AUSTRALIAN ENERGY REGULATOR

Game Changer Leadership Update

29 March 2023

I acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to land, waters and community.

We pay our respects to them and their cultures; Elders past, present and emerging.

And finally, I extend that respect to other Aboriginal and Torres Strait Islander people who are present today.

We would also like to acknowledge those who have a lived experience of vulnerability, and in particular those who have chosen to share their experiences of navigating the energy sector to support our work.

We acknowledge the determination and courage it takes for people to revisit difficult memories in the hope of shaping a better future for themselves and others.

We are deeply appreciative of this, and for any of you who may be in attendance today.

Introduction

What has happened since we last met?

Since the leadership group last met on 6 December, the design group have further developed their initial ideas through a combination of online collaboration and workshop discussion. These refined ideas formed the basis of the recent idea assessment survey.

December | **January – February** | **March**

6 December
Leadership group met to discuss design group's initial idea pitches

- Opportunity to provide out-of-session feedback by 16 December

21 December
Leadership group feedback was shared with the design group
See appendix

- Comments were analysed by the AER Secretariat and grouped into key themes
- Comments and themes were shared in a report to the design group
- Themes were included in the survey introduction to each concept

January – February
The design group collaborated asynchronously via Padlet in a logic model framework

Framework:
- **Inputs**: What planning & resources do we need?
- **Activities**: What do we have to do to deliver it?
- **Outputs**: What will the activities result in?
- **Risks**: What are the risks and how to mitigate?

13 February
Design group met for a workshop to discuss draft logic models

14–20 February
Design group leads worked with the AER Secretariat to finalise idea content

21 February – 20 March
Ideas were assessed by both the design group and leadership group via survey

- Design group survey ran 21–27 February
- Leadership group survey ran 2–20 March 2023
- Results were analysed by the AER Secretariat

Thank you to the design group members for all their contributions to date.

What is our purpose here today?

After today, the design process will progress to developing ideas in detail. This requires direction from the leadership group on prioritising ideas.

Update

Leadership group survey results

Discussion

Prioritising ideas into game changer package

Outcome

Direction on prioritising ideas / packages for further development

About the surveys

Which ideas were assessed?

In the survey the leadership group assessed 18 ideas, which were grouped into 7 broader concepts depending on their intended outcome.

Shared funding pool

The cost of supporting consumers experiencing vulnerability is shared more equitably across the sector.

- 1.1 Central collection and disbursement pool / empowered energy trust

Centralised service/decision body

Consumers receive timely and holistic support from a centralised specialist service.

- 2.1 Central service body
- 2.2 Increased energy supply chain investment in Financial Counselling Contribution Scheme

Proactive and automated supports

Consumers receive timely and effective support regardless of their ability to engage.

- 3.1 Automated better offer
- 3.2 Concession upgrades
- 3.3 Priority support register
- 3.4 Proactive identification and retailer compensation mechanism

Disconnection protections

Disconnection is truly a last resort.

- 4.1 Disconnection ban
- 4.2 Disconnection tribunal

Minimising energy bills

Energy bills are more affordable for consumers experiencing vulnerability.

- 5.1 Social tariff

Energy efficiency

Consumers experiencing vulnerability only pay for the energy they actually need.

- 6.1 Reducing green scheme cross-subsidisation
- 6.2 Targeted retrofits

Enabling and governance reforms

Consumer vulnerability to energy hardship is reduced into the future.

- 7.1 Affordability and equity in the NEO
- 7.2 Duty of care
- 7.3 Energy concession reform
- 7.4 Energy transformation objective, principles and metrics
- 7.5 Increased allowances
- 7.6 Minimum energy efficiency standards for renters

Note: A brief description of each idea is provided in the appendix to this slide pack for reference.

How were the ideas assessed?

The ideas were assessed through an online survey hosted on the ACCC Consultation Hub from 2–20 March 2023.

Assessment of individual ideas

Based on requirements, results and risks identified by the design group

Design Principles

How well does each idea meet the design principles?

Content Confidence

How confident are you in the requirements, results and risks identified for each idea?

Delivery Confidence

How confident are you in the ability of the energy sector to deliver on this idea given the requirements and risks involved?

Future direction

Ranking

Assuming that a Shared Funding Pool is part of the game changer reform package, which other game changer ideas should be prioritised?

Relationships

Please describe any important interdependencies between ideas.

Note: The survey content and structure was the same for both the design and leadership group surveys (with some minor corrections to the leadership group survey). The design group was required to respond to all questions, while only the Shared Funding Pool idea assessment and future direction questions were compulsory for the leadership group.

What are the design principles against which the ideas were assessed?

These design principles were discussed with the leadership group on 15 September 2023. They were subsequently incorporated into the design group's terms of reference, and have therefore been used as one important criterion for assessment.

Consumer perspective

IMPACT

Deliver systemic reform for consumers experiencing vulnerability

Support consumers with complex needs

SCALE

Materially reduce the quantifiable and unquantifiable costs of consumer vulnerability

Energy system perspective

EFFICIENCY

Improve efficiency of the energy system

Incentivise businesses to identify customers experiencing vulnerability as early as possible

EQUITY

Deliver more equitable outcomes for energy market participants including better risk allocation

Operational perspective

CONTEXT

Optimise with complementary supports for consumers experiencing vulnerability and avoid unintended consequences

AGILITY

Respond to the evolving energy system durably

Survey results

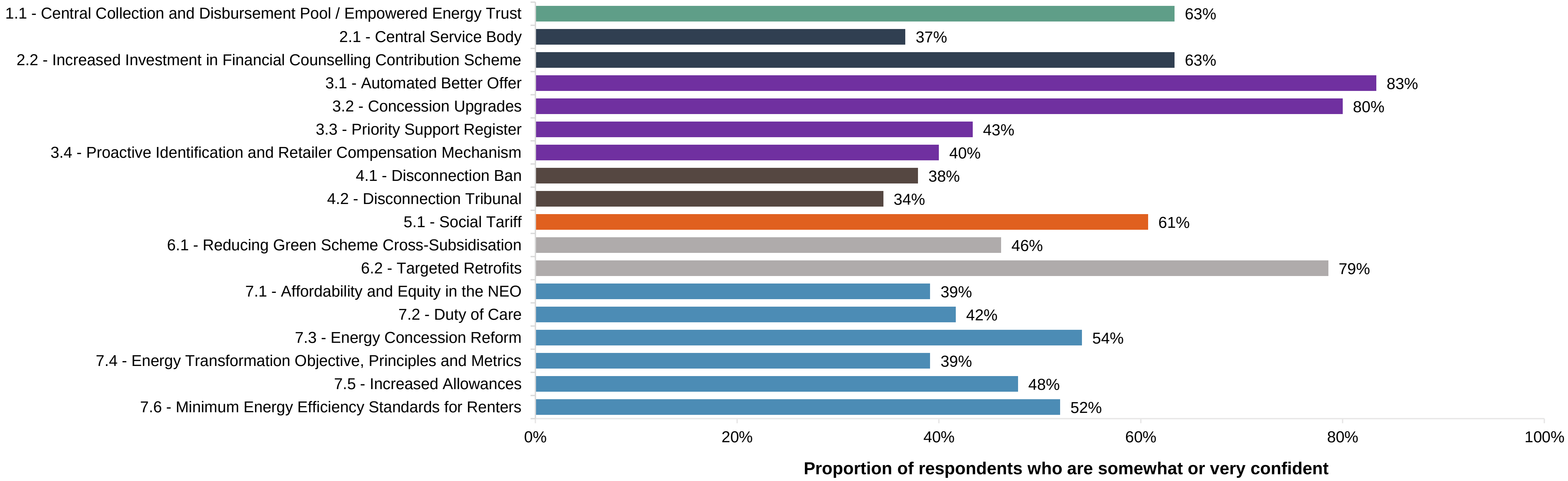
Australian Government

AUSTRALIAN ENERGY REGULATOR

How well do we understand the ideas?

Respondents are most confident in the content for Automated Better Offer, closely followed by Concession Upgrades and Targeted Retrofits.

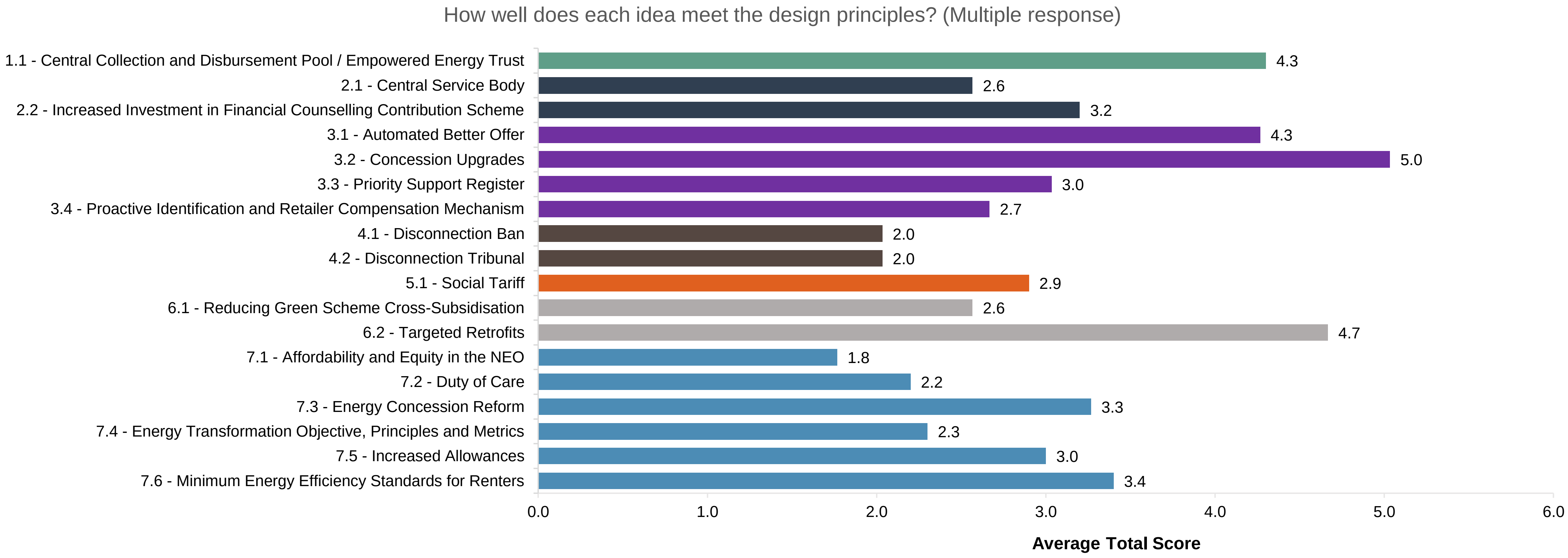
How confident are you in the requirements, results and risks identified for each idea?
(Single response – Top 2 box – Somewhat or very confident)



Q: How much confidence is there in the requirements, results and risks identified for each idea? Single response (*n* = 30)

How well do ideas meet the design principles?

Concession Upgrades scored highest against the design principles, receiving an average score of 5 out of 6.

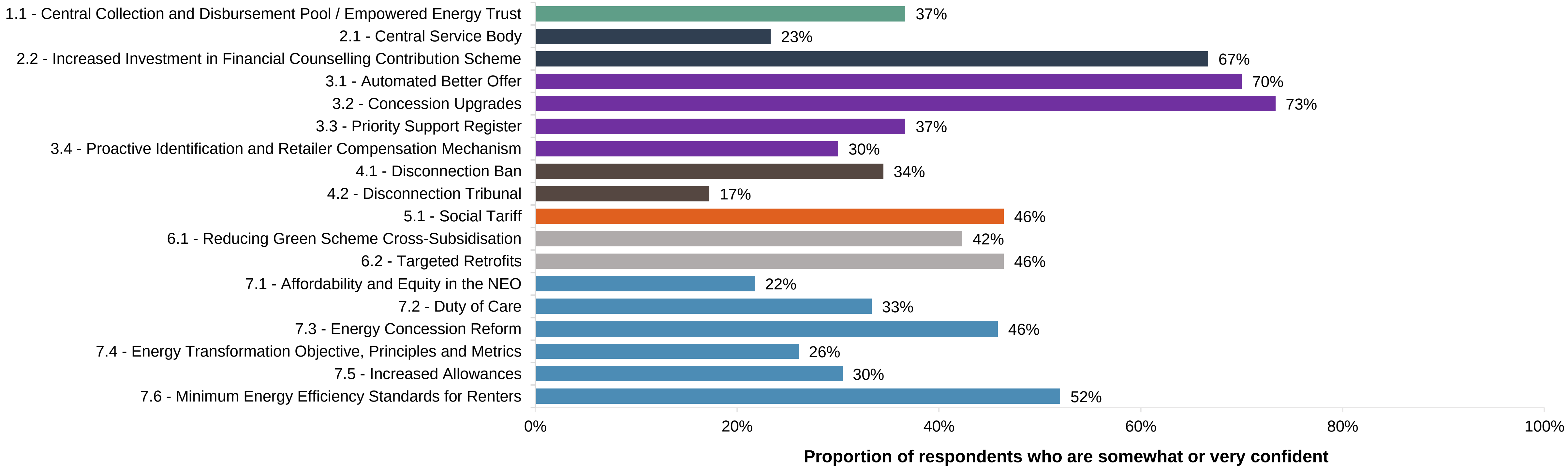


Q: How well does each idea meet the design principles? Multiple response (*n* = 30)

How confident are we in delivering the ideas?

Respondents are also most confident in the sector's ability to deliver on Concession Upgrades, followed by Automated Better Offer and Increased Investment in the Financial Counselling Contribution Scheme.

How confident are you in the ability of the energy sector to deliver on each idea given the requirements and risks involved?
(Single response – Top 2 box – Somewhat or very confident)

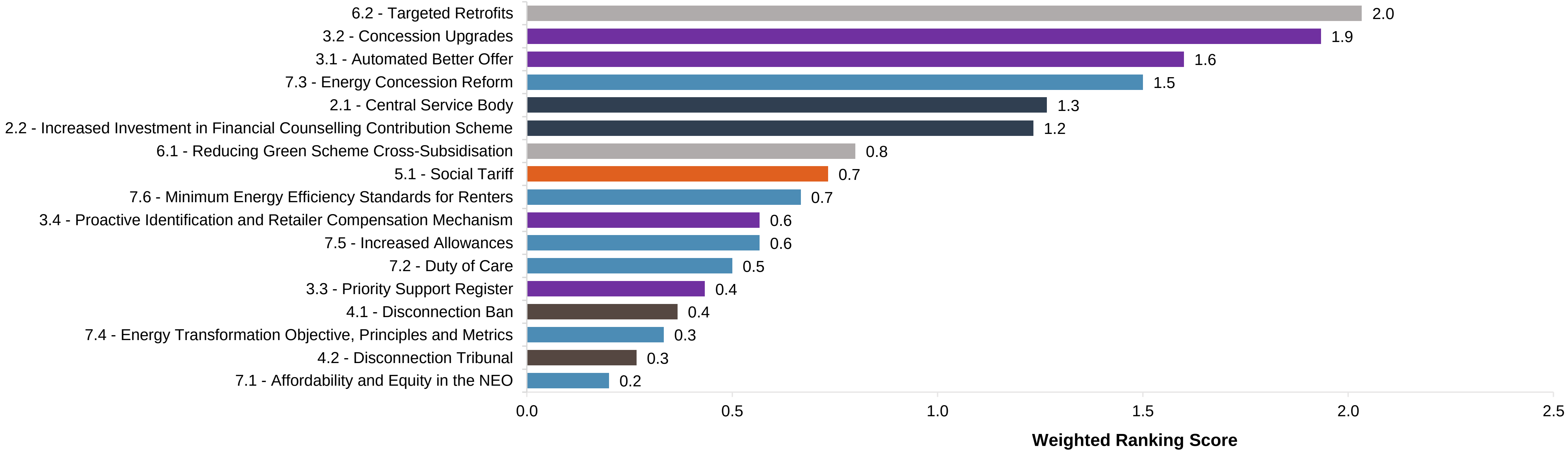


Q: How confident are you in the ability of the energy sector to deliver on each idea given the requirements and risks involved? Single response (*n* = 30)

Which ideas could be prioritised?

Looking at how the leadership group prioritised ideas overall, there are 2 clear leaders and an apparent step change in support below the top 6.

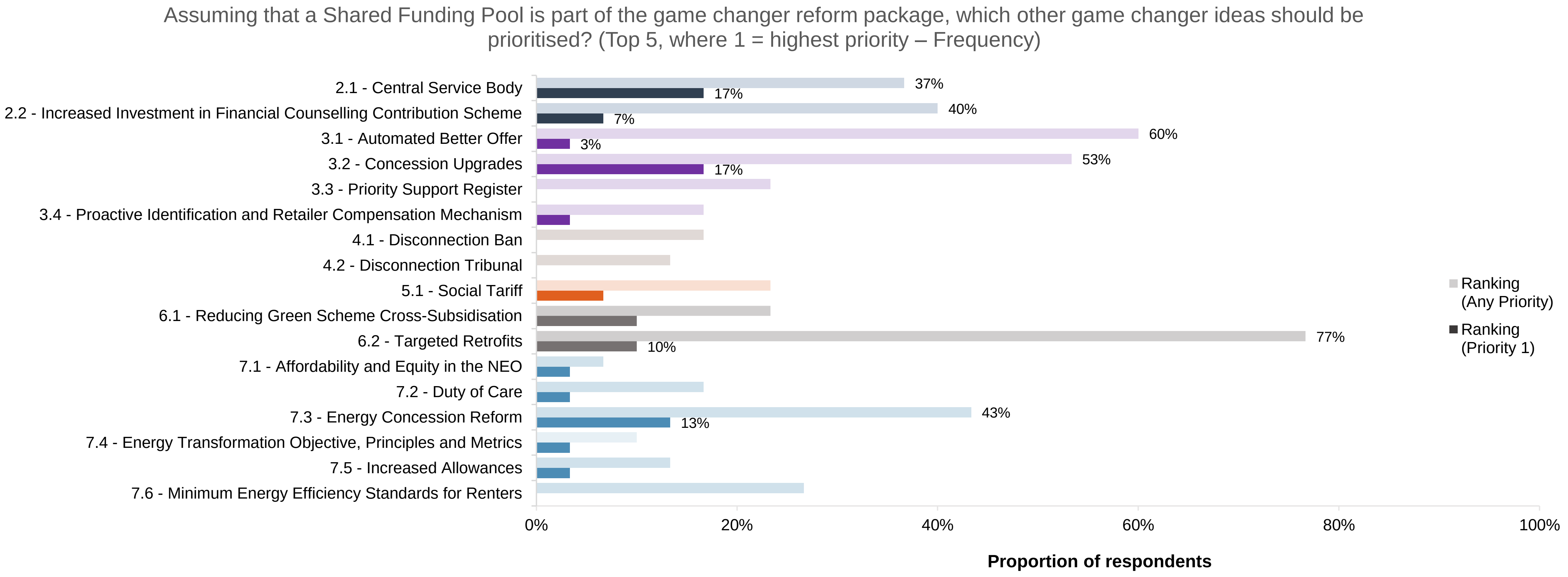
Assuming that a Shared Funding Pool is part of the game changer reform package, which other game changer ideas should be prioritised? (Top 5, where 1 = highest priority – Weighted ranking)



Q: Assuming that a Shared Funding Pool is part of the game changer reform package, which other game changer ideas should be prioritised? Top 5, where 1 = highest priority (*n* = 30). 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: $\mathbf{(w_1c_1 + w_2c_2 + w_3c_3 + w_4c_4 + w_5c_5) / t}$, 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.

Which ideas could be prioritised?

Comparing how often ideas were ranked as respondents' top priority vs any priority provides insight into relative strength vs breadth of support.

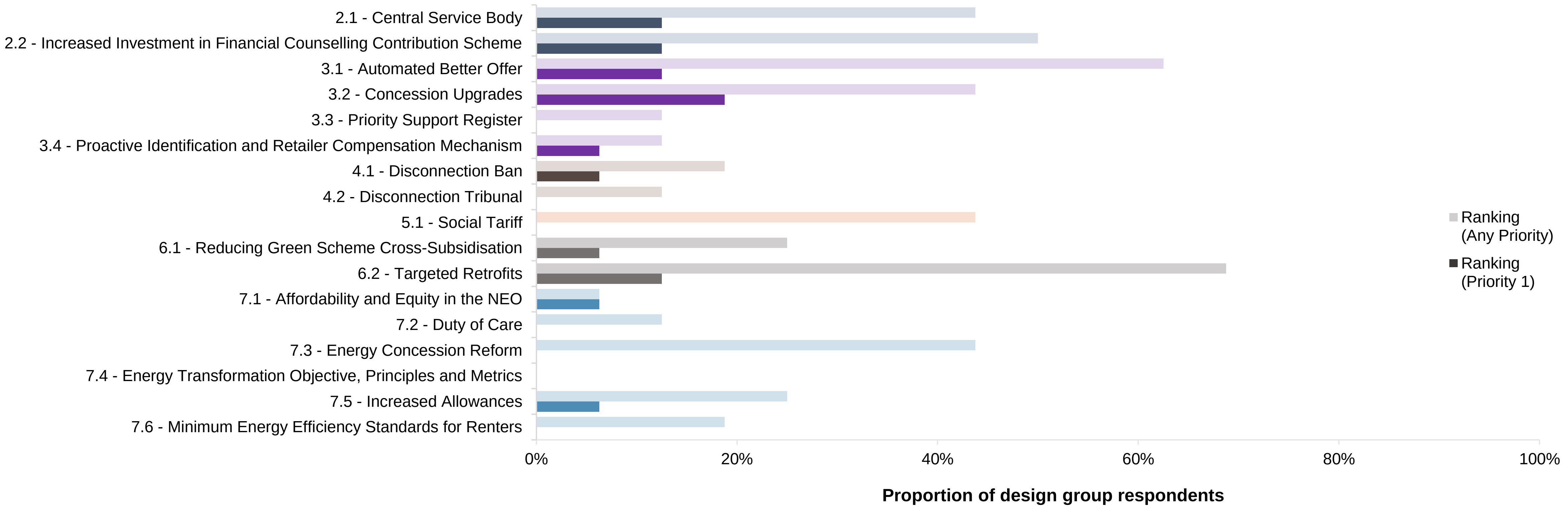


Q: Assuming that a Shared Funding Pool is part of the game changer reform package, which other game changer ideas should be prioritised? Top 5, where 1 = highest priority (*n* = 30)

How does this compare to the design group?

These prioritisation findings are very closely aligned with what we heard from the design group when they completed the survey in February.

Assuming that a Shared Funding Pool is part of the game changer reform package, which other game changer ideas should be prioritised? (Top 5, where 1 = highest priority – Frequency)



Q: Assuming that a Shared Funding Pool is part of the game changer reform package, which other game changer ideas should be prioritised? Top 5, where 1 = highest priority (*n* = 16)

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.

What risks, challenges and potential solutions did respondents identify?

The leadership group provided insight into key risks and challenges that need to be considered and overcome. Examples and themes include:

Unintended Consequence Risks

- Undermines good incentives
- Creates perverse incentives
- Increases complexity
- Increases costs
- Increases consumer debt
- Compromises privacy
- Undermines trust
- Undermines other supports

Uncertain Outcome Risks

- Targets ineffectively
- Creates inefficiency
- Doesn’t receive support
- Is unsustainable
- Addresses wrong problem
- Doesn’t align with consumer preferences

Implementation Challenges

- Complexity
- Cost
- Coordination
- Capability
- Capacity
- Compliance

Suggestions to Address

- Consumer / behavioural research
- Pilots / prototypes
- Cost–benefit analysis
- Co-design / collaboration
- Monitoring / evaluation
- Partnerships
- Independent consultancy to design funding pool

Q: How confident are you in the requirements, results and risks identified for each idea? If you are not confident, why? Open text **Q: How confident are you in the ability of the energy sector to deliver on each idea given the requirements and risks involved? If you are not confident, why?** Open text **Q: Have similar ideas been tried before and, if so, what can we learn from these prior experiences?** Open text **Q: Do you have any other feedback on this concept?** Open text

How do the ideas interact with each other?

Respondents highlighted three types of relationships between ideas: compatibility, complementarity and interdependence.

Incompatible

Respondents suggested these ideas are mutually exclusive

Central Service Body	X	Proactive Identification and Retailer Compensation Mechanism

Complementary

Respondents suggested these ideas may complement each other

Increased Investment in Financial Counselling Contribution Scheme	Central Service Body
Energy Concession Reforms	Concession Upgrades
Central Collection and Disbursement Pool / Empowered Energy Trust	Targeted Retrofits
Central Collection and Disbursement Pool / Empowered Energy Trust	Proactive Identification and Retailer Compensation Mechanism

Interdependent

Respondents suggested these ideas can only be effective in tandem

Concession Upgrades	Energy Concession Reforms
Priority Support Register	Central Service Body
Disconnection Ban	Disconnection Tribunal

Q: Please describe any important interdependencies between ideas. For example, should specific ideas be combined into a solution package? Open text (*n* = 16) Note: Responses to other questions have been incorporated into this analysis where relevant.

What solution packages were proposed?

Respondents suggested some specific idea combinations that could be further developed and proposed as a reform package.

- Increased Investment in Financial Counselling Contribution Scheme
- Automated Better Offer
- Disconnection Ban
- Social Tariff
- Targeted Retrofits

- Automated Better Offer
- Disconnection Ban
- Disconnection Tribunal
- Social Tariff
- Targeted Retrofits *(Advocate)*
- Affordability and Equity in the NEO
- Energy Transformation Objective, Principles and Metrics
- Minimum Energy Efficiency Standards for Renters *(Advocate)*
- NO Shared Funding Pool

- Central Service Body
- Concession Upgrades
- Priority Support Register
- Energy Concession Reform

- Increased Investment in Financial Counselling Contribution Scheme
- Concession Upgrades
- Energy Concession Reform *(Advocate)*

- Concession Upgrades
- Reducing Green Scheme Cross-Subsidisation
- Targeted Retrofits
- Energy Concession Reform

- Increased Investment in Financial Counselling Contribution Scheme
- Targeted Retrofits

- Automated Better Offer
- Priority Support Register
- Reducing Green Scheme Cross-Subsidisation
- Targeted Retrofits
- Affordability and Equity in the NEO

- Increased Investment in Financial Counselling Contribution Scheme
- Targeted Retrofits
- Energy Concession Reform
- More Wraparound Supports

- Debt Forgiveness with Network Cost Recovery
- Automatic Reconnection

Q: Please describe any important interdependencies between ideas. For example, should specific ideas be combined into a solution package? Open text (*n* = 16) Note: Responses to other questions have been incorporated into this analysis where relevant.

What packages did the design group suggest?

Design group members also suggested some specific combinations of ideas that could comprise a game changer package.

- Increased Investment in Financial Counselling Contribution Scheme
- Automated Better Offer
- Disconnection Ban
- Social Tariff
- Increased Allowances

- Automated Better Offer
- Concession Upgrades
- Priority Support Register
- Disconnection Ban
- Social Tariff

- Increased Investment in Financial Counselling Contribution Scheme
- Targeted Retrofits
- Energy Concession Reform
- More Wraparound Supports

- Central Service Body *(Support)*
- Priority Support Register *(Refer)*
- Proactive Identification and Retailer Compensation Mechanism *(Identify)*

- Concession Upgrades
- Energy Concession Reform
- Increased Allowances

- Increased Investment in Financial Counselling Contribution Scheme
- Targeted Retrofits

Q: Please describe any important interdependencies between ideas. For example, should specific ideas be combined into a solution package? Open text (*n* = 12) Note: Responses to other questions have been incorporated into this analysis where relevant.

Actioning the results

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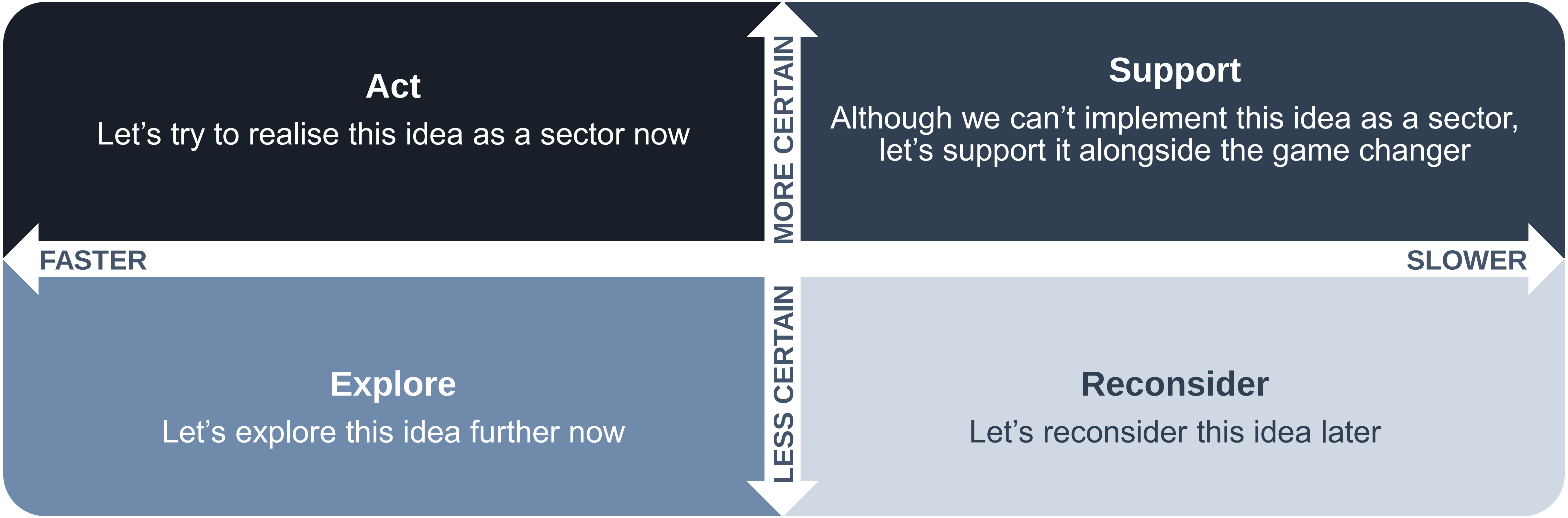
Prioritising ideas into game changer package

Based on discussions to date, the design group and leadership group are in agreement that the game changer will not take the form of a single ‘silver bullet’ solution – rather, a combination of solutions is required. Prioritising these solutions doesn’t necessarily mean taking them off the table forever, but making decisions about how certain we are about them and how quickly we pursue them.



BEFORE DISCUSSION

DISCUSSION: Where should each idea go?

Prioritising ideas into game changer package

The below represents a potential starting point based on the survey results and requirements, results and risks identified by the design group. It is not intended to show relative positioning within each category, but rather to support discussion of prioritisation into categories.

Act

- 1.1 Central Collection and Disbursement Pool / Empowered Energy Trust
- 2.2 Increased Investment in Financial Counselling Contribution Scheme
- 3.2 Concession upgrades
- 3.1 Automated Better Offer

Support

- 6.2 Targeted Retrofits
- 7.3 Energy Concession Reform
- 6.1 Reducing Green Scheme Cross-Subsidisation

Explore

- 2.1 Central Service Body
- 5.1 Social Tariff

Reconsider

- 4.1 Disconnection Ban
- 7.5 Increased Allowances
- 7.1 Affordability and Equity in the NEO
- 3.3 Priority Support Register
- 7.4 Energy Transformation Objectives, Principles and Metrics
- 7.2 Duty of Care
- 4.2 Disconnection Tribunal
- 3.4 Proactive Identification and Retailer Compensation Mechanism
- 7.6 Minimum Energy Efficiency Standards for Renters

AFTER DISCUSSION

DISCUSSION: Where should each idea go?

Prioritising ideas into game changer package

The below represents a potential starting point based on the survey results and requirements, results and risks identified by the design group. It is not intended to show relative positioning within each category, but rather to support discussion of prioritisation into categories.

Act

- 2.1** Central Service Body **OR** 3.4 → (+ 2.2)
- 3.4** Proactive Identification and Retailer Compensation Mechanism (+ 2.2)
- 3.2*/** Concession Upgrades
- 3.1*/** Automated Better Offer
- 2.2** Increased Investment in Financial Counselling Contribution Scheme (+ *others?*)
- 1.1 Central Collection and Disbursement Pool / Empowered Energy Trust
- 6.2 Targeted Retrofits *Energy efficiency?*

Support

- 7.3 Energy Concession Reform
- 7.5 Increased Allowances
- 7.6 Minimum Energy Efficiency Standards for Renters

Explore

- 5.1* Social Tariff OR 1.1?
- 6.1 Reducing Green Scheme Cross-Subsidisation
- 3.3 Priority Support Register

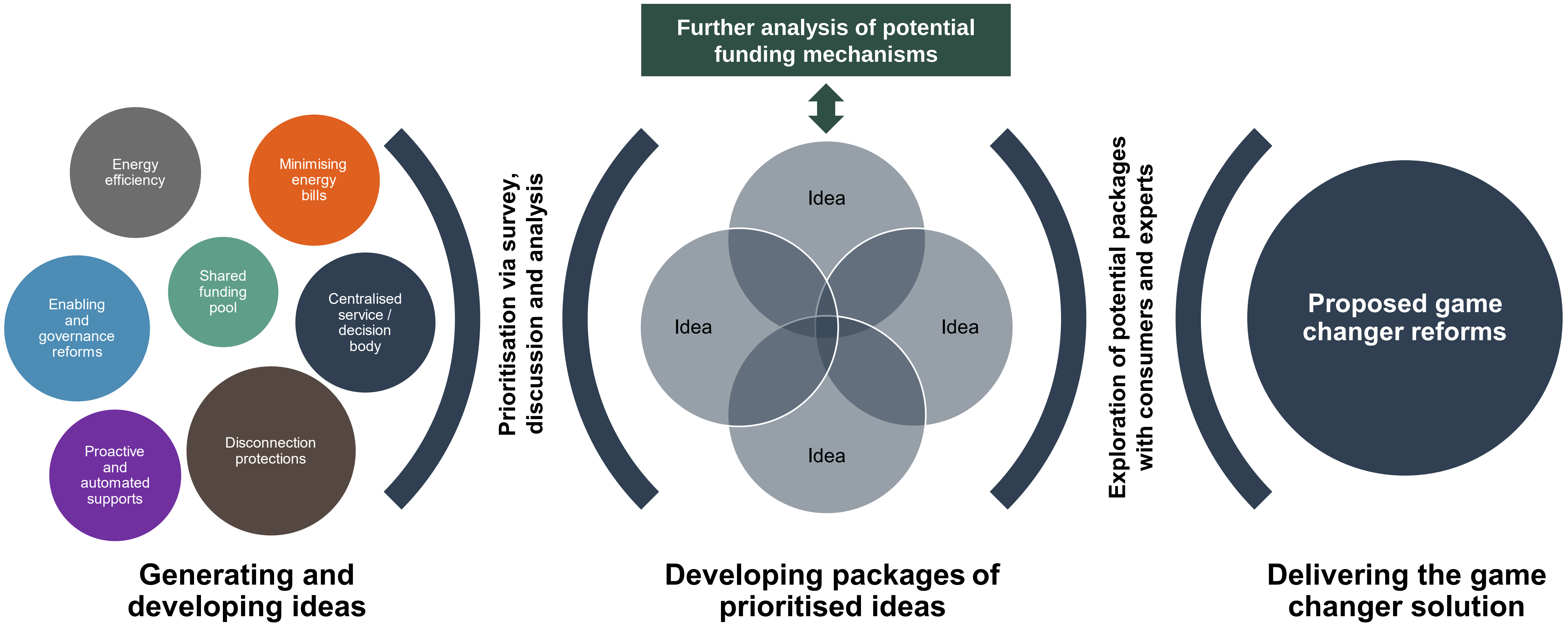
Reconsider

- 4.1 Disconnection Ban
- 7.2 Duty of Care
- 7.1 Affordability and Equity in the NEO
- 4.2 Disconnection Tribunal
- 7.4 Energy Transformation Objectives, Principles and Metrics

Next steps

Progressing from prioritisation to solution

All the survey results and today's discussion will form the foundation of analysis to develop prioritised ideas into proposed packages. In line with the human-centred design process, we plan to explore these packages with both experts and consumers with lived experience of vulnerability.



What will happen next?

We will continue to work with the design group in progressing the ideas, and expect to come back to the leadership group twice in May.

April

Proposed packages of prioritised ideas will be developed input from the design group

4 May

Leadership group discussion of proposed packages

29 May

Leadership group discussion of proposed game changer reforms

Thank you

Please contact the Consumer Policy team with any further questions or feedback:
ConsumerPolicy@aer.gov.au

For more information on the game changer, please visit:
https://www.aer.gov.au/industry-information/innovation-reform/game-changer

Or use the QR code below:

Appendix

Please note these slides are provided for reference only – they will not be presented or discussed during the workshop

Summary of December leadership group feedback

Shared funding pool
SUPPORTED

- Identify the consumers who need it
- Explore funder pathways/buy-in
- Analyze the complexity of stakeholders
- Be clear on the advocacy required
- Ensure a shared pool is not paid by consumers
- Consider how to re-direct and share supply chain contributions to ensure positive consumer outcomes

Centralised service / decision body
SUPPORTED WITH CONSIDERATIONS

- Consider the consumer journey of a centralised service
- Look at alignments with other services
- Explore the risks / impact of running & funding a central service

Proactive and automated supports
SUPPORTED WITH CONSIDERATIONS

- Identify how it will work and look at current practices
- Build in privacy, consent and consumer protections
- Explore the benefits of what and when support can be automated
- Consider cost and resources
- Feels doable and there are current example apps. Consider large system integration, cost and those who are digitally excluded

Disconnection protections
SUPPORTED WITH SOME CONSIDERATIONS

- Consider the consumer conditions for reconnection
- Look at central funding and service role in disconnections
- Examine current and potential disconnection processes
- Consider the advocacy required
- Can restrict rather than disconnect

Minimising energy bills
SUPPORTED WITH SOME CONSIDERATIONS

- Be transparent and identify measures across the supply chain
- Make clear the impact on all consumers

Energy efficiency
SUPPORTED

- Consider and leverage off existing programs
- Consider roles, responsibilities and resources across the supply chain
- Look at how to engage consumers to participate
- Provide a clear scope for efficiency, what it is, and it is not
- Consider the funding / delivery model
- Explore opportunities for renters

Enabling and governance reforms
UNDECIDED

- Acknowledge good governance matters and can have an impact on consumers experiencing vulnerability
- Recognise social policy won’t ‘fix’ the energy sector.

Summary of ideas assessed in the survey

Concept	Idea	Elevator Pitch
Shared Funding Pool	1.1 Central Collection and Disbursement Pool / Empowered Energy Trust	This idea would create a shared funding held in trust on behalf of all energy customers, funded by all industry participants and centrally disbursed to deliver relief, support, and prevention initiatives to help consumers experiencing vulnerability.
Central Service / Decision Body	2.1 Central Service Body	This idea would centralise access to support services for customers experiencing vulnerability, a one-stop shop delivering energy-specific services to consumers and connecting them to wrap-around assistance and advice.
	2.2 Increased Energy Supply Chain Investment in Financial Counselling Contribution Scheme	This idea would increase the amount that the energy sector contributes to the Financial Counselling Contribution Scheme (as per Sylvan Review recommendations) and create clear mechanisms to drive culture change within the sector.
Proactive and Automated Supports	3.1 Automated Better Offer	This idea would allow retailers to automatically place consumers experiencing vulnerability on the best offer for them (without the need for explicit and informed consent).
	3.2 Concession Upgrades	This idea would make systemic changes to improve access to concessions through automation, portability, or proactive support.
	3.3 Priority Support Register	This idea would create both the relevant identification mechanisms and processes to trigger retailer referrals to appropriate support services.
	3.4 Proactive Identification and Retailer Compensation Mechanism	This idea would improve incentives and systems for retailers to identify and support consumers experiencing vulnerability early. Where a retailer is able to do so, this idea would redistribute funds to retailers to cover the cost of providing that ongoing support to consumers, conditional upon the retailers meeting certain requirements.
Disconnection Protections	4.1 Disconnection Ban	This idea would ban disconnections for consumers who can't pay, extending this protection to new services as they become available.
	4.2 Disconnection Tribunal	This idea would create an external decision body to approve proposed disconnections and provide future funding support.
Minimising Energy Bills	5.1 Social Tariff	This idea would create a reduced cost electricity retail tariff for consumers experiencing vulnerability.
Energy Efficiency	6.1 Reducing Green Scheme Cross-Subsidisation	This idea would propose reforms to the structure of green scheme funding arrangements to reduce or remove regressive subsidisation by low income and vulnerable customers to other customers.
	6.2 Targeted Retrofits	This idea would provide energy-efficient housing and appliance upgrades for consumers experiencing vulnerability (including those living in public or community housing and low-income homeowners/renters).
Governance and Enabling Reforms	7.1 Affordability and Equity in the NEO	This idea would introduce 'affordability' (which encompasses supply side and demand side solutions) and 'social equity' into the National Electricity Objective.
	7.2 Duty of Care	This idea would create a duty of care obligation for retailers to ensure that they have provided adequate support to a customer before debt is accrued.
	7.3 Energy Concession Reform	This idea would address current flat rate energy concessions/rebates that do not meet need, are not responsive to changes, are inequitable, combined with limited eligibility of some groups, and is creating energy hardship amongst some people.
	7.4 Energy Transformation Objective, Principles & Metrics	This idea would require Energy Ministers agree to develop a vision, objectives, principles and metrics on the goal of the energy transformation, including an objective to reduce energy hardship and ensure that no-one is left behind in the energy transformation.
	7.5 Increased Allowances	This idea would increase the rate of JobSeeker and related allowances above the poverty line and index payments to wages.
	7.6 Minimum Energy Efficiency Standards for Renters	This idea would advocate for mandatory energy efficiency standards across all residential leases, including hot water systems, insulation and window coverings at the start of a tenancy.