

## Summary of meeting

### Service Provider Consumer Engagement Guideline

### Meeting with ENA and Network Service Providers

### 30 April 2013

#### Held via video conference/phone

On 30 April 2013, the AER, as part of its *Better Regulation* package, hosted a meeting on the development of the Service Provider Consumer Engagement Guideline. The Energy Networks Association (ENA) and a group of network service providers (NSPs) attended the meeting. Appendix A lists attending NSPs. Moston Neck, AER Director, chaired the meeting.

This summary outlines the key topics and themes of the meeting.

#### 1. Introduction

The purpose of the meeting was to:

- A. summarise progress to date in developing the guideline
- B. outline the objective/nature of the guideline
- C. seek comments on the nature and scope of the main components of the guideline.

The AER advised attendees that it would take notes during the discussion and provide a summary on the AER's website. We have not attributed issues raised on the day to individuals or the businesses they represent to facilitate discussion that is more open. The AER has published meeting handouts on its website, which readers may view in conjunction with this summary.

#### 2. Overview of Better Regulation Program

The Service Provider Consumer Engagement Guideline is one of several guidelines the AER is developing as part of its *Better Regulation* package. Once completed, the guidelines will provide some clarity to NSPs and consumers on how the AER intends to apply recent changes to the Electricity Rules.

Amongst other things, the Rule changes require consumer engagement by NSPs. For example, electricity NSPs must address issues raised by consumers in their regulatory proposal.<sup>1</sup> Given the Rule requirements to engage with consumers are broad, the AER

---

<sup>1</sup> NER, cl. 6.8.2(c1) and 6A.10.1(g).

considered it prudent to develop a guideline to provide information about the AER's expectations. The guideline would also encompass gas NSPs.

### **3. Progress to date**

Some themes from the consumer forums held in March included:

- acknowledgment that NSPs are engaging with consumers but that it varies between NSPs and by issue
- consensus that NSPs should make a senior management or Board commitment to consumer engagement across the business and ensure this engagement will continually improve over time
- recognition that it will take some time for NSPs to build and implement consumer engagement strategies or plans.

### **4. Guideline objective**

The guideline aims to ensure that NSP obtain consumer input and reflect it in regulatory proposals/access arrangements. This will assist in meeting the NEO. Consumers therefore need an opportunity to influence the development of regulatory proposals. The AER also considers consumer engagement is an important tool to increase the accountability of NSPs to the consumers they serve.

To assist in achieving the above, the AER is providing guidance to improve engagement and assist NSPs in delivering network services that are in the long term interests of consumers.

### **5. Guideline overview**

The AER is placing the onus on NSPs to commit to, develop, implement and review its own consumer engagement strategy or plans. The guideline will likely consist of four components.<sup>2</sup> They are:

- a. Best practice principles
- b. Priorities – setting priorities around consumer engagement
- c. Delivery – ensuring effective and timely processes for consumer engagement
- d. Results – monitoring outcomes, evaluating performances and undertaking reviews to drive continuous improvement.

The AER is steering away from a 'compliance regime'.

#### **A. Best practice principles**

- Draft best practice principles were distributed and are available on the AER website.
- Attendees did not comment on these principles.

---

<sup>2</sup> Please note that this guideline is still under development. The guideline and explanatory statement will require AER Board approval and therefore may be subject to change.

## B. Priorities

- The AER will be expecting NSPs to set out their process for identifying areas of consumer engagement and consumer groups.
- Over time, the AER expects to see consumer engagement part of 'business as usual' activities, which NSPs would reflect in regulatory proposals/access arrangements.
- Consumer engagement should not only occur when preparing a regulatory proposal – by this time it is too late to engage genuinely.

## C. Delivery

- The AER will only address delivery of consumer engagement in the guideline at high level.
- NSPs are accountable for delivery processes, systems and evaluation.

## D. Results

- Evidence/demonstration of consumer engagement reflected in regulatory proposal/access arrangement.
- NSPs may apply the same best practice principles and consumer engagement plans to other regulatory requirements such as pricing proposals.

## 6. Issues and questions raised by industry stakeholders

The following summarises issues and questions raised at the meeting.

### **How will the AER assess consumer engagement under the Rules?**

- The AER will look for evidence of NSPs engaging genuinely with consumers by adopting best practice principles, conducting research (where appropriate) and meeting with consumer cohorts. The AER will then assess how have considered consumer views in the NSPs' regulatory proposals/access arrangements.
- The AER intends the guideline to be a high level framework for NSPs to establish a consumer engagement process under which the NSP would do certain activities to support regulatory requirements.
- The Rule requirements are broad. The AER considers succeeding at genuine consumer engagement may represent a significant cultural shift for some or many NSPs, and is a substantial challenge for the regulatory system (and the AER) in general.

### **Will the AER provide examples of 'successful' consumer engagement?**

- The AER will examine what useful examples it might include in the Explanatory Statement, which will accompany the guideline.
- It is difficult to define 'successful' engagement. NSPs are concerned that the AER will assess their proposals against criteria not known in advance. NSPs queried what the

measures of success are and how much weight the AER will place on consumer engagement.

- The purpose of the guideline is to guide NSPs to obtain informed consumer input as part of their business-as-usual activities (not simply for regulatory compliance purposes).
- Consumer engagement is one factor the AER must consider under the Rules in assessing the NSPs' capital and operating expenditure proposals. The AER will specifically take into account the consumer engagement undertaken by the NSPs.
- The onus is on NSPs to identify their consumers and markets, and to develop their own engagement strategies. NSPs are encouraged to innovate and therefore the guideline will obtain limited information on how to engage.
- NSPs were also encouraged to take a step back from the regulatory requirements and consider how it does its business at an operational level and how engaging with consumers might produce benefits in the long term interests of consumers.

### **Consumer engagement versus community engagement?**

- Some NSPs were concerned that all stakeholders should have shared expectations around the issue of consumer, versus community engagement (which many NSPs already undertake in respect of a range of their projects, for example) and that consumer engagement was being confused with community engagement. In particular, NSPs may conduct community engagement on capital projects. The interests of the affected community may be different (and possibly opposite) to the interests of consumers.
- Some NSPs explained that they routinely conduct community consultation for stand-alone capital projects. NSPs requested tangible examples of the AER's expectations of the kinds of consultation methods suitable for consulting upon a price/revenue proposal and the wider impacts of price/revenue determinations on end consumers. The AER noted this but did not provide any suggestions and stated it is up to the NSP to come up with ideas.
- It was noted the current reliability standard setting arrangements (whilst under review) and legal obligations to deliver on these standards effectively limited the opportunity for NSPs to 'negotiate' or have reliability as a 'variable' to be adjusted in a regulatory determination context on the basis of expressed consumer views.

## APPENDIX A– Attending organisations

Organisation	State
Energy Networks Association (ENA)	National
Energex	Qld
Ergon	Qld
Transgrid	NSW
Jemena	NSW/VIC
Citipower/Powercor	VIC
SP AusNet	VIC
Envestra	SA
SA Power Networks	SA