Communique

AUSTRALIAN ENERGY REGULATOR

Game changer leadership group workshop

Wednesday, 29 March 2023

9:00 am – 11:00 am (AEDT)

Location: Microsoft Teams

Chair: Clare Savage, AER Chair

Attendees: CEOs and senior representatives from across the energy sector, game changer secretariat and game changer design group members

Summary of discussion

1 Introduction

- Stephanie Jolly (General Manager, Market Performance at the AER and the AER's representative on the design group) opened the meeting with a reminder of the game changer's objective (to better balance cost and risk within the energy sector in order to improve consumer outcomes), noting the urgency of this initiative given the increasing social impacts of energy affordability issues.
- Stephanie summarised activity since the last leadership group meeting in December (including the logic model framework used by the design group to develop ideas for assessment), noting the rapid pace of work and significant contributions of the design group members to date.
- Stephanie set out the purpose of the meeting, which was to share the results of the leadership group survey and seek direction on prioritising the list of ideas for further development.

2 About the survey

- Laura Considine (Director, Consumer Policy at the AER, leading the team that comprises the AER's game changer secretariat) introduced the ideas assessed in the survey and explained the survey structure.
- Laura noted that although only two sections of the survey were mandatory, respondents overwhelmingly answered almost every question, reflecting the high degree of engagement in this process.
- Laura briefly recapped the design principles that were used as a criterion for assessment in the survey, noting that they have previously been discussed and agreed with the leadership group in prior meetings.

3 Survey results

- Lois Shedd (Assistant Director, Consumer Policy at the AER) summarised the profile of survey respondents, noting that:
  - about 60% of the leadership group responded to the survey
  - 80% of respondents were at senior or executive levels
  - all parts of the energy sector were represented, including consumer support/advocacy organisations, industry groups, energy businesses, ombudsman schemes, market bodies and government.
- Lois explained the quantitative survey findings presented in the slides, including:
  - relative level of understanding of each idea at this stage, based on reported confidence in the requirements, results and risks identified by the design group
  - relative alignment of each idea with the agreed scope of the game changer, based on average scores against the design principles (see Correction on page 5)
  - relative level of confidence in the ability of the sector to deliver on each idea given the requirements and risks involved, based on reported confidence in response to this question
  - relative prioritisation of each idea, based on the weighted ranking score (calculated using a formula that considers how often respondents ranked each idea in each position)
  - relative breadth and strength of support for each idea among respondents, based on the proportion who included the idea as *any* priority (for breadth of support) and the proportion who included the idea as their *top* priority (for strength of support)
  - similarity of the leadership group prioritisation results to the design group prioritisation results, noting that this suggests the design group is effectively representing the diverse perspectives of the leadership group.

Key Outcomes: Survey prioritisation results indicate greatest support for the following six ideas, after which there is an apparent step change in the level of support among the group:

- 6.2 Targeted Retrofits
- 3.1 Concession Upgrades
- 3.2 Automated Better Offer
- 7.3 Energy Concession Reform
- 2.1 Central Service Body
- 2.2 Increased Investment in Financial Counselling Contribution Scheme

- Lois explained the qualitative survey findings presented in the slides, including:
  - risks, challenges and suggestions, noting that these were reported at an overall level on the slide but specific risks, challenges or suggestions will relate to different ideas
  - suggested interactions between specific ideas, which fell into three categories (incompatible ideas, complementary ideas, and interdependent ideas)
  - specific combinations of ideas that might form a solution package, noting that there was wide variation in the number of ideas combined into packages and (in some cases) explicit acknowledgement that different ideas will play a different role in the package (for example, as ideas to advocate for rather than implement directly)
  - comparison of the suggested packages with those suggested by the design group, noting a common emphasis on ideas within the Central Service / Decision Body, Proactive and

Automated Supports and Energy Efficiency concepts, supported by Enabling and Governance Reforms.

- Lois clarified that the design group will receive a more comprehensive report on leadership group survey results to inform the design process.
- Clare opened the floor to questions on the survey results.

Key Outcomes: The game changer secretariat clarified the distinction between the Concession Upgrades and Energy Concession Reform ideas based on their intended outcomes and the sector's level of control over implementation in each case.

Key aspects of the Shared Funding Pool were also discussed as follows:

- The scope and mechanism of the Shared Funding Pool and related actions need further development, but must be impactful to be considered a game changer.
- It was noted that a Shared Funding Pool is a pre-requisite for including options that require funding in the game changer package.
- The importance of transparency in relation to costs to consumers was raised.
- It was noted that one of the principles of the Shared Funding Pool is to reduce the cost of consumer vulnerability to the sector over time by reducing demand for support services through game changing initiatives.

It was suggested that the impact on specific consumer groups might be one way to assess whether ideas are game changing.

4 Actioning the results

- Clare Savage introduced a proposed framework for initial prioritisation into four categories, noting the importance of narrowing the focus of the game changer to allow for further development of ideas within the constraints of the AER and design group:
  - **Act:** Ideas for the energy sector to try to implement now, as a part of this game changer
  - **Support:** Ideas that the energy sector can't implement directly but will support alongside this game changer
  - **Explore:** Ideas that require immediate exploration and development before deciding whether they should be included in this game changer
  - **Reconsider:** Ideas that that should be deprioritised in the short term to allow for higher-priority ideas to be developed further, noting that these ideas may be reconsidered as part of a future game changer initiative.
- Clare clarified that the intention is for ideas in the Act and Explore categories to receive the most focused resources in the short term, given their higher priority for development.
- Clare explained that the preliminary prioritisation of ideas into these categories does not reflect the views of the AER but was based on survey findings and idea development to date.
- Clare facilitated a group discussion on where each idea should be positioned in the framework, noting the need to reconsider ideas that aren't critical to meeting the defined problem statement for this game changer initiative.

Key Outcomes: It was suggested that the 'Act' label is potentially misleading given the need for further development of all ideas, so this category is now referred to as 'Develop'.

It was noted that the Targeted Retrofits idea may be part of a more holistic energy efficiency program that includes retrofits, so this idea is now referred to as Energy Efficiency Measures.

The leadership group discussed prioritising the following ideas for development, which were summarised as two potential idea packages:

Package 1	Package 2
• 3.1 Automated Better Offer • 3.2 Concession Upgrades • 1.1 Central Collection and Disbursement Pool / Empowered Energy Trust • Either 2.1 Central Service Body or 3.4 Proactive Identification and Retailer Compensation Mechanism • 2.2 Increased Investment in the Financial Counselling Contribution Scheme • 6.2 Energy Efficiency Measures (previously Targeted Retrofits)	• 3.1 Automated Better Offer • 3.2 Concession Upgrades • 5.1 Social Tariff

It was noted that:

- Increased Investment in the Financial Counselling Contribution Scheme, Energy Efficiency Measures, a Central Service Body and a Proactive Identification and Retailer Compensation Mechanism all require funding, which would be supported by the Central Collection and Disbursement Pool / Empowered Energy Trust
- Increased Investment in the Financial Counselling Contribution Scheme would support both the Central Service Body and Proactive Identification and Retailer Compensation Mechanism ideas, given the important role of financial counsellors in providing support to consumers served by these ideas.

It was further agreed that:

- the Priority Support Register should be explored now to determine whether it should also be included in or alongside either of the proposed packages
- the Energy Concession Reform, Increased Allowances, and Minimum Energy Efficiency Standards for Renters ideas should be supported alongside the game changer.

The Reduced Green Scheme Cross-Subsidisation idea was considered for inclusion in either Support or Explore, noting potential variations in scope and the role of multiple other parties in delivering this idea. It was ultimately agreed to further explore this idea at this stage.

5 Next steps

- Clare provided an update on the next steps in the design process, which will focus from here on developing packages of prioritised ideas for further consideration and decision-making by the leadership group, as well as exploration of these potential packages with consumers and experts, with the goal of being able to present a reform proposal in mid-year.

Key Outcome: The AER is considering options to provide additional support to progress the game changer, including by reprioritising staff to allow for additional secretariat support or funding a consultant to support detailed development of options (if resources are available).

- Clare clarified that calendar invitations for the next two leadership group meetings (on 4 and 29 May) have been sent out.

Key Outcome: Any members of the leadership group (or other sector stakeholders who would like to be involved in the leadership group going forward) who do not currently have invitations to the next two leadership group meetings should contact the game changer secretariat at: ConsumerPolicy@aer.gov.au.

Action items

Agenda item	Action	Owner
3	Provide full leadership group survey findings report to design group, to further inform package development	AER
4	Develop proposed package options in more detail for further consideration	AER Design group
4	Explore Priority Support Register and Reducing Green Scheme Cross-Subsidisation ideas for further consideration	AER Design group
4	Include support for Energy Concession Reform, Increased Allowances, and Minimum Energy Efficiency Standards for Renters in game changer proposal	AER Design group Leadership group
5	Confirm best option to provide additional support to progress the game changer	AER
5	Contact the AER game changer secretariat for invitations to future leadership group meetings, if required	Leadership group Other interested stakeholders

Correction

- The game changer secretariat would like to share a correction to slide 18, titled ‘How do the top-prioritised ideas compare?’. The average score against design principles for ideas 2.1 and 2.2 should have read as follows:
  - 2.1 Central Service Body: 2.6 (instead of 4.3)
  - 2.2 Increased Investment in Financial Counselling Contribution Scheme: 3.2 (instead of 2.6)

  This correction does not affect any other results, including overall prioritisation or any other references to the average score against design principles for these ideas.

  See next page for screenshots of the original and corrected slide.

Original Slide

How do the top-prioritised ideas compare?

Looking at the top-prioritised ideas in more detail, we see that while the Central Service Body scores well against the design principles, there is low confidence in the sector's ability to deliver on the idea. Conversely, respondents are confident in our ability to deliver on Increased Investment in the Financial Counselling Contribution, but there is less consensus on whether it meets the scope of the game changer.

Idea	Average score against design principles	Proportion who are somewhat or very confident in the sector's ability to deliver	Weighted ranking score *See note*	Proportion ranking as top priority	Proportion ranking as a priority
2.1 Central Service Body	4.3	23%	1.3	17%	37%
2.2 Increased Investment in Financial Counselling Contribution Scheme	2.6	67%	1.2	7%	40%
3.1 Automated Better Offer	4.3	70%	1.6	3%	60%
3.2 Concession Upgrades	5.0	73%	1.9	17%	53%
6.2 Targeted Retrofits	4.7	46%	2.0	10%	77%
7.3 Energy Concession Reform	3.3	46%	1.5	13%	43%

Note: The weighted ranking score is calculated by assigning a weight to each possible ranking position, with greater weight given to higher positions. A weighted average score is then calculated with reference to the number of respondents who chose each position and the total number of respondents who answered the question. This can be expressed in the following formula: $(w_1c_1 + w_2c_2 + w_3c_3 + w_4c_4 + w_5c_5) / t$, where **w** is the weighting of the position, **c** is the number of respondents who chose that position for each idea, and **t** is the total number of respondents who answered the question.

Corrected Slide

aer.gov.au

18

How do the top-prioritised ideas compare?

Looking at the top-prioritised ideas in more detail, we see that while the Central Service Body is equal first when it comes to being ranked as a top priority, respondents are less confident in this idea and whether it meets the scope of the design principles.

Idea	Average score against design principles	Proportion who are somewhat or very confident in the content	Proportion who are somewhat or very confident in the sector's ability to deliver	Weighted ranking score *See note*	Proportion ranking as top priority	Proportion ranking as a priority
2.1 Central Service Body	2.6	37%	23%	1.3	17%	37%
2.2 Increased Investment in Financial Counselling Contribution Scheme	3.2	63%	67%	1.2	7%	40%
3.1 Automated Better Offer	4.3	83%	70%	1.6	3%	60%
3.2 Concession Upgrades	5.0	80%	73%	1.9	17%	53%
6.2 Targeted Retrofits (now Energy Efficiency Measures)	4.7	79%	46%	2.0	10%	77%
7.3 Energy Concession Reform	3.3	54%	46%	1.5	13%	43%

Note: The weighted ranking score is calculated by assigning a weight to each possible ranking position, with greater weight given to higher positions. A weighted average score is then calculated with reference to the number of respondents who chose each position and the total number of respondents who answered the question. This can be expressed in the following formula: $(w_1c_1 + w_2c_2 + w_3c_3 + w_4c_4 + w_5c_5) / t$, where **w** is the weighting of the position, **c** is the number of respondents who chose that position for each idea, and **t** is the total number of respondents who answered the question.