

# New Reg reference group | 7 Nov 2018

## Response to key issues raised

### CONTENTS

<b>1.</b>	<b>INTRODUCTION</b>	<b>2</b>
<b>2.</b>	<b>WHAT ARE THE NEW REG OBJECTIVES</b>	<b>2</b>
2.1.1	New Reg Vision	2
2.1.2	Trial objective	3
2.1.3	Objectives of AusNet trial participants	4
<b>3.</b>	<b>DID THE ECA, ENA AND AER CONSIDER OTHER ALTERNATIVES TO THE NEW REG PROCESS?</b>	<b>4</b>
<b>4.</b>	<b>THE ROLE OF THE TRIAL PARTICIPANTS</b>	<b>5</b>
4.1	Who are the stakeholders in the trial?	5
4.2	How and when will trial stakeholders have an opportunity to test and give feedback on how well the Customer Forum has translated what it has heard from AusNet's customers and its customer representatives into its negotiating positions?	5
4.2.1	AusNet Services stakeholders	5
4.2.2	New Reg stakeholders	6
4.3	What is the CCP role in the Victorian electricity distribution price review, AusNet Services' trial and AusNet Services' pre-lodgement engagement process?	6
4.4	Why is the customer forum's skill set the mix it is?	7
4.5	What is the role of consumer reps in this New Reg trial?	8
<b>5.</b>	<b>HOW FREQUENTLY WILL THE NEW REG REFERENCE GROUP MEET TO IMPROVE KNOWLEDGE SHARING?</b>	<b>9</b>
<b>6.</b>	<b>MONITORING AND EVALUATING THE TRIAL</b>	<b>12</b>
6.1	Should broader stakeholder feedback be brought into the monitoring and evaluation for later phases, and if so how?	12
6.2	How will the Project Team and CEPA ensure that cost of this trial of the New Reg process is accounted for when looking at the benefits?	12
6.3	How will cost benefits analysis account for scope?	13

## 1. INTRODUCTION

This is a response to key issues raised at the New Reg reference group meeting of 7 November 2018:

- What are the New Reg objectives?
- Did the Australian Energy Regulator (AER), Energy Networks Australia (ENA) and Energy Consumers Australia (ECA) consider other alternatives the New Reg process?
- The role of the trial participants:
  - Who are the stakeholders in the trial?
  - How and when will trial stakeholders have an opportunity to test and give feedback on how well the Customer Forum has translated what it has heard from AusNet’s customers and its customer representatives into its negotiating positions?
  - What is the Consumer Challenge Panel (CCP) role in the Victorian distribution price review, AusNet Services’ trial, and AusNet Services’ pre-lodgement engagement process?
  - Why is the Customer Forum’s skill set the mix as it is?
  - What is the role of consumer reps in this New Reg trial?
- How frequently will the New Reg Reference Group meet to improve knowledge sharing?
- Monitoring and evaluation of the trial
  - Should broader stakeholder feedback be brought into the monitoring and evaluation for later phases, and if so how?
  - How will the Project Team and CEPA ensure that cost of this trial of the New Reg process is accounted for when looking at the benefits?
  - How will cost benefits analysis account for scope?

**The New Reg project team are keen to have suggestions from stakeholders on topics to be covered at future New Reg Reference Group meetings, New Reg project Newsletters or other engagement opportunities. Please contact project team members representing your interest base in the project team directly (e.g. Mr David Havyatt for consumers and consumer advocates, Mr Garth Crawford for energy networks) or Mr Mark McLeish at [RegulatoryInnovation@acr.gov.au](mailto:RegulatoryInnovation@acr.gov.au)**

## 2. WHAT ARE THE NEW REG OBJECTIVES

The New Reg project team is advancing an innovation in economic regulation of energy networks—the New Reg process. This means there are distinct objectives for: (1) the New Reg process; (2) for the trialling of that process; and (3) for the participants in the trial. Below we present these distinct objectives and reference where they are currently captured in the project materials.

### 2.1.1 New Reg Vision

The AER, ENA, and ECA have jointly stated that their vision for the project is:

*“that energy consumers’ priorities and stated preferences should drive, and be seen to drive, energy network businesses proposals and regulatory outcomes”<sup>1</sup>*

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<sup>1</sup> ECA, AER and Energy Networks Australia (2018), New Reg: Towards Consumer-Centric Energy Network Regulation: Approach Paper, (Approach Paper) page 3.

It is also important to note that the regulatory proposal developed by a regulated electricity distribution business such as AusNet Services and the approval of it by the AER must promote the National Electricity Objective.<sup>2</sup>

The New Reg project team developed and refined the project vision over the second half of 2017, including through:

- dedicating the morning half of the 20 June 2017 *Three-way dialogue workshop*<sup>3</sup> of consumer representative organisations, network representatives and AER staffers to broad ranging discussion of what could be done to improve engagement and its influence in regulatory outcomes
- follow-up teleconferences convened by ECA on 21 August 2017 and 14 February 2018
- socialising early drafts of the approach and directions papers with reference group members ahead of an October 2017 reference group meeting and circulating a further draft in December 2017 for feedback by 2 February 2018.

A full chronology of engagement to date is available below in Table 5.1: Knowledge sharing and engagement chronology.

### 2.1.2 Trial objective

The ECA, ENA and AER have identified their objectives for conducting a trial of the New Reg process in their joint Approach Paper<sup>4</sup> as follows.

*The objectives of the trial are:*

1. *To successfully apply the proposed process to produce a revenue proposal that reflects consumer preferences and provides the regulator with a proposal with which it will be able to substantially agree.*
2. *To improve understanding of the prerequisites for a successful alternative regulatory process - for example, 'respect' and 'trust' are likely to be foundations of constructive negotiation.*
3. *To understand how much of the alternative regulatory process needs to be determined as a standard approach, and how much flexibility can be provided for individual arrangements, including:*
  - a. *the scope - matters to be included and excluded*
  - b. *the steps to be followed*
  - c. *the roles and relationships of the parties.*
4. *To gain a stronger understanding of the role that the AER should take to facilitate and develop the alternative regulatory process*
5. *At the completion of the trial to prepare a report for stakeholders on learnings; areas of future development and improvement.*

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<sup>2</sup> The National Electricity Objective is: "to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to: price, quality, safety and reliability and security of supply of electricity; the reliability, safety and security of the national electricity system." s7 National Electricity (South Australia) Act 1996

<sup>3</sup> Workshop on Three way dialogue to support regulatory innovation; held at AER offices in Melbourne.

<sup>4</sup> Approach Paper, page 10.



By design, the New Reg process is not prescriptive about how engagement is conducted by the participating network, instead it establishes minimum conditions for AER participation in the manner outlined in the directions paper.

The AusNet Services trial should be seen only as one instance of trialling the New Reg process. Being a trial, it should not be considered the definitive view of how New Reg will work as a process if applied to other networks. Any future applications of the New Reg process will draw on the leanings from the AusNet Services trial.

### 2.1.3 Objectives of AusNet trial participants

The Memorandum of Understanding (MOU) entered into between AusNet Services, the AER and the chair of the Customer Forum<sup>5</sup>, explains that the objectives of the parties in this application of the New Reg process are to:

- *improve the speed and reduce the cost of the regulatory review process;*
- *enhance consumer confidence in the regulatory review process; and*
- *improve the overall outcomes of the regulatory review process with a view to promoting the long-term interests of consumers of electricity.*<sup>6</sup>

## 3. DID THE ECA, ENA AND AER CONSIDER OTHER ALTERNATIVES TO THE NEW REG PROCESS?

In June 2017 the ECA, AER and ENA agreed to establish what later became known as the New Reg project aimed at improving engagement on network revenue proposals, and to identify opportunities for regulatory innovation. It is an experimental approach to promote regulatory innovation. The parties intend to learn by ‘doing’. The goal is to undertake a trial in the development of one or more network businesses’ revenue proposals, and consider further reform opportunities. This process of exploration will be an important outcome of the joint initiative.

The New Reg process was chosen as the candidate project at a workshop<sup>7</sup> on 20 June 2017 attended by consumer representative bodies, networks and AER staffers. Prior to the workshop there was extensive consultation undertaken with stakeholders and a paper was prepared and circulated on numerous alternatives for regulatory innovation that were being suggested by stakeholders.

The New Reg project has been actively discussing its work with other relevant parties to keep them informed. Many of these parties are actively referencing and promoting New Reg and accounting for it in their own thinking. The AEMC CEO is a member of the New Reg project board and the AEMC and Commonwealth Department of Environment and Energy attend our reference group.

Others actively looking at regulatory innovation are picking up on the future role that agreements between customers and networks could play under a more flexible regulatory framework (e.g. ACCC Retail Electricity Pricing Inquiry’s recommendation 20 or the 2019 AEMC’s annual review of the economic regulatory framework for electricity networks).

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<sup>5</sup> We note that the objectives of the Customer Forum specifically are set out in Clause 2.3 of the MOU.

<sup>6</sup> Recital B, MOU.

<sup>7</sup> Workshop on Three way dialogue to support regulatory innovation; held at AER offices in Melbourne, June 17 2017.

## 4. THE ROLE OF THE TRIAL PARTICIPANTS

Reference group stakeholders have raised a range of questions about the role of the various participants in the AusNet Services trial. We consider these below.

### 4.1 Who are the stakeholders in the trial?

Trial stakeholders include

1. **AusNet Services stakeholders** | Stakeholders directly affected by AusNet Services' electricity distribution services, principally its customers and their representatives
2. **New Reg stakeholders** | Other stakeholders that have an interest in the New Reg project and the trial outcomes.

### 4.2 How and when will trial stakeholders have an opportunity to test and give feedback on how well the Customer Forum has translated what it has heard from AusNet's customers and its customer representatives into its negotiating positions?

#### 4.2.1 AusNet Services stakeholders

A key objective of the Customer Forum is to:

*understand and represent to AusNet Services the perspectives and preferences of AusNet Services' Customers<sup>8</sup>*

To test the efficacy of the forum's work in doing this, the Customer Forum will publish a draft engagement report to accompany AusNet Services' draft regulatory proposal. Following the release of these documents AusNet Services will then undertake a period of public consultation, from December 2018. Details of AusNet Services engagement program are available on its [website](#) and its draft plan outlining its planned engagement activities for 2019 will be published shortly. AusNet Services advises that this is planned to include:

- One-on-one targeted engagement with advocates
- Website engagement with end use customers
- Customer Forum workshop with advocates on its draft engagement report
- Several deep dives on expenditures, tariffs, public lighting, and any specific issues the Forum wishes to consult on
- Any further research requested by the Forum or advocates.

After this, AusNet Services will engage in a second negotiation period with the Customer Forum ending in July 2019. This final negotiation will allow the Customer Forum to consider feedback from AusNet Service's public consultation.

AusNet Services' customers and their representative will also be able to comment on how the Customer Forum has represented their perspectives through submissions to the AER during its review process.

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<sup>8</sup> MOU, Clause 2.3.



#### 4.2.2 New Reg stakeholders

New Reg stakeholders can get information and engage with the trial in several ways:

- Through the AER<sup>9</sup>, AusNet Services<sup>10</sup>, ECA<sup>11</sup>, and ENA<sup>12</sup> websites
- Through documents that will be published on the AER website including monitoring and CEPA's evaluation reports to be prepared on the AusNet Services trial
- By engaging directly with national organisations, of which they are members: Energy Consumers Australia and Energy Networks Australia
- Through New Reg Newsletters<sup>13</sup>
- Through attendance at regular New Reg Reference Group meetings
- Conferences including the annual ACCC/AER Regulatory Conference,<sup>14</sup> the ECA's Foresighting Forum and the ENA Regulation conferences.

A full chronology of engagement to date is available below in Table 5.1: Knowledge sharing and engagement chronology.

### 4.3 What is the CCP role in the Victorian electricity distribution price review, AusNet Services' trial and AusNet Services' pre-lodgement engagement process?

The objective of the Consumer Challenge Panel (CCP) is to:

- *advise the AER on whether the network businesses' proposals are in the long-term interests of consumers; and*
- *advise the AER on the effectiveness of network businesses' engagement activities with their customers and how this is reflected in the development of their proposals.*<sup>15</sup>

The Consumer Challenge Panel (CCP) assists the AER to make better regulatory determinations by providing input on issues of importance to consumers. The CCP17 subpanel, consisting of Mike Swanston, Robyn Robinson, David Prins and Mark Henley, has been assembled for the 2021-25 Victorian electricity distribution determinations. CCP17's role is to provide advice to the AER on the proposals of all five Victorian electricity distribution businesses. This will include advice on the consumer engagement of the distribution businesses and how it has influenced their respective regulatory proposals.

CCP17 is planning to deliver an 'Early Advice on Consumer Engagement' report to the AER in early December 2018. For each distribution business, the Early Advice will document the process undertaken to date, observed strengths, any gaps or major issues, and an indication of future plans. The Early Advice

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<sup>9</sup> <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/consultation-on-the-new-reg-process>

<sup>10</sup> <https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Charges-and-revenues/Electricity-distribution-network/Customer-Forum>

<sup>11</sup> <https://energyconsumersaustralia.com.au/projects/newreg/>

<sup>12</sup> <https://www.energynetworks.com.au/newreg>

<sup>13</sup> <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/consultation-on-the-new-reg-process>

<sup>14</sup> <https://www.accc.gov.au/about-us/conferences-events/accc-aer-regulatory-conference>

<sup>15</sup> <https://www.aer.gov.au/about-us/consumer-challenge-panel>



will not seek to evaluate or compare the effectiveness of each distribution business' approach to consumer engagement.

CCP17 will also report on the consumer engagement carried out by the Victorian distribution businesses after the lodgement of their regulatory proposals in July 2019. For AusNet Services this report will cover whether AusNet Services' proposal is in the long term interests of consumers, and the effectiveness of AusNet Services' consumer engagement on issues that are outside the scope of the Customer Forum. The AER in conjunction with Energy Networks Australia and Energy Consumers Australia will be separately undertaking a review of the AusNet Services' trial of the New Reg process.

On 20 June 2018 the AER asked CCP17 to undertake three specific roles prior to the lodgement of AusNet Services' revenue proposal with the AER:

1. Assist the Customer Forum, where requested, in preparing its initial and final Engagement Reports. This has involved meetings between the Customer Forum and CCP17 to test their thinking on issues that are in scope, and access the broader perspective of the CCP.
2. Observe AusNet Services' consultation on its draft revenue proposal with consumers and other stakeholder groups, focusing on issues that are out-of-scope of the Customer Forum's negotiation. Where requested by AusNet Services, CCP17 should engage in issues that are not in the scope of the Customer Forum. This means that AusNet Services can consult with CCP, Customer Forum and AER in any 'deep dives'.
3. Provide written feedback to the AER on the Customer Forum's initial Engagement Report and the draft revenue proposal that will be released for broader comment in mid-December 2018. The Customer Forum would have the opportunity to take CCP17's views into account, along with the views of other consumer groups, in preparing the final Engagement Report.

Beyond making submissions on the distribution businesses' revenue proposals after they have been lodged, CCP17 would perform its usual role, which includes providing input and challenging the AER on key consumer issues and submitting on the AER's draft determinations and the distribution businesses' revised proposals.

#### **4.4 Why is the customer forum's skill set the mix it is?**

The skills mix of the forum is AusNet Services' choice, and is something that will be tested for its efficacy as part of the trial monitoring and evaluation.

AusNet Services reports that the Customer Forum's collective skill set was considered upfront, including through input from the AER and ECA during the recruitment process.<sup>16</sup> The recruitment process recognised the forum's agreed objectives in the MOU and the fact that the AER will have roles in both supporting the forum and ultimately still performing all the technical reviews required to perform its functions under the rules.

The selection and appointment requirements for the Consumer Forum were set out in the MOU<sup>17</sup> agreed to by the AER. This includes a requirement that the Customer Forum members are to be appointed

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<sup>16</sup> AusNet Services, EDPR Customer Forum - Recruitment process,.

<sup>17</sup> Section 2.2 of Schedule 2 of the MOU.



following an open and transparent selection approach. AusNet Services states that the Customer Forum members were selected through a skills-based approach.

*The primary requirement for the Forum members is that they are fully independent of AusNet Services and are capable of credibly representing the perspective of the breadth of AusNet Services’ customers including large and small customers and vulnerable customers of many kinds. A skills based approach will allow us to target required analytical capacity and provide a nimble and authoritative counterparty in negotiations with AusNet Services.<sup>18</sup>*

AusNet Services reported that the following skills and capabilities were targeted.<sup>19</sup> After AER and ECA feedback on the shortlisted candidates, interviews of the final 12 were performed by the independent chair of AusNet Services’ Customer Consultative Committee and AusNet Services’ General Manager Regulation and Network Strategy.

Capabilities	Specific skills/qualifications
<ul style="list-style-type: none"> <li>Numeracy (and ability to explain to others)</li> <li>Credibility to represent the customer perspective (including vulnerable customers)</li> <li>Negotiation</li> <li>Communication</li> <li>Analytical skills</li> <li>Flexibility and willingness to develop new skills</li> <li>Chairing skills (for Chairperson)</li> </ul>	<ul style="list-style-type: none"> <li>Economics</li> <li>Law (commercial/consumer)</li> <li>Engineering</li> <li>Consumer rights advocacy</li> <li>Market research</li> <li>Communications</li> <li>Agriculture/business</li> </ul>

CEPA’s first insights report identified at insight 5:

*Criteria for selecting the Forum were set out in the Early Engagement Plan, which was agreed by the AER and ECA. The AER and ECA also received and commented on a shortlist of candidates. The CVs of the Forum members indicate that they should have the skills to negotiate on behalf of customers. We note, no members have a background in electrical engineering or regulation. Therefore, for technical matters the Forum reaches a position on, it may need to demonstrate a clear link to external analysis to build confidence in any negotiated positions reached with AusNet.*

At the reference group discussion, the Project Team observed that measures available in the process that may support technical electrical engineering or regulation skills being brought to bear are:

- Through the customer forum negotiation process when the forum can ask the AER advice
- On AusNet Services’ reset process through the AER’s reviews of AusNet Services’ regulatory proposal.

#### 4.5 What is the role of consumer reps in this New Reg trial?

The Victorian electricity distribution price review process and AusNet Services’ broader engagement are still running in a business as usual fashion under the current National Electricity Rules and AER Engagement Guideline. Consumer representatives can participate throughout these processes, including:

<sup>18</sup> AusNet Services, Early Engagement Plan, pages 6-7.

<sup>19</sup> AusNet Services, EDPR Customer Forum - Recruitment process, page 1.



- Directly with AusNet Services in its pre-lodgement engagement [program](#) and representation on AusNet Services’ Customer Consultative Committee
- Directly with the Customer Forum in the opportunities outline in item 4.2.1 above
- Directly with the AER through its public consultation process currently mandated in the rules.

The pre-lodgement engagement process with a Customer Forum contemplated in the New Reg directions paper was not prescriptive about which customers and customer representatives would be engaged with, though the Project Team expects that upfront engagement with both customers and customer representatives would be needed to best support the New Reg vision.

## 5. HOW FREQUENTLY WILL THE NEW REG REFERENCE GROUP MEET TO IMPROVE KNOWLEDGE SHARING?

The AER, ECA, and ENA have sought stakeholder involvement throughout the development of the New Reg process and live engagement approach to its future refinement. This commenced with a workshop in June 2017 on establishing a formal three-way dialogue between our organisations and the appropriate objectives and priorities were discussed with stakeholders, including a number of consumer advocacies. We then used these stakeholders to “stress test” the directions paper developed as a result of the feedback received at this workshop. The table below outlines the engagement points to date.

However, the Reference Group and Project Team acknowledge that the reference group meetings – of which there have been four so far over 2017 and 2018 – are proving too infrequent to keep stakeholders across the first New Reg trial and the evolving New Reg work program. To overcome this, the Project Team is consulting stakeholders on its future approach and considering additional forms of engagement.

Additionally, in light of comments received at the 7 November reference group meeting, we have asked the evaluator to consider the evaluation framework to ensure that it has accounted for all submissions, comments made at the reference group meeting and in correspondence after the reference group meeting. The evaluation framework will set out how different stakeholder comments were accounted for.

We are developing our refined engagement thinking in an updated stakeholder engagement plan for the Project Board, and will advise on the outcome of their consideration.

**Table 5.1: Knowledge sharing and engagement chronology**

Date and event	Agenda and content
<b>Early 2017</b> CEOs of the AER, ENA and ECA agreed to commence a joint dialogue	The parties established a joint initiative to explore ways to improve sector engagement, and identify opportunities for regulatory innovation. The goal of this initiative was to ensure that customers’ preferences drive energy network businesses proposals and regulatory outcomes.
<b>Apr 2017</b> interviews	Interviews with AER, ECA and ENA representatives to inform workshop discussion paper.

Date and event	Agenda and content
<b>13 Jun 2017</b> workshop participant discussion paper	Discussion paper circulated to workshop participants. It reflected two themes: <ol style="list-style-type: none"> <li>1. What can be done to improve engagement?</li> <li>2. What are the criteria and high priority topics for regulatory development?</li> </ol>
<b>20 Jun 2017</b> three-way dialogue workshop	Agenda <ol style="list-style-type: none"> <li>1. Theme 1: What can be done to improve engagement?</li> <li>2. Theme 2: What are high priority topics for regulatory development, which one should the parties commence engagement on, and next steps?</li> <li>3. Reflections on the day</li> </ol>
<b>21 Aug 2017</b> ECA-facilitated consumer group update teleconference	Agenda <ol style="list-style-type: none"> <li>1. General reaction to concept</li> <li>2. Value and syllabus for ‘training’ – what do consumer representatives feel they need to know to engage with network businesses</li> <li>3. Level of participation in developing the process or in working through the trial from those present</li> <li>4. Interest in participation in the reference group</li> </ol>
<b>24 Oct 2017</b> reference group meeting	Agenda <ol style="list-style-type: none"> <li>1. Project objectives, governance, the need for change and strategic direction</li> <li>2. The proposed Early Engagement Model</li> <li>3. Consultation and next steps</li> </ol> <p>A draft consultation paper was provided to reference group members ahead of the meeting.</p>
<b>21 Dec 2017</b> reference group consultation	Draft ECA-AER-ENA Directions Paper on New Reg Customer Centric Approach circulated for reference group comment and feedback by 2 Feb 2018.
<b>14 Feb 2018</b> ECA-facilitated consumer group update teleconference	Agenda <ol style="list-style-type: none"> <li>1. Project recap</li> <li>2. Approach and directions</li> <li>3. The trial</li> </ol>
<b>21 Feb 2018</b> reference group meeting	Agenda <ol style="list-style-type: none"> <li>1. New Reg – overview of the model</li> <li>2. AusNet Services trial update</li> <li>3. New Reg trialling considerations</li> <li>4. Trial Monitoring and evaluation (including breakout exercise to develop trial assessment factors)</li> <li>5. Next steps</li> </ol>

Date and event	Agenda and content
<b>23 Mar 2018</b> AER, ENA and ECA jointly released a draft process (New Reg)	Approach paper and directions paper published on AER New Reg <a href="#">website</a>
<b>20 Jun 2018</b> reference group meeting	Agenda <ol style="list-style-type: none"> <li>1. Trialling New Reg the model - how the project will monitor and evaluate the trial</li> <li>2. AusNet Services trial update</li> <li>3. Engaging on and refining the New Reg model</li> <li>4. New Reg rules framework</li> <li>5. Next steps</li> </ol>
<b>4 Jul 2018</b> Newsletter update	Newsletter sent to stakeholders registered on the New Reg website and published on the <a href="#">website</a> .
<b>27 Aug 2018</b> reference group consultation	Draft trial assessment framework shared with reference group for comment.
<b>31 Aug 2018</b> Newsletter update	Newsletter sent to stakeholders registered on the New Reg website and published on the <a href="#">website</a> .
<b>2 Nov 2018</b> reference group consultation	Embargoed copies of updated trial assessment framework, first trial monitoring report and first insights report shared with reference group for discussion at reference group meeting.
<b>7 Nov 2018</b> reference group meeting	Agenda <ol style="list-style-type: none"> <li>1. AusNet Services trial update</li> <li>2. Trial evaluation framework</li> <li>3. First trial monitoring report (establishment phase)</li> <li>4. First trial insights report (establishment phase)</li> <li>5. Next steps</li> </ol>

## 6. MONITORING AND EVALUATING THE TRIAL

Reference group stakeholders have raised a range of questions about monitoring and evaluating the AusNet Services trial (the first New Reg trial). We consider these below.

### 6.1 Should broader stakeholder feedback be brought into the monitoring and evaluation for later phases, and if so how?

The monitoring and evaluation of the establishment phase of the first New Reg trial drew on the experiences and views of the trial participants—namely the Customer Forum, AusNet Services and AER staff. We considered this appropriate for this stage of the trial.

In light of reference group feedback, the project team has considered whether and how broader stakeholder consultation should be brought into the monitoring and evaluation for later phases of the trial monitoring and evaluation.

The evaluation factors where broader customer and customer representative feedback will be relevant to the trial evaluation factors is the ‘engagement and representation’ factor. The Project Team’s current thinking is that it will be necessary to monitor customer and customer representative feedback to the customer forum on how well it has represented the AusNet Services’ customers’ perspectives in its negotiations with AusNet Services. Section 3.2 above identifies the opportunities for this feedback.

A cost-effective way to capture this feedback, and indeed to ensure that it was received by the customer forum, is for our monitoring of this to adopt an ‘on the papers’ approach.

That is, our monitoring consultant would ask the Customer Forum how it has accounted for customer and customer representative feedback. The evaluation consultant would review the submissions made to AusNet Services and the Customer Forum and the extent to which these supported the Forum’s positions and/or the extent to which the Forum’s Engagement Report and positions were changed to reflect the feedback.

### 6.2 How will the Project Team and CEPA ensure that cost of this trial of the New Reg process is accounted for when looking at the benefits?

The trial monitoring is planning to capture the costs of the project and has foreshadowed this to the trial participants who need to capture them during the trial for this purpose. These will be available to CEPA for its evaluation.

## Trial assessment factors

- **Engagement and representation.** Did the Forum provide improved information (compared to AusNet’s prior proposals for customer engagement) to AusNet on its customers’ perspectives and preferences?
- **Scope and negotiations.** Did the Forum adequately and appropriately represent customers’ perspectives and preferences during the negotiations?
- **Impact on the content of regulatory proceedings.** What customer priorities and preferences did the New Reg process identify?
- **Impact on proposal.** Did the Forum’s negotiations impact, and be seen to impact, on AusNet’s proposals in a way that reflected customers’ perspectives and preferences?
- **Impact on Determination.** Did the AER’s determinations benefit from the Forum’s negotiations (including from the availability of the Engagement Reports), i.e., did it consider that AusNet’s regulatory proposal ‘better’ reflected customer perspectives and preferences? Has the Forum been able to demonstrate, against the requirements of the NEL, how it reached its positions and how they reflect consumers’ preferences and perspectives?
- **Overall.** Did the New Reg process lead to the achievement of the NEO? If so, was this achieved in an efficient way? Do the current NER allow the AER to consider properly the outcomes of the New Reg process



CEPA's evaluation framework assesses costs at the interim and final evaluation reports (coinciding with the AER's draft and final determinations). It asks:

*What were the additional costs to AusNet/AER/other stakeholders of the New Reg process (separating the trial costs from the process costs)? What were the additional costs to AusNet/AER/other stakeholders of the New Reg process (separating the trial costs from the process costs)?<sup>20</sup>*

This question will support evaluation of the success, possible improvements, and costs of New Reg in the context of the 'overall' assessment factor shown above.

### 6.3 How will cost benefits analysis account for scope?

Some reference group stakeholders questioned how the Project Team and CEPA will ensure that the benefits derived from New Reg (for the recorded costs) are considered in the context of the scope of matters covered by the Customer Forum. This was because it is expected that this scope will only be a subset of the scope of matters covered in a regulatory proposal and AER price review.

Monitoring of the scope of Customer Forum negotiation (and matters the forum opines on outside this scope) will be straight forward because these matters should be transparently captured in the engagement report.

The evaluation will draw from the monitoring reports and focus on determining the benefits attributable to those matters that the Customer Forum has negotiated on. There may be other benefits arising from the Forum's presence and, where appropriate, the evaluation will attempt to capture these. The benefits assessment will largely be qualitative and will rely on the views provided by stakeholders.

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<sup>20</sup> CEPA, New Reg Evaluation Framework, page.23.