

28 July 2017

Stakeholder Engagement Framework Review
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Via email: SEFreview@aer.gov.au

Re: Stakeholder Engagement Framework

To Whom It May Concern:

Australian Gas Networks Limited (AGN) welcomes the opportunity to make a submission to the Australian Energy Regulator (the AER) in relation to its consultation on the Draft Revised Stakeholder Engagement Framework. We consider that implementing effective engagement processes has been a key issue that industry has been considering over the past few years and, in our view, becomes even more important with the likely removal of the Limited Merits Review.

The AER began its review of the Stakeholder Engagement Program (the Review) in October 2016, at which point AGN made a short submission outlining our support for the AER's engagement approach.¹

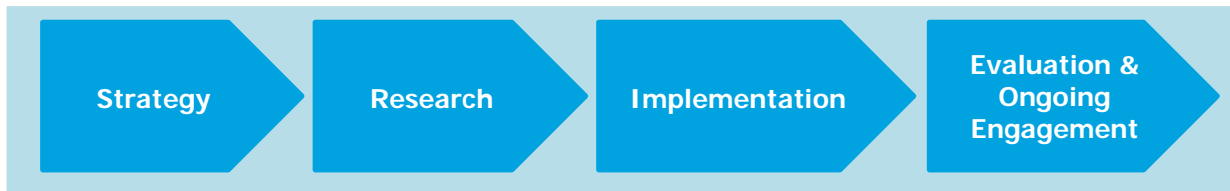
We understand that the focus of the current consultation is to review the Draft Revised Stakeholder Engagement Framework (the Draft Framework), which was developed by the AER having consideration to feedback received from stakeholders in the earlier stage of the Review.

The Review process is consistent with the AER's commitment, "... to continually improve the quality of [their] engagement...".² We support the AER's focus on continuous improvement in this area and consider that this commitment to ongoing improvement should be key to any engagement process. To this end, our stakeholder engagement process consists of four key components, detailed in Figure 1 below.

¹ AGN, "Submission to the AER's Stakeholder Engagement Process", https://www.aer.gov.au/system/files/AGNL%20submission_0.pdf, 11 November 2016.

² AER, "Consultation Paper Draft Revised Stakeholder Engagement Framework", June 2017, page 2.

Figure 1: Our Engagement Process



Importantly, the fourth component of our process includes evaluating and considering areas for future improvement. For example, at the end of each engagement activity we undertake, we seek feedback from our stakeholders which is tracked and reported on in relevant documentation. For example, in relation to our Victorian/Albury Access Arrangement (AA) review process, this feedback was captured in Section 5.8.1 of our Final Plan.³

AGN's Approach to Engagement

As the AER is aware, we place a high degree of emphasis on the role that effective stakeholder engagement has on improving customer outcomes.

Key to our process is having a clear objective. With respect to our Victorian and Albury Final Plan, our overarching objective was to submit a plan that:

- delivered for our customers;
- was underpinned by effective stakeholder engagement; and
- was capable of being accepted by the AER.

As we have reiterated throughout the development of our Final Plan and since submitting our Final Plan to the AER, this objective was set at the start of our process and drove:

- the engagement process we followed;
- the approaches we took; and
- the decisions we made.

Figure 2 below sets out our view of what we consider a *'plan capable of being accepted'* means in the context of an AA review process.

³ Note: For further information, please refer to our Final Plan, which can be accessed online here: <https://www.aer.gov.au/system/files/AGN%20-%20Final%20Plan%20-%20Access%20Arrangement%20Information%20for%20our%20Victorian%20and%20Albury%20natural%20gas%20distribution%20networks%202018-2022%20-%2020161222%20-%20Public.pdf>.

Figure 2: A Plan Capable of Being Accepted



More specifically, the key elements of this approach involve:

- 1 Effective Stakeholder Engagement:
 - providing stakeholders with multiple opportunities for feedback (or an opportunity for repeat engagement);
 - ensuring feedback is received from a broad range of stakeholders; and
 - transparently reporting on how we have responded to the feedback we received.
- 2 AER Accepted Approaches:
 - using outcomes and methods already established through recent AA review processes and stakeholder engagement processes more generally; and
 - liaising directly with the AER and stakeholders on key issues.
- 3 Delivering for Customers
 - submitting a plan that is consistent with stakeholder and customer values; and
 - testing how feedback has been incorporated into plans, with stakeholders.

As a result of our above approach and the engagement we undertook, we were able to submit a proposal that delivered for customers and was underpinned by effective stakeholder engagement, which ultimately has been accepted by the AER in its Draft Decision.

This streamlined process benefits all stakeholders, it allows AGN to focus on running our business and delivering for customers and allows the AER to focus on its many other work streams. As outlined by AER Chair Paula Conboy:

"Let me return to the AGN exemplar of collaborative stakeholder engagement for its Victorian gas access arrangement. AGN fulfilled its objective of submitting a proposal that delivered for the consumer, was underpinned by effective engagement and on the whole has been accepted by the AER.

This means that although the AER's decision is still at draft stage, AGN can begin implementing its regulatory plan ahead of a final decision. It also means AGN will incur minimal remaining regulatory costs of the access arrangement process. The AGN process was still the subject of our robust and independent review process. But we highlight that customers did get the added benefits of being engaged early through improved transparency and the sharing of relevant information.

This was not "War and Peace"; and everybody won."

The AER has asked for feedback on the Draft Framework and the wider proposals set out in the consultation paper.⁴ In response, we have provided the feedback outlined below.

AER's Principles of Engagement

We continue to support the AER's principles of engagement and believe they are consistent with our engagement approach outlined above. For example, our relevant actions against each of the AER's principles is detailed below.

- *clear, accurate and timely communication* – aided by setting a clear objective at the commencement of developing our Victorian and Albury Final Plan, we were able to clearly articulate our goals to stakeholders and set up engagement processes that would assist us in achieving our objective;
- *accessible and inclusive* – by listening to stakeholders we were able to provide useful and fit-for-purpose information on our Final Plan in a format that enabled stakeholders to understand and provide meaningful feedback on our plans;
- *transparent* – we set a transparent and clear objective at the start of our engagement processes and gave due consideration to incorporating how we had considered and reflected stakeholder feedback in our Final Plan documentation; and
- *measurable* – we've continued to seek feedback on our engagement activities which we'll consider in future engagement processes.⁵

Whilst we understand the feedback the AER received from stakeholders to consider expanding the scope of the principles by including other values (such as consistency, trust and honesty), we agree with the AER that a smaller number of principles is preferable.⁶ We also consider that if the above four principles are met, then these values-based principles are also likely to be met.

Coordination Between Industry and Other Bodies

We note (and encourage) the views put forward by the AER regarding the importance of working with industry:

"... [the AER] must be able to engage openly and constructively with network businesses and [its] other stakeholders—both as part of regulatory determination processes and also across the wider range of issues and work in the network space."⁷

During our ongoing engagement activities which formed part of our recent South Australian and Victorian/Albury AA reviews, stakeholders indicated to us that they were constrained in their ability to participate fully in multiple concurrent engagement processes, due to a lack of time. Instead, they were having to choose which engagement process to participate in, as they knew they couldn't commit to participating in each engagement process they were invited to.

For example, in Victoria:

⁴ AER, "Consultation Paper Draft Revised Stakeholder Engagement Framework", June 2017, page 2.

⁵ AER, "Consultation Paper Draft Revised Stakeholder Engagement Framework", June 2017, page 3.

⁶ *Ibid.*, page 12.

⁷ AER, "Engagement and energy regulation in a dynamic environment", <http://www.aer.gov.au/news/engagement-and-energy-regulation-in-a-dynamic-environment>, August 2016.

- the three gas distribution businesses deliver their regulatory submissions at the same time; and
- the five electricity distribution businesses deliver their regulatory submissions at the same time.

Understandably, this causes a considerable resource constraint if the same key stakeholders are asked to participate in each business' individual engagement processes. Businesses and the AER alike need to continue to consider alternative and innovative methods of eliciting feedback from stakeholders in a less resource-intensive manner.

We had this experience in our current Victorian/Albury AA review, following the release of our Draft Plan in July 2016. Some stakeholders indicated to us that although they supported the initiative and wanted to provide feedback on our Draft Plan, they may not have sufficient resources to develop written submissions.

Instead, we worked with our stakeholders to come up with an alternative method of receiving their feedback, by holding two workshops focused on what we considered to be the key issues in our Draft Plan. We engaged an independent facilitator to record the feedback received at these workshops and then verified this feedback with the relevant stakeholders that attended, which was considered and incorporated into our Final Plan.

With the likely removal of the Limited Merits Regime, the industry needs to consider more collaborative and innovative ways of working together, as well as with stakeholders. For example:

- the AER and businesses could work collaboratively to clearly identify key issues for stakeholders (which approach could be used, for example, to help elicit stakeholder feedback with respect to the upcoming Rate of Return guideline consultation); or
- industry could seek to resolve issues collaboratively, guided by input provided by an expert panel or roundtable, jointly engaged and appointed by stakeholders.

We also consider that ensuring open and clear communication with regards to review timelines will certainly aid in ensuring stakeholder feedback is received. As a result, we support the use of Energy Consumers Australia's 'Advocates Calendar', but would encourage the AER to ensure that changes to review timelines are communicated directly with key stakeholders.⁸

Improving Knowledge of Stakeholders

We agree and fully support the AER's ongoing commitment to build the knowledge and capacity of stakeholders where needed.⁹ Consistent with the stakeholder views provided to the AER in its initial consultation, we consider that capacity building and education of stakeholders will certainly contribute to aiding engagement processes undertaken by businesses and the AER alike, as well as ultimately ensuring better outcomes for energy consumers.¹⁰

To this end, we consider there is an opportunity for businesses and the AER to work together to provide helpful and relevant information to stakeholders in order to continue to build their knowledge base of the regulatory regime and energy industry more broadly.

⁸ *Ibid.*, page 16.

⁹ *Ibid.*, page 20.

¹⁰ Note: We also consider that stakeholders will benefit over time, as businesses continue to undertake business-as-usual engagement processes, which will enable stakeholders to become more familiar with business processes and how the regulatory framework operates, for example.

A practical way of assisting stakeholders might be for businesses and the AER to clearly identify the key issues of AA reviews, so that information on these key issues is accessible and easy to understand, enabling stakeholders to provide meaningful feedback for consideration.

We would welcome an opportunity to discuss this with the AER and in particular, would be happy to seek feedback from our Reference Groups on specific topics they would value additional information on.

We also consider that continuing and ongoing engagement processes undertaken by businesses will assist stakeholders further develop their understanding of the industry and regulatory framework in which businesses operate.

Reporting on Stakeholder Feedback

We support the AER looking at ways to clearly set out how stakeholder input has influenced their decisions. This approach is consistent with the overarching principle of engagement of being transparent and is also consistent with the way we have approached our own documentation.

We continue to consider that it is important for stakeholders to understand how their feedback has been considered by businesses, whether it's in relation to business-as-usual activities or preparing for a regulatory submission.

For example, we have made specific effort in our current Victorian/Albury AA review to ensure that stakeholder views are clearly summarised and presented in our Final Plan documentation. Pleasingly, this has been well-received from stakeholders with positive comments received on the 'traffic light' system we adopted.¹¹

We intend to follow this format through to our Revised Final Plan (due to the AER in mid-August), which will show how we have considered and, where relevant, incorporated stakeholder feedback in our Revised Final Plan.

We consider that ensuring outcomes of engagement processes are clearly documented as part of regulatory reviews helps:

- stakeholders to understand what good engagement processes look like;
- stakeholders to understand the impact that engagement processes can have on the outcomes of regulatory review processes; and
- provide emphasis on achieving ongoing improvement (as discussed earlier in this submission).

Summary

In summary, we support the AER's ongoing focus on improvement in engaging with industry and other key stakeholders and consider that the AER has already made substantial improvements in this area. We are supportive of the proposed changes to the Stakeholder Engagement Framework outlined in the paper and would welcome an opportunity to discuss the particular matters outlined above with the AER.

Please contact either Kristin Raman (08 8418 1117) or myself (08 8418 1129) if you would like to discuss the matters raised in this submission further.

¹¹ Consumer Challenge Panel Sub-Panel 11, "Victorian Gas Networks (AGN), AusNet Services and Multinet: Supplementary Advice on the proposed Return on Equity by Victorian Gas Distribution Network Service Providers", March 2017.

Yours sincerely,



Craig de Laine

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