

Summary of Meeting

Consumer Reference Group (CRG) Meeting No. 1

7 February 2013

Held via video conference between AER offices in Adelaide, Melbourne, Canberra, Sydney, Brisbane, Townsville

Apologies: Peter Dobney, Angus Nardi

On 7 February 2013, the AER held the first meeting of the CRG (see Attachment A for member list) - a group established to provide customer input into AER's 'Better Regulation' program. The meeting was chaired by AER Chairman, Andrew Reeves, and was attended by AER staff members and CRG members who represent various customer groups.

This summary broadly covers the key topics and themes that were discussed. The outline follows that of the agenda.

1 Introduction

The AER welcomed participants to the first CRG meeting and explained that it had been put together to help the AER to better engage with customers, which is a key component of the 'Better Regulation' program.

The AER also introduced all the CRG members in the various sites.

2 AER's Draft Statement of Objectives

It was noted that the AER distributed a draft statement of objectives for CRG members to provide comment on.

The overall objective of the CRG is to engage with customers to get their input in the development of the AER's 'Better Regulation' guidelines. The meetings are a way for customers to express their views to the AER, without the formality of written submissions. It is not anticipated that the group will reach consensus on all matters.

No objections were raised so the draft statement of objectives was adopted as the statement of objectives for the CRG.

3 Logistics/Processes

The AER set out the dates of future meetings and noted that phone dial-in will also be possible for future meetings.

Some of the guidelines that will be produced under the Better regulation program are likely to be of more relevance to particular members. For this reason, the AER is looking to form subgroups to align with each of the work streams under the Better regulation program.

Each subgroup will consider a particular guideline in detail. Ideally, each subgroup will meet in between the monthly CRG meetings. The AER is able to provide conference calling facilities to assist with this. The AER will also circulate contact details to assist in the coordination of subgroups. The subgroups will report back to the entire CRG at monthly meetings on their discussions and the specific issues of interest to consumers.

While many CRG members previously expressed an interest in the particular subgroups that they wish to participate in, the AER would like all members to nominate for subgroups.

The AER has received keen interest in the Rate of Return, Network Services and Shared Assets subgroups. Interest in Confidentiality has been light.

4 Presentation: *Rate of Return* – Craig Madden

Rate of Return is an important issue. The AER is required under the NER, set by the AEMC to set the rate of return commensurate with prevailing conditions in the market for funds and the risks involved in providing services.

CRG members commented that regulated entities (in particular Government owned businesses) have little, or no, exposure to risk which the rate of return is intended to compensate. The concerns raised were around the following:

- In Qld, Powerlink, Egron Energy and Energex are able to access the same capital at the same borrowing rate as the Qld Government.
 - The AEMC has said it will not set different rules between government and privately owned entities.
- The generous rate of return provides incentives for businesses to invest more in their networks as they receive a return based on the investment.

When thinking of a new approach, the AER asked members to consider:

- Whether consumers had a preference for techniques that might deliver less volatile outcomes over time compared to the current approach which employs rates drawn from current market conditions.
- Whether different sectors might face different risk levels.
- Whether the guidelines should set out clearly defined approach or provide a more flexible and open approach?

On the topic of risk, there was a discussion on what reasonable risk sharing should look like. The comment was made that currently, the burden of price increases falls on consumers. It was noted that while it is not expected that regulation should be a scientific process, a better understanding of the process of regulation is needed. The comment was made that certainty of outcome is favoured over certainty of process.

Members commented that further education would be useful. The AER agreed to provide further training on an overview of network regulation. Members were asked to contact CRG secretariat, Kurt Stevens, to express their interest.

5 Presentation: *Expenditure Forecasts* – Lawrence Irlam

The new framework for expenditure forecasts should involve:

- A more holistic approach to determining allowances
- A better notion of who is efficient and who is not
- Taking into account a long term view

The complexity of this area was acknowledged. For example, a lag may occur between when investment happens to when the value of the asset increases.

The user groups commented that the expenditure forecasts are driven by unnecessarily high service standards. An example of this is in Queensland where weather is a significant factor in service performance. Irrespective of the level of reliability built into the network (and the capital investment), bad weather can bring down the network and result in significant outages.

The AER would like input on what content should be included in reports.

6 What's Next?

The AER indicated that it would circulate the following documents:

- **Issues paper**—This will provide a brief overview of issues and hot topics. It will assist consumers in thinking about where they can make a contribution.
- **Time map of work streams**—The time map will assist in planning participation in the CRG.

7 Action Items

- Draft statement of objectives to be adopted as final
- Distribute member contact details
- Respond to CRG secretariat regarding training, nominating subgroups and subgroup spokespeople
- Reflect on the presentations (on Rate of Return and Expenditure Forecasts)

Attachment A – CRG Members

Name	Organisation	Location	Nominated Workstream
Heather l'Anson	South Australian Farmers Federation	Adelaide	Power of Choice, Shared Assets, Expenditure Incentives, Customer Engagement
Mr Mark Henley	Uniting Communities	Adelaide	Expenditure forecast, rate of return and Expenditure incentives
Carly Allen	Queensland Council of Social Service	Brisbane	TBA
Dr Siwei Goo	Australian Chamber of Commerce and Industry	Canberra	TBA
Peter Strong	Council of Small Business of Australia	Canberra	TBA
Damian Sullivan	Brotherhood of St Laurence	Melbourne	Power of Choice implementation
David Stanford	Consumer Utilities Advocacy Centre	Melbourne	TBA
Matt Helme	Energy and Water Ombudsman of Vic (EWOV)	Melbourne	TBA
David Headberry	Major Energy Users, Inc	Melbourne	All
Sue Fraser	Kildonan	Melbourne	NSP customer engagement
Tennant Reed	Australian Industry Group	Melbourne	Power of Choice implementation
Bruce Mountain	Energy Users Association of Australia	Melbourne	TBA
Peter Dobney	Major Energy Users, Inc	Melbourne	Expenditure forecast assessment, Rate of return Expenditure incentives, NSP customer engagement, Power of Choice implementation
Janine Rayner	Consumer Action Law Centre	Melbourne	TBA
Katrina Lee	Choice	Sydney	Power of Choice
Carolyn Hodge	Public Interest Advocacy Centre	Sydney	Rate of Return, plus others.

Ro Evans	Australian Council of Social Services	Sydney	NSP Customer Engagement, Power of Choice implementation
Alexandra Geddes	Office of the NSW Small Business Commissioner	Sydney	Network service provider customer engagement
Helen Scott	Ethnic Communities' Council of NSW	Sydney	NSP customer engagement, Power of Choice implementation
Graham Mawer	Southern Sydney Regional Organisation of Councils (SSROC)	Sydney	TBA
Angus Nardi	Shopping Centre Council of Australia	Sydney	TBA
Jonathan Pavetto	Canegrowers	Townsville	Expenditure Forecast, Rate of Return, Expenditure Incentives, NSP Customer Engagement, Power of Choice.