

#### Australian Energy Regulator

SAPN2025@aer.gov.au

9<sup>th</sup> May 2024

## Submission: AER Issues Paper Determination - SA Power Networks Regulatory Proposal 2025-30

Dear Australian Energy Regulator,

Thank you for the opportunity to provide a submission to the AER's Issue Paper regarding SA Power Networks' Regulatory Proposal.

We attended the AER issues forum in March, and understand some questions have been raised about the process which we designed and led for SA Power Networks – The People's Panel. We understand that the AER is interested in the following questions:

- Does SA Power Networks' consumer engagement meet the expectations set out in the Handbook in delivering a consumer-centric proposal?
- Does SA Power Networks' proposal adequately captures the cost of living concerns raised by stakeholders?

As the company engaged by SA Power Networks to design and deliver the People's Panel, we will not comment on the specifics of their proposal. It is not our place to provide reflections on this – however we are equipped to provide the AER with an insight into what we did to ensure the process was 'consumer-centric' and we can also provide insight into the Panel's reflections on how well they thought their work reflected cost of living concerns.

Specifically, we understand some questions have been raised about the People's Panel process, namely:

- Was the People's Panel adequately informed to make the decisions they made?
- Did the People's Panel understand the complexity of the task, and the details and consequences of services & price? And:
- Did the People's panel consider affordability adequately?

Our response below reflects on these questions, and in doing so addresses the broader questions raised by the AER in the Issues Paper.



#### Who we are

DemocracyCo is one of Australia's most recognised and experienced deliberative democracy companies. We have been in business since 2015, and have conducted some of the highest profile, most complex deliberative processes in Australia, and internationally. We have earned a reputation for tackling some of today's toughest questions, by bringing industry and government into the heart of the communities that they serve and fostering the type of understanding and collaboration that creates powerful, lasting change.

Our work is nonpartisan and impartial, with clients including local, federal and state government; environmental, utility and infrastructure organisations; regional development authorities; non-profit and NGOs; and humanitarian and philanthropic organisations.

#### What we did – The People's Panel

We were engaged by SA Power Networks to design and deliver the People's Panel process throughout 2022/2023 – which was the culmination of an extensive engagement program conducted by SA Power Networks. We understand that the People's Panel informed the draft proposal that SA Power Networks have put forward to the AER

The process brought together a diverse group of approximately 51 South Australians through a 5-stage deliberative process, The People's Panel. The People's Panel met for 7 days.

They considered the following questions:

There are choices about the level of service that SA Power Networks offers, however all services come at a cost. Looking forward to 2025-2030 – we want to understand what customers consider is the best balance of service and price?

Regulation requires SA Power Networks to consider export tariffs that reflect the cost of providing the service. How can the transition be phased in to maximise fairness and equity for all?

The Panel members initially built their understanding of the electricity system and developed tools for how they would work as individuals and together. They then worked to develop an assessment tool, which they used to assess and prioritise the service recommendations from the Focussed Conversations.

In Stage 3 they began their main deliberation experience. In the first round of assessment, they considered SA Power Networks role / functions and used their



assessment tool to determine which recommendations the group agreed should be included in SA Power Network's regulatory proposal. This provided a draft set of recommendations.

Stage 4 provided SA Power Networks with the opportunity to undertake costings and provide detailed feedback to the panel on their draft recommendations. Stakeholder were also given the opportunity to provide feedback.

In Stage 5 the Panel reconvened for an intensive deliberation to finalise their priorities, drawing on the significant work undertaken in Stage 4. The Panel also focussed on export tariffs and at this point were joined by several more business representatives to decide when a tariff should be introduced for different consumer cohorts.

## Issue 1: Was the People's Panel adequately informed – to make the decisions they made?

Extensive information was provided to initially brief panel participants and then to respond to individuals needs / knowledge gaps as the process unfolded. Information was carefully developed to help people navigate complexity. Regular advice was provided throughout the process in a 'live' way to help people to consider the cost implications of their forming recommendations / decisions.

An overview of the information & processes to support the Panel in understanding the information is as follows. The Panel had –

- Background reading on finances, operating models, energy systems, network arrangements and SA Power Networks programs,
- A briefing pack on the Focused Conversations (provided twice) Initially provided in November 2022 with all recommendations from the focused conversations and again provided in January 2023 updated as they completed their work
- Access to recorded interviews of Focused Conversations participants with different perspectives to understand why recommendations were made. In the room the Panel participated in an associated reflection activity about these interviews.
- Briefings from the AER, SA Power Networks Community Advisory Board and SA Power Networks to open (first day)
- Presentations from stakeholders, including SACOSS & Business SA
- Briefing on bill impacts of the recommendations from Mark Vincent, SA Power Networks on Day 2



- 4 hrs on Day 2 devoted to exploring the 10 Focused Conversation recommendations included up to 40 people from the Focused Conversations providing advice tailored to individuals needs / knowledge base.
- Expert speakers from business perspectives (representing large, medium, small and regional businesses)
- Resource table with an extensive range of resource / reading material and SA Power Networks staff to answer any questions
- Permanent & trusted industry expert advisor available at all times including online (Basecamp) Andrew Nance
- Online forum (Basecamp) to enable participants to get questions answered at any point in the process and to share information with each other (from their own research)
- Regular updates on costing implications / price stack of recommendations from SA Power Networks each weekend and sometimes each day of deliberation.
- Feedback on the Panel's draft recommendations from the Focused Conversation experts to further deepen / clarify the Panel's recommendations
- Specialist knowledge advisors for the last weekend to help them with where they had any gaps in knowledge.
- Fact Checker Process where people could put up any question and SAPN would provide answers to that question. This was open right up until the final day of deliberation
- Catch up sessions for participants that had missed a session to ensure no one missed out on learnings. Attended by Expert Adviser (Andrew Nance) and also SA Power Networks.

In comparison to other deliberative processes we have conducted of similar size, scale and complexity – the information provided in our view was clear, timely and provided in such a way that avoided overwhelm, and supported in clarifying issues Panel members raised.

# Issue 2: Did the People's Panel understand the complexity of the task, and the details and consequences of services & price?

This was a central part of the remit for the People's Panel. All facilitation processes and experiences were designed and delivered to support Panel members to understand the breadth of services, the depth of each service, the overall picture of services and the impacts / consequences of increases, decreases and maintaining existing levels of service.



To assist the Panel in understanding the bill impacts of their forming recommendations they were provided with:

- Focussed Conversation Briefing papers which ALL had bill impacts of varying service levels presented to them.
- Updates from Mark Vincent explaining the impacts across the focused conversations This was known by the panel as the 'price stack' which was provided to the Panel multiple times. This also enabled Panel members to see the price stack on various services / service levels.
- Presentations on budget impacts and the Panel were supported in reflecting on the advice from the focused conversations.
- Having developed a deep understanding of each service level, and the impacts on varying levels of service, on Day 4 the Panel began the process of considering the service areas as a package to enable them to consider the package that best represented the best balance of service and price.
- This continued into Day 5 where the Panel twice looked across the recommendations and into Day 6 and the final day.

## Some examples of the information the Panel received are provided in the below screen shots from slide deck presentations throughout the process:

Example of Focused Conversation Information provided part way through the People's Panel process.

#### 3. Why recommending this option?

Workshop participants recommended this Investment Option over the other Investment Options because stakeholders felt a significant increase in investment was required by SA Power Networks to meet safety and reliability standards in the Adelaide CBD.

Furthermore, Scenario 1, Basic, was not considered a feasible option and while components of Scenario 3, New Value, were supported additional information on customer outcomes and benefits was required.

#### 4. The high-level impact on the customer's bill of this investment option

The following indicative bill impacts for residential and business customers were presented for the 2025-30 period:

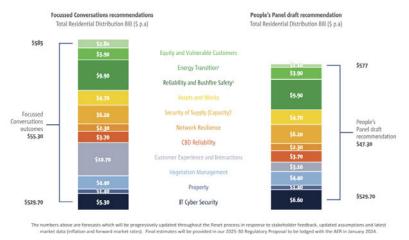
	<b>Residential</b> (average \$ annual)	Business (average \$ annual)	
Scenario 2 Maintain	\$4.15	\$32.25	
Total distribution bill	\$505-\$590	\$3,980-\$4,650	



#### Example of Price Stack Information provided part way through the People's Panel process.

#### **Revised average residential bill impacts**

As compared to the current residential distribution bill of \$640



#### Issue 3: Did the People's panel consider affordability adequately?

Affordability was also a central tenant of the Panel's remit – with this being a key driver for the People's Panel be convened.

To ensure the Panel considered affordability adequately, the following design and deliver aspects were implemented:

- Over recruitment of financially vulnerable participants (almost 3 times that of the SA population)– as there was recognition that they were more susceptible to price shocks.
- Panel developed their own criteria for assessing the recommendations Affordability was one "Affordable for ALL consumers"
- Day 5 The panel spent over 2 hrs considering the focussed conversations, to get a sense of the critical tensions and trade-offs
- Day 6 looking across the recommendations they weren't sure about to review their recommendations and ensure they had considered affordability. They asked:
  - o Is it worth it?
  - Does it meet our criteria? (inc. affordability)
  - Have we got the balance of service and price right?

In addition to the above, the Panel acted as all citizens would act in this situation. When presented with costs that they knew they would have to pay for, they naturally asked themselves - do I have to spend this money? Am I prepared to pay this? Is it worth it?



They did this throughout their entire time together, modelling their critical thinking skills.

## How can we be sure they were informed, understood bill impacts & considered affordability?

We at democracyCo are confident that the Panel were informed, understood the impacts of their recommendations and had adequately considered affordability. Our facilitation design and delivery of the People's Panel process was around enabling them to do just that.

Our observation is strengthened by the following:

- 1. Comments in the Panel's Report re Affordability. The Panel made the following remarks in their report which provide sound examples:
  - a. Claims and Damages rec "some people found it unfair for everyone to pay this 'mandatory insurance' cost, particularly vulnerable customers"
  - b. CBD reliability "SACOSS tried to convince us that we didn't need to spend this money, but we are convinced we do"
  - c. Undergrounding of power lines "costs too significant"
  - d. Customer experience recommended needing to cut costs and make cheaper **"Gold plating the service"**
- 2. We checked with a selection of Participants 6 months later and they confirmed nothing had changed. We provided a report to SA Power Networks with this information detailed and attach it to this submission.
- 3. The participants own data / reflections in the People's Panel Evaluation Report (see below for overview)

Only the People's Panel members themselves can determine and advise on whether they felt sufficiently well informed to be able to make their recommendations. The following data from the People's Panel participants demonstrates that they were informed, understood bill impacts and that they had adequately considered affordability: 11 participants (41% of respondents) spent <u>more than 60 hours each</u> attending sessions and undertaking associated work / research for their role on the People's Panel.

- Participants felt supported (93% responded positively to the statement "In general I felt supported to participate in each session)
- Participants understood the issues/ information provided to them (93% responded positively to the statement "In general I understood what was being talked about in each session".)



• Participants rated the facilitation of the process highly 28 out of the 31 respondents (90%) responded that the facilitation was good to excellent. 16 (50%) rated democracyCo's facilitation as excellent.

The participants also put in a significant amount of work to understanding the issues and information outside of sessions with all respondents indicating that they put in 'out of hours' work. This included **11 participants who spent more than 2 full days on out of session reading / work and 14 participants who spent 1-2 days.** 

In summary, DemocracyCo are confident that the SA Power Networks People's Panel demonstrated excellence in engagement to deliver a consumer-centric proposal. They adequately considered affordability and demonstrated capability to balance service with price.

In addition to this, the members of the SA Power Networks People's Panel demonstrated the very best of democratic citizenry – devoting their weekends, their energy and their expertise to considering these issues on behalf of all South Australians. Seven days of deliberation is an extraordinary commitment for people with busy lives.

The People's Panel deliberated in the spirit in which was asked of them – applying empathy, understanding and critique to their deliberations, often putting their own self serving interests on the back burner for the greater good.

The citizens on the People's Panel ultimately rose above self-interests and reached consensus on a way forward that they could all live with – to best balance service with price.

Regards,



Emily Jenke CoCEO democracyCo



Emma Fletcher CoCEO democracyCo democracyCo.com.au





### Attachment 1: Correspondence provided to SA Power Networks from DemocracyCo August 2023

30<sup>th</sup> August 2023

## Submission: SA Power Networks Draft Regulatory Proposal 2025-30

Dan Popping Head of Stakeholder Engagement SA Power Networks

Dear Dan,

Thank you for the opportunity to provide a submission to the SA Power Networks Draft Regulatory Proposal 2025-30.

As you know, we were engaged by SA Power Networks to design and deliver the People's Panel process throughout 2022/2023. The People's Panel informed the draft proposal that SA Power Networks have put forward to the regulator.

democracyCo, as a deliberative engagement company, don't comment on content of the projects we work on. It is not our place to engage in commentary around a deliberative Panel's work from a content perspective, and this is true for the People's Panel. We are however deeply interested in the process, and the impact of the process, and that is the focus of our submission.

As deliberative practitioners, we want to demonstrate deliberative engagement as a tool to be used to inform policy making and reform in societies around the world. We know that this methodology has enormous power to move beyond the usual voices and seek a diverse and balanced view of what everyday people think about an issue.

For this reason we were, and remain hugely supporting of SA Power Network's adoption of deliberative process to undertake important engagement, such as reset proposals.



We are pleased to see the Panel's recommendations clearly reflected in the Draft Regulatory Proposal as submitted by SA Power Networks. One of the things we look for from our clients is that they 'do what they say they will do' – and this demonstrates SA Power Network's authentic commitment to this.

Given the long-time gap between the People's Panel and the final submission of the Proposal, we understand that it is important that SA Power Networks ensure that their proposal is current and still reflects the needs of people.

To assist in understanding this democracyCo have conducted interviews with five diverse<sup>1</sup> members of the People's Panel – to check in and see how they are feeling now about the proposal, and how well they think the Panels' recommendations are reflected reset proposal.

## All participants we interviewed in preparing this submission told us that they were satisfied with how SA Power Networks reflected their work in the reset proposal draft. They also all told us that their recommendations are still as current today, as were when they agreed them in March 2023.

Ever since the People's Panel were recruited, Australians have faced increasing cost of living pressures – including increases in energy prices, which have and continue to have an impact.

This crisis was central to the People's Panel deliberations. The Panel participants focused on the pressures that they were facing at that time, and on what they might expect to face going forward. For many Panel members, the cost-of-living crisis was already very real for them when they met – and as a consequence was front of mind in everything they discussed.

The 5 People's Panel members who we interviewed told us:

- They 100% stand by their recommendations
- They were aware of the cost of living pressure being faced by South Australians at the time, and many of them were already feeling them at that time. This was front of mind in all deliberations

<sup>&</sup>lt;sup>1</sup> The interviewees were diverse in terms of age, gender, living circumstances (ie renting/ home ownership) and vulnerability.



- They expected the costs of living pressures to continue and their recommendations reflected what they expected to happen during the next regulatory period (ie rising interest rates, economic pressure, increases in utilities)
- The Panel members we interviewed reported that they witnessed "empathy growing" within the Panel as the process went on and people who didn't come in understanding the reality of the cost of living pressures on others eventually became strong advocates for recommendations which supported people who were experiencing these pressures (ie knock before you disconnect)

## Whilst this summarises the information provided by the Panel members we interviewed. We think that their feedback is best provided in their own words.

# The following statements were made by the interviewees about the currency of their recommendations-

- "I am happy with all of our recommendations about service and price balance. I think everyone gave the FC's a thorough look at, the thought processes were amazing - was mind boggling actually. We were very fair with stakeholders - gave SAPN the consideration it was due, we looked at it from all angles. The amount of thought and consideration that went into the PP was amazing. We all dealt with the complexity well, diversity helped us to do this. Its amazing isn't it - all these strangers in one room, but we came to consensus amazingly well."
- "Knock before you disconnect I suggested we should keep this, and I had to fight for this in the early days. But by the end of the process, people were supportive of it and this had become a big thing for everyone - it was very clear the group moved towards a more deeper understanding of social welfare. Through the process I felt that we really shifted much more strongly to understanding the importance of this"
- "I think I would make the same decisions now as I did earlier in the year the forecast financially hasnt really changed. It was predicted what financial state we would be in now - if this was in Jan 22 it would have been different. The financial situation headed in the direction we expected - we made recommendations knowing where it was heading."



- "I wouldn't change any of the decisions I made as part of the People's Panel. Primarily because all of the items we went through at the start that mattered to us, haven't changed. Things we deemed important - value for money, reliability, supporting people who needed it etc hasn't changed."
- "I 100% stick by our recommendations. I would make the same ones today. I think we did them well. They are still current today."
- "We took climate change and the shift to renewables into consideration sure there is more of a focus on this coming summer (with the shift from LaNina to El Nino), but we were talking about that and thinking about it in our recommendations."
- "In Part B of the proposal if we had the revenue building blocks available to us back in March that would have really helped our deliberations. If we had have seen this, it would have made our deliberations smoother and bypassed lots of questions around budgets and costs that we spent a lot of time on."
- "Even people with full time jobs are still struggling, unable to move forwards. This is being felt really strongly - rent costs are huge, power prices and everyday costs are just applying so much pressure on people."
- "So many people wanted to see more welfare provided to south Australians - but we didn't think SAPN should take all the responsibility for this. They should play their part - but not be responsible for everything. So I think our recommendations are current - we had this in mind and it was well considered."
- "One idea which didn't get up was the Vulnerable Customer Assistance Program (to support DV victims etc) this might have been really good to have - but we didnt understand each of these enough (as we didnt have time to learn everything). I feel by not knowing enough, as a group we discarded them too quickly. I would love to see these done."
- "I know people will be cold tonight, won't have power tonight, and I think we thought of them during our deliberations."

The People's Panel remain informed, engaged and aware. In talking to interviewees, it was very clear that they are using the knowledge they gained through the People's Panel process to help others navigate the system and that they continue to watch developments in the energy sector closely. Given this, we



sought their advice on what they would like to see SA Power Networks doing right now to better support customers and community.

### Quotes attributable to People's Panel members on what they want to see SA Power Network focus on more

- "Knock before disconnect program should come forward, we need this now to support people through the cost of living crisis. SA Power networks shouldn't wait for 2025 for this."
- "Probably just keep a finger on the EV pulse this is rapidly changing, govt subsidies are kicking in and we need to be ready for significant uptake in EV's."
- "Would love to see more art on stobie poles! I love them, they help us appreciate our energy assets."
- "I would hope that what they were saying in terms of export tariff charge, and the flow on effect of this (increased income into SAPN) should have a flow on effect of reducing power bills. Overall, whats happened in the last 5 months wouldn't change my perspective on looking at this stuff."
- "Off-peak and peak time costing would be good to provide information more broadly to the community on how to get their usage down at certain times in the day so they can use cheaper power... little bits of info about when people should do their washing, practical tips and tools."
- "People's bills need to be simplified I have studied enviro science, my brother works in the industry and I am still confused. Communication and information needs to be simplified - which would help to reduce peoples' stress when they get their bills (and are already under pressure). When people get too much information, they can get overwhelmed and this can impact people's mental health significantly."
- "I know there are people suffering financial abuse, with gambling problems - and we need to always keep in mind the many situations people face. When someone is in trouble, they should be able to get some grace (at least once in their lives)... everyone should be entitled to getting a few months free without losing their power. (This happens in insurance and banking sector)."

During the interviews, Panel members provided reflections (unprompted) on the process. They universally told us that their trust and confidence in SA Power



Networks grew – as the staff demonstrated authenticity and openness in sharing information with the Panel.

### Quotes attributable to People's Panel members on SA Power Networks' leadership of the process

- "I one hundred percent believe that SAPN were focussed on making the People's Panel work and were dedicated to doing it properly. They are truly authentic and want to have people engaged more meaningfully. They were honest, they have reflected our conversations properly, they have my trust. The information they provided to us was solid. During the process, I was very vocal in the media, and they never raised a concern about me talking on radio, never asked me to stop - were totally supportive of my voice. They also invited us to the draft proposal launch which was lovely - a corporate event - it was so great to be invited to that and treated so well. Sealed the deal for me - they were 100% inclusive up front."
- "I think it was great that SAPN decided to run the PP. To have this opportunity, and this available as a tool was mind blowing. Age group and diversity was amazing. Glad that SAPN made it possible to happen. demCo were great. I really enjoyed it, it was frustrating at times, intense. You did a darn good job."
- "Everything I have wanted to say, I have said. I have had ample opportunity to say what I wanted. This is reflected in the draft proposal. I can see it there."
- **Process improvement idea**: "If SAPN truly want a customer led process, the customer needs to come in at the start in this proposed process below:
  - 1. customer sets the baseline, the values, establish the overarching principles for what's important.
  - 2. This then defines the focussed conversations where experts, customers and stakeholders work together to bring to life what customers want
  - 3. customer process at the end to analyse how well the proposed initiatives from step 2 meet our desired needs from step 1. Like an



hourglass - broad, focussed and then broaden out... A process like this would allow for much more innovation."

 "I am not quite happy with the export tariff result - not convinced that this is the right approach. I am not sure I really trust all the players to do the right thing. They (not SAPN but legislators, regulatory bodies) are not involving or including community members enough in the process to transition to this - too many players and no transparency about what they are doing. It is hard for SAPN to influence anything above and beyond what their remit is."

#### DemocracyCo Reflections

DemocracyCo are very proud of the process we designed and delivered for SA Power networks.

In our view and experience, the entire Reset Engagement program is one of the most extensive and comprehensive engagement processes that we have seen, and we would be surprised if it doesn't stand out as being one of the most thoughtful and considered engagement processes undertaken nationally for the regulatory update. In terms of the Peoples Panel – we delivered a world class deliberative process. We have confidence that the Panel's recommendations were the product of thorough consideration based on diverse expert and stakeholder inputs and advice and deep deliberation.

We see no reason why you shouldn't have anything but complete confidence in where the group landed. The responses from the participants to the- participant survey reinforce this – it is clear how much thought they gave the process (including the evaluation) and how much time they invested.

In terms of the Focused Conversations / pricing trade off conversation - whilst it was hard going for facilitators and the Panel – they got there, and we have utmost confidence in where they landed. As an organisation, we will reflect on how we can make this simpler and smoother in future processes.

In terms of export tariffs – If the three options presented are the only possible options and there isn't any possibility of another tariff structure that better balances the benefits accrued to both solar and non-solar owners of feed in,



then improvements in the process probably wouldn't have changed the outcome very much.

If there was a possibility of substantially different tariff options – a different process may have allowed us to better use the innovation/ 'outside the square' thinking of the group to inform the development of a tariff structure that better reflects community values.

The quality of the conversation the Panel had about 'why' they felt the way they did about the two tariff options was extremely insightful and should give SA Power Networks a very strong sense of the 'debate' that will play out in the community on this issue. The discussion the Panel had on the two options was the most passionate, articulate, comprehensive and considered that we have heard (and we have run very similar discussions on a lot of different topics over time). SA Power Networks should feel confident that the information gained through that conversation provides the best insights into community views possible from an engagement process.

Additionally, we would like to highlight some other reflections that we have had since the project completed. We think its important to keep these in mind when assessing the currency and quality of the People's Panel work.

- **Diversity** The representation of people who were considered 'financially vulnerable' on the Panel was substantial. We worked with the SA Council for Social Services to ensure we selected a proportion of the Panel that was considered vulnerable greater than that of the SA population. All of these people stuck with the process throughout, and devoted considerable time to the process outside of what was expected.
- Complexity the Panel demonstrated great capability to go deep and broad – they understood each of the proposed spend 'buckets' (focussed conversations) and also were able to look across them all. Their final recommendations reflect their consensus view on the package of proposed spends.
- **Honesty** the Panel honestly and openly told SA Power Networks what they were and were not prepared to support – in terms of services and also their position on export tariffs. They highlighted the private ownership status of SA Power Networks vs the very public responsibility



they have, and openly sought assurances from SA Power Networks that they would act in the interests of South Australians, as well as in the interests of their shareholders.

- Information, facts and knowledge the Panel sought and were provided with a range of information, facts and data – which was provided to them by SA Power Networks without question. In addition to this, SA Power Networks used its networks to enable diverse stakeholders with different views to present to the Panel (and were able to do so 'unfiltered' by SA Power Networks), ensuring that the Panel had a full 360 degree view of stakeholder needs and expectations
- Depth of work the Panel undertook a massive workload for this process, going above and beyond expected participation. Many of them spent many dozens of hours outside the sessions researching, talking to others, and sharing their views in the Panel's online deliberation platform. This is a common occurrence in deliberative processes, but it still is awe inspiring to see in action and occurred to a much greater extent than we have ever seen.
- Commitment to the process Panel members showed a depth of commitment to the process which we don't always see and the only people who withdrew from the process did so for personal reasons (ie illness, change in circumstance)

DemocracyCo are confident that the People's Panel deliberated on the balance of service and price & export tariffs to the greatest extent possible.

We have confidence that SA Power Networks have the best advice they could hope to secure from the community in preparation of their Reset Proposal for 2025-2030 and this advice has stood the test of time.

Regards,

Emily Jenke	Emma Fletcher
CoCEO democracyCo	CoCEO democracyCo