



NEWGATE
RESEARCH

STAKEHOLDER EXPECTATIONS FOR ENGAGEMENT ON APA'S INTERCONNECTORS

STRATEGIC STAKEHOLDER RESEARCH

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Where we have made assumptions as a part of interpreting the data in this report, we have sought to make those assumptions clear. Similarly, we have sought to make clear where we are expressing our professional opinion rather than reporting findings. Please ensure that you take these assumptions into account when using this report as the basis for any decision-making.

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01

EXECUTIVE SUMMARY

This report presents results from a strategic research project designed to guide APA's future engagement with stakeholders and end-customers on its interconnector assets.

Results are based on a series of 19 in-depth interviews conducted between October 17th and November 12th, 2018. Participants included a diverse mix of federal regulators, consumer and business advocates, direct customers and local council stakeholders.

Key Findings

At an overall level it was clear that APA has relatively poor reputation amongst many stakeholders, with regulators, and business and consumer advocates being most negative. This was attributed to:

1. An aggressive and unnecessarily adversarial approach to working relationships, evident to many in both personal dealings and APA's behaviour at industry forums;
2. APA's stated and well-known contempt towards end-customer engagement, which is seen as being out of step with the rest of the sector;
3. A lack of transparency, including perceptions of APA withholding information and lacking detail or justification of costs in its regulatory submissions, further amplifying cynicism and mistrust; and
4. Perceived siloed decision-making and inadequate stakeholder engagement, overall, and in advance of regulatory submissions.

Regulators were amongst the most negative towards APA for the reasons outlined above. They believe APA completely disregards its obligations as a regulated business and described it as being difficult and frustrating to deal with, opaque in the information it provides, and sometimes unclear in what it wants. There were, however, some positive dealings with individual APA staff and some acknowledged that they

also share responsibility in improving the relationship with APA in the future.

Consumer and business advocates echoed many of these sentiments, seeing APA as characteristic of a sector which has been "taking end-customers for a ride". APA's reticence to engage on Murraylink underscored a belief that APA does not care about the needs and expectations of the end-customers who ultimately contribute to its revenues.

Direct customers held the most positive view of APA, with some strong, long-standing individual operational-level relationships characterised by good customer service. However, even these stakeholders noted that APA struggles with end-customer engagement and that this is damaging its reputation. They are looking for more frequent and strategic engagement with APA and were also happy to share learnings from their own end-customer engagement programs and how they have benefitted their businesses.

Local council stakeholders tended to have more neutral opinions, with less strongly held views of APA. Some characterised APA's approach as being typical of other corporations operating in regional areas. Others were complimentary of good working relationships although there were also several suggestions for how APA could improve its engagement. This included: more proactive communication (e.g. on safety issues), more strategic engagement with senior council staff, greater focus on regional development, and improved engagement with local landholders.

Strategic Recommendations

It is clear that APA will need a significant reorientation of its business practices if it wishes to improve its reputation amongst the stakeholder groups we spoke with. This is not merely a communications challenge but will require a fundamental change in attitudes and behaviours at APA.

At a broad level it will be important for APA to demonstrate that it is changing by:

1. Fostering more productive working relationships with a more reasonable, less personal, and less adversarial tone;
2. Becoming more end-customer-focussed by listening to end-customers, considering their long-term interests, and demonstrating how APA is responding to them;
3. Accepting that stakeholder engagement is a core part of APA's business that, if done well, will lead to better relationships and outcomes for APA;
4. Engaging earlier, more regularly and more frequently with stakeholders on regulatory proposals to ensure there are no "surprises"; and
5. Being more involved in broader industry conversations regarding the future of electricity and the role APA's interconnectors could play in this.

An increased focus on stakeholder and end-customer engagement should also be vertically aligned within APA as a business-as-usual activity and not considered an ancillary activity that is only done by one part of the organisation in the run-up to each regulatory reset.

Next Steps for Directlink

No-one believes that the size of the asset and the '0.2% of bills' argument absolves APA of the responsibility of being end-customer-focussed. However, stakeholders do acknowledge that the size of the interconnector assets is an important consideration for a future engagement program.

Almost no one expects APA to do extensive end-user research or engagement on these assets and they believe it is appropriate for this engagement to occur via consumer and business stakeholders as

well as the other stakeholders identified, and confirmed, in this study (noting that some had a different view for APA's gas assets where they think there is more likely to be a potential need for some direct end-customer engagement).

There is obviously very limited time before the January 31st Directlink submission date and APA will need to move quickly to maximise opportunities to engage in a meaningful way. Next steps for Directlink should involve:

1. **An immediate follow up letter to participants of this study** to thank them for their participation and acknowledge that APA has heard their feedback and is committed to becoming more end-customer and stakeholder focussed. This letter should also broadly outline how APA intends to engage with them on Directlink.
2. **Schedule a series of 5-6 meetings with key stakeholders before Christmas** to listen to their feedback and discuss the topics they would like covered in a subsequent deep dive session. Suggested organisations to target for this include the Australian Energy Regulator (AER), the Murraylink Consumer Challenge Panel (Murraylink CCP), St Vincent de Paul Society, Public Interest Advocacy Centre (PIAC), Energy Users Association of Australia (EUAA), and Energy Consumers Australia.
3. **Plan for and conduct a half-day stakeholder deep dive workshop.** This should ideally be conducted in January although APA will need to carefully consider the timing for this event. If it is not feasible for APA to be ready in time for January, then some consideration could be given to moving the deep dive back to February or March as a fall-back option. In this case APA's draft submission would include the engagement plan for the upcoming deep dive, which would then be

positioned as an opportunity for stakeholders to give their feedback on APA's final draft submission.

All participants from this study should be invited, in addition to other relevant individuals. While this would require significant preparation by APA, it would signal a genuine shift in its approach. Key success factors (outlined in the body of this report) include defining clear objectives for the workshop, providing detailed materials in advance, ensuring a mix of seniority and roles among the APA staff present, striking the right balance between talking and listening, and making the event as accessible as possible (e.g. offering to pay for participants' travel). It would also send a very strong message if the event is introduced by APA's CEO or another senior executive.

An indicative schedule for the deep dive could involve:

- a. An introduction to APA and its interconnector assets.
- b. An overview of Directlink and how it fits within the current and future electricity network (focusing on its importance to end-users).
- c. Discussion of current usage, cost to end-customers and reliability levels.
- d. APA's proposed working draft plan to upgrade and maintain aging infrastructure to maintain reliability performance.
- e. CAPEX and OPEX forecasts associated with this working draft plan.
- f. Feedback on other potential options including undergrounding or relocating sections of the cable (to improve reliability and safety and create opportunities for new local land use options)

- g. Anything else (e.g. perhaps where you think there will be the most interest or where costs will be significantly higher or lower than last time).

Depending on stakeholder preferences (and timing constraints), there may also be a need for an additional follow-up session to respond to information requests and other outcomes from the deep dive.

As context, it was encouraging that attitudes towards APA's interconnector assets were generally positive with many noting their benefits in: reducing prices by correcting market imbalances and inefficiencies; improving network stability and maintaining reliability; and their increased importance in the transition to more renewables.

Some also questioned how they fit within Australian Energy Market Operator's (AEMO) Integrated System Plan and suspected that they could play an important role in this. As such, the deep dive provides an important opportunity for APA to position its interconnectors in the context of long-term end-customer interest.

Ongoing Engagement Planning and Implementation

As part of its business-as usual engagement APA will need to develop a more comprehensive and strategic engagement program that meets stakeholder expectations.

We appreciate the APA has limited resources and may require specific knowledge or experience to implement these recommendations. As such, as suggested by APA, we have developed the following list of activities that Newgate could help APA to deliver.

Activity

Preparation for and implementation of 1-2 half day stakeholder deep dives. This could include:

Strategic advice regarding the running of the event
Developing invitations, agendas and so on
Reviewing presentations
Providing presentation training
Facilitating the deep dive sessions
Event support (e.g. managing RSVPs, name tags, room bookings etc.)

Development of a stakeholder engagement plan for 2019 and beyond. This could include:

A detailed strategy and accompanying implementation plan (mapping APA's stakeholders and planning how and when they should be engaged) OR
A short "plan on a page" outlining key recommendations based on current resource levels

Development of a stakeholder engagement framework (noting that this should not be done until APA conducts some engagement). This could include:

Drafting the framework
Engaging with stakeholders to receive and implement feedback
Graphic design

Consider developing an ongoing Stakeholder Advisory Council across APA's gas and electricity assets.

These have been adopted by several network businesses to seek ongoing feedback from a small number (10-15) of key stakeholders who meet on a regular basis (for example, three or four times a year).

Newgate could provide advice regarding structure, membership, sitting fees and so on. We can also provide ongoing secretariat services including agenda management, minute taking and facilitation.

Stakeholder engagement training, including topics such as:

Community and stakeholder engagement 101
How to have difficult conversations
Managing difficult or aggrieved stakeholders

Development of a new APA narrative to form the basis of any future engagement, including updated key messages and associated proof points

Review of the current APA website and provision of recommended changes

Collateral development support. This may include:

Drafting fact sheets
Drafting presentation packs
Graphic design

Regular stakeholder reputation research.

Potentially conducted on an annual basis to benchmark and track APA's reputation amongst stakeholders

Local community research and engagement on local issues surrounding APA's operations

This could potentially involve qualitative research to inform APA's local activities (e.g. via focus groups or in-depth interviews) or other community engagement support provided by Newgate Engage

02

BACKGROUND, OBJECTIVES AND METHODOLOGY

This report presents results from a strategic research project designed to guide APA's future engagement on its interconnector assets. Specific objectives were to understand:

1. Contextual attitudes to APA and its previous engagement with stakeholders;
2. Attitudes to APA's interconnector assets;
3. Experiences with APA's Murraylink regulatory reset proposal;
4. Expectation for end-customer and stakeholder engagement for Directlink; and
5. Expectations for ongoing business-as-usual engagement with APA.

The research methodology involved a series of 19 in-depth interviews with senior stakeholders including regulators, consumer and business advocates, direct customers, and local council managers (as outlined in the following table).

Interviews were conducted by Philip Partalis and David Stolper of Newgate Research, using an interview guide developed in consultation with APA.

The overall response to our study was strong. Most invited stakeholders agreed to participate in the interview (or referred us to more relevant colleagues within their organisation) and those we spoke with were highly engaged in the process.

Several participants mentioned that they were happy that APA was conducting a project of this nature and they hoped that it signified the beginning of an improved approach to stakeholder and end-customer engagement at APA.

SEGMENT	ORGANISATIONS INTERVIEWED
Regulators	Australian Energy Market Commission
	Australian Energy Regulator (x2)
	Murraylink Consumer Challenge Panel
Consumer & Business Advocates	Australian Industry Group
	Business SA
	Central Irrigation Trust
	Energy Users Association
	Public Interest Advocacy Centre
	St Vincent de Paul
Direct Customers	Uniting Communities
	AusNet Services
	ElectraNet
	Essential Energy
Local Council Stakeholders	Powerlink
	TransGrid
	Berri Bamera Council
	Mildura Council
	Tweed Shire Council

03

CONTEXTUAL ATTITUDES TO APA

Overall Perceptions of APA Group

We began the interviews with a contextual question to gauge participants' overall attitudes to APA. From this, and subsequent discussion, it was clear that APA has relatively poor overall reputation amongst many stakeholders, with regulators and business and consumer advocates being most negative.

In roughly descending order of mentions, this was attributed to:

- 1. The behaviour and tone of working relationships** which were frequently described as being aggressive and unnecessarily personal when differences of opinion arise. This belligerent approach was typically attributed to senior levels within the organisation and was evident in both personal dealings and in APA's behaviour at industry forums and events. APA's adversarial approach was seen as being directed towards a range of stakeholder types including regulators, advocates and other energy businesses.
- 2. APA's perceived contempt towards end-customer engagement** which is obvious to virtually all and seen as being completely out of step with the rest of the industry. This was exemplified in the widely noticed Murraylink submission in which APA openly stated that it believes it is unnecessary for it to engage with end-customers beyond its direct customers. To many, this exemplified the disregard that APA has for the regulatory reset process and the need to engage as part of it. Others were unaware of the Murraylink proposal, but held similar views based on APA's broader reputation in the industry and their experiences interacting with APA on its gas assets.
- 3. A lack of transparency** which included perceptions of APA withholding information from regulators as well as a lack of detail and justification of costs (e.g.

in the Murraylink submission). This reinforces underlying suspicion of the energy network sector which has historically been seen as taking advantage of their monopoly positions to maximise profits and put shareholders' interests ahead of those of end-customers.

- 4. Siloed decision making, and inadequate stakeholder engagement** overall, and in advance of regulatory submissions. The clear trend is for network companies to engage more "up-front" and seek feedback on initial ideas and draft regulatory submissions. In contrast, APA's approach was described as being more insular, lacking in stakeholder engagement and, as noted by one, more characteristic of a "DAD" model – Decide, Announce, Defend. Some acknowledged that this could be due to APA's engineering-led approach (e.g. a technically-minded culture that does not appreciate the benefits of engagement) while others suspected that it was a deliberate strategy to avoid scrutiny of its operations.

"They need to understand that even with an interconnector, where in effect you only have two customers – AEMO and transmission businesses – at the end of the day, end-customers are paying for the costs of that service."

Regulator

“The water infrastructure companies in Melbourne do a fabulous job. The information was always available with their account statements and they’re telling their [end-]customers what they’re doing. More and more, organisations are telling people where their dollars are going but I don’t see that with APA.”

Local Council

“I’ve been in a number of public forums with the AER where the APA representative has been openly hostile to issues the AER and the CCP are endeavouring to pursue that meet the long-term interests of consumers. They are opposed to the process and not forthcoming with information - and I can assure you they have a reputation in the business for being an outlier.”

Advocate

These negative attitudes towards APA were held most strongly amongst regulators and those who follow, or are involved in, regulatory processes, although they were not exclusive to these segments.

Attitudes towards APA amongst local council stakeholders and direct customers were more positive overall – noting that these stakeholders were more operationally focussed and typically less attuned to the

evolving expectations of engagement in the energy sector. Several of them spoke of the good operational-level engagement they have with APA and characterised it as being professional in its dealings, technically competent, and communicating well with them on operational issues.

It is also worth noting that some senior targeted participants (especially in local council and direct customers) had limited knowledge or direct dealings with APA and this suggests an absence of strong, broad, or strategic relationships with these organisations.

“They are quite responsible and the people we deal with are personable, approachable and pragmatic. All the hallmarks of good customer service for me.”

Direct Customer

Addition details of attitudes and expectations by segment are as follows:

Regulators

Regulators were amongst the most negative towards APA and they characterised it as being “infamous amongst regulated business” or “at the bottom of the pile” for all the reasons outlined above. From their perspective, APA is simply not ‘playing the game’ and disregards its obligations as a regulated business. They have a lack of trust in APA, find it difficult and frustrating to deal with, opaque in the information it provides, and, in some instances, unclear in what it wants.

There were, however, some instances of good personal working relationships with individuals from APA who were characterised as being capable and

amiable, especially in dealing with the regulators’ frequent criticism. Some also noted that they, as regulators, could do a better job in being more responsive and open – “less standoffish” – towards APA and that they also share responsibility in improving the relationship in the future. This is consistent with regulators’ broader efforts to improve working relationships with all network businesses.

“I have a fair understanding of Murraylink and its history, with some clear exposure to APA’s engagement on this...which is to not engage! They were quite up-front and said we’re just not going to do it. I understand this is consistent with their approach on gas and they’re infamous among all the regulated energy businesses at being at the bottom of the pile. When people bring up the APA among my colleagues, there’s a giggle or a groan.”

Regulator

In order to meet their expectations, regulators want APA to:

- 1. Foster more productive working relationships** with a more reasonable tone (especially when disagreements inevitably arise) – be clear about points of disagreement, but also respect the legitimacy of opposing views and work constructively on addressing concerns.
- 2. Become a more end-customer-focussed business** by listening to, and considering, end-

customers' long-term interests in relation to future options for its assets. In response it will also be important for APA to actively demonstrate and communicate how its assets and specific asks are in the long-term interests of all electricity customers.

- a. In the case of APA's interconnectors, engagement via advocates and representative bodies is considered most appropriate (more on this later) on account of the relative size of these assets and limited salience for end-customers.
 - b. A few participants felt that direct end-customer engagement may be more appropriate for APA's gas assets (although exploring what this may involve were beyond the scope of this study).
3. **Accept that stakeholder and end-customer engagement is a core part of APA's business** and that engagement will actually benefit APA, if done well (e.g. by building trust in APA's proposals and their rationale amongst regulators). They also want to see this engagement being vertically aligned within APA as a business-as-usual activity and not considered an ancillary activity that is only done by one part of the organisation in the run-up to each regulatory reset.
4. **Increase engagement with regulators** including strategic meetings (perhaps biannually) to update regulators on APA's plans and to also additionally consider regular, less formal conversations to network, and build relationships and trust.
5. **Earlier and more frequent engagement on regulatory resets**, with some very surprised at the lack of engagement on Directlink given how soon its submission is due, and the previous negative feedback on the Murraylink submission.
6. **Greater industry engagement and involvement in the conversation" on the future of electricity delivery** and implications for end-customers. One

suggestion for this is for APA to have a seat at the existing end-customer forums of Electranet, AusNet Services, Transgrid and/or PowerLink (which the AER could help facilitate).

Consumer & Business Advocates

Advocates are becoming increasingly involved in energy issues, as well as increasingly sophisticated in their understanding of the reason for price rises which affect their constituents. There is a lot of anger at the sector overall and a belief that they have been "taken for a ride" and "ripped off" for too long. Attitudes towards APA reflect this, with participants noting:

- APA's reticence to engage with end-customers and stakeholders overall and on Murraylink in particular;
- APA's aggressive approach – e.g. reflected in its opposition to reforms to its unregulated gas assets (as presented in the 2016 Vertigan report); and
- APA's lack of involvement in public debate about the future of energy, which feeds into a belief that they are trying to fly under the radar, further reducing trust.

Their experiences with APA, and expectations of it, are broadly in line with those of the regulators (although several have had minimal interaction with APA). They want APA to demonstrate that it is interested in, listening to, and actually working towards the long-term interests of energy customers.

They do not believe that the 0.2% of bills argument absolves APA of this engagement responsibility (and is indeed symptomatic of APA's lack of understanding of the importance of engagement) - although the size of APA's interconnector assets does factor into what they consider to be a reasonable engagement program.

"It's not just about their attitude that they think consumer engagement is a waste of time when they're doing a reset, it's about their attitude generally around economic regulation of their assets."

Advocate

Importantly, the vast majority of these business and consumer advocates are not expecting APA to undertake a costly large-scale end-user engagement program (whose costs would ultimately be passed on to their constituents). They are, however, wanting APA to be end-customer-focussed, to be personally informed of APA's future plans (e.g. via plain-English documentation) and consulted where appropriate as part of a proportionate engagement program (i.e. engagement should be proportionate to the size and impact of the assets / proposals at hand).

Several also expressed their willingness to assist APA on this journey and to provide advice on how the organisation can effectively engage, drawing on their extensive experience across utilities sectors.

"I would expect APA to have a better understanding as to who their customers are, and to understand those as direct customers and end-use customers. It's understanding that, in economic terms, the bill still rests with people that might be a couple of steps removed from their business."

Advocate

Direct Customers

Direct Customers had the most positive view of APA of all segments. They typically spoke from an operational perspective, highlighting good customer service and communication, and good working relationships (e.g. on maintenance issues).

However, it appears that these direct customer relationships are typically at an operational rather than strategic level, since several senior participants we spoke with tended to refer to relayed experiences from their operational staff. Some reported having strong long-term relationships although newer stakeholders had lower levels of familiarity and engagement with APA.

Some also noted the APA “struggles with end-customer engagement” and this impacts on how the direct customers perceive APA’s reputation. There was a belief that APA should be engaging more with end-customers, with some noting how this has had a positive effect on their own businesses. There were also offers to help APA become more end-customer-focussed in the future.

Other negatives mentioned by participants included:

- A suspicion that APA is price gouging direct customers – due in part from a perceived lack of transparency on its pricing; and
- Some increased delays in the legal review of commercial agreements, with limited interim feedback or communication on their progress.

These direct customers are often seeking more frequent and direct face-to-face engagement with APA to build relationships. More broadly there is a willingness for more strategic interaction with APA to discuss how their businesses could potentially support each other and partner on broader initiatives – such as opportunities for increasing the uptake of renewables.

A suggestion from one was a regularly scheduled quarterly or half-yearly meeting between senior teams to discuss higher-level issues.

“When I had to deal with an APA representative, normally of a technical nature, they would be friendly and professional, and they would be willing to cooperate, understand our needs and provide information in a timely and efficient manner.”

Direct Customer

“The key is listening and genuinely wanting to hear from stakeholders and that was one lesson for us as a business: We headed up to a stakeholder gathering one time and understood there were some strong views about electricity supply issues. We got key stakeholders together and spent the first hour hearing from them and getting a download of concerns and then we had a conversation about what it means for our role. It’s important to be genuine about your engagement – people can smell when you’re just ticking boxes and the intent makes a difference.”

Direct Customer

Local Councils

Local council stakeholders typically had a neutral to positive view of APA, with attitudes that were held less strongly than other segments. For some, APA acts like any other corporate they deal with and does not particularly stand out in good or bad way. Others were quite complimentary and noted that APA has been professional in its operational dealings with them: running its business well, communicating with them in a timely and efficient manner, and being friendly and cooperative in general.

There were however, several suggestions for how APA could strengthen its reputation and improve its engagement with the council and the local community. This included APA:

- Improving communication around safety issues – with a “blasé” approach to this (reflected in a lack of communication) noted by one participant;
- Having a stronger focus on regional gas end-customers and a desire for more regional investment to underpin the economic growth potential of regional centres;
- Being more proactive in informing and engaging with councils on APA’s future long-term plans (e.g. in relation to potential impacts on local infrastructure as well as opportunities for local industry). This could potentially include a “roadshow” of local councils where APA discusses its plans with council CEOs and GMs to build relationships and presence at this senior level;
- Having more face-to-face engagement with them in general to help build understanding and trust;
- Improving engagement with local landholders – including providing basic information about works being undertaken;

- Having a greater presence in the local community (e.g. via targeted sponsorships); and
- Targeting consultative engagement with local landholders on issues affecting them directly.

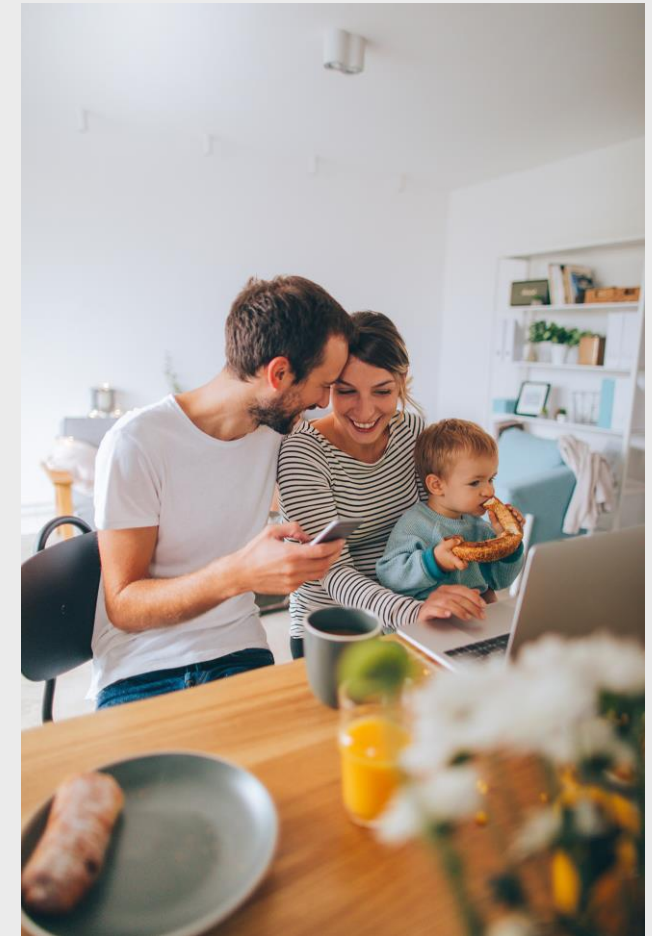
“They need to talk to their regional [end-]customers more than the city ones – they may not get as much money from the regional customers, but there is an important conversation on how they support population growth and options for local infrastructure, so these regional communities can grow.”

Local Council Stakeholder

The council representatives we spoke with, as well as other stakeholders, also noted that councils are a good resource to assist APA in engaging with its local operating communities due to their knowledge of local issues and the local groups that could be consulted with when this is required. Most stakeholders were also completely unaware of how well APA is engaging with local communities (or if they are doing it at all).

“The feeling we have is that they’re not concerned, that they’re comfortable with their asset and the way it’s shielded, and they won’t undertake a significant amount of work on it to make it safer. We find that a little bit discomfoting for an energy provider, with high-voltage power lines.”

Local Council Stakeholder



04

ATTITUDES TO PREVIOUS MURRAYLINK ENGAGEMENT AND APA'S INTERCONNECTORS

Engagement Approach to Murraylink

The Murraylink regulatory submission was typically poorly received by those aware of it. When asked to rate APA's engagement approach on Murraylink, most gave it very low scores. Only one participant gave it a score over five and several scored it a zero or two out of ten. Reasons for this included:

- Indignation at APA's blatant statement that it does not believe it is important to engage which was "taken very seriously" by those observing the process";
- Inadequate communication about the submission (reflected in the low number of responses) which, for some, also perpetuated a belief that APA was trying to fly under the radar as an attempt to avoid scrutiny; and
- Inadequate detail and transparency on technical aspects justifying costs (including a reported "surprise contingent proposal" for a potential \$1billion future cost").

"The lack of acknowledging consumer engagement is a vital piece of the puzzle. The one stand-out to me is the fact they came up with a contingent project they submitted that was worth \$1 billion, contingent on certain things happening to upgrade the Murraylink interconnector. I would have thought you would be out there speaking to people, talking to other TNSPs, but I was taken aback that they put it out there without speaking to anyone..."

Regulator

There were a couple of positive comments on the submission including satisfaction with some technical aspects of the proposal, some movement on the costs of control systems, and a willingness to listen, if not adequately respond to, complaints and concerns from the regulator.

"They certainly listened and...while they didn't change their behaviour, we certainly saw some movement on some of the issues – like the cost of the control system. It wasn't a completely doors closed, not listening approach...it was clear they were hearing the message but were not well equipped to respond."

Regulator

"They say you are judged on your actions rather than your words, but in the case of APA they were judged on their words because they said to everyone that [end-]customer engagement is not important to them".

Advocate

Broader Attitudes to Interconnectors

Encouragingly, attitudes towards APA's interconnector assets were generally positive with many noting their benefits in:

- Reducing prices by correcting market imbalances and inefficiencies;
- Improving network stability and maintaining reliability; and
- Their increased importance in the transition to more renewables.

Some also questioned how they fit within AEMO's Integrated System Plan and suspected that they could play an important role in this. A few wondered whether they could end up as "stranded assets" (in line with a potential move to more distributed power sources) although this was not a strongly held view.

Participants felt APA's position and narrative on this matter was unclear, raising questions as to whether APA itself has even recognised the realities and potentials of the current energy policy landscape – much less articulate and prosecute their case to the broader community.

Indeed, not all stakeholders interviewed were sufficiently familiar with APA's interconnector assets, suggesting a clear, strong opportunity to promote the importance of APA's interconnector assets, and demonstrate how they, and decisions involving them, are in the long-term interests of all end-customers.

This would include communicating:

- Their benefits to lowering prices for end-customers in the context of the National Electricity Market;
- Their increasing importance in maintaining reliability as more renewables come online; and

- Their role and importance within the Integrated System Plan.

"Given how dynamic the energy sector is at the moment, the days of flying under the radar and no one caring are over. They don't need their names up in lights all the time, but anyone in the chain needs to understand there's an increased focus on anything to do with electricity or gas costs."

Advocate

"It's about being engaged in the conversations that are going on – we're all trying to understand the Integrated System Plan. No one is sure who is going to pay for it, AEMO is holding forums and there's so much going on but APA is nowhere to be seen. It's like this invisible asset – they're not there defending its value and it's an odd situation. There's no need to engage with end-customers but be part of the conversation!"

Regulator



05

EXPECTATIONS FOR FUTURE ENGAGEMENT

Broad Expectations for Future Engagement

As previously noted, there is a unanimous belief that APA must transition to become a more end-customer-focussed business, and this includes a focus on, and understanding of, end-users as well as AEMO and the large transmission companies that use its interconnector assets.

As stakeholders, they also want more engagement with APA overall (even things as basic as letting them know what APA is considering or doing) and there is a strong willingness to help APA on its journey to become more stakeholder and end-customer-focussed.

It is important to note that this transition will need to involve a fundamental change in attitudes and behaviour from APA. This is not simply a communications challenge and it will be obvious to stakeholders if APA treats it as a “tick-box” exercise.

No-one believes that the size of the asset and the ‘0.2% of bills’ argument absolves APA of the responsibility of being end-customer-focussed and that statement just reinforces to people that APA is out of step with how the industry is moving. Having said that, stakeholders do acknowledge that the size of the interconnector assets is an important consideration for the engagement on it.

Almost no one expects APA to do extensive end-user research or engagement on these assets and they believe it is appropriate for any engagement to occur via consumer advocates (noting that some had a different view for their gas assets – where they think there are more likely to need some direct end-customer engagement).

“We’d want to see them coming to speak to us a lot earlier and continued discussions around what’s evolving and issues that might then come up at the next regulatory review. I would have honestly thought they would have come and spoken to us a lot sooner on Directlink, at least six months out – having a dialogue so stakeholders can start working with them.”

Regulator

Engagement Preferences & Methods

Stakeholders are increasingly looking for early and more frequent engagement on regulatory submissions and for opportunities to respond to draft submissions. Some were very surprised that there hasn’t been engagement with them on Directlink to date when it is due so soon and, to avoid a response like Murraylink, it will be essential for APA to reach out to them as soon as possible.

Beyond regulatory submissions, there was a consistent view that APA should engage on an on-going, business-as-usual basis with its stakeholders. Even if those stakeholders are unable to fully respond due to competing priorities or limited resources, they would still appreciate the opportunity to provide feedback on APA’s initiatives and thinking – creating an opportunity to further reinforce that APA is now genuine about engagement and incorporating feedback into its strategies and operations.

The advocates we identified for this study were all confirmed by participants as the groups that APA should be engaging with on Directlink. All the people

we spoke with wanted to be involved (or at least informed of engagement opportunities on Directlink).

We also asked participants how they want to engage on Directlink as well as their responses to various potential approaches as noted below.

Stakeholder Deep Dives

There was widespread support for APA to do a stakeholder deep dive (half-day workshop) for Directlink and this approach was frequently mentioned without prompting. All the stakeholders we spoke to would want to be invited to this and, although some may not have the resources to attend, emphasised that they will appreciate the invitation.

A stakeholder deep dive provides a good opportunity for APA to demonstrate that it is actually doing something and trying to become more end-customer and stakeholder focussed. Key things to consider in making this a success (which were mentioned by participants) include:

- Defining and being very clear on the objectives of the deep dive;
- Offering to pay for travel and time;
- Considering a video link for those who can't attend in person;
- Sending out sufficiently detailed materials well in advance;
- Being respectful of people's time – with a half-day session (perhaps with follow-up opportunities) seen as being appropriate for Directlink;
- Hosting it in an appropriate, easy to access location;
- Considering independent verification on key data presented;

- Having a good mix of people from APA in the room, from all levels of seniority;
- Allowing adequate time for questioning and discussion (i.e. only talk for around one-third of the time and do not present an "180-slide PowerPoint deck"); and
- Not pressuring attendees to take positions on complex issues on the day.

"The key thing is follow-up – whether it takes a week or three weeks, you just need to commit to a timeframe and deliver on it."

Local Council Stakeholder

Other initiatives which were generally well received by participants include the following:

Stakeholder Perceptions Research

Regular stakeholder research was typically seen as a useful way for APA to gauge and build its reputation. To gain value from this activity it will be important to have subsequent feedback loops back to stakeholders which acknowledge their contribution and report on some results (even at a high level).

Plain English Reporting

Plain English reporting (e.g. on APA's website) with separate documents for lay people and those with more high-level technical expectations. This provides a good opportunity to inform end-customers of APA's activities and demonstrate that APA is becoming more open and transparent to end-customers and stakeholders.

Stakeholder Engagement Framework

Developing and publishing an engagement framework on APA's website was typically seen as being a useful,

and relatively simple, activity for APA to undertake. However, this should not be an immediate priority and there will be some cynicism if APA publishes this in advance of actually doing any end-customer-focussed engagement.

Affected Landowners Research & Engagement

Local community research and engagement was seen as something that APA should be doing on issues and decisions that affect the local community. It was typically considered in the context of a "business-as-usual" activity with some wondering whether it fits within the remit of a regulatory submission. This would likely involve proactive communication with landholders and councils and exploratory qualitative research with the community.

"The community generally likes to be involved, particularly landowners who are affected – they see workmen coming out and want to know what's going on. From time to time, just a periodic reminder that these are the scheduled works we undertake. There is quite a large farming community that's impacted by these types of infrastructure and a lack of communication is a failure on major infrastructure providers overall."

Local Council Stakeholder

Other potential initiatives that were raised by participants included:

- **Consumer Councils** which were mentioned as being useful by some participants. These typically involve

a regularly convened group of 15-20 end-users who meet to provide an end-customer perspective on a company's activities as decisions. However, other participants felt this would be 'overkill' for the relative size of APA's interconnector assets – though they supported exploring the idea of a broader council across APA's entire business (or at least for its gas assets).

- **“NewReg”** was noted by some participants as an innovative new approach in partnership with the AER. It involves the creation of a ‘Customer Forum’ comprised of prominent members of the community who are non-experts and hold relevant skills for evaluating complex regulatory proposals – allowing the forum to negotiate with APA on behalf of end-customers and thereby reducing the burden of subsequent engagement with the AER. The NewReg approach is under trial with AusNet Services for its next electricity distribution price review, with positive early reception among energy sector stakeholders.
- **Coordinating engagement with other network companies** was noted by some participants as something that APA should consider (e.g. having a session as part of an ElectraNet engagement session). However, some were somewhat sceptical of this idea and noted that it will be essential for APA to demonstrate it is doing its own end-customer engagement. Examples of other network companies doing a good job that APA could learn from include: TasNetworks, SA Power Networks, and Jemena.

“From our perspective, we don’t actually want Murraylink to do a whole lot of consultation when they’re a relatively small cost. Not that it doesn’t matter what they spend – but we recognise they don’t need to consult to the degree that SA Power Networks needs to. They just need to do something targeted and lower-cost – like come to Adelaide and meet with key consumer representatives and business groups from time to time – that would be helpful to their future causes. It doesn’t have to be expensive or ‘official’ – just proactive.”

Advocate

“Don’t think about engagement processes as an add-on. Resist the temptation to think about it in those terms. Think about engagement as a way to make your business more sustainable and responsive to the people you’re serving – you don’t then get people yelling at you through submissions. It’s better for everybody.”

Advocate



NEWGATE
RESEARCH