



AER Stakeholder Research 2023

Final Report

Prepared for the Australian Energy Regulator

Report highlights

Core metrics dashboard

Reputation Score

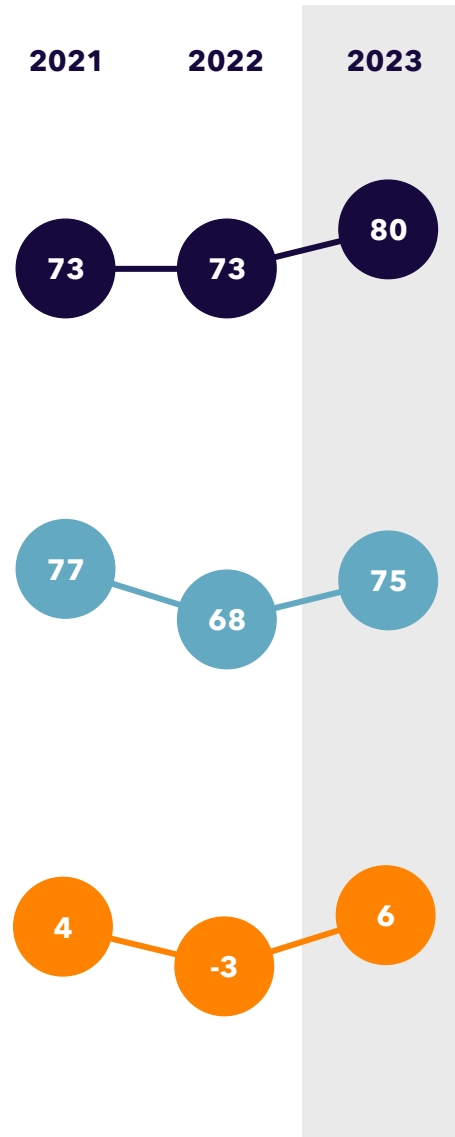
Participants were asked to rate the AER's reputation based on their own interactions as well as everything else they had seen or heard about the organisation. The Reputation Score is the proportion of stakeholders who gave a relatively high rating of 7+ out of 10 where 0 = 'very poor' and 10 = 'excellent'.

Trust Score

Trust is an emotive outcome of reputation, measured as trust in the AER to do the right thing by consumers, where 0 = 'don't trust at all' and 10 = 'trust completely'. The Trust Score is the proportion who gave a rating of 7 or more.

Net Advocacy Score

Advocacy, or likelihood to speak well of the AER if it comes up in a conversation, is a behavioural outcome of reputation. The Net Advocacy Score is the proportion of Advocates (ratings of 9 or 10 out of 10) minus the proportion of 'Detractors' (ratings of 0-6).



Key findings

The AER has seen an uptick in its core reputation metrics in 2023. Its overall Reputation Score reached a 3-year high of 80%, while trust in the organisation and advocacy have bounced back following a dip last year.

1. The notable increase in the AER's reputation score is highly attributable to its executive team, its leadership stance within the energy sector, and its firm commitment to positive long-term outcomes for consumers.
2. Network stakeholders are a lot more positive compared to a year ago, reflected in a 19-point increase in their reputation ratings. They feel the AER has shown an increased willingness to engage with them and been more open and transparent, especially around reasons for its decisions.
3. On the Game Changer initiative, there was strong and near universal support for the concept itself. However, some participants raised concerns with the process - notably the burden of work within relatively short timeframes, and a perceived lack of clarity about implementation of the reforms.
4. There is an increasing sense of urgency around the need to evolve the regulatory framework and processes to ensure they remain fit-for-purpose given rapidly changing market dynamics and emerging technologies arising from the energy transition. Stakeholders would like to see the AER leverage its technical expertise to push harder for regulatory reforms.
5. Stakeholders noted the heightened tension in striking a balance between containing energy prices for consumers in the current economic climate, while enabling the investment and expenditure needed for the transition to a low carbon energy future.

These findings indicate that the AER has worked hard to continue building trust among its stakeholders and has developed a sound platform for tackling the increasingly complex, difficult conversations and decisions that lay ahead.

Introduction

About the research

This report presents findings from research undertaken by SEC Newgate Research from April-May 2023 with more than 200 of the Australian Energy Regulator's (AER) stakeholders. The research comprised in-depth qualitative interviews with executive level stakeholders and a complementary online survey completed by staff level stakeholders (see Table 1). Participation was on a voluntary, opt-in basis.

The AER has undertaken a regular program of stakeholder research since 2008 to explore, measure and monitor stakeholder perceptions of its overall reputation and its performance against its Strategic Plan objectives and corporate KPIs. This latest research provides an up-to-date measure of perceptions of the AER and enables comparisons with previous years to indicate how it is progressing over time.

Table 1: Profile of research participants (2023)

Segment	Executive (n)	Staff (n)	Total (n)
Government / Market bodies / Regulators	10	41	51
Industry / Market participants:	11	117	128
Retailers / Generators	3	63	66
Networks	6	45	51
Other	2	9	11
Consumer Advocates	4	21	25
Total	25	179	204

Note: Data have been weighted with each of the three primary segments allocated an equal weight, overall and within each stakeholder type. Additionally, the mix of stakeholder types was weighted to be consistent with the 2021 and 2002 research, with Executives given 25% weighting and Staff a 75% weighting allocation.

Background and situational context

The 2023 research was conducted at a time when public, corporate and political attention on energy issues is more pronounced than ever before. Since the AER's annual stakeholder perceptions research in 2022, there has been a transition to a new federal government and a new state government in NSW, which has contributed to significant energy policy shifts amid the ongoing transition to a low carbon energy future. This has presented new and varied challenges for industry, government and regulators along the way.

At the same time, growing inflation and cost of living pressures are affecting both households and businesses – and energy costs have been central to public debate on these pressures. From a regulatory point of view, there is a strong focus amongst stakeholders and the media on issues of price setting and the behaviours of energy businesses.

Just prior to this year's research the AER released its draft determination for the Default Market Offer (DMO) for 2023/24 which outlined a substantial increase in energy prices. The proposed increase is attributed to a significant rise in wholesale energy costs stemming from macroeconomic and sociopolitical issues in Australia and globally.

Further, in mid-2022 the Australian Energy Market Operator (AEMO) took the unprecedented step of intervening in the wholesale market and implementing the Administered Price Cap mechanism. As the market regulator, the AER had a role in responding to this significant event.

These issues provide an indication of the increasingly complex and dynamic energy sector in which the AER and its stakeholders are operating and reflect the backdrop against which the stakeholder feedback in this report was provided.

Please note: The commentary in this report reflects the view of SEC Newgate and its interpretation of the survey results. We have avoided including opinions or advice that are not based upon the research data. This research was conducted in accordance with the Australian Polling Council Quality Mark standards which can be viewed here: <https://www.australianpollingcouncil.com/>

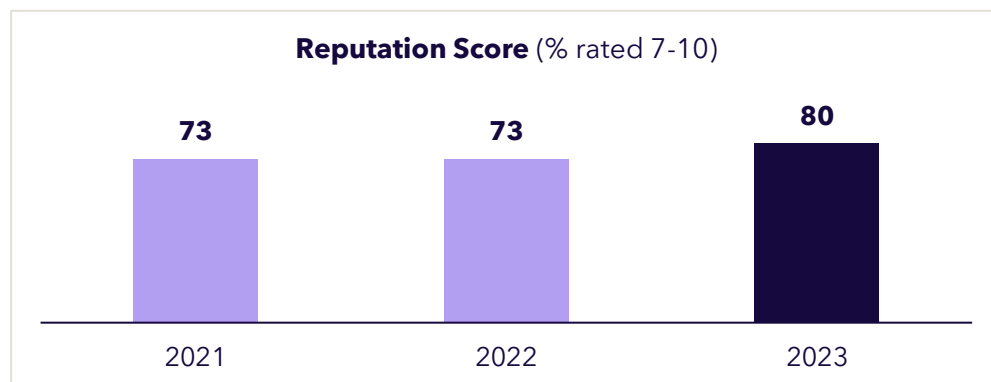
Research findings



Reputation metrics: Reputation

Reputation Score

Stakeholders reported a more positive perception of the AER's reputation this year. Its Reputation Score increased from 73% in both 2021 and 2022 to 80% this year – a notable uplift.



Looking at the results among different stakeholder cohorts (Table 2):

- Executive stakeholders were more positive about the AER's reputation compared to Staff level stakeholders
- Government and Consumer Advocate stakeholders were more positive than Industry participants
- Network stakeholders were more positive than Retailers and Generators

While the first two of these differences reflect trends in previous years, the difference between Networks and Retailers/Generators represents a shift in perceptions compared to previous years – whereas Networks have previously been the least positive segment, there has been a marked improvement in their sentiment towards the AER this year.

Table 2: Reputation Score (%) by Stakeholder segment

	2021	2022	2023
All stakeholders	73	73	80
Staff	70	68	76
Executive	81	88	93
Consumer advocates	77	76	82
Government/ Market bodies / Regulators	69	76	82
Industry/Market participants	72	66	76
Retailers/ Generators	70	77	70
Networks	78	64	83

Reasons for reputation improvement

When asked directly, the large majority (72%) of executive stakeholders felt the AER's reputation had improved a *little* over the past couple of years. A further 6% (2 out of the 25 interviewed) thought it had improved a *lot*, while 19% felt there had been no change and just one person (4%) thought its reputation had declined a little.

Various reasons were given for the perceived improvement, outlined here and over the page:

- The AER's senior leadership is felt to have embedded a sharper focus on consumer protection, especially in the area of vulnerability and hardship. The Game Changer initiative was often mentioned as an example of the AER Board showing a willingness to go above and beyond its core function to pursue positive outcomes for consumers experiencing vulnerability.

However, some stakeholders noted that the Game Changer initiative was probably a bit outside the AER's remit and questioned whether it might be diverting resources away from the substantial workload related to its core regulatory function.

Reputation metrics: Reputation cont'd

"They've moved beyond administrating as a regulator into pushing policymakers to address some ongoing problems in the market. That's been driven from the Board and is an area that's quite innovative and pushing the difficult questions back on policymakers and the industry." (Government / Market bodies)

- Another area that is felt to have improved is the AER's consultation and engagement with stakeholders. This is felt to have been done with a more positive intent. Stakeholders feel the AER has stepped up its willingness to listen to and understand stakeholders, and to take the time to explain how its position and decisions align (or not) with stakeholders'.
- Some pointed to the AER's handling of increases in wholesale costs over the past year and the impact this has had on retail prices and the Default Market Offer (DMO). They felt the AER had managed a tough situation calmly and fairly, being transparent and reasonable in communications about price fluctuations including the DMO determinations, without seeking to appoint blame. The AER has served stakeholders (especially those in government) with reliable analysis and advice during this period of price volatility.
- Among Network businesses there is a feeling that the AER has made a concerted effort to increase its participation in review processes, which has been appreciated.
- A few noted that the AER already had a strong reputation, especially for its professionalism and the technical work it does and noted that it has continued to perform well in this regard. Therefore, any improvement in its reputation could probably only be considered marginal – representing a continuation of gradual improvement over a longer period.

Positive reputation factors - unprompted

In addition to the reasons for the AER's reputation having improved, the following themes were most prevalent in stakeholders' unprompted comments about the AER and its reputation.

Competency – stakeholders expressed very high regard in general for both the senior leadership and operational staff of the AER, for their depth of energy sector knowledge and technical expertise as an economic regulator. It was noted that the current executive team had introduced a more personable style of leadership at senior level.

Several stakeholders acknowledged the scale of complexity of the AER's role and commended it for maintaining a high level of performance in executing its various functions amidst an increasingly challenging environment.

Professionalism – many commented positively about their dealings with the AER and its staff conducting themselves in a highly professional manner. At all levels, the AER is considered approachable, responsive, respectful, well intentioned and reasonable in its interactions with stakeholders.

Consultation – as noted, the AER is felt to have stepped up its stakeholder engagement and willingness to listen to its stakeholders to understand their perspectives. Many commented positively on the regularity of their interaction with the AER and valued this ongoing connection.

Consumer focus – stakeholders recognise that the AER has a genuine commitment to ensuring good outcomes for all consumers and feel this has become stronger. They feel it is evident in the AER's decisions and in its expectations of both networks and retail businesses. Its vulnerability strategy and Game Changer initiative are the most tangible examples of this. There were also a few positive mentions of the AER's role in the *Statement of Expectations* released during the height of the COVID-19 pandemic.

"I think the people that that sit around the table now are more in tune with the real issues facing consumers." (Government / Market Bodies)

Reputation metrics: Reputation cont'd

Lower order themes (mentioned by a small number of stakeholders only)

Proactive – some noted areas in which the AER has shown willingness to take the initiative to address sector issues. In addition to Game Changer (noted previously) the AER was also praised for its 'Regulating gas pipelines under uncertainty' paper and instigating discussion to get ahead of the issue. Stakeholders appreciated the clarity this provided in terms of what the AER's expectations were of industry.

Transparency – stakeholders expressed appreciation for what they perceive as an improvement in the AER providing detailed reasoning for its decisions, noting this gave them greater confidence in the AER. Several noted their confidence in the AER to arrive at well considered and evidence led decisions.

Trusted source – several stakeholders noted their reliance on the information and advice they receive from the AER through its energy market analysis and reporting.

Compliance and enforcement – some welcomed the AER's increase in compliance and enforcement activity and its commitment to holding regulated entities to account, demonstrated by the increased level of penalties for noncompliance and litigation actions.

Better Resets Handbook – has been highly valued by some network stakeholders, along with the AER's support more broadly for networks in their consumer engagement. One network executive noted the vital role the AER had played in supporting their organisation to establish its own customer advisory panel.

External profile – the AER is felt to have a prominent and respected voice in both public discourse and industry forums. Stakeholders pointed to media appearances in relation to consumer vulnerability, wholesale market volatility, and the Default Market Offer as evidence of this.

Reputation concerns - unprompted

To explain their reputation ratings, stakeholders also noted issues which they felt weakened the AER's reputation, and areas in which they thought the AER could improve. *It is important to note that the weight of responses summarised here was lower in comparison to the positive themes noted earlier and were often mentioned alongside positive feedback.*

Limited innovation – some stakeholders felt the AER does not do enough to innovate in its approach, preferring to stick with established ways of thinking and working. This was often mentioned in relation to how the AER interprets and applies the regulatory framework. Several stakeholders emphasised that the framework was developed more than 20 years ago and is regarded as increasingly unfit for purpose in the energy transition due to changes in technology and market infrastructure.

Some described the AER as being too rigid, with decisions made using defined pathways despite acknowledging the need for flexibility. Examples included using past expenditure as the basis for determining new expenditure, despite evidence that greater spending was necessary (and even in cases where expenditure was proposed for things never done before but was seen as needed for the energy transition); and using infrastructure age as a determinant for the need to invest in maintenance or replacement – it was suggested that some newer assets have different lifespans or that there may be other indicators that are more relevant to expenditure decisions.

Others said they would like to see the AER being more proactive in sharing ideas related to the reform of energy market objectives, and in relation to emissions reduction goals.

"Improvements are needed in terms of innovation and speed to make decisions. This is difficult within their legislated role, but hugely important if we are to make the changes to allow an affordable transition." (Networks)

Reputation metrics: Reputation cont'd

Hampered by natural constraints – it was recognised that the AER faces constraints due to the decentralised structure of energy market regulation, which can prevent it from advocating for rule reforms that would be useful, but which are the remit of the other market bodies.

An extension of this theme was the sense that the AER has a profoundly difficult task to balance the often-opposing needs of industry and consumers. This is felt to be exacerbated in the current climate with the AER having to balance the need for investment to support the energy transition with the immediate need to contain energy prices for consumers amid an inflationary environment and sharpening cost of living concerns. The most cynical considered the AER to be a 'barrier rather than enabler' of the energy transition.

"The AER does its job very well. It has lifted its efforts in collaboration and works hard to represent the long-term interests of consumers. Improvements are needed in terms of innovation and speed to make decisions, this is difficult within their legislated role, but hugely important if we are to make the changes to allow an affordable transition." (Networks)

They're fighting that rigid rules-based approach and I think they're fighting as much as the industry in some respects. With the transition, you're always going to challenge the speed. I appreciate it's hard - I've never been in an industry that moves this quickly where the regulator or legislator would have kept pace with the change." (Networks)

Lower order issues (mentioned by only a relatively small number of stakeholders)

Not genuinely listening to stakeholders – a small minority felt the AER has not truly listened to stakeholders to understand their perspective or utilise their expertise. The *Better Bills Guideline* was cited as an example of the latter, with the suggestion the AER had not properly consulted retailers in its development.

Inconsistency – while at an overall level the AER is felt to be technically astute and professional in its stakeholder interactions, it was noted that this varies at an individual level, leading to stakeholders having inconsistent experiences depending on who from the AER they were dealing with.

Political influence – some stakeholders expressed a view that some of the AER's decisions appear to have been politically motivated, rather than grounded in pure economic rationale. This was most often discussed in the context of the AER disallowing requests from networks for pass-through expenditure due to pressure from the Federal Government to minimise energy price increases for consumers.

Low public profile – a sense that the AER is not well known by the general public, let alone its role well understood, and that despite its strong consumer protection focus, the AER does little direct public engagement itself. It was suggested that the AER could do more to educate the public about how energy prices are set, and about its enforcement role.

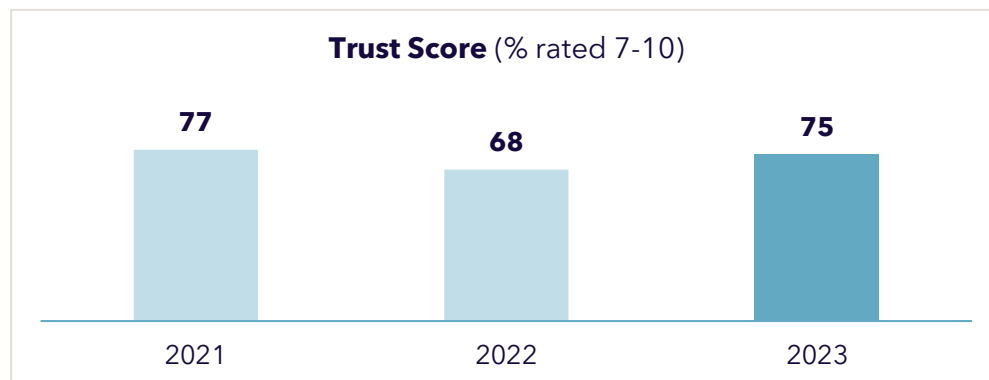
Wholesale market intervention – as noted earlier, some stakeholders were displeased with the AER's conduct during the wholesale market intervention in mid-2022, feeling it had not sufficiently engaged them and been unfairly critical of the industry in the media.

Inflexible – some stakeholders expressed criticism that the AER's application of the regulatory framework is not flexible enough to be fit-for-purpose for newer or niche segments of the energy market such as embedded networks. Others felt that due to the scale of the AER's workload – especially network revenue determinations – there was a 'one size fits all' approach that failed to take into account nuanced circumstances at an individual level (e.g. regional differences).

Reputation outcome metrics: Trust

Trust in the AER

Stakeholders were asked the extent to which they trust the AER to do the right thing by consumers. After a dip in 2022, the AER's Trust score has recovered with three quarters of stakeholders rating their trust at a high level of 7+ (out of 10).



Looking at trust among the different stakeholder cohorts:

- While two thirds of staff stakeholders gave a high trust rating, a full 100% of executive stakeholders who took part in the research rated their trust in the AER highly (at 7 or more out of 10)
- Government stakeholders had the highest trust score among the three main segments, at 87%
- Network stakeholders reported a higher level of trust in the AER than retailers and generators - and a much higher rating compared to last year (80% vs 57% in 2022)

Table 2: Trust Score (%) by Stakeholder segment

	2021	2022	2023
All stakeholders	77	68	75
Staff	76	63	66
Executive	83	83	100
Consumer advocates	86	72	64
Government/ Market bodies / Regulators	78	73	87
Industry/Market participants	69	60	73
Retailers/ Generators	67	69	69
Networks	80	57	80

Stakeholders were asked for their thoughts on how the AER could better meet the needs of consumers over time.

- Many comments reflected the - difficult - balance the AER needs to strike between the needs and interests of industry participants and consumers.
- Some felt the AER sometimes went too far in favour of industry, with the result of higher costs being passed through to consumers (an example provided was the increase in the Electricity Spot Market Cumulative price cap regime). Others thought the AER sometimes went too far in favour of consumers, in not approving expenditure requests.
- A view expressed by some stakeholders was that helping consumers isn't just about keeping prices as low as possible in the short term. They argued that consumers will need to accept some temporary cost increases as part of funding the energy transition, but that this should lead to substantially lower ongoing costs in the long run once the new infrastructure and technology is in place, and that the sooner the work is funded, the less it will cost longer-term (e.g. accounting for inflation).
- One stakeholder suggested the AER could include details of consumer outcomes within its regular reporting on retail markets. However, another cautioned against increasing the reporting burden on stakeholders, feeling it would lead to higher pass-through costs for consumers.

Reputation outcome metrics: Trust / Advocacy

- Another suggestion was that the AER should invest more in establishing a deeper understanding and insights into the nuanced experiences, behaviours and needs of different consumers (and not just those experiencing higher levels of vulnerability), to better inform its decisions that impact all consumers. It was argued that such insight would lead to better decisions as opposed to using theoretical assumptions about consumer needs and behaviours.

"The AER would benefit from talking more to everyday customers and getting out to communities where people are struggling with different challenges. The AER seems more comfortable in economic theory than addressing what matters to customers." (Retailers / Generators)

Expanding on this, it was suggested that the AER should seek to better leverage consumer insights from retailers, who have more direct, ongoing interactions with consumers.

- On a related note, there was a suggestion that the AER could do more to educate consumers about the energy market, which it was felt would help to build trust in the industry. This was considered especially important for developing community understanding and acceptance of additional costs associated with the energy transition.
- Many stakeholders argued that to truly meet the needs of consumers over the long term, the AER needed to push now for changes to the energy market rules to enable more innovation to occur, especially in relation to developing and integrating new infrastructure and technologies needed to support the energy transition. Some felt that the AER was still too conservative in this regard, choosing to focus on cost reduction in the short term to the detriment of long-term consumer outcomes. However, they understood that it was constrained by the existing rules and its own remit - and many expressed empathy for the significance of this challenge.
- Another noted that cost was not the only factor to consider, that reliability and security must also be factored into decisions related to innovation and dispersed generation.

Net Advocacy Score

On balance, this year there are more stakeholders who are or would be 'Advocates' of the AER (28% rated their likelihood to speak well of it at 9 or 10 out of 10), than there are 'Detractors' (22% who rated their likelihood at 0-6), resulting in a Net Advocacy Score (NAS) of +6. This is an improvement from last year when the NAS dipped to -3, and a slight increase on the 2021 score.

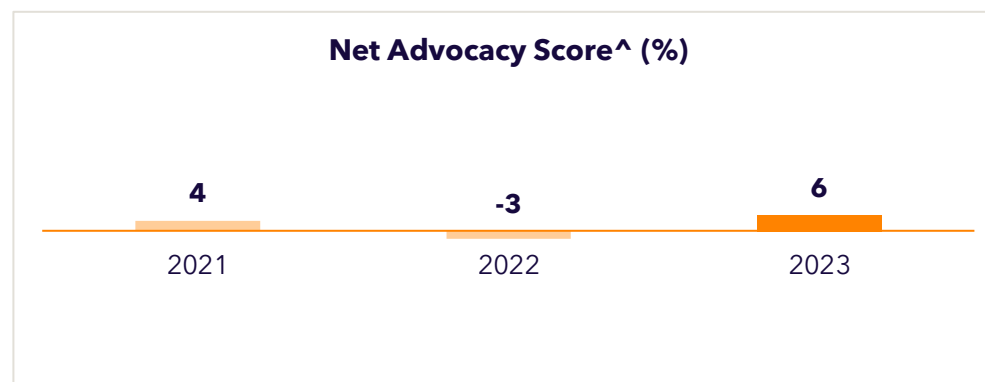


Table 3: Net Advocacy Score^ by Stakeholder segment

	2021	2022	2023
All stakeholders	+4	-3	+6
Staff	-1	-3	-5
Executive	+20	-3	+38
Consumer advocates	+28	+20	+12
Government/ Market bodies / Regulators	0	0	+26
Industry/Market participants	-15	-27	-19
Retailer / Generator	-17	-21	-29
Networks	-8	-24	-2

Performance metrics

Performance attributes

Stakeholders were asked to rate their perception of the AER's performance on a range of attributes related to the objectives in the AER's *Strategic Plan 2020-25* and the *ACCC and AER Corporate Plan 2022-23*.

In total 22 performance attributes were included, using a numeric scale of 0 (Very poor) to 10 (Excellent). A 'don't know' option was included for attributes that stakeholders were unfamiliar with. The performance scores presented in this report exclude 'don't know' responses and reflect only those who provided a valid rating for each attribute.

Reputation model

The AER's full reputation model was created for the 2021 stakeholder research. It comprises the overall reputation rating, outcomes of reputation (trust and advocacy) and the 22 performance attributes, which have been grouped within five thematic pillars in the diagram below. The model has been refined this year based on qualitative analysis of stakeholder feedback.

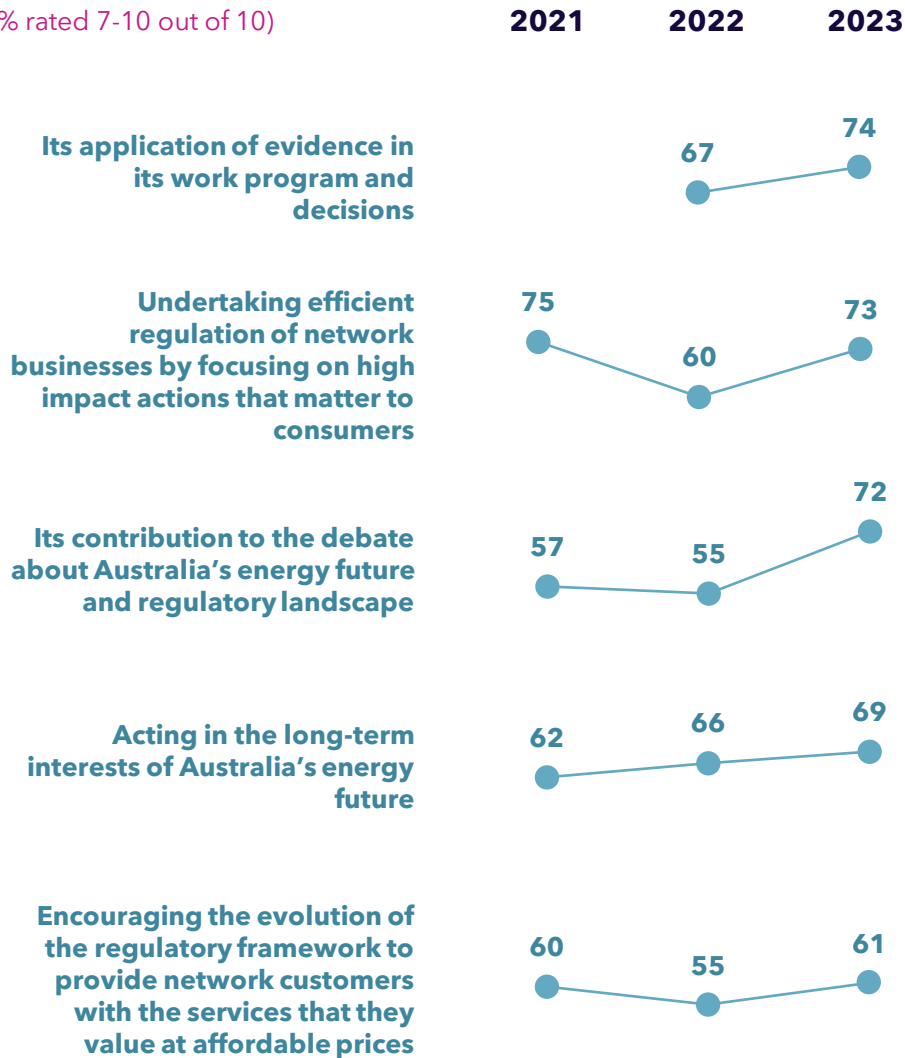




1. Regulatory function and market role

Performance Scores

(% rated 7-10 out of 10)



Analysis

All attributes in this pillar were rated higher this year, even if only marginally.

The biggest increase related to the AER's perceived *contribution to the debate about the future of the energy sector and regulatory landscape*, which leapt from 55% in 2022 to 72% this year.

Consumer advocates (85%) and Government stakeholders (77%) were most positive about the AER's performance in this regard, feeling the AER has a strong strategic vision for the future of the energy sector, while Networks (63%) and Retailers/Generators (54%) were less favourable.

"I have been impressed reading the AER's planning documents and strategies aiming to achieve a transition to low emissions energy in Australia."
(Government / Market bodies)

The AER was applauded for what many felt was a strong media presence over the past year, providing public commentary around the regulator's work on energy prices. Many also praised its willingness to tackle complex issues within the sector, demonstrating a forward-thinking approach. One particular action that was seen as forward thinking was its paper on the future of gas networks. This was well received both for the content and for serving as a catalyst to bring the industry together to work on solutions to this challenge.

"The AER's Future of Gas report was an excellent example of the AER engaging with an emerging issue in a collaborative way." (Networks)

One of the main themes in this year's research was the increasing need and calls for the regulatory framework to be evolved in response to changing market dynamics. This is reflected in the performance score for *encouraging evolution of the regulatory framework* - despite an uptick this year, it remains the lowest rated attribute in this pillar.

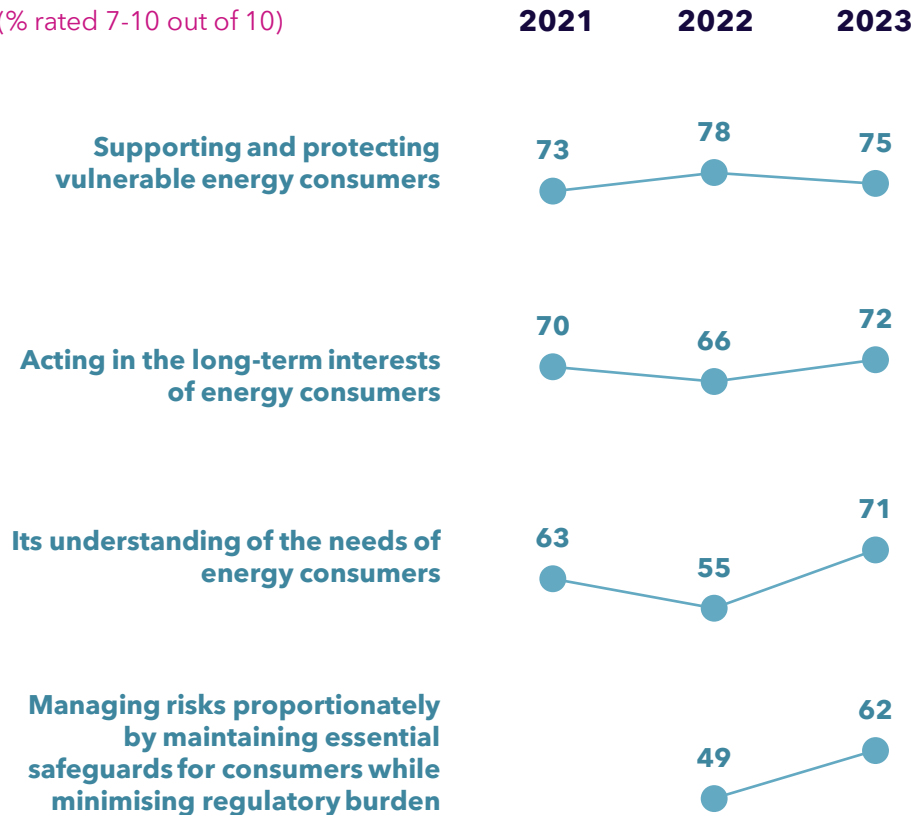
Many stakeholders are looking for the AER to be more flexible in how it applies the regulatory framework, and work with other market bodies to push for changes. Some industry and consumer advocate stakeholders also said they would like to see greater streamlining in processes to reduce the regulatory burden on them.



2. Consumer Protection

Performance Scores

(% rated 7-10 out of 10)



Analysis

Performance scores for the consumer protection attributes were mostly steady this year with a couple of notable improvements.

The biggest increase related to the AER *managing risks proportionately*, which at 62% remains lower than other attributes despite a substantial uplift this year.

Support for the AER’s consumer focused initiatives was mixed – evidenced by ratings for the attribute *Supporting and protecting vulnerable customers* which achieved an overall performance score of 75% but varied by stakeholder type: Government stakeholders rated it most highly (85%) whereas Industry (74%) and Consumer advocates (68%) gave lower ratings.

“Stronger consumer representation on their governance and advisory teams. Improved communication with consumer groups, including through websites and short online videos re training and explaining decisions.” (Consumer Advocates)

Stakeholders appreciate the AER’s dedication to and delivery of insights from consumers. Notable mentions included insights into customers experiencing vulnerability, and the AER’s guidance to networks around consumer engagement. Whilst there was mixed feedback around the Game Changer process (noted earlier), many stakeholders commended the AER for tackling this complex issue and agreed with the intent behind the initiative.

“The AER is really good at thinking about the consumer right now, but not the consumer in the context of the world’s fastest energy transition and what is required to guarantee reliability, security and long-term affordability. The pace of change needs to follow that. They’re not acting at a pace that this transition requires; might feel like the right outcome today but not in the future.” (Government / Market bodies)

A prominent theme in stakeholder feedback was the tension between short- and long-term outcomes for consumers. A commonly expressed view was that the AER’s actions and decisions seemed to prioritise avoiding price rises in the short-term, but some felt this was at the expense of the investment needed to upgrade the energy grid for the renewables transition which, they reasoned, was necessary to deliver lower prices in the long-term.



3. Relationships and Engagement

Performance Scores

(% rated 7-10 out of 10)



Analysis

Currently relationships and engagement attributes are trending somewhat positively against 2022. The largest gain was for the *quality of its stakeholder engagement and relationships* (rising to the highest level to date, at 76%) in which Government Stakeholders were the most favourable (85%) and Industry gave the lowest ratings (although still quite high at 67%).

Some stakeholders specifically noted improvements in the intent behind the AER's stakeholder engagement. This has been demonstrated through increased responsiveness, accessibility and proactivity of the AER, and for some a more open, approachable style. An increased frequency of engagement at all levels has also demonstrated a greater willingness to engage and is fostering more of a culture of collaboration.

"Their consultation process is very good; what we regard as best practice. There's multiple opportunities for comment." (Government / Market bodies)

While there is a sense the AER is improving its consultation and engagement processes and collaboration with industry around decisions, there has been a decline from 2021 in *demonstrating how stakeholder consultation has informed its decision making* (from 75% to 68%), signalling a desire among some for more openness.

Several suggestions to improve consultation processes were offered, including providing greater flexibility for consumer advocates in their response method options (given how time poor they are, and how many consultation processes there are across the sector these days), a desire for more informal interactions where appropriate, and opportunities for more conversational collaborative approaches. Industry stakeholders also noted that there was an increase in the volume of information requests which was putting a strain on their teams. At least one stakeholder was keen to see a digital events calendar, so they don't miss out on engagement opportunities.

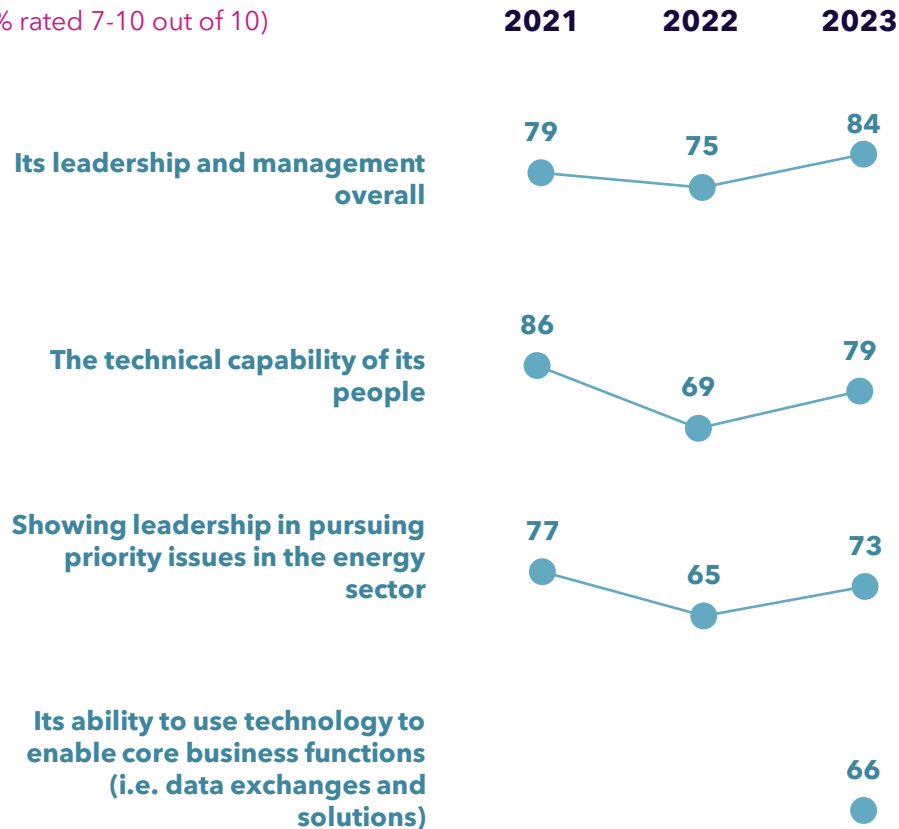
"In some key decisions, significant effort is made to repeat stakeholder views, at length however, this does not demonstrate how the AER's decision has been impacted by the consultation." (Industry)



4. People and Leadership

Performance Scores

(% rated 7-10 out of 10)



Analysis

Performance across all attributes in this pillar has improved from 2022, with the highest rating for *leadership and management overall* at a very strong 84%, topping the previous high of 79% in 2021. This reflects the main theme in unprompted reasons for overall reputation ratings.

The *technical capability of its people* has regained ground following a drop in 2022. While at 79% it remains lower than the initial rating in 2021, this is still a strong endorsement, which many stakeholders also spoke about without prompting in their reasons for their overall reputation ratings.

“Good leadership around tackling customer vulnerability and perhaps what that might look like and what shape that might take going forward. I think there’s been a definite, definite improvement and change.” (Government / Market bodies)

In qualitative feedback, there were numerous mentions specifically of the AER’s Chair Clare Savage, in terms of her leadership, direction and willingness to engage deeply on difficult topics. This sentiment was also extended to the AER’s other Board members and operational staff, with many mentions of their strong technical capabilities and exhibition of honesty and integrity.

Importantly, amid feedback on the AER’s strong core technical skills and a commitment to collaboration, within the context of the wider energy transition there is a perceived need for staff to go further, be more flexible and develop new skills beyond traditional economic regulation and into new, more complex energy technologies and systems that are already emerging and are anticipated to accelerate. For stakeholders this reinforced the need for the AER to collaborate more with industry and other experts to solve these complex issues.

Introduced in 2023, the *ability to use technology to enable its core business functions* was one of the lowest rated attributes (66%). Qualitatively the AER was seen as ‘on par’ with others, but many identified that there was a growing need to integrate more innovative solutions (e.g. cloud based software). Some saw this as an opportunity for the AER to innovate beyond its peers.

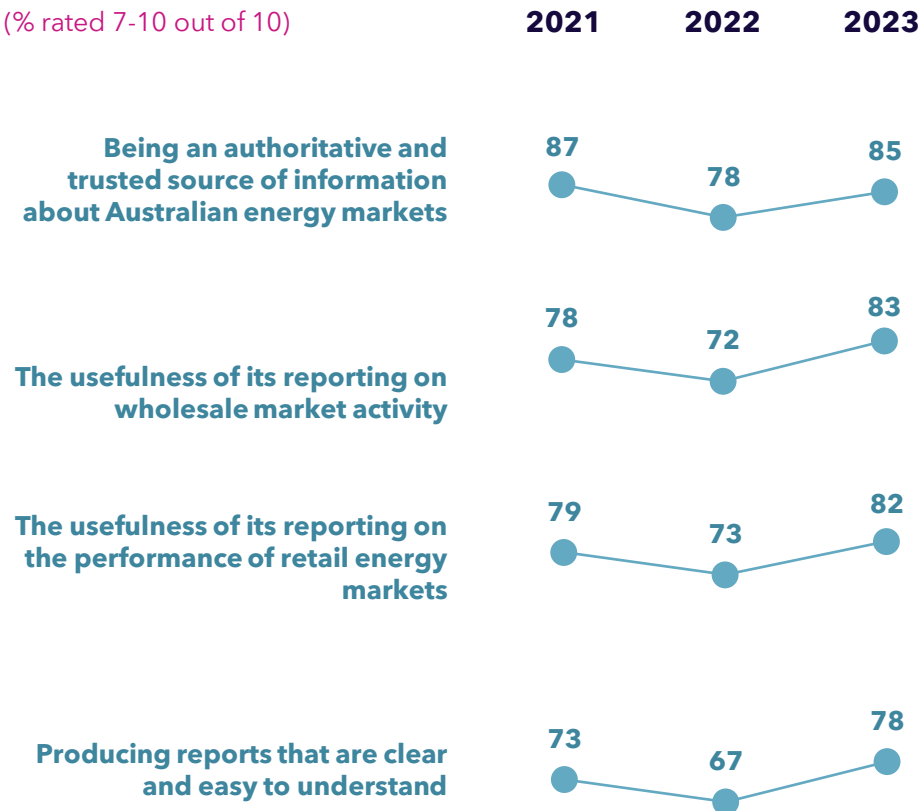
“We are forced to use outdated technologies - the AER should allow options and facilitate the use of new technologies.” (Retailers / Generators)



5. Reporting and Communications

Performance Scores

(% rated 7-10 out of 10)



Analysis

Ratings also improved on all attributes in this pillar versus 2022. The biggest increases related to *producing reports that are clear and easy to understand* and *the usefulness of its wholesale market reporting*.

In terms of improvements in *being an authoritative and trusted source of information* (the highest rates attribute in this pillar, with a Performance Score of 85%), Government stakeholders were overwhelmingly the most positive (95%), with the lowest - but still very high - ratings from Consumer advocates (81%) and Industry (79%).

Both staff and executive stakeholders felt the AER produces reports to a high standard. Examples included positive mentions around the *State of the Energy Market* reports as well as recent fact sheets and easy English guides for consumers. But there were opportunities identified for improvement: Staff in particular felt that reporting could be more timely, to provide them with access to data that is as accurate as possible, particularly as market conditions change so rapidly. Staff also identified the need to continually improve the readability and simplicity of report to better suit the audience.









"I think the guides and factsheets are easy to understand and accessible, but the reports can be very complicated and too lengthy to digest." (Government / Market bodies)

Some stakeholders from the Retailers/Generators segment expressed a view that the AER had been overly adversarial in its media messaging around the mid-2022 wholesale market intervention.

Somme Executive stakeholders encouraged the AER to communicate more with the general public around cost implications in the energy supply chain - working to get the narrative out there. An example of this, from a Network stakeholder, was to be clearer about the drivers of price increases, noting that the increase was due to wholesale prices rising and not higher pass-through costs from network providers.

Awareness of compliance and enforcement priorities

Most stakeholders felt they knew at least some of the AER's compliance and enforcement priorities, with broad recognition that the AER has increased its C&E activity in recent years.

	Fully Aware	Partially Aware	Not at all aware	Any Awareness (%)		
				2021	2022	2023
 All stakeholders	27	60	13	81	90	87
 Executive	19	74	7	96	92	93
 Staff	30	55	15	78	90	85
 Government	22	58	20	62	88	80
 Industry	48	47	5	95	91	95
 Networks	42	53	8	94	85	92
 Retailers	65	33	3	96	100	97
 Consumer Advocates	11	75	14	86	95	86

Analysis

Most stakeholders feel they have at least a partial awareness of the AER's compliance and enforcement priorities. However only around a quarter (27%) felt fully aware of what its priorities are.

Unsurprisingly, awareness is highest among Industry stakeholders, and Retailers/Generators in particular (65% fully aware), especially those who have been the target of the AER's enforcement actions.

Those who had no direct involvement in the AER's compliance and enforcement activities tend to rely on reporting from the AER and in the media to hear about it. They noted that their awareness might be lagging due to the timing of when reporting is released.

A few stakeholders noted that they had found the AER open to sharing information and welcoming discussion around its compliance priorities. Government stakeholders praised the organisation for considering suggestions for new areas of compliance monitoring, while Industry stakeholders were appreciative of the AER's willingness to have open discussions about their compliance issues.

Step up in enforcement activity

Some stakeholders felt there had been a noticeable uplift in the AER's compliance activity, noting more court action and greater penalties. While some commended the AER for using its array of enforcement tools there was a sense, especially within the Industry segment, that the AER could be heavy-handed in its enforcement activity. There was some criticism of the tone of the AER's public messaging around its enforcement activity, stemming from a feeling that the regulator sometimes portrayed the recipients of penalties in a bad light, even in situations when the breach was not due to malicious intent.

Compliance and enforcement cont'd

Perceived compliance and enforcement priorities

Stakeholders generally seemed to think that the AER's currently compliance and enforcement priorities were appropriate and comprehensive. Only a few suggested areas in which they would like to see the AER adjust its compliance focus – either increasing or reducing it.

"The AER's current compliance and enforcement priorities are well articulated and reflect the AER's Strategic Plan, especially the explicit focus on vulnerable consumers and a stronger regulatory presence in the energy market." (Consumer Advocates)

Protection for vulnerable consumers / Disconnections

Protection for consumers on life support systems was understood as an important priority however, there was a suggestion that the reality of meeting the regulatory requirements was sometimes excessive or impractical (e.g. having to issue a letterbox notification to an entire neighbourhood ahead of scheduled system maintenance works) and that they would like to see more effort on finding alternative solutions to these challenges.

"Vulnerable customers, access to hardship programs and disconnections and those things tend to always be there, but I think you can't lose focus on those things." (Government / Market bodies)

Embedded networks and rooftop solar

Some noted that the AER had historically had a much stronger focus on the retail market and that it should increase its focus on compliance issues related to networks, especially in relation to newer elements such as embedded networks and rooftop solar.

There was an expectation that these areas will come under closer compliance scrutiny in the future as the regulatory framework expands to include unique issues related to these new network elements. One example given was the potential for a consumer to suffer damage to their appliances or asset when connecting rooftop solar to the energy grid.

"We have 3.5 million small power stations in the in the national electricity market now on people's rooftops and it's going to get bigger and more complex and there's opportunities there for people to get ripped off." (Consumer Advocates)

"One of the challenges is that there's a general lack of compliance (monitoring) with distributed energy resources and connection agreements." (Government / Market bodies)

"We need to maintain a vigilance around compliance for those that live in embedded networks, there probably hasn't been as strong a focus around compliance in that particular area and is probably something that needs to be looked at." (Government / Market bodies)

Competitiveness

One stakeholder said they would like to see the AER focus more on competitiveness in the energy market, and to work more closely with the ACCC on this.

Need for greater pragmatism

Some stakeholders expressed a desire for the AER to be more pragmatic with enforcement decisions. They felt it could do more to engage with stakeholders when investigating breaches to fully understand the underlying reasons for non-compliance.

One Industry stakeholder felt that the AER could show greater leniency in situations where a regulated entity had self-reported a noncompliance issue, or where the noncompliance was unintentional. They reflected a sentiment heard more broadly that the penalties imposed by the AER were sometimes considered disproportionate to the severity of the noncompliance issue.

"Enforcement feels slightly heavy handed. It would be great to see the AER's enforcement department build a stronger reputation for working with market participants to genuinely prevent and minimise consumer detriment as the key priority, rather than feeling like the priority is to deliver penalties and enforcement outcomes." (Retailers / Generators)

Appendices



Performance attributes - full wording

The table below shows the full wording of the performance attributes as they were presented to stakeholders in the research. Some attributes have been abbreviated elsewhere in this report for brevity.

Being an authoritative and trusted source of information about Australian energy markets

Its leadership and management overall

Being good to deal with

The usefulness of its reporting on wholesale market activity

The usefulness of its reporting on the performance of retail energy markets

The technical capability of its people

Producing reports that are clear and easy to understand

The quality of its stakeholder engagement and relationships

Supporting and protecting vulnerable energy consumers

Its application of evidence in its work program and decisions

Showing leadership in pursuing priority issues in the energy sector

Undertaking efficient regulation of network businesses by focussing on high impact actions that matter to consumers

Acting in the long-term interests of energy consumers

Its contribution to the debate about Australia's energy future and regulatory landscape

Allowing appropriate timeframes for information requests or submissions

Its understanding of the needs of energy consumers

Its requests for information being reasonable (e.g. volume and type)

Acting in the long-term interests of Australia's energy future

Demonstrating how stakeholder consultation has informed its decisions

Its ability to use technology to enable core business functions (i.e. data exchanges and solutions)*

Managing risks proportionately by maintaining essential safeguards for consumers while minimising regulatory burden

Encouraging the evolution of the regulatory framework to provide network customers with the services that they value at affordable prices

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