connecting them to a resilient network. Our network

² <https://www.aemc.gov.au/regulation/regulation>

³ *Energy Consumer Sentiment Survey Findings: June 2019*

is connected to an array of generators in different locations and is connected to other states within the NEM - Queensland and Victoria - which provides consumers with a resilient and secure power system. Operating a secure power system means that we are able to ensure consumers have access to power at times of generation failure or when faults occur on the network. The blackouts in South Australia in 2016 and in Victoria in January 2019 underscore the value of a secure electricity system for consumers.

2.3 Affordability

The affordability of energy is a key concern for our customers and energy consumers. Our network allows energy consumers to access the lowest-cost power available. We operate our network at high voltages (500kV and 330kV) to move electrons as efficiently as possible with minimal line losses. The transmission network forms the foundation of the NEM and provides consumer benefit through the connection of new, lower-cost generation to the system, and facilitation of competition within the wholesale electricity market. We are currently progressing a number of projects that will provide benefits to consumers through increased access to lower cost generation.

As a regulated energy business within NSW and the ACT, the cost of our services is approved by the Australian Energy Regulator (AER) and recovered from all energy consumers within NSW and the ACT. Under our regulatory framework, investments need to meet strict consumer benefits tests before they are approved. Our current cost to consumers is approximately 1.1c per kW/h⁴ and we make up around 3-5 per cent⁵ of a typical residential consumer bill. We have delivered lower transmission charges to consumers across successive regulatory periods, with current prices being 5.2 per cent⁶ lower on average than the previous regulatory period. We are committed to doing what we can to ensure that consumers pay no more than necessary for the services we provide and we have undertaken a number of new initiatives to reinforce this. Two examples appear below.

Implementation of a Centralised Governance Model

In early 2019, we implemented a new governance approach to support the efficient delivery of major projects identified in the AEMO Integrated System Plan (ISP). The projects are subject to approval by the Australian Energy Regulator. The objective is to improve transparency and consumer confidence in our approach and methodology through the appointment of consultants to provide independent review of proposed projects. These independent experts have been tasked with reviewing planned capital expenditure; governance frameworks; procurement strategies and delivery plans; and undertaking reviews to provide recommendations for improvement. The panel is comprised of experienced and highly regarded construction and industry professionals.

Project EnergyConnect

TransGrid is currently progressing Project EnergyConnect in partnership with ElectraNet through a Regulated Investment Test for Transmission (RIT-T). By connecting NSW and SA, the project is estimated to lower annual energy bills by approximately \$66 in SA and \$30 in NSW for residential customers and by \$132 in SA and \$71 in NSW for small businesses.⁷ TransGrid has also proposed the application of a PSFSMC style engagement model for the delivery of the project.

⁴ Average price is based on prices and forecast inflation from the AER's final decision for TransGrid's transmission determination 2018/19 – 2022/23.

⁵ Percentage of average bill calculated using c/kWh as outlined in TransGrid's PTRM, and AEMC price trend reports (NSW portion).

⁶ Calculation is based on a comparison between AER's final decision for TransGrid's transmission determination 2014/15 -17/18 and 2018/19 - 22/23 regulatory periods.

⁷ ACIL Allen, SA-NSW Interconnector – Updated Analysis of Potential Impact on Electricity Prices and Assessment of Broader Economic Benefits, February 2019.

2.4 What does our Advisory Council say?

To better understand where consumers see value in the role of transmission, we engaged with our peak stakeholder engagement body, the TransGrid Advisory Council (TAC) to seek their input. The TAC is an executive level forum for regular engagement between TransGrid's CEO and executive team, and key customer, consumer and industry representatives. The TAC meets formally four times per year, with the meeting agenda set by members of the TAC and TransGrid. It seeks to address issues that are important to both. The meetings are chaired by members of TransGrid's executive and are attended by TransGrid's CEO. Meetings are conducted under Chatham House rules to allow for open and honest discussion. Meeting reports are circulated to members after meetings to summarise key discussion points and actions, details on the composition of the TAC and notes on past meetings can be found on our [website](#).

Our TAC recently provided insights on where it saw transmission providing value to consumers and the role it plays in the energy sector. These insights are summarised below alongside contextual information regarding our activities in these areas.

Environmental management

TransGrid's transmission network stretches over 13,000km and provides the business with a substantial regional and rural footprint. We are committed to conducting our activities and services in a manner that protects the environment and prevents pollution. We also work to continually improve the processes for this. A key areas of focus is our role managing bushfire risk within NSW and the ACT through the maintenance of our transmission structures and easements. While our operations have never been the source of a bushfire, we remain vigilant and are actively managing the risk through our bushfire mitigation strategies. This is a responsibility that we take very seriously and all activities that make up TransGrid's maintenance program have specific bushfire priority coding. Details on our environmental policy and management plans and practices can be found on our [website](#).

Community support and engagement

TransGrid has a relationship with almost 17,000 individual landowners who have transmission towers or easements on their properties. In addition to our offices in Sydney's CBD and Western Sydney, we have offices and depots in Newcastle, Tamworth, Orange, Yass and Wagga Wagga. Our staff deploy from these centres to all parts of the state. As our assets have a lifespan of 50 years or more, we are long-term members of the communities we operate in and we look to actively contribute to these communities through programs such as our Community Partnerships Program (details can be found [here](#)). We engage directly with landowners as part of the planning, maintenance and operation of our assets. This close link with the communities in which we operate is essential to providing safe, reliable and lowest cost electricity.

Safety of staff and the communities in which we work

The safety of our staff, contractors and the community is our number one priority. Our CEO endorses the right of any staff member or contractor to stop any work, in any situation, that they feel may jeopardise their own safety or that of staff, contractors or the community.

TransGrid has implemented a number of safety programs to empower staff to take safety seriously and personally. We have observed a rise in hazard reporting and a decrease in total reportable incidents with a lost time frequency rate of 0.8 in FY19. Further information can be found on our [website](#).

Energy Reliability, Security and Affordability

Addressed in section 2.3.

Leadership in policy and regulation

Transmission networks were seen as a platform for both consumer advocacy and for shaping the direction of the NEM. In TransGrid's role as jurisdictional planner in NSW, the members of our TAC have reported that they see value in the company advocating for and influencing the development of the future network to ensure it meets the needs and expectations of energy consumers. We are taking an active role in the development of the Integrated System Plan and in regulatory reviews, with the objective of delivering an energy transition that is in the best, long-term interest of consumers.

3. Reflection on our current business

3.1 Customer and Stakeholder Sentiment Survey

To respond effectively to the Energy Charter, an organisation must pause and take stock of its current performance, and honestly assess whether it is meeting its commitment to consumers. As part of TransGrid's reflection on overall performance, we undertake an annual customer and stakeholder sentiment survey which is conducted by an independent company. This provides us with important feedback from customers and stakeholders, and from property owners who have easements or transmission towers on their properties. The findings and insights gained through this research are important for helping us to identify areas for improvement within the business and in the services we provide.

We have included some of our latest survey results (FY17/18) in our disclosure (see Principle in Action 1.2). This was collected through 45 direct interviews, 52 telephone interviews, and 54 online surveys - with results from seven stakeholder segments, broken down into government and regulators, direct customers, energy advocates, industry representatives, large energy users, suppliers to TransGrid, and landowners (those who have TransGrid easements or transmission towers on their properties). The independent service provider is currently conducting the FY18/19 survey, and the results will be included in our 2020 Energy Charter Disclosure.

Key feedback received from our FY17/18 Customer and Stakeholder Sentiment Survey:

- > Strong personal working relationships with customers and stakeholders have been established, and these are important to maintain.
- > Our stakeholders felt that we have improved our approach to engagement, however, feedback received has indicated that we need to continue improving communication and facilitating genuine collaboration.
- > Improvements can be made to the consistency of engagement and service delivery, particularly with landowners who felt that engagement with us need to be more consistent and transparent on how issues were followed up.

Feedback from our annual surveys is reported to our board and is used to help further develop our business transformation program. As part of this transformation, we are developing a more consistent understanding amongst employees of their role in delivering service to customers and energy consumers, and improving customer access to our executive leadership team. Previous surveys have also provided us with data that reinforced the importance to our customers, industry and other stakeholders, and community members of positive professional relationships with relevant staff in our business. According to survey results, interpersonal relationships based on trust, transparency and performance are important to our customers and we are working to embed this into all engagement with customers and stakeholders through formal consultation processes like the TAC and across the full range of our contact with customers and the community.

3.2 Focus on improvement

In addition to the Customer and Stakeholder Sentiment Survey conducted annually (above), we also conduct an annual employee engagement survey. Importantly, results support our focus on the continual improvement of our performance, and we have identified the need to re-frame our vision and values so that these are better aligned to the needs of consumers.

We are committed to improving our service to directly connected customers and energy consumers across the supply chain. We have identified several key areas where we can improve our service by aligning with Energy Charter Principles.

To ensure we meet our commitment, we will be discussing these proposed areas for improvement with our TAC. We will check whether these areas align with expectations and see if our TAC recommends focus on any other areas.

3.2.1 Transparency

In response to customer and stakeholder feedback, we have committed to improving transparency and to providing more information and understanding to consumer representatives on the scope and nature of capital projects. In the past, consumers and stakeholders have queried the approach taken to assess cost and scope of proposed expenditure, particularly around large projects. We have implemented a number of new processes to increase consumer confidence that any expenditure proposed on our network that will eventually impact bills, has been rigorously assessed to ensure it is necessary, efficient, and will deliver value to consumers. An example of one of these is the creation of a consumer oversight committee for the implementation of the PSF Project (see principle 2.1) which we have proposed extending to other capital projects.

3.2.2 Measurement of consumer outcomes

During development of our Energy Charter disclosure, we have recognised opportunities to improve the way we collect and use information about consumer outcomes in our decision making processes. Transmission networks have generally not considered themselves connected to energy consumers in the same way as directly connected customers. Given this historical context, the benefit provided to consumers through our service has generally been focused on the reliability of our service and the efficiency of our costs. Understanding of the direct consumer benefits of the decisions we make, beyond cost and reliability, is an area that is not strong in all areas of our business, and can be improved. With this in mind, we have recently in 2018, and again in 2019, commissioned FTI London to model the benefits to customers from investment in interconnection projects identified within the ISP. This is in addition to cost benefit analysis models conducted for the production of this modelling and associated reports, and concentrates it where it should be, on the consumer benefits: projected savings on household and business bills as a consequence of lowering wholesale electricity prices by facilitating inter and intra-regional transfers of available, lower-cost generation.

As part of our commitment to improvement, we will continue to examine ways to better measure the impact of proposed capital investment and our decisions on consumers. To further this process, we will discuss with our TAC their views on how this is best done by a transmission network.

3.2.3 Operational efficiency

We are focused on delivering services to consumers efficiently. Consumer concerns after recent large increases in energy prices has focused the entire sector on putting downward pressure on costs. In 2017, we established a business transformation program to ensure we continue to deliver transmission services efficiently, contributing to affordability of energy for customers, and in line with the second principle of the Energy Charter. The transformation program has achieved benefits through the following programs:

- > Efficiency and productivity programs that re-engineered processes to reduce effort and increase asset and labour utilisation.
- > Consolidation by removing duplicated activities.
- > Reducing our external spending by improving terms with suppliers.

- > Optimising asset management practices to reduce work volumes while managing risks.

A continuous improvement approach has included new programs to drive capex efficiencies and a review of our operating model. This is part of our work to continue to improve energy affordability for customers and consumers.

3.2.4 Improving alignment of staff incentives – “Place the customer first”

“Placing the Customer First” is one of a set of internal behaviours identified to reinforce business transformation. All staff performance is assessed against these behaviours as part of our annual performance review process. In FY20, to improve alignment between staff incentives and consumer benefit, we are changing the weighting of the behavioural component in performance to represent a greater share of an employees’ performance assessment. As performance ratings are used to inform staff incentives, this will help staff better understand the connection between the work they do and its impact on consumers.

4. Principles of the Energy Charter

Principle 1: We will put customers at the centre of our business and the energy system

The delivery of safe, reliable and affordable electricity to consumers is at the core of our business. Since privatisation of the business in 2015, and amid significant sector transition, we have been undergoing a process of cultural change and transformation to better align the business with the interests of customers and consumers. Our business strives to put customers and consumers at the centre of our business by working to deliver safe reliable and affordable electricity and by embedding processes within our business to consult and engage with customers and consumer representatives. In 2018/19, we commenced comprehensive research with staff across all of our offices and regions, to re-examine our purpose and values. The first phase involved meetings and interviews with over 250 staff across the business on our organisation and how we serve the community. A key outcome of this process was an understanding that TransGrid’s staff feel a real connection to the communities in which they work and a shared understanding of the important role they play in providing energy services to NSW and the ACT. We will provide more information on this process in future disclosures once it is finalised.

1. We will put customers at the centre of our business and the energy system

1.1 Have a Board that actively oversees the business culture so as to be aligned with Energy Charter Principles.

Our Board is committed to the Energy Charter and its principles. The Board sets performance targets for the business on the reliability of our services and the efficiency of our costs. These targets provide direction to the business to provide consumers with secure, reliable and cost efficient services. While not directly retail facing, the Board recognises that as a transmission service provider, TransGrid best serves customers and consumers by maintaining reliability and operating efficiently to put downward pressure on the cost of wholesale electricity.

Current activities:

- > Our Board reviewed and endorsed this Energy Charter Disclosure.
 - > Our Board sets the annual strategy, business plan and performance targets for our business, which each year includes targets for the improvement of customer and stakeholder feedback, requiring the business to consistently improve its activities and performance to deliver beneficial customer outcomes. Through this mechanism the Board seeks to embed a culture of customer focus and to drive a process of continuous improvement.
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1. We will put customers at the centre of our business and the energy system

- > Results from our annual consumer and customer sentiments survey are reported to the Board with actions noted for TransGrid's managers and staff to continue to develop organisational capability in communication and engagement activities.

Areas for improvement:

- > Our Board has requested quarterly updates on our progress to embed the Energy Charter principles into our business.

1.2 Have management operationally accountable for embedding a 'customer at the centre' culture.

Our executive management team have individual responsibilities for customer focused behaviour. These are monitored through corporate performance indicators aligned to workforce safety, network performance and stakeholder surveys. We aim to consistently raise the bar on these measures, with high performance as a precursor to delivery of a safe and reliable service to consumers.

Current activities:

- > Our Executive team is operationally accountable for relationships with TransGrid's directly connected customers. A customer scorecard assessment is used for customer relationships and engagements, with feedback circulated and disseminated within the business for action.
 - This process helps provide our customers with confidence that their needs and feedback are being represented and advocated within the business.
- > Our annual consumer sentiment survey (see 3.1) provides us with feedback on our performance and helps us to identify areas for improvement. Results for our FY17/18 survey appear below.
 - Reputation score: 79 per cent favourable (increase from 70 per cent in FY16/17).
 - Trust score: 77 per cent favourable (increase from 70 per cent in FY16/17).
 - Net Advocacy Score: +10 (increase from -4 in FY16/17).
 - Survey results highlighted the importance of consumer relationships with TransGrid and the impact this has on their perception of our services. This feedback has been used at an executive level to reinforce personal responsibility around promoting 'customer-centric' behaviour within the business.
 - Results of this survey also recommended continued improvement in engagement, focusing on genuine collaboration, more impartial information and tailored engagement approaches. It also recommended improving the consistency of engagement and service delivery for landholders with easements or transmission towers on their properties.
- > As part of the annual performance review process, our executives are assessed against a set of behaviours including "Place the customer first". Ratings against behaviours will now contribute more towards all our employees' annual performance assessments.
 - This increased emphasis on customer centric behaviour is intended to support long-term benefits to consumers through improving alignment between business incentives and consumer outcomes.

Areas for improvement:

- > We recognise that we do not have the data or metrics in place to fully measure or drive accountability for a customer centric culture uniformly across our business. We are working to develop this internal discipline in order to better assess alignment to this principle.
 - At the time of writing this disclosure we are undertaking a survey of our customers, energy consumers, and landholders. From this we will recalibrate our engagement and put in place targeted programs to lift our performance.

1. We will put customers at the centre of our business and the energy system

1.3 Ensure their work force is engaged and incentives are aligned to drive positive customer outcomes.

We aim to have workforce incentives to drive positive customer outcomes through business and regulatory incentive schemes. The business is also working to drive longer-term cultural change by developing a more mature understanding of the link between our service and the end-user experience.

Current activities:

- > As part of the annual performance review process, all employees are assessed against a set of behaviours including 'Place the customer first'.
- > Our Customer Engagement team rolled out a customer focus advocacy program to more than 300 staff during FY18/19 - reinforcing the importance of a customer centric focus and reporting on recent customer performance.
- > Incentive bonuses for eligible staff members are aligned to business performance against regulatory incentive targets, such as the Service Target Performance Incentive Scheme (STPIS), in relation to the reliability of service, and incentivising prudent and efficient service provision. These incentives are intended to provide long-term benefits to consumers as TransGrid is incentivised at a business level to improve service from year to year.
- > We have included a presentation on the Energy Charter in the induction material for all new staff members, effective from 1 July 2019.

Areas for improvement:

- > From FY20 onwards we will be increasing the weighting on behavioural alignment in our performance appraisal framework. This will increase staff accountability for driving customer outcomes in their work.
- > We recognise that we do not have the data or metrics in place to fully measure or drive accountability for a customer centric culture.
 - At the time of writing this disclosure we are undertaking a survey of our customers, energy consumers, and landholders. From this we will recalibrate our engagement and put in place targeted programs to lift our performance.

1.4 Have robust processes to determine customer and community needs and be accountable on how feedback has been considered and incorporated into decision making.

We use a range of formal and informal processes to seek input from customers and community on the provision of our services, the development of planned works and the development of our public advocacy. We aim to constantly improve the frequency, responsiveness and transparency of our customer and community engagement.

Current activities:

- > Our executive level engagement forum, the TAC, is discussed above.
 - TAC was established in 2016 and meets four times per year (formally). Out of session meetings with members are arranged as required.
 - In the past, sub groups of the TAC have been formed to engage on TransGrid's revenue proposal to the AER, and on discussions about future regulation within the NEM. This is in response to TAC members' requests.
 - We work closely with the TAC to develop our policy positions on key regulatory reforms. This helps us understand the implications of alternative reform paths for end use consumers so that positions

1. We will put customers at the centre of our business and the energy system

we advocate for promote the National Electricity Objective (that is, it promotes the long-term interests of consumers).

- More information on the TAC can be found on TransGrid's [website](#).
- > We have dedicated customer managers for all our directly connected customers. The team has customer specific engagement plans to ensure we maintain a high level of service tailored to specific customer needs and provide 'voice of the customer' advocacy service within our business.
 - Customer and stakeholder insights are collected within an internal customer portal to record feedback and ensure this is shared within the business.
- > TransGrid releases a Transmission Annual Planning Report (TAPR) every year on 30 June as part of its role as the Jurisdictional Planner for NSW and the ACT. The TAPR is developed in consultation with customers, stakeholders and market bodies to provide a 10-year forecast for TransGrid's network.
 - TransGrid runs a public consultation on the development of input assumptions to ensure the TAPR best reflects the market as well as stakeholder and customer understanding and expectations.
 - The TAPR and its input assumptions are publicly released and broadcasted to customers and stakeholders.
- > We work closely with members of the community who have easements on their properties to manage bushfire risk and ensure we carry out necessary maintenance work. Maintenance of easements to mitigate risk is undertaken in consultation with easement holders. Feedback from landowners with easements or transmission towers on their properties, delivered through our FY17/18 Consumer Sentiments Survey, indicated that their perception of the quality of service from TransGrid was 70/100.
 - We work closely with easement affected property owners, developers and planning authorities to ensure any proposed activities and developments meet our public safety standards. Recently we updated our easement development process based on customer feedback that indicated our process was lengthy and unclear. We have now implemented a new online easement development enquiries system focused on transparency, committed timeframes and providing clear guidance on requirements.
- > We developed an internal customer portal to record customer feedback and ensure insights and feedback are shared within the business. This portal allows all staff members to record interactions with customers and stakeholders to pass on any relevant feedback or action to the appropriate areas within the business.
 - This process helps provide our customers and stakeholder with confidence that feedback they provide is being represented and advocated within the business.

Areas for improvement:

- > Feedback from our FY17/18 consumer sentiment survey indicated that:
 - We need to continue improving communication and facilitating genuine collaboration.
 - Improvements can be made to the consistency of engagement and service delivery, particularly with landowners who felt that engagement with us was inconsistent and lacked adequate transparency on how issues were followed up.
- > TransGrid is currently implementing changes to our engagement process to address this feedback, particularly as we start to engage more broadly on a series of major transmission projects.
- > We are exploring how to further improve consumer engagement as part of the regulatory process. We have created a stakeholder monitoring committee for our PSF project and are looking at this model for other major projects.

1. We will put customers at the centre of our business and the energy system

1.5 Demonstrate a culture of innovation and collaboration for positive customer outcomes, including through the sharing of insights with government, research institutions and across the supply chain, as well as joint advocacy on regulatory, policy and operational issues.

We aim to demonstrate a culture of innovation and collaboration through direct engagement with customers, regulators and stakeholders as a core part of our regulatory, operational and planning processes.

Current activities:

- > We have taken an innovative approach to consumer engagement on our PSF project in partnership with Energy Consumers Australia, establishing a consumer oversight committee, the PSFSMC. The committee is in place for the duration of the project implementation.
Members of the PSFSMC meet with TransGrid to receive updates on the project, review plans and processes, and provide feedback to TransGrid's executive. As part of this committee, members sign non-disclosure agreements to gain access to confidential project information. This enables them to form a better understanding of the process around delivering large infrastructure projects and supports a more informed discussion on issues.
- > We are a key contributor to the development of the AEMO ISP, which sets out a strategy for the lowest-cost transition of the NEM to meet future energy needs. AEMO estimates that the proposed investment in transmission in the ISP would conservatively deliver net market savings of around \$1.2 billion⁸.
 - TransGrid's contribution to this strategy is formed in part through consultation with its customers and stakeholders and is focused on ensuring an efficient transition of the NEM that will deliver long-term benefits for consumers.
- > We supported the NSW State Government to develop the NSW Transmission Infrastructure Strategy (NSWTIS). The strategy forms part of the government's broader plan to make energy more affordable, secure investment in new power stations and network infrastructure, and ensure new technologies deliver benefits for consumers.
- > We have established an Innovation and Technology team within our business to identify innovative technological solutions that can be implemented within our network to address emerging network challenges and reduce costs for consumers.
- > We work with customers and stakeholders to share information and insights and to facilitate informed discussion on policy and regulatory issues. To date, we have:
 - Facilitated meetings and workshops in December 2018 in Sydney, Canberra and Melbourne with consumer representatives and other stakeholders on the consumer benefits of interconnection. Workshops were designed to share insights and research with consumer representatives and to provide access to thought leaders from FTI Consulting (UK) who have analysed this extensively for the European market and the NEM.
 - Arranged a public stakeholder forum to consult on the assumptions that would be used as inputs for the development of the 2019 TAPR (see 1.4)
 - Invited consumer advocate organisations to present to members of our policy and executive team on their proposed Renewable Energy Zone Regulatory implementation mechanism.
- > We participate and collaborate with other members of the supply chain in the NEM through the Connections Reference Group. The objective of this group is to assist and learn from Distribution Network Service Providers' (DNSP), AEMO and TNSPs industry experiences with renewable generation connections.

⁸ *Integrated System Plan*, July 2018, Australian Energy Market Operator, pg. 6

1. We will put customers at the centre of our business and the energy system

- > We are a member of Energy Networks Australia (ENA) and the Clean Energy Council (CEC), and work collaboratively with other member organisations on submissions, while participating in industry working groups.

Areas for improvement:

- > The significant transition taking place in the Australian energy market is leading to an unprecedented level of regulatory, market, and policy reform. TransGrid is working to improve our engagement with other supply chain participants to coordinate thinking on these reforms and ensure consumer voices are being heard. We are particularly targeting this in relation to the development of future market designs, and developing frameworks for new transmission investments (e.g. for the development of renewable energy zones).

Principle 2: We will improve energy affordability for customers

As a regulated energy business, TransGrid's revenue and the amount it receives from energy consumers is regulated by the AER on a five year basis. To develop our revenue proposal, which contains all planned expenditure (both capital and operational) for the next five years, we engage extensively with our customers and energy consumers to develop a proposal that meets consumer needs. This two-way sharing of information helps to provide consumers with greater insight into how a transmission business operates and the constraints placed upon it. It also helps TransGrid to better understand the needs of consumers. This enables TransGrid to better identify and prioritise proposed works to align with consumer expectations.

2. We will improve energy affordability for customers

2.1 Ensure that investment, commercial and operational decisions are cost efficient, and explain how customers benefit from these decisions.

We aim to understand customer needs and to make decisions transparently in their interests. We optimise our investments as a prudent and efficient network operator. As a regulated utility, we are subject to incentive based regulation applied by the AER. As part of our regulatory framework, large investments are subject to the Regulatory Investment Test for Transmission (RIT-T), which considers (separately) reliability and market benefits to consumers. The consumer benefit for proposed expenditure must be demonstrated and approved by the AER.

Current activities:

- > We have reduced our average transmission charges for the current regulatory period by 5.2 per cent⁹ compared to the previous regulatory period. Our cost to end-consumers is approximately 1.1c /kWh and comprises approximately 3-5 per cent¹⁰ of a typical residential bill in NSW and the ACT.
- > We have undertaken a number of initiatives to ensure complete transparency of the investment assessment processes, over and above those required under the RIT-T:
 - We have utilised independent experts to review planned capital expenditure on ISP identified projects. This provides us with an assurance that forecast consumer benefits from a proposed project are robust, before we approach the regulator.
 - Creation of the PSFSMC. (Please see information in principle 1.5).

⁹ Calculation is based on a comparison between AER's final decision for TransGrid's transmission determination 2014/15 -17/18 and 2018/19 - 22/23 regulatory periods.

¹⁰ Percentage of average bill calculated using c/kWh as outlined in TransGrid's PTRM, and AEMC price trend reports (NSW portion).

2. We will improve energy affordability for customers

- > We have an ISO55001 certified Asset Management System. We apply data-driven analytics and insights to ensure that investments are focused on customer benefit/risk in the assessment of augmentation, replacement, operations and maintenance programs.
 - Our robust Prescribed Network Capital Investment Framework (PNCIF) and Prescribed Capital Investment Process (PCIP) provide transparency over the economic benefit of our investments. This framework and processes also ensure that we undertake investment in accordance with our regulatory and legislative requirements.
 - Our Asset Management System also ensures efficiency and effectiveness are monitored in the execution of our capital works program.
- > We manage the operation of our network and make operational decisions to ensure the safety of people and assets, the security of the power system and reliability to customers (both upstream generation customers and downstream energy consumers). An assessment is carried out on all planned outages to determine the potential risks to safety, security and reliability. Operational outages are scheduled and managed to minimise the impact on customers and the operation of the National Electricity Market.
 - As evidence of this, TransGrid had only one Energy Not Supplied event of greater than 0.05 system minutes during the 2018 reporting year, meeting the AER's upper target for reliability events in the Service Target Performance Incentive Scheme.

Areas for improvement:

- > We will continue to look at how we can improve transparency around proposed investments and the demonstration of benefits to consumers. We will continue our current initiatives (see above) and will include updates on the results within our future disclosures.

2.2 Offer customers energy deals that best meet their needs, supported by effective tools and incentives for customers to manage their energy use and cost.

As the transmission network service provider (TNSP) for NSW and the ACT, the price for our services is passed to all energy consumers within NSW and the ACT through their distribution network and retailer. As all energy consumers pay for our service as part of their energy bill, we aim to ensure that consumers pay equitable and fair prices for our services.

Current activities:

- > We have delivered real price reductions in the order of 5.2 per cent¹¹ over the last regulatory period.
- > We have a pricing methodology that is approved by the AER and publicly available on our [website](#).
 - Our current pricing methodology came into effect in July 2018 and was developed in consultation with customers and consumer representatives.
- > We engage with all our directly connected customers (generators, distribution networks, and large energy users) and we have an allocated customer manager to ensure that each customer has a direct line of communication into our business as well as access to our executive leadership team.

Areas for improvement:

- > We understand that network charges can be an opaque component of energy bills when viewed by end consumers. We will work with DNSPs, retailers and consumer groups to ensure customers have clear visibility of the cost contribution of transmission services to their overall bill.

¹¹ Calculation is based on a comparison between AER's final decision for TransGrid's transmission determination 2014/15 -17/18 and 2018/19 - 22/23 regulatory periods.

2. We will improve energy affordability for customers

2.3 Work cooperatively across the supply chain and with other stakeholders to improve affordability over the short and long-term.

We aim to work collaboratively with customers and stakeholders across the supply chain to improve affordability for consumers. In the short term this means we are working to connect lower cost renewable generation to our network. This will increase competition in the wholesale market and deliver lower electricity prices to consumers. In the long-term, we are working to plan the transition of the NEM to facilitate greater interconnection between regions and increased renewable generation, providing consumers with access to the lowest cost power regardless of their location.

Current activities:

- > We have joint planning committees with all distribution networks within NSW and the ACT to ensure the coordination of any planned works and improve understanding of 'down-stream' impacts and benefits to consumers.
- > Our contribution towards the ISP sets out the least-cost approach to transition of the power system.

Areas for improvement:

- > As part of our commitment to improving the efficiency of our services, we have initiated earlier engagement of suppliers throughout our planning process. Seeking their input and feedback reduces the risk of cost-creep on projects due to unforeseen technical or design issues.
 - We have also taken the lead in working towards the newly created international standard (ISO 20400 Sustainable Procurement) to ensure we deliver sustainable outcomes through our supply chains.
- > We are currently working to develop our capabilities to manage two issues of growing importance for our business:
 - Human rights and labour standards, following the recent publication of the Commonwealth Modern Slavery Act;
 - Social impact – we are maximising local jobs and local sourcing in regional areas where we operate. This includes a specific focus on Aboriginal Participation, in line with our Reconciliation Action Plan. To that end, we are developing a two-year action plan that will enhance our ability to manage all our supply chain risks as well as differentiating ourselves in the market.
- > We are seeking opportunities to collaborate with other network businesses in the delivery of services in a way that minimises the overall cost of building, operating and maintaining the grid. An example of this would be participation in joint planning committees with other participants in the supply chain.

2.4 Innovate to deliver competitive energy solutions for business and residential customers.

This principle is not directly relevant to a transmission network, as the price for our services is passed to all energy consumers within NSW and the ACT through their distribution network and retailer. We do what we can to promote more competitive and innovative energy solutions at a local level.

Current activities:

- > Demand management and non-network solutions are a key component of all our proposed works. We issue project specification consultation reports to ensure we are always examining our ability to defer works by meeting energy needs without a network solution.
- > As part of our PSF project we are procuring demand management options within the Inner Sydney Area to defer network expenditure.

2. We will improve energy affordability for customers

- We work directly with non-network service providers, including AGL, to look at current and future demand management options and provide support on the development of a more mature demand management services market.
- Supporting the development of a more mature demand management market will provide more opportunity to implement cost-effective non-network solutions for networks and reduce cost to consumers.
- > We have led a rule change request to the Australia Energy Market Commission, in partnership with ENA, to allow transmission to participate in the demand management incentive scheme (DMIS) which is currently available only to distribution networks (see 4.3). Access to the DMIS would provide TNSPs with a financial incentive to implement efficient non-network options, which are expected to provide lower costs to consumers through differed investment.

Areas for improvement:

- > We are working to improve the viable application of non-network solutions (e.g. batteries) to more cost effectively meet energy system needs without the need for significant poles and wires investments. This includes exploring the potential for batteries to meet short-term demand spikes (e.g. in the Sydney basin).

2.5 Advocate on behalf of customers to improve energy affordability through engagement in regulatory and policy processes.

We play an active role in the regulatory and policy landscape of the NEM and aim to consistently ensure that our advocacy and proposals are in the long-term interest of consumers.

Current activities:

- > We are a key contributor to the development of the ISP which sets out a strategy for the transition of the NEM. As part of this, we are advocating for the connection of more low-cost generation (and advocating for certainty in investment to ensure a least cost solution is built out, especially as coal fired power generators retire) to provide consumers with access to the lowest-cost generation available.
- > We partnered with the NSW State Government to develop the NSW TIS. The strategy forms part of the government's broader plan to make energy more affordable, secure investment in new power stations and network infrastructure, and ensure new technologies deliver benefits for consumers.
- > We have engaged directly with our TAC, consumer advocates and various customers on all our major policy reforms and submissions to take feedback and help align our positions with consumer expectations.
 - TransGrid aims to consult with our TAC on all major policy positions prior to making written submissions or engaging in advocacy. In the past 12 months we consulted with the TAC on positions and submissions we made for major rule changes and industry consultations including the AEMC's Coordination of Generation and Transmission review, AEMO's ISP and the Demand Management Incentive Scheme rule change request submitted by Energy Networks Australia.
 - We circulate our draft written submissions for stakeholder feedback for more than half of all submissions made in FY19. Of the submissions not consulted on, we deemed that stakeholders would have an interest on those particular issues.

Areas for improvement:

- > Our aim is to improve our consultation in the next year by providing updates to our TAC on the progress our business has made with regulatory submissions throughout the year.
 - > To improve our engagement processes on rule changes and regulatory submissions, we are aiming to provide updates to the TAC on all our planned positions on all regulatory submissions.
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2. We will improve energy affordability for customers

- This will provide our stakeholders with the opportunity to give feedback on all of our proposed positions prior to submission - allowing our stakeholders to choose what is important to them in consultation.

Principle 3: We will provide energy safely, sustainably and reliably

As the transmission operator within NSW and the ACT, we transport electrons over long distances from generators to large energy users and distribution networks. These electrons are then consumed by end users in homes, businesses and communities. TransGrid is committed to delivering energy safely, sustainably and reliably to energy consumers. We work with generators, other transmission networks, distribution networks, and the AEMO 24 hours a day, 365 days a year to ensure that we are balancing supply and demand across the network and playing our role in enabling consumers to access reliable electricity. As part of our commitment to safety, we hold annual mandatory full-day safety events for all our staff. We engage with staff on a weekly basis to draw attention to particular safety concerns and to provide updates on best-practice approaches. We also provide public information regarding how to be safe around our transmission lines.

3. We will provide energy safely, sustainably and reliably

3.1 Maintain the highest standards of safety for their people, the community and the environment.

The safety of our staff, contractors and the community is our highest priority. We have an accredited health and safety management system, a bushfire and easement management plan and a safety plan to ensure we keep our staff, contractors and communities safe when providing our services. Our aim is to have zero safety incidents among our people or within the communities in which we operate and we have ensured that all staff are empowered to stop any work they feel is unsafe.

Current activities:

- > For personnel working in the business, safety statistics demonstrate a positive downward trend with two lost time injuries for FY18/19 combined and a (TransGrid and contractor) lost time injury frequency rate of 0.8 as of 30 June 2019. This downward trend is driven by:
 - Management supporting all staff and contractors to stop any work that they feel is unsafe.
 - An increase in hazards and near misses reporting.
 - Leadership and Health, Safety and Environment (HSE) involvement and visibility throughout the lifecycle of projects.
 - Promoting psychological safety as well as physical safety.
 - Increasing HSE awareness through workforce participation in annual Safety Days and, most recently, benchmarking safety culture initiatives.
- > In the last year, we have run a number of safety initiatives within the business and within our communities, including:
 - Hosting annual 'Safety Days' - full day meetings for all staff in the business to discuss our safety culture, performance and the importance of ensuring safety of all staff, contractors and the community.
 - Incentivising all staff to behave in a safe manner as part of their annual KPI assessments.
 - A strong focus on staff safety during leadership training and induction for employees.
 - Public notification of planned work in local areas and public safety awareness programs which include information on power lines, easements and electromagnetic frequency.

3. We will provide energy safely, sustainably and reliably

- > Our assets are managed under an accredited ISO55001 Asset Management System and ENSMS (Electrical Network Safety Management System). This requires us to establish a suitable maintenance program and to fulfil our obligations to public safety, bushfire risk and delivering a reliable supply.
 - This maintenance program is reported on monthly and audited both internally and externally. The latter includes IPART, our state regulator.
 - We maintain these strict maintenance regimes to mitigate risk to our communities.
- > We have had zero significant public safety incidents in the last financial year.
- > Any concerns reported by members of the public regarding our infrastructure are taken seriously. All of these issues are investigated and staff are deployed to investigate and respond as necessary.

Areas for improvement:

- > We are undertaking a number of programs to continue to improve the safety culture within our business.
 - We have undertaken a process of Safety Attitude Benchmarking to help us understand the maturity of our safety culture. This benchmarking will be used to identify ways to continue improvement in our approach to the safety of our staff and contractors, and will guide the development of new safety workshops.
 - We are working to improve the visibility of our safety leadership through the trialling of new technology to support our 'Heads Up' Safety Program and refreshing our executive training.
- > We have never caused a bushfire and are continuing to improve our management of bushfire risks and hazard trees on our easements as a means of reducing risks to the general public and to the operation of our network.

3.2 Engage with customers and the community on investments, and manage operations in line with their expectations, demonstrating how communities benefit.

We believe it is important that communities are aware of work that will take place in their areas. We have engagement processes that keep customers and communities consistently informed of our work and to clearly define and communicate the benefit to energy consumers. We recognise there is room for improvement around customer and community engagement in respect of this.

Current activities:

- > During development of our PSF project, we optimised our planned project through consultation with customer and stakeholders to ensure the project meets the identified need and delivered value to consumers. We are now working to implement in line with expectations.
 - In 2018, we modified our project proposal to remove \$100m of cost (revised project from two 330kV cables to one) based on customer and stakeholder feedback regarding some of the project assumptions. To better understand the concerns of our stakeholders, we engaged on a one-on-one basis, as well as holding a meeting with interested stakeholders, external consultants, members of our executive and project team, and the AER (as observers). This meeting allowed all stakeholders to present their concerns and to discuss options to deliver the project that would meet their expectations.
 - As part of this consultation and to provide stakeholders with more confidence, we created the PSF SMC, which provides continuing consumer oversight of the project (see 1.5).
 - > After the PSF project approval, project costs were estimated to be higher than the original allowance due to changes in market requirements for construction in an urban environment. To ensure that delivery of the project did not add to consumer bills beyond what had been agreed, we made further changes to the delivery of the project and other planned works.
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3. We will provide energy safely, sustainably and reliably

- Based on strong feedback from customers and stakeholders around the need to keep costs down, we optimised the project route by 60 per cent (changing route away from main roads) to bring the cost back down and closer to the AER allowance.
- We also adjusted other planned maintenance work to accommodate the change in cost
- > As part of our planning process for Project EnergyConnect, a major interconnector proposed between NSW and South Australia, TransGrid has been undertaking on-the-ground engagement with local governments and landowners to understand particular needs and sensitivities that must be taken into account when planning the route. For the project we have conducted:
 - 21 landowner meetings, 15 local council meetings, and two local community organisation meetings on the route selection process. Once a draft route has been determined, we will re-engage with councils and landowners to obtain further feedback and to ensure their responses have been incorporated as much as possible. Through this consultation, we will identify a project route that offers the least disruption to consumers.

Areas for improvement:

- > Feedback from landowners with easements or transmission towers on their properties, delivered through our FY17/18 Consumer Sentiments Survey, indicated that their perception of the quality of service from TransGrid was 70/100.
 - This group provided feedback on the need for a more consistent approach to engagement and greater transparency on follow through.
- > We recognise there is a need for improvement in our approach to community consultation and communication, particularly around the communication of works relating to easements and the clearing of hazard trees as part of our bushfire mitigation work.
 - In 2017, written communications to landowners providing notification of the need to clear 'hazard trees' (that pose a bushfire/reliability risk due to proximity to transmission lines) on their easements caused confusion amongst landowners due to a lack of internal coordination in the engagement approach.
 - As a result, we examined the communications process to landowners regarding access and associated clearing works for hazards and recognised the initial information was not clear and caused issues for landowners. Our letters and engagement materials have since been improved and we are looking to further refine these.
 - As part of our efforts to improve consumer engagement around our operational management of easements and bushfire mitigation, we created an [online enquiries portal](#). The portal is designed to provide energy consumers who have easements on their property with quick and easy access to information regarding their easement.
 - This process was informed by community and industry feedback that indicated our easement development process was lengthy and unclear.

3.3 Develop business strategy and manage operations to respond to the shift to a cleaner energy system that is already underway.

TransGrid supports a clean energy system and we have developed a business strategy to support the transition to a clean energy future. We do this by: investing in new network capacity to support the connection of renewable generation, supporting the connection process for new renewables, investigating new and emerging technologies and working with industry-wide stakeholders to develop a transition plan towards a cleaner Australian energy system.

3. We will provide energy safely, sustainably and reliably

Current activities:

We are:

- > Working closely with AEMO to support the development of the ISP.
- > Working on major transmission projects, such as Project Energy Connect, which if approved, would provide network capacity for the connection of new renewable generation and deliver consumer benefits through the reduction of energy bills by approximately \$66 in SA and \$30 in NSW for residential customers and by \$132 in SA and \$71 in NSW for small businesses¹².
- > Maintaining a dedicated new connections team that has signed agreements for the connection of 1,463 MW of new renewable generation in the past 12 months alone.
- > We work with generators and AEMO to establish technical and reliability standards for intermittent renewable generation and to ensure system strength is maintained as the generation mix changes across the NEM. We also actively contribute to forums such as the NEM Connections Working Group to share learnings with other DNSPs and TNSPs to support the transition to increased reliance on renewables.
- > Investigating new and emerging technology solutions to address system strength and inertia needs as the generation mix changes and, to ensure the system is able to accommodate the increasing amounts of renewable (non-synchronous) generation connecting.

Areas for improvement:

- > The grid connection process remains one of the biggest hurdles for developers of new renewable generation projects. TransGrid continues to work with AEMO to simplify and streamline this process to facilitate connection of renewable generation.
- > We are working to improve our operational collaboration with other participants in the energy supply chain. Specifically, this includes working more closely with generation investors to establish clear standards, and to create frameworks for future network investments including in the Renewable Energy Zones.

3.4 Work with government, other energy businesses, the community and industry bodies to develop a planned transition to a cleaner energy system.

TransGrid works with governments, market bodies and other members of the supply chain to support the transition to a clean energy future, and has developed a clear business strategy to support renewable technologies and connections.

Current activities:

- > We have performed long-term scenario planning for the evolution of the NEM, and made this thinking publicly available to other energy supply chain participants through documents like TransGrid's 2056 Network Vision report.
- > We are a key contributor to the development of the ISP which sets out a strategy for the transition of the NEM and the connection of renewable generation.
- > We supported the NSW State Government to develop the NSW Transmission Infrastructure Strategy (NSWTIS), which sets out a plan for developing renewable energy zones within NSW.
- > We engage with customers, stakeholders, market bodies and supply chain businesses to develop our Transmission Annual Planning Report (TAPR), which sets out a 10-year plan for the network, and

¹² ACIL Allen, SA-NSW Interconnector – Updated Analysis of Potential Impact on Electricity Prices and Assessment of Broader Economic Benefits, February 2019.

3. We will provide energy safely, sustainably and reliably

provides information to the market about the connection of renewable generation and future opportunities.

Areas for improvement:

- > There is continuing debate and uncertainty within government and across the wider community about what is practical and feasible in engineering terms to facilitate the efficient transition to a cleaner energy system. We are working to improve access to our engineering expertise as thought leaders in this space to better inform this discussion.

3.5 Facilitate new services and technologies that support sustainable energy solutions that meet the changing needs of the market.

As the TNSP for NSW and the ACT we aim to actively pursue new and emerging technologies that allow more efficient network management.

Current activities:

- > We are trialling the use of new technology including 'Smart Wires' to improve network capability and as an incremental alternative to line-upgrades. The development of viable technological solutions to identified needs on the network will allow the delivery of cost savings to consumers through the deferment of network investment.
- > We have engaged in trials with Woolworths, the University of NSW and the City of Sydney Council into the use of embedded batteries for network support. These trials are part of our investigation into the use of technology to defer network investment while delivering consumer reliability and system security benefits.
- > We have created a new Executive position with responsibility to drive technology and innovation within our business.

Areas for improvement:

- > TransGrid is working to develop and incorporate new technologies into our network to resolve the system security issues that arise in relation to the connection of new renewable generation.

3.6 Implement solutions across the supply chain: a. that support energy connection, service and reliability that meets customers' needs. b. to resolve service issues that impact customers and the community.

As the TNSP for NSW and the ACT, we facilitate the connection of new generation to the network, invest in our network to ensure we maintain reliability of supply and work to minimise the impact of outages on our customers and energy consumers.

Current activities:

- > We operate a resilient network and maintain reliability of supply for energy consumers, working closely with electricity distribution networks to coordinate planning of works and outages so there is the lowest impact on consumers.
 - > In the case of a network incident, we measure and report our response effectiveness to the AER with market incentive outcomes, as part of the STPIS measures monitored by the regulator.
 - Emergency works are directed by our maintenance business unit and are scheduled to ensure the lowest number of supply interruptions to consumers.
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3. We will provide energy safely, sustainably and reliably

- > To ensure the energy supply chain is prepared for any network eventuality, we host an annual black-start training exercise. This exercise involves practising the restart of the NSW electricity system in case there is a state-wide blackout.
 - This exercise is undertaken in collaboration with the NSW Government, AEMO, distribution and other transmission networks, generators and large directly connected customers. This ensures that, in the event of a blackout, a whole of supply chain response can be coordinated to restore service to consumers.
- > We follow the set out process under the National Electricity Rules to connect new generation to our network, and make network availability and research about renewable resources public.

Areas for improvement:

- > We are currently examining how we can improve our planning processes and provide generators and customers the opportunity to better coordinate their activities with ours by developing a longer term and more stable view of our planned network outages. This process will assist us to better coordinate our activities with our directly connected customers and provide them more certainty.
- > Investigation into how we can improve the sustainability of our infrastructure in the face of the changing climate has been identified as an area that can provide benefits to our businesses and to end consumers.

Principle 4: We will improve the customer experience

We are continuing work to improve the customer experience and to build an organisation-wide understanding of what this means. As a transmission business the experience of customers beyond those directly connected to the network was not always fully considered. This is changing within our business. We are looking to improve the experience that all energy consumers have with our business, whether they are directly connected to our network, have easements or assets on their property, or rely on our services when they turn on a light at home.

Insights from our FY17/18 consumer sentiment survey pointed to the importance of the relationship between energy consumers and our business, and our responsiveness to their needs, over and above the quality of our services. This reinforces that it is important to improve our organisational capability to communicate, and engage with our directly connected customers, stakeholders and energy consumers more broadly.

4. We will improve the customer experience

4.1 Enable customers to get fair outcomes regardless of their ability or desire to participate in the energy market.

As the TNSP for the NSW and the ACT, we are responsible for maintaining safety and network performance in accordance with our compliance obligations and consumers' needs. We are also responsible for making sure that our costs are prudent and efficient. Our investment and maintenance decisions are underpinned by robust asset management processes and governance arrangements, which ensures our investment program is optimised so that costs remain as low as possible, which benefits our customers.

Current activities:

- > We operate under the National Electricity Law and Rules, which provide an incentive based regulatory framework administered by the AER. As part of our regulatory framework, large investments are subject to the Regulatory Investment Test for Transmission (RIT-T) which considers both reliability and market benefits to consumers. We consult broadly with customers and other stakeholders, including the AER, in the development of planned investments to ensure that the consumer benefit for all proposed expenditure is demonstrated before approval by the AER.

4. We will improve the customer experience

- > The costs of our services are passed on to consumers via retailers which may repackage those costs in various ways to construct their retail offers. TransGrid works to put downward pressure on transmission costs and aims for the lowest total cost for transmission services to be passed on to consumers.

Areas for improvement:

- > As the electricity network becomes more complex and more consumers also become producers of electricity (e.g. customers with rooftop solar) the challenge of fairly allocating grid costs becomes more complex. TransGrid is working to positively contribute to regulatory and policy processes regarding the future energy system, to ensure they deliver positive outcomes for all energy consumers.

4.2 Empower customers by: a. making sure all communication is clear, in plain terms, accessible and understandable; b. providing insightful and useful information and accessible tools; and c. streamlining access to, and portability of, customer energy data.

We are working to improve the way we communicate with customers and energy consumers. We use a number of methodologies to engage our stakeholder groups and to ensure the information we provide is suitably targeted for each group.

Current activities:

- > We have dedicated customer managers for all of our directly connected customers (see 1.5).
- > We communicate directly with our TAC regarding our business and consult them and collect feedback.
- > TransGrid releases a Transmission Annual Planning Report on 30 June every year as part of its role as the Jurisdictional Planner for NSW and the ACT. This report provides important information about the network to customers to assist their planning and decision making (see 1.5).
- > We work closely with members of the community who have easements on their property to manage bushfire risk and ensure we carry out necessary maintenance work (see 3.2).
- > In the event of a network outage, we communicate directly with our directly-connected customers and connected distribution networks to ensure that information is relayed to energy consumers.
 - As part of this process, we are working with other Energy Charter Signatories on a 'Better Together' initiative which is focused around improving communications to consumers during network outages.
- > We strive to update local communities about works that will take place in their areas with a particular focus on works that may cause disruptions or concern among residents.
 - We engage with local media to let communities know when we will be conducting helicopter line assessments in local areas. These inspections can cause concern to residents and risk disturbing livestock. We advertise these scheduled works in advance to minimise any risk of adverse consequences to consumers.
 - TransGrid's aerial patrol campaigns take place in winter with two campaigns occurring in FY18/19. These campaigns generated print and broadcast media coverage reaching an audience of more than 230,000 people across rural and regional New South Wales, with paid advertising reaching more than 820,000 people state-wide.

Areas for improvement:

- > An area for improvement is the update of our website, which we have identified as complicated and not user friendly. The business is working on the website redesign as a high priority to ensure information is easier to locate and the website is easy to navigate.

4. We will improve the customer experience

4.3 Ensure that innovation and design in products and services, as well as communication platforms and tools, are driven by customers' needs and preferences.

We aim to ensure our projects and proposals reflect customer and stakeholder feedback and work to reflect those needs in decisions and outcomes.

Current activities:

- > Our TAC plays a key role in providing feedback to TransGrid's CEO and executive team on proposed investments and business decisions including:
 - Revenue proposal for the 2018/19 – 2022/23 regulatory period.
 - PSF project and participation in the PSFSC (see principle 1.5).
 - Providing feedback to help inform our ISP submissions.
 - Feedback to TransGrid to inform its regulatory positions (see 2.3).
- > Development of our TAPR document (June 30 every year) involves consultation with industry and consumer stakeholders on what assumptions and inputs should guide planning.
- > We have dedicated customer managers for all of our directly connected customers. Customer and stakeholder insights are collected within an internal customer portal to record feedback and to ensure insights and feedback are shared within the business.
- > As part of the development of our PSF project, we are consulting with potentially impacted local communities, councils and MPs to ensure that concerns and feedback are taken into account in the development and implementation of the project.

Areas for improvement:

- > We have received consumer feedback that networks must do more to incentivise and support the use of demand management and non-network solutions when assessing network needs.
 - In response to this, we have worked with Energy Networks Australia to propose a rule change so that transmission networks have access to the demand management incentive scheme (DMIS; currently only accessible by distribution networks).
 - Access to the DMIS would provide TNSPs with a financial incentive to implement efficient non-network options, which are expected to provide lower costs to consumers by deferring network investment.
- > We are working to overhaul our website to provide better access to information for TransGrid's customers and stakeholders (see 4.2).

4.4 Have effective and accessible dispute resolution processes, co-ordinated across the supply chain, to resolve customer issues and implement process improvements in response.

We aim to provide clear and transparent pathways for customers to raise disputes and address grievances with our business.

Current activities:

- > We have established and accessible disputes and resolution processes. Our complaints policy is available on our [website](#), and includes instructions on how energy consumers can escalate complaints within the business and to the Electricity and Water Ombudsman.
 - A more detailed Complaints and Enquiries Management Policy is available on our intranet, including instructions for employees.

4. We will improve the customer experience

- In developing this disclosure, it became clear to us that we can improve our complaints management process. Specifically, we can improve the way complaints are centrally managed and tracked to use the information to improve our services and ensure all complaints are satisfactorily addressed.
- There is an opportunity to improve our ability to centrally track the progression and resolution of complaints. This would provide assurance that all customer, community and landowner issues are dealt with effectively and to the complainant's satisfaction. It would also streamline escalation pathways and identify lag indicators and opportunities for improvement.
- > We have a dedicated community engagement team. Our team members personally engage with members of the community to resolve any complaints and escalate them within the business and provide strategic advice to field staff to assist with resolving complaints.
- > All directly connected customers have a dedicated customer manager with a direct line through to TransGrid's executive team and CEO.
- > We have a coordinated supply-chain protocol to deal with network emergencies and generation shortages, including load-shedding protocols with the NSW DNSPs and major connected customers. This ensures the risk of supply interruptions to consumers is as low as possible.
 - These protocols are in place in recognition of the need to maintain the security and reliability of the transmission network. They are only enacted in times of emergency under the direction of AEMO and in communication with the NSW DNSPs and/or major connected customers.

Areas for improvement:

- > We are working to establish processes to better track the progression and resolution of complaints, and ensure all consumer issues are dealt with effectively and to the consumer's satisfaction and escalated as necessary.

Principle 5: We will support customers facing vulnerable circumstances.

As a transmission network, we do not have the same opportunities as retail and distribution businesses to interact directly with consumers facing vulnerable circumstances. We do however work to support our customers and landholders facing vulnerable circumstances or hardship.

With a network that stretches over 13,000 km, we engage with hundreds of landowners whose properties are impacted by our transmission easements and assets. We work closely with individual landowners to understand their properties; to come to an agreement about when and how we can access easements on their land, and to understand how we can address issues on easements that have reliability and safety impacts for the rest of the network.

5. We will support customers facing vulnerable circumstances.

5.1 Have processes to enable early identification of and engagement with customers at risk of vulnerability, coupled with intervention measures that can prevent customers falling into hardship.

We assist customers, landholders and the community in the following ways to reduce the risk of falling into hardship:

Current activities:

- > Business continuity for some of our directly connected customers – including energy intensive industries such as paper mills and aluminium smelters – is significantly dependent on energy reliability and return to service following outages. Our customer managers work closely with our

5. We will support customers facing vulnerable circumstances.

connected customers to understand their needs and integrate them into our programs. This ensures appropriate measures are in place to best manage reliability and outage risks.

- > As part of our engagement with land owners who have easements and transmission towers on their properties, we work to minimise the impact of our presence and activities, and to ensure the process of acquiring necessary easements is clear and fair.
 - We have a hardship policy in place to support landowners with easements on their properties. This takes into account financial hardship when considering our customers' obligations to the network, including bush fire mitigation and the removal of unauthorised objects.
 - We have updated our Landholder Easements and Compensation Guide based on feedback that indicated we could provide landholders with more upfront information on the acquisition process and their rights, as part of our delivery of major projects.
- > We offer a range of initiatives to support employees experiencing domestic violence.

Areas for improvement:

- > We will be engaging with our TAC to see how we can better support consumers facing vulnerable circumstances, within our role as a TNSP.
- > We have reached out to the Australian Council of Social Services to discuss how transmission can play a more active role to support consumers who are facing hardship or vulnerable circumstances.

5.2 Provide products and services that are tailored to customers facing vulnerable circumstances and support them to get back on track.

As a transmission network, we do not have the same opportunities as retail and distribution businesses to directly interact with consumers facing vulnerable circumstances. We strive to ensure our contribution to energy consumers' bills is as low as possible. Any planned network expenditure must deliver improved outcomes for energy consumers and must be approved by the AER.

We welcome feedback from stakeholders on how we can play a meaningful role in this space.

5.3 Provide flexible solutions that are easy to access and are provided by specially trained frontline staff with expertise in supporting those customers who face additional barriers to engaging with the energy market.

As a transmission network, we do not have the same opportunities as retail and distribution businesses to directly interact with consumers facing vulnerable circumstances.

We welcome feedback from stakeholders on how we can play a meaningful role in this space.

5.4 Take a collaborative approach, partnering across the energy supply chain and with government and community service organisations to implement innovative solutions that improve outcomes (affordability or experience) for customers facing vulnerable circumstances.

An important way to deliver better outcomes for vulnerable customers is by lowering electricity costs for all customers. As the TNSP for NSW and the ACT, we are centrally positioned within the energy supply chain to facilitate energy transition, and to help promote the delivery of a lower-emission and lower-cost electricity supply chain that leads to lower cost electricity for consumers.

5. We will support customers facing vulnerable circumstances.

Current activities:

- > Through our PSF project, promotion and support for a growing demand management market within Sydney will provide future opportunities to meet network needs with a non-network solution, therefore reducing the cost to consumers of a network augmentation. (See 2.4).
- > See contributions to ISP (1.5).
- > See contribution to NSW TIS (1.5).
- > See participation in 'Better Together' Energy Charter communication initiative (4.2).

Areas for improvement:

- > As outlined in principles 2.3 and 2.4 above, we are working with stakeholders along the electricity supply chain to deliver a more affordable energy system for all consumers.

5. Next steps with the Energy Charter

We welcome feedback on how we can improve the service we provide to consumers and how we present this information in future Energy Charter disclosures.

The specific improvement areas outlined in this document are already being implemented as initiatives within TransGrid's strategy or through our business transformation program. We anticipate that feedback from this first disclosure, and opportunities to learn from other signatory businesses, will lead to new improvement opportunities and initiatives. From this, we will develop and embed identified areas for improvements, aligned with the Energy Charter values, within our forward strategic and business planning. We look forward to reporting our progress in future disclosures.

On release of this disclosure we will be reaching out to our customers and stakeholders to invite discussion and feedback on the content. We will also be meeting with the Energy Charter Accountability Panel and anticipate receiving feedback on opportunities for improvement. We will develop a framework using feedback from our stakeholders, customers, Advisory Council and the Accountability Panel. This will set out our organisational approach to the Energy Charter for coming years.

Who we are

TransGrid operates and manages the high voltage electricity transmission network in New South Wales (NSW) and the Australian Capital Territory (ACT). TransGrid's network transports electricity from generation sources such as wind, solar, hydro, gas and coal power plants to large directly connected industrial customers and the distribution networks that deliver it to homes and businesses. TransGrid is committed to providing safe, reliable, and affordable electricity.

CONTACT DETAILS

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