

# Strategic Plan 2020–2025

Our commitment to make energy consumers better off, now and in the future

## Purpose

Energy consumers are better off, now and in the future

## Vision

We will be a high performing regulator that is:

Independent, open and accountable

Builds trust in Australia's energy system

Takes considered risks

Ensures regime is fit for purpose

Engages actively with stakeholders

## Outcomes

Affordable energy and satisfied consumers

Secure electricity and gas system

Reliable and low emissions electricity and gas supply

Effective development of open and competitive markets

Efficient and timely investment in networks

## Objectives

1. Protect vulnerable consumers while enabling all consumers to participate in electricity and gas markets

2. Effectively regulate competitive electricity and gas markets primarily through monitoring and reporting, and enforcement and compliance

3. Deliver efficient regulation of monopoly electricity and gas infrastructure while incentivising networks to become platforms for energy services

4. Evolve our regulatory frameworks and approaches to support the transition to net zero emissions

## Enablers

Our people

Our stakeholders

Our systems

# Summary of priorities

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## Execute

- › Ensure the **Default Market Offer** protects consumers from unreasonably high prices and enables a competitive retail market
- › Maintain **Energy Made Easy** as an effective comparison service for energy consumers

- › Produce targeted and **insightful market performance** reports
- › Deliver **market monitoring /surveillance** activities including ad hoc analytics and insights
- › Undertake **compliance and enforcement** activities to minimise the risk of consumer harm and/or market detriment
- › Further develop and refine the AER's **risk-based model for prioritising compliance and enforcement** work and for assessing non-compliance
- › Oversee the **dispute resolution** framework efficiently and effectively
- › Facilitate **entry** of high-quality and resilient market participants, and minimise consumer disruptions if a retailer **exits**

- › Deliver and improve **revenue and price** controls and Integrated System Plan contingent project assessments by:
  - focusing on high impact actions that matter most to consumers
  - incentivising network businesses to deliver high-quality proposals that promote consumer interests
  - streamlining our assessment approaches
- › Contribute to effective energy system planning by undertaking transparency reviews of the **Integrated System Plan**
- › Deliver useful and relevant network performance reporting that enables:
  - stakeholders to be better informed and participate more effectively in debate on energy reforms as the energy market transitions
  - continuous improvement of the regulatory framework for networks
- › Undertake network-related **compliance and enforcement** activities
- › Support contestable markets by monitoring, and further developing, the **electricity transmission and distribution ring-fencing** guidelines

- › Contribute to **policy processes and reviews** that support the energy transition where these impact on competition, consumers and the role of the AER, including Australian Energy Market Commission rule changes and reviews
- › Provide timely and insightful contributions to **Energy Ministers, the Energy Advisory Panel** and relevant market body forums
- › Maximise the impact of **regulatory sandboxes** by facilitating trials and sharing and applying lessons learned to promote innovation
- › Actively engage in domestic and international, energy and regulation **forums and events** (e.g. the Utility Regulators Forum) to share knowledge and develop regulatory expertise on the energy transition

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## Tilt

- › Deliver a **consumer strategy** which embeds consumer (including First Nations peoples) insights and impacts in our work and decisions
- › Implement the AER's **Towards Energy Equity** strategy, including by:
  - improving the identification of consumer vulnerability
  - reducing complexity and enhancing accessibility for energy consumers
  - strengthening protections for consumers facing payment difficulty
  - using the consumer voice and lived experience to inform regulatory design and change
- › Review and apply the **exemptions framework** to ensure it adequately protects energy consumers (such as those within embedded networks)
- › Use compliance and enforcement outcomes to **improve retailer education and consumer understanding** on rights and responsibilities
- › Continue to upgrade **Energy Made Easy** and work towards it becoming a switching service

- › Enhance the AER's **market performance reporting** frameworks by:
  - continuously improving the AER's performance reporting suite to respond to the needs of our audience, consumers, and changing market dynamics
  - working with other bodies to ensure reporting is well informed and, where possible, complementary
- › Continue to develop our analysis of **competitive positions of different classes of generators** by extending on findings and analytical techniques in our Wholesale Electricity Market Performance Reports
- › Enhance market **monitoring/surveillance** capabilities so that they provide both retrospective and proactive insights into market dynamics, participant behaviour and market outcomes including by:
  - enhancing our data management and analytical capabilities and processes
  - building capability to examine additional dimensions of the electricity, gas and related markets as they evolve - e.g. contract markets, competition and efficiency in gas markets, competition in system security markets
- › Respond to new responsibilities, including coal market interventions, by building new reporting, analytical and compliance capability

- › Further refine and improve our **network data, annual pricing process**, review the market impact component of the **service performance incentive scheme for transmission**, and undertake foundational work for the **rate of return instrument** in anticipation of the next review
- › Provide clear guidance to industry and the community on how **social licence** from communities for energy infrastructure projects is considered in our regulatory decision-making
- › Review the value of **customer reliability** and the value of high impact low probability events to support appropriate levels of expenditure.
- › **Refine and develop regulatory frameworks** that support efficient large transmission investments and the development of renewable energy zones
- › Oversee the **role of gas networks in supporting the energy transition** by:
  - delivering our increased role overseeing regulated and unregulated gas assets
  - recognising the important role of gas in the energy transition over the next decade, while minimising any adverse impacts on consumers from changes in gas consumption toward 2050

- › Review **regulatory settings for consumer energy resources** to optimise utilisation, protect and build trust with consumers, and enable distribution network service providers to provide platforms for energy services
- › Provide effective oversight of existing and emerging regulatory requirements relating to **wholesale market reliability and security** by:
  - contributing to the design of new reliability and security mechanisms
  - providing clear guidance to industry on the implementation of new mechanisms
  - undertaking effective market monitoring and compliance activities for current and emerging reliability and security mechanisms as they enter the market and evolve
- › Embed the new **emissions reduction objective** into the AER's decision-making, operations and guidance to industry and consumer stakeholders

## Advocate

- › Develop energy sector wide '**game changer**' reforms that deliver a more equitable and efficient sharing of costs and risks of vulnerability across the sector

- › Use learnings from market monitoring and surveillance as well as compliance and enforcement to advocate for **improvements to the regulatory framework**

- › Advocate for more **efficient network investment** and deployment of consumer energy resources and ensure that benefits are passed to consumers
- › Advocate for **the establishment of policy frameworks** that deal with the potential winding down of gas networks

- › Advocate to ensure that arrangements governing **consumer energy resources technical standards** are fit for purpose, protect the interests of consumers and do not lead to inefficient network investment