

Independent Consumer Report  
(Final) – December 2022

Essential Energy  
2024-29 Regulatory Proposal

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## Executive summary

The following Independent Consumer Report (Interim) provides an assessment of consumer engagement undertaken for the development of Essential Energy's 2024-29 Regulatory Proposal (Regulatory Proposal).

Comacon, a stakeholder and community engagement consultancy, has undertaken this assessment on behalf of Essential Energy's independent advisory committee, the Stakeholder Collaborative Collective (SCC). To conduct the review, Comacon along with SCC members, observed several consumer forums, in-depth interviews, material testing groups, and attended meetings for the Stakeholder Collaboration Collective and Pricing Stakeholder Collective.

The report has been developed in consultation with, and endorsed by, Essential Energy's SCC as per the group's Terms of Reference – and specifically a subcommittee consisting of four members from the larger group.

The overarching key objectives of the Independent Report are to assess the:

- Quality of Essential Energy's engagement during the development of its 2024-29 Regulatory Proposal
- Extent to which the Regulatory Proposal reflects consumer preferences and desired outcomes.

The Interim Report covered the period from July 2021 to July 2022. The Final Report includes the interim report as well as the additional Regulatory Proposal period of July 2022 to November 2022.

### A new engagement approach

A comprehensive, strategic engagement plan was developed by Essential Energy for the Regulatory Proposal. It is guided by a vision of *'building a shared energy future'*.

In the plan, there is a clear aspiration to adopt a new approach to engagement by building on the success of the previous regulatory proposal for the period 2019-24. The plan is modelled on the International Association for Public Participation's (IAP2) spectrum.

This new approach is defined by a level of engagement that aims to move from the 'involve' level of the spectrum to the 'collaborate' level of public participation – where there is a promise to work with participants to ensure concerns and aspirations are directly reflected in the decisions made.

The purpose of engagement has been defined as 'ensuring the views and expectations of Essential Energy's diverse customer base are accurately and meaningfully reflected in the Regulatory Proposal, such that it is capable of acceptance and approval by the Australian Energy Regulator (AER)'.

### Strategic context

Development and delivery of the engagement program for the Regulatory Proposal has been undertaken in the context of several internal and external factors.

Most notably is the impact COVID-19 has had on the delivery of the engagement program. Due to COVID-19 restrictions during 2021 and 2022, phases one and two were required to be delivered online via Zoom. The SCC acknowledges that online engagement has made deliberative engagement challenging due to factors such as customer familiarity with the technology.

Other factors include:

- The tight timeline to meaningfully engage and deliver the Regulatory Proposal

- Expectations by the AER to be customer-centric by ensuring consumer preferences drive the development of the regulatory proposal in line with their Better Resets Handbook
- The intersection of the NSW Government’s Electricity Infrastructure Roadmap on Essential Energy’s business
- The impact of the 2019-20 bushfires and ongoing floods in northern NSW during 2022
- Increased media coverage on the energy sector amidst disruption in the wholesale market
- Rising inflation and interest rates.

These factors are all in a landscape where there is a rapidly changing energy market driven by new technologies and changing customer expectations.

## The path to a shared energy future

The methodology adopted for engagement is a multi-phased approach made up of a planning phase followed by four distinct phases, including:

- Phase One – setting the scene (October-November 2021)
- Phase Two – understanding our customers (February-March 2022)
- Phase Three – investment options (May-June 2022)
- Phase Four – testing the proposal (September-October 2022).

With the IAP2 spectrum as the guide, each phase of the Independent Report has been assessed by considering:

- How engagement has evolved
- What’s resonating well
- Points for future consideration and clarification.

This approach is to demonstrate how via an iterative process of feedback between the SCC and Essential Energy throughout each of the engagement phases, a high-quality engagement program has been delivered and one ultimately shaped by customer (and stakeholder) preferences and desired outcomes. Following are overall highlights of each phase, addressed more fully in the report.

## Planning Phase

It is evident that Essential Energy dedicated adequate resources and time to this phase guided by the input of both customer representatives from the previous regulatory period, as well as stakeholder representatives from a broad range of groups including retailers, advocates, and local councils.

Both customers and stakeholders had the opportunity to provide input into the topic areas and engagement approach including who to engage with, on what, and how, via a stakeholder co-design workshop. Feedback and insights from this workshop helped shape the overall engagement plan.

These insights included forming an advisory group (i.e. Stakeholder Collaborative Collective) to provide guidance to Essential Energy throughout the engagement process and the inclusion of more representative groups into the engagement plan such as young people and those directly impacted by the issues such as small businesses.

This phase achieved its objectives of developing a leading-edge engagement plan that provided clarity on who to engage with, what to engage on, and how to engage. This was done via an extensive co-design process with customers and stakeholders and an early ‘partnering’ approach to the engagement process – one that was authentic by being responsive to consumer input.

## Phase One – setting the scene

Engagement in this phase consisted of a mix of methods across the IAP2 spectrum including visioning forums, stakeholder in-depth interviews, a 24/7 interactive Virtual Room and meetings with the SCC. It was delivered online due to COVID-19.

This phase aimed to create informed participants, to understand what the future vision is for customers and what's important to them, and to identify what information customers might need to make informed decisions.

Topics for engagement included:

- Recap of customer priorities and vision
- Customer service and measurement
- Exploration of risk factors that may shape investment decisions.

In this phase, participants were empowered to create their own energy future in a creative and engaging way through visioning forums – an initiative that enabled them to build an understanding of the ‘big picture’ and lay the foundation for future engagement. The high involvement of Essential Energy staff across the organisation, including senior representatives, sent a strong message about the importance of the customer voice from the outset of engagement – one that continued throughout the engagement journey.

A ‘Virtual Room’ was launched during this phase to provide background information about Essential Energy as well as each of the engagement themes – an idea that was tested in the Tariff Trials Project and addressed suggestions from customers to allow adequate time to digest new information. The online platform allowed for information to be shared including presentation materials, videos, and graphics with customers and enabled them to explore, interact and provide feedback on topics throughout the engagement journey.

A key constraint of this phase was the volume and technical nature of information Essential Energy was required to communicate to meet the regulatory expectations to seek consumer preferences, combined with the shortcomings that come from delivering content online.

Overall, Phase One successfully set the scene for future engagement in terms of scope and building trust with customers to promote a collaborative approach. It identified what is important to customers in the engagement process, particularly the impacts of climate change (the extent to which Essential Energy did not fully anticipate) and a more sustainable energy future – in a setting where technological changes and an increasing shift to renewable energy are changing the way customers are using the network. This concept of a future network vision formed the basis of a narrative to build a network for the future. In this way, engagement achieved what it set out too.

## Phase Two – understanding our customers

This phase aimed to inform participants at a ‘higher level’ and to gain an understanding of customers’ views and priorities and their broad appetite for the level of investment in relation to the key issues identified as important to customers in Phase One.

Topics for engagement were broken into two parts:

- A. Resilience and reliability, including power quality
- B. Pricing, including consumption pricing and two-way pricing.

Engagement consisted of a mix of methods across the IAP2 spectrum including consumer forums, stakeholder in-depth interviews and materials testing groups.

During this phase, a Pricing Collaborative Committee (PCC) was established on the recommendation of the SCC. The purpose of the PCC was to co-design and guide decisions on the Tariff Structure Statement (TSS).

Ongoing prominence was given to the customer voice by providing a re-cap of feedback from Phase One i.e. 'What we heard was', 'To ensure we heard right' and 'Your network vision'. Prominence was also given to linking customer priorities to engagement topics to provide a framework for discussion, and the introduction of personas (single lady versus a family of four) to help explain the complexity of pricing, resonating well with participants.

The SCC acknowledges that the aims of this phase were impacted by the need to engage online due to COVID-19. Specifically, given the online format changed the nature of deliberative conversations, breakout rooms may have benefited from additional time to discuss complex information and better understand customer preferences, especially on pricing.

Similarly, while polling did offer a 'don't know' option and the purpose was in most cases to determine the highest level of investment options to put forward to customers in Phase Three, participants may have benefited from more time to process information when making decisions on more complex topics such as power quality, or topics they didn't yet have a full picture of, such as the Total Bill Impact.

To address the shortfalls of engaging online, the SCC supported by the PCC, recommended a separate, smaller deep dive to revisit pricing where:

- Participants are empowered to come up with new pricing ideas
- There is enough time for deeper discussion
- Customer values drive the options
- The right Essential Energy staff are on hand to answer questions.

In response, Essential Energy organised an all-day deep-dive workshop in Sydney with a cross selection of participants from across their network, showing flexibility and adaptability within their engagement process. More information about this workshop can be found within the report.

### Phase Three – investment options

Given the opportunity to engage face-to-face at customer forums with the easing of COVID-19 restrictions, and by taking onboard SCC feedback from earlier phases in terms of content, format and process, the approach to Phase Three was much more collaborative marked by a high level of engagement with participants.

This phase aimed to develop proposals based on customer and stakeholder collaboration, and identification of program preferences. Engagement consisted of methods consistent with Phase Two.

Topics for engagement included:

- Resilience
- A network fit for the future.

Discussions with participants were well facilitated to ensure all voices were heard and there was opportunity for participants to ask questions of Essential Energy as they arose. There was also a genuine level of goodwill between Essential Energy and participants, which highlighted the importance and

benefit of face-to-face communication for complex topics. The options presented were clear and supported by high quality communication materials.

To encourage deeper and more deliberative engagement – in the context of limitations of the earlier online phases – more time could have been spent on clarifying what aspects of customer preferences could shape the proposal and what aspects are constrained due to the regulatory framework. This would then better inform conversations around what participants value such as fairness because they would understand what is in, and what isn't in scope.

Overall however, this phase did largely achieve its aim of developing proposals based on customer preferences and stakeholder collaboration; and identifying program preferences.

### Deep dive workshop on pricing

During Phase Three, Essential Energy concurrently held a smaller and separate deep-dive workshop on pricing in Sydney in direct response to SCC feedback raised in Phase Two. This consisted of an online pre-information session and an all-day face-to-face workshop with 19 participants from across the network.

The deep dive demonstrated that through enough prior education and a clear framework for decision-making provided by the pricing principles, participants can contribute to discussion in an informed and meaningful manner, validating that a separate session on pricing was warranted.

At the workshop, there was a genuine sense of 'building a shared energy future' by designing options based on well-informed participants and understanding customer values and preferences. Similarly, for customers it was a way for them to develop a deeper appreciation of the trade-offs and the larger role Essential Energy plays in the energy sector.

### Phase Four – testing the proposal

Phase Four aimed to test whether customers and stakeholders were satisfied with what was presented in the draft Regulatory Proposal and whether there was an appropriate balance between what was heard and how this was represented. It also assessed whether there was adequate explanation on where and why feedback and customer preferences were not taken onboard.

Topics for engagement included:

- Flexible connection agreements
- Playback of investment options
- Tariff Statement Structure changes
- Customer Service Incentive Scheme.

Engagement observed in this phase was at a much more granular level than earlier phases evident in the way deliberations were structured to engage participants based on their values. This was particularly evident in deliberations around flexible connection agreements and the different approaches to implementing export limits on different sized systems, where once participants had a good understanding of the broader issues and how it affects different people, they were able to make informed decisions based on what they value regarding cost versus benefit. The concept of fairness within a values-based framework was explored in its complexity and provided essential context for deliberations. The outcome was robust, values-based decisions from participants.

As a result, this phase demonstrated the strongest evidence of engagement towards the collaborate level against the IAP2 Spectrum – and it is unlikely that engagement in this phase could have been much more collaborative within the limitations of the regulatory framework and the engagement approach adopted.

It was evident content for the sessions evolved during the phase, particularly in relation to the framing of ‘fairness’ and questions around flexible connection agreements and curtailment. This approach to engaging participants on flexible connection agreements was outstanding. Combined with longer and more in-depth discussion, this could be considered an approach to engagement that is very collaborative (deliberative).

## Assessment against the building blocks

Engagement against the key elements and building blocks in line with the AER’s *Better Resets Handbook* was also assessed. This included looking at whether Essential Energy’s engagement:

- Focused on the outcomes consumers want from the proposal
- Looked at long term outcomes beyond the regulatory period
- Used the inputs from the consultation to develop forecasts and craft the regulatory proposal
- Consulted beyond the building blocks i.e. other themes, issues, and considerations such as sustainability and affordability.

Given the complexity of the elements and level of education required to understand financial concepts, Essential Energy’s approach to talk about tangible outcomes that participants could engage with and hold higher level discussions with the SCC to inform Essential Energy’s position, was an appropriate approach.

Essential Energy sought to incorporate customer priorities into the capital expenditure and operating expenditure forecasts, which was tested for accuracy in Phase Four.

Overall, Essential Energy’s engagement has been future focused and looks beyond the 2024-29 regulatory period. Throughout their engagement activities, Essential Energy has spoken about outcomes being longer term and have weaved this messaging into their narrative. They have also consulted on a range of topics that go beyond the building blocks such as climate change and affordability. There is also evidence of Essential Energy applying learnings to business-as-usual engagement strategies including gaining CEO approval to establish a customer advisory group with participants from the deep-dive workshop on pricing to assist with testing issues and communication materials outside the regulatory process going forward.

## Raising the bar

To determine whether the ‘bar has been raised’ and engagement has moved from the ‘involve’ level of the IAP2 spectrum to ‘collaborate’, key criteria commensurate with the collaborate level of public participation has been assessed. This includes assessing whether there has been evidence of:

- An engagement framework designed with customers and stakeholders
- A variety of engagement approaches and methods
- Emphasis on creating informed, educated participants
- A partnering approach to decision-making
- Meaningful feedback that is an integral part of the engagement process
- Governance mechanisms around delivery
- Public participation that adopts IAP2 core values.

When assessed against these criteria, the overall evidence, suggests a considerable shift towards the collaborate level of engagement across all areas of the criteria.

While not all aspects of the engagement process could be considered collaborative (deliberative) under the IAP2 Spectrum, on balanced assessment, we consider the engagement to have had the right level of

deliberative components when considering the limitations of the regulatory framework and the required outcomes.

We also consider that engagement was undertaken in such a way to have been sufficiently robust and inspire confidence that the customer voice has been appropriately heard and reflected in Essential Energy's Regulatory Proposal

Phase Four demonstrated the strongest evidence of engagement at the collaborate level against the IAP2 Spectrum – and as alluded to earlier, it is unlikely that engagement in this phase could have been much more collaborative within the regulatory framework and the engagement approach adopted.

Across all phases, there has been greater success at the collaborate level with stakeholders given their inclusion in designing the engagement plan and their ongoing insights via the in-depths and the regular and ongoing involvement of the SCC and PCC. For customers, while the process of engagement has overall genuinely been collaborative, and deliberative processes have been used, the engagement has not always been truly collaborative as strictly defined by the IAP2 Spectrum.

## Customer preferences and the draft regulatory proposal

Throughout engagement, Essential Energy clearly linked engagement themes and topics to customer priorities as identified early in engagement. The SCC is confident that the draft proposal is a true and accurate reflection of customer preferences uncovered through the engagement process. This includes:

### Network of the future

- Customers and stakeholders stated they would like a network that is smarter and fit for the future. This included support for implementing real-time monitoring and dynamic assets to facilitate increasing levels of renewable generation connecting to the network.
- Customers support the need for Essential Energy to reduce the environmental impact of its operations.

### Resilience and reliability

- Customers said they support the current level of reliability and don't want to pay more to have it higher. They also support Essential Energy continuing its current program to improve reliability for its worst-served customers.
- Customers said they value strengthening the network slightly more than investing in community resilience.

### Pricing

- Customers support the continuation of postage stamp pricing and prices that do not change with the seasons.
- Customers support moving towards more cost reflective tariffs but want to ensure there is choice when it comes to tariff options.
- Retailers said they would prefer a one-year grace period before more cost-reflective prices are applied to customers following a meter change. This was to allow time to understand consumption and export.
- Customers generally supported the concept that two-way pricing will improve fairness and will help to solve network issues arising from integrating new technologies.
- There was a clear preference from customers that the trial Sun Soaker tariff along with the trial export charge is the preferred placeholder default tariff.
- Customers support being able to opt into two-way pricing from 1 July 2024.

- Support for export prices to be applied to all exporting customers from 1 July 2025 was not as strong, especially from those customers with solar panels. However, customers that participated in the deep dive workshop were far more supportive after further education.
- Customers and stakeholders support undertaking a comprehensive education campaign ahead of the introduction of two-way pricing.

## Customer service

- Customers said measurement outcomes should focus on communicating planned outage times and an estimated time to restore unplanned outages. There was also an expectation from customers that a key measure is the time to facilitate connections to the network and the average time taken to resolve complaints.
- Customers support a new customer service relationship system and an online real-time portal or App.

## Customer preferences and Phase Four feedback

Based on customer feedback from Phase Four engagement findings, Essential Energy consulted with the SCC and PCC on the following proposed changes and/or approach for revisiting key issues identified in the draft regulatory proposal. The SCC and PCC supported:

### Regulatory Proposal

- A commitment to funding campaigns as part of the strong desire for customer education around network challenges and tariffs and ensuring these address suggestions from the AEMC's Metering review when it is completed
- Flexible connection agreements assumed to be in place for 2024-29 period.
- Weighting adjustments for the Customer Service Incentive Scheme.
- Minor changes to investment options considering strong support for options despite rising interest rates and inflation. This includes a reduction in proactive composite pole replacements from 15,000 to 11,000 and a reduction in the number of microgrids from seven to six (as one site is being installed in the current regulatory period)..

### Tariff Structure Statement

- Maintaining the Sun-Soaker two-way as the new default tariff for new smart meters with the final form of the export price to be informed from the tariff trials currently underway given some concerns remain from customers around its complexity/benefit.
- Including a contingent trigger in the Tariff Structure Statement to allow for a quicker transition to the Sun-Soaker two-way pricing for existing smart meter customers, which aligns with findings from the deep dive pricing workshop and allows for an earlier customer transition should meter data and billing capabilities be introduced earlier than current expectations.
- In terms of balancing diverse views, there was agreement with our existing focus on customers' interests and alignment to the national electricity objective, the network pricing objective and our pricing principles, and a suggestion to also consider the impact of any change on retailers and other market players who develop products and services for electricity consumers, to the extent that this can be done without obstructing customers' interests. Using this lens, there was agreement to:

- Remove the one-year grace period for customers who replace their faulty meter with a new smart meter given applying a grace period will increase administrative costs and most customers will be better off on the Sun-Soaker two-way tariff.
- Removing the ability for customers to opt out of the Sun-Soaker two-way to a flat rate tariff.
- Introducing export charges and rebates to the two large business low voltage tariffs at the time that billing capabilities are in place to stop the avoidance of export prices. Given this is a late change, it will be made revenue neutral for the first year.
- Keeping the residential and small business customer demand charge in place as an opt-out tariff but also overlaying an export charge and rebate to it when billing capabilities are in place.
- Including a contingent trigger allowing charging windows to be changed if load shifts early in the 2024–29 regulatory period and the peak window charging window extends.
- Introducing a new tariff for batteries connected to the high voltage network.
- Adding in a high voltage battery tariff based on the same form as the low voltage battery tariff given the number of requests for such a tariff from proponents.

## Future opportunities

Opportunities to guide future engagement, include:

- Continue focussing on the ‘depth’ of engagement and specifically to:
  - continue having conversations on those topics that are contentious and need deeper exploration such as future pricing (e.g. seasonal and locational pricing), and network strategies to manage extreme weather events – this will further increase confidence ahead of introducing the changes of the Regulatory Proposal
  - consider the way polling is delivered as part of the larger engagement approach.

Other opportunities include:

- Incorporating greater story-telling techniques from the outset to help customers make sense of complex information.
- Taking a proactive approach to educate consumers on topics they showed interest in by continuing to view them as an asset and extension of Essential Energy’s core business well beyond engagement for the regulatory proposal.
- Taking a greater leadership and advocacy role by proactively informing consumers about what Essential Energy is doing to help shape the conversation on topics that matter to them with retailers and government.

## Overall findings

Overall, the SCC has determined that Essential Energy has:

- Delivered a high-quality engagement program and experience for customers and stakeholders that has:
  - evolved over many regulatory periods
  - been shaped via an iterative process of feedback between the SCC, PCC, and Essential Energy throughout each of the engagement phases
  - within the constraints of the regulatory framework, appropriately engaged against the IAP2 Spectrum with a commendable effort to ‘raise the bar’ – resulting in a considerable shift along the IAP2 Spectrum
  - actively worked towards its vision of *‘building a shared energy future’*

- Developed a Regulatory Proposal that the AER can have confidence in accepting that it accurately reflects consumer preferences and desired outcomes.

Finally, if Comacon was benchmarking this engagement against community engagement standards, the quality of engagement would be considered outstanding. Essential Energy have developed their engagement strategy through a genuine collaborative approach and have responded within the limitations of environmental factors outside their control. This was especially evident when they were required to use online mechanisms due to COVID-19 lockdowns. They should be commended for their flexibility, dexterity, and commitment to achieving best practise engagement.

A more detailed assessment from Comacon can be found in the report.

## Background and objectives

Comacon has been engaged to deliver an Independent Consumer Report (Independent Report) that provides an assessment of consumer engagement undertaken for the development of Essential Energy's 2024-29 Regulatory Proposal (Regulatory Proposal).

Essential Energy will use the Independent Report to measure its engagement throughout the development of its Regulatory Proposal and identify potential areas for improvement. The framework of the Independent Report has been guided by the International Association of Public Participation (IAP2) Spectrum, as well as the Australian Energy Regulator's (AER) *Better Resets Handbook*<sup>1</sup>.

Key objectives of the Independent Report are to assess the:

- Quality of Essential Energy's engagement during the development of its 2024-29 Regulatory Proposal
- Extent to which the Regulatory Proposal reflects consumer preferences and desired outcomes, including:
  - whether the engagement approach explains the rationale for not including any customer preferences and closes the feedback loop on why those preferences have not been reflected
- Assess engagement against the IAP2 Spectrum and whether the level of engagement was appropriate, including
  - compare engagement activities to those undertaken in the 2019-24 Regulatory Proposal to determine if Essential Energy succeeded in 'raising the bar'
  - focus on the key elements specified in the *Better Resets Handbook*
  - identify lessons learnt and how they can guide future engagement.

In accordance with the *Better Resets Handbook*, an Independent Report is a mandatory requirement if Essential Energy is to seek an early signal pathway and be considered for a targeted review by the AER.

The engagement program<sup>2</sup> for the Regulatory Proposal was developed by Essential Energy in consultation with Woolcott Research & Engagement (Woolcott) and Kathy Jones & Associates (KJA). It consists of a planning phase followed by four distinct consumer engagement phases:

- Phase One – Setting the scene (October-November 2021)
- Phase Two – Understanding our customers (February-March 2022)
- Phase Three – Investment options (May-June 2022)
- Phase Four – Testing the proposal (September-October 2022).

Comacon was engaged at the start of Phase Two of the engagement program. Throughout the engagement process, Comacon worked alongside the following key stakeholders:

- Essential Energy
- Essential Energy's Stakeholder Collaboration Collective (SCC)
- Essential Energy's Pricing Collaboration Collective (PCC)
- Australian Energy Regulator (AER)
- Woolcott – engaged by Essential Energy to develop and deliver the engagement program.

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<sup>1</sup> AER Better Resets Handbook: Towards Consumer Centric Network Proposal, December 2021

<sup>2</sup> Woolcott Engagement Plan for the 24-29 Regulatory Proposal, September 2021

To conduct the review, Comacon conducted a desktop assessment of both the Planning Phase and Phase One, as well as observed several engagement activities during phases two to four including:

- 11 consumer forums
- Five in-depth interviews
- Three material testing groups
- A deep dive pre-information session and workshop on pricing and a subsequent Tariff Transition Strategy meeting with retailers and aggregators
- Launch of the Draft Regulatory Proposal
- Meetings for the SCC and Pricing Stakeholder Collective (PCC).

*Refer to Appendix B for a full list.*

The Independent Report has been developed in consultation with, and endorsed by Essential Energy's Stakeholder Collaboration Collective as per the group's Terms of Reference – and specifically a subcommittee (SCC subcommittee) including:

- Thea Bray, Public Interest Advocacy Centre (Phase Two and Three)
- Jan Kucic-Riker, Public Interest Advocacy Centre (Phase Four)
- Gavin Duffy, St Vincent de Paul
- Dean Lombard, Renew and Energesis
- Andrew Richards, Energy Users Association of Australia.

The SCC subcommittee met independently six times between February and November 2022 to collectively discuss progress of the engagement program.

The Independent Report has been submitted in two stages:

- An Interim Report (submitted September 2022)
- Final Report (submitted December 2022).

The Final Report includes an assessment of Phase 4 – Testing the Proposal.

# Strategic context

Development and delivery of the engagement program for Essential Energy's 2024-29 Regulatory Proposal (Regulatory Proposal) was undertaken within the context of the following internal and external influences and considerations.

## A customer-centred regulator

Essential Energy is regulated by the Australian Energy Regulator (AER) and every five years the organisation is required to present a Proposal to the AER that outlines investment plans, costs to deliver those plans and the proposed prices that customers will pay. The final Regulatory Proposal is due to be submitted to the AER for review and approval by 31 January 2023.

The *Better Resets Handbook*<sup>3</sup> to guide consumer engagement for regulatory proposals was published in December 2021 by the AER. It outlines expectations for engagement to ensure consumer preferences drive the development of regulatory proposals. This Handbook was delivered well into Essential Energy's engagement program, hence the late inclusion of Comacon into the process.

## Government plans and initiatives

Essential Energy is wholly owned by the NSW Government. As such, there is intersection with the NSW Government's Electricity Infrastructure Roadmap (Roadmap)<sup>4</sup> that plans to transform the electricity system. The Roadmap coordinates investment in transmission, generation, storage, and firming infrastructure as ageing coal-fired generation plants retire. A key intersection with Essential Energy is the delivery of at least five new Renewable Energy Zones – three which fall in Essential Energy's geographic footprint/network.

## COVID-19 challenges

Implementation of Essential Energy's engagement program was impacted by government restrictions imposed because of COVID-19 during 2021 and 2022. Due to these restrictions, phases one and two were delivered online via Zoom.

Deliberative engagement works best face-to-face, and it was acknowledged that the need to engage online created additional challenges, such as:

- Customer familiarity with the technology
- Bandwidth challenges for rural and remote customers
- Facilitating discussions online is more difficult and it is harder to intervene in breakout room discussions to correct mistruths
- It is harder for customers to consider and give weight to others' opinions when they are sitting in the comfort of their own home.

## Environmental constraints

Essential Energy's network area was impacted by the 2019-20 bushfires in southern NSW and the floods in northern NSW throughout 2021-22 – both declared national emergencies by the Commonwealth

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<sup>3</sup> AER Better Resets Handbook: Towards Consumer Centric Network Proposal, December 2021

<sup>4</sup> DPIE NSW Electricity Infrastructure Roadmap: Building an Energy Superpower Detailed Report, November 2020

Government. The floods occurred as the engagement program for the Regulatory Proposal was being rolled out and affected customers recruited for the Ballina forum.

### Social licence to operate and community sentiment

Since the last regulatory proposal, demands on organisations to involve communities in decision-making have changed. A key finding from the 2022 Edelman Trust Barometer<sup>5</sup>, an annual trust and credibility survey, is that societal leadership is now a core function of business, and communities want more engagement not less. Trust is also considered the ultimate currency, whereby it defines an organisation's license to operate, lead and succeed.

To gather insights about its customer base, Essential Energy conducts ongoing research as part of its normal business planning processes. According to Essential Energy, latest research figures reveal high levels of awareness about Essential Energy's role as a distributor and high levels of satisfaction with services.

It should be noted that throughout the engagement program, there was significantly heightened metropolitan and national media coverage about the energy sector, in particular, price impacts due to global coal and gas shortages, and an increase of a default cap on prices that energy retailers can charge – all in the context of interest rate rises and inflation. This all contributed to a wider narrative around the energy sector.

### Organisational change and corporate strategy

Essential Energy has undergone a period of substantial transformation to enhance efficiency as well as a refresh of their corporate strategy<sup>6</sup> to ensure it 'remains fit for purpose' and can meet the demands of a rapidly changing energy market driven by emerging technologies, a customer-centric regulator, and changing customer expectations.

In addition to engagement for the Regulatory Proposal, Essential Energy also undertakes business-as-usual engagement and project specific engagement programs, such as for tariff trials, highlighting engagement for the Regulatory Proposal does not occur in isolation.

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<sup>5</sup> Edelman Trust Barometer 2022: Global Report

<sup>6</sup> Essential Energy Stakeholder Engagement Framework 2021

## Comacon assessment of engagement

As part of the Independent Report, Comacon conducted a peer assessment in line with key objectives of the report, and specifically the level of engagement against the IAP2 Spectrum.

Whilst the consultation for the previous regulatory period was scored as 'involve' on the IAP2 Spectrum, this was a self-assessment score. Using our rigorous framework (Engagement Scorecard attached at Appendix A), Comacon considers the engagement for the previous regulatory period to have included a mix of 'consult and involve'. As the scorecard indicates, Comacon considers the engagement for this regulatory period to include elements of 'involve and collaborate'.

Comacon considers the engagement to have moved considerably on the IAP2 Spectrum and to sit partially, but not totally within the 'collaborate' level. This is a significant improvement. This has been achieved, for example, by adding an additional phase of consultation and a greater level of stakeholder involvement than engagement for the previous regulatory period.

To move more fully to the collaborative level, it is recommended that Essential Energy engage an internal deliberative engagement specialist to support and complement the process *in addition* to the expertise of the service provider of future deliberative engagement services moving forward.

If Comacon was benchmarking this engagement against community engagement standards, the quality of engagement would be considered outstanding. Essential Energy have developed their engagement strategy through a genuine collaborative approach and have responded within the limitations of environmental factors outside their control. This was especially evident when they were required to use online mechanisms due to COVID lockdowns. They should be commended for their flexibility and dexterity and their commitment to achieving best practise engagement.

Comacon was extremely impressed with their approach and their willingness to listen and adapt their practises based on feedback, particularly from the SCC. Essential Energy's core team were extremely professional and responsive to requests and transparent in the information provided.

Essential Energy should be commended for striving towards a fully collaborative approach and Comacon commends the efforts made to date. In this way, it is acknowledged that their approach to engagement has fully adopted the IAP2 core values.

Comacon acknowledges the limitations associated with this report due to availability of SCC members to attend customer forums and other engagement activities, which has at times impacted the flow of 'corporate knowledge' and the contribution of diverse voices. It is acknowledged that Essential Energy made efforts to address this in Phase Four by proactively inviting members to attend forums.

As the independent assessor these comments are attributed to Comacon's industry experience and an assessment against the framework.

# Engagement approach

The following section outlines the engagement approach and methodology for the 2024-29 Regulatory Proposal (Regulatory Proposal). It also assesses engagement against the International Association for Public Participation's (IAP2) Spectrum and whether the level of engagement was appropriate.

## Guiding principles – rules of engagement

A comprehensive Engagement Plan<sup>7</sup> was developed for the Regulatory Proposal. In the plan, there was a clear commitment and aspiration by Essential Energy to adopt a new approach to engagement by building on the success of the previous regulatory proposal in 2019-24, including:

- Involvement of Essential Energy staff in the engagement process
- Representation from senior staff throughout the engagement process
- Testing materials with a small representative group of customers.

Key areas for improvement included:

- Customers and stakeholders having input into the engagement framework and approach and co-designing programs and proposals
- More emphasis on creating informed, educated participants
- Recruitment of independent experts to provide information to participants
- Including a wider variety of approaches and methods of engagement
- Including more stakeholder engagement e.g. consumer representatives, AER, retailers, Councils, Essential Energy subject matter experts/internal decision makers.

Development of the plan was modelled on the IAP2 Spectrum, where the role of consumers and stakeholders are defined in the engagement process.

## Level of engagement

This new approach was defined by a level of engagement that aimed to move from the 'involve' level of the spectrum to the 'collaborate' level of public participation – where there is a promise to partner with the public in each aspect of decision making. *Refer to Appendix C for the IAP2 Spectrum.*

## Purpose of engagement

The purpose of engagement was defined as 'ensuring the views and expectations of Essential Energy's diverse customer base are accurately and meaningfully reflected in the Regulatory Proposal, such that it is capable of acceptance and approval by the Australian Energy Regulator'. This was complemented by Essential Energy's vision of 'building a shared energy future.'

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<sup>7</sup> Woolcott Engagement Plan for the 24-29 Regulatory Proposal, September 2021

# Methodology – path to a shared energy future

The plan for engagement consists of a multi-phase approach made up of a planning phase followed by four distinct phases. Each phase has a clear engagement purpose and outcome as described below. *Refer to Appendix D for an overview of the engagement journey.*

With the IAP2 Spectrum as the guide, each phase has been assessed by considering:

- How engagement has evolved
- What's resonating well
- Points for future consideration and clarification.

This approach is to demonstrate how via an iterative process of feedback between the Stakeholder Collaboration Collective (SCC), Pricing Collaboration Collective (PCC) and Essential Energy throughout each of the engagement phases, a high-quality engagement program has been delivered and one ultimately shaped by customer (and stakeholder) preferences and desired outcomes.

## Planning Phase – developing the plan

The planning phase was undertaken between July and September 2021.

It started with an initiation meeting to discuss the scope of engagement with a dedicated project team consisting of Essential Energy; and community engagement and research specialists Woolcott Research & Engagement (Woolcott) and Kathy Jones & Associates (KJA).

This phase was marked by a clear outcome to develop a leading-edge engagement plan and to determine who to engage with, what to engage on, and how to engage.

It is evident that Essential Energy dedicated adequate resources and time to this phase guided by the input of customer representatives from the previous regulatory period and stakeholder representatives.

Essential Energy engaged customer representatives to provide feedback on the last engagement program and input into the topic areas and nature of engagement (who, what, how). This demonstrated a commitment to partner with consumers in shaping the overall engagement approach.

Following input from customer representatives, Essential Energy engaged stakeholders from a broad range of groups including retailers, advocates, local councils, and customer representatives via a co-design workshop.

Demonstrating an early intention to 'listen' and 'be authentic', feedback from the co-design workshop was directly fed into the development of the engagement plan including:

### Who to engage with:

- Forming an advisory group (i.e. SCC) consisting of a variety of stakeholders who could provide guidance to Essential Energy throughout the engagement process on the topics, materials, and information gaps.
- Inclusive and representative engagement through including young people, culturally and linguistically diverse (CALD) customers, Aboriginal and Torres Strait Islanders (ATSI) and those who will be directly impacted by issues such as small businesses.
- Undertaking joint network engagement with other distributors to avoid stakeholders being asked for feedback on the same topics by different distributors.

It should be noted that ‘who to engage’ with was also based on Essential Energy’s Stakeholder Engagement Framework and previous extensive analysis and therefore understanding by Essential Energy of its customer and stakeholder base. *Refer to Appendix E to view a customer and stakeholder group analysis.*

Seven locations for engagement were determined that considered stakeholders’ suggestions to go further north and inland and expand engagement activities into more regional hubs including Inverell, Taree, Ballina, Wagga Wagga, Dubbo, Bega & Broken Hill. There was some grouping of locations to minimise the number of virtual sessions required to cover all the Phase Two topics when it was recognised that face-to-face delivery was not going to be achieved (i.e. Broken Hill/Inverell and Taree/Ballina). About 400 customers plus stakeholders and business partners attended each phase of engagement.

### How to engage:

- A mix of engagement channels at different levels of the IAP2 Spectrum with consideration to online and face-to-face engagement.
- Face-to-face delivery is preferred, but stakeholders prefer short sessions over all day events. Customers would like online sessions to allow adequate time for discussion. A maximum of two to three hours was agreed for Zoom forums.
- Providing information in a clear and easy to understand way in a variety of formats including factsheets, videos, presentations, and Q&A sessions with technical experts.
- Providing information beforehand and a summary of what was discussed ahead of moving to the next phase, to serve as a reminder about the issues and the outcome. This was done via Essential Energy’s online Engagement Hub and Virtual Room that addressed each of the key themes within each phase.

### What to engage on:

- Overarching themes of ‘Future network enablement’, ‘Risk appetite, resilience and reliability’ and ‘Role of tariffs and pricing outcomes’ were supported as themes from the previous regulatory period. These themes evolved throughout the planning process.
- A fourth theme ‘Customer and other network services’ was created to capture topics that did not fall into the themes above.
- Safety, reliability and affordability were still deemed as key customer priorities from the previous regulatory period.
- Renewables and new technology such as smart meters are areas customers requested to know more about.

Under each of the themes, the stakeholder co-design group created topics and categorised these into the level of participation required and how consumers should be engaged on those issues as per the IAP2 Spectrum i.e. inform, involve, consult and collaborate.

Analysis of the topics and their level of participation at this phase appears appropriate and comprehensive. For example, on the topic of ‘future state’ under the theme ‘Network of the future’, the level of participation ranged from describing the future network visions and how investment will enable more Distributed Energy Resources to be able to connect to the network (inform) to asking customers to develop their energy future vision (collaborate)<sup>8</sup>.

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<sup>8</sup> Essential Energy Submission, Attachment 4.2 How engagement informed our proposal 2019-24

There was also an attempt in this phase to incorporate successes from the previous regulatory period including staff involvement and senior representation, and testing materials with a small representative group of customers. Importantly, the involvement of senior representatives sent a symbolic message about the importance of the consumer 'voice' throughout the engagement process. It also ensured Executive and Board members heard the customer voice 'first-hand'.

Efforts were made to be more inclusive via seeking more diverse views such as from young people. Ongoing involvement of the stakeholder groups was also built into the engagement plan as requested.

In sum, this phase achieved its objectives of developing a leading-edge engagement plan that provided clarity on who to engage with, what to engage on, and how to engage. This was done via an extensive co-design process with customers and stakeholders and an early 'partnering' approach to the engagement process – one that was authentic by being responsive to consumer input.

## Phase One – setting the scene

Phase One was undertaken between October and November 2021.

This phase aimed to create informed participants, understand what the future vision is for customers and what's important to them, and identify what information customers might need to make informed decisions.

Topics for engagement included customer priorities; customer vision; customer service and measurement; and exploration of risk factors that may shape investment decisions.

Engagement components consisted of a mix of methods across the IAP2 Spectrum and was delivered online due to COVID-19 including:

- Consumer material testing group ahead of the forums
- Visioning forums across the Essential Energy network where participants visualised their preferred 'energy future' from a visual representation. Customer priorities were also explored to see if those developed previously still resonated
- A series of in-depth interviews and group discussions across nine customer and stakeholder groups including CALD, ATSI, commercial and industrial customers, youth, retailers, renewable developers, new technology providers, councils and industry and customer advocates
- Pre-reading information provided via a central dedicated online Engagement Hub and Virtual Room
- Meetings with the SCC.

The 'Virtual Room' was launched during this phase to provide background information about Essential Energy as well as each of the engagement themes – an idea that was tested in the Tariff Trials Project and addressed suggestions from customers to allow adequate time to digest new information. The online platform allowed for information to be shared including presentation materials, videos, and graphics with customers and enabled them to explore, interact and provide feedback on topics throughout the engagement journey.

Key observations from Phase One are:

### How engagement has evolved

- An engagement framework that starts with identifying what customers value and building a regulatory proposal around that.
- Co-design approach where engagement involves insights of both customers and stakeholders.

- Being responsive to SCC feedback such as implementing a radio/ad campaign for recruitment of participants where there was low connectivity.

### What's resonating well

- Good level of staff engagement – 44 staff observed at least one 'visioning forum', including senior executive involvement. The high involvement of Essential Energy staff across the organisation, including senior representatives, sent a strong message about the importance of the customer voice from the outset of engagement.
- Building trust with participants by empowering them to shape their own future energy vision in a creative and engaging way – an initiative that enabled them to build an understanding of the 'big picture' and lay the foundation for future engagement.
- Diversity and inclusiveness of divergent perspectives by involving various stakeholder groups.
- Interaction with Essential Energy's business-as-usual online stakeholder Engagement Hub.
- Gathering customers' views on the risks that should be considered when prioritising projects including whether any risks were missing and thoughts on relative weighting.
- Identifying what customers thought was important from a customer service perspective and asking customers for ideas to inform design of a customer service incentive scheme.

### Points for future consideration and clarification

- Engaging on four topics in a two-hour session was optimistic, especially given this was the first-time participants were using the Zoom platform.
- Increasing understanding of the energy sector and Essential Energy's role within the sector as some participants had low knowledge of this.
- Customers overwhelmingly want investment for a greener future, and they want it now.
- Customers want investments in renewable technology such as solar panels and innovative technologies such as batteries and electric vehicles.

The SCC is comfortable that the above points above requiring consideration and/or clarification were taken on board, and where appropriate, addressed by Essential Energy. In particular, the SCC acknowledges that a key constraint for Essential Energy is the volume and technical nature of information required to communicate to meet the regulatory expectations to seek customer preferences, combined with the shortcomings that come from delivering content online.

Overall, Phase One successfully set the scene for future engagement in terms of scope and building trust with customers to promote a collaborative approach. It identified what is important to customers in the engagement process, particularly the impacts of climate change (the extent to which Essential Energy did not fully anticipate) and a more sustainable energy future – in a setting where technological changes and an increasing shift to renewable energy are changing the way customers are using the network. This concept of a future network vision formed the basis of a narrative to build a network for the future. In this way, engagement achieved what it set out too.

### Phase Two – understanding our customers

Phase Two was undertaken between January and April 2022.

This phase aimed to inform participants at a 'higher level' and to gain an understanding of customers' views and priorities and their broad appetite for the level of investment in relation to the key issues identified as important to customers in Phase One.

Topics for engagement were broken into two parts:

- A. Resilience and reliability, including power quality
- B. Pricing, including consumption pricing and two-way pricing.

Engagement components consisted of a mix of methods across the IAP2 Spectrum and was delivered online due to COVID-19 including:

- Relaunch of the Virtual Room to playback what was heard in Phase One, how it has been taken on board as well as providing pre-reading for the Phase Two forums
- A consumer material testing group held ahead of the forums
- Deliberative forums across the Essential Energy network to build on what was heard in Phase One
- A series of in-depth interviews and group discussions across the nine customer and stakeholder groups in Phase One plus the addition of aggregators for pricing discussions and critical infrastructure providers for resilience discussions
- A customer survey (606 residential and 201 small business customers)
- Information updated via a dedicated interactive online Engagement Hub
- Ongoing meetings with the SCC
- Introduction of a new Pricing Collaborative Collective (PCC) that aimed to co-design and guide decisions on the Tariff Structure Statement
- Radio and print advertising inviting customers to 'have their say'.

Key observations from Phase Two are.

### How engagement has evolved

- Topics were broken into two sessions to limit the amount of information being presented.
- Customer priorities were refined based on feedback in Phase One such as renaming equity/collective good to 'Collective benefit' and adding Reliability to Resilience. Descriptions were also tightened for 'Transparency and simplicity' and 'Good customer service and communication'.
- Good layering of information and knowledge from Part A forums to Part B forums e.g. solar panel benefits were expanded on and better explained from earlier forums that resulted in conversations shifting from "Feels like we are being punished for having solar panels" to "It is fair and reasonable" and "Benefits exceed the cost being charged".
- Involving stakeholders in discussions via in-depths provided an opportunity to 'test assumptions' and gather industry insights that otherwise wouldn't have been heard – only adding to the richness of the overall engagement conversation.
- The introduction of the PCC added a robustness to the conversation around pricing and is strongly grounded in customer priorities.
- Good application of learnings from consumer forums to business-as-usual engagement strategies e.g. forging a partnership with NRMA to educate remote regional areas on electric vehicles, demonstrating leadership led by Essential Energy.

### What's resonating well

- Involvement of senior executives and staff representatives from across the business in forums to demonstrate the importance of the 'customer voice'.
- Providing a recap of feedback from Phase One i.e. 'What we heard was...'

- Grounding presentation topics to the future vision i.e. ‘This is to check your appetite initially against your vision of the future network, before looking at investment options’.
- Consistently linking presentation topics to customer priorities to provide a framework for discussion e.g. explaining how pricing supports customer priorities.
- Clear level of trust with participants at customer forums – because of a genuine willingness to engage, demonstrated at all levels within Essential Energy.
- Quality presentation material including use of infographics and pictures – that have been well tested ahead of consumer forums. For example, confusion around the term ‘network visibility’ - customers understanding it as being able to see the poles and wires led to this topic being rebadged ‘real-time monitoring’.
- High calibre of Essential Energy presenters and answering questions via chat function in real-time throughout the main presentation.
- Adequately explaining the challenges of the current network e.g. network not set up for two-way pricing, there is not fair distribution of cost etc.
- Introduction of personas to explain complex information such as two-way pricing (single person in single home with no solar versus a family of four in large home with solar).
- Use of relevant examples to help explain concepts e.g. comparison of water to describe meaning behind power quality/voltage.
- Participants who were disrespectful of others, even after being warned by the room facilitator, were blacklisted from future engagements.

## Points for future consideration and clarification

### Forums

- Given the online format changed the nature of deliberative conversations, breakout rooms may have benefited from additional time to discuss complex information and better understand customer preferences, especially on pricing.
- Discussing emotional and complex topics such as two-way pricing was always going to be difficult and online delivery made this even harder.
- While polling did offer a ‘don’t know’ option and the purpose was in most cases to determine the highest level of investment options to put forward to customers in Phase Three, participants may have benefited from more time to process information when making decisions on more complex topics such as power quality or topics they don’t have a full picture of at this point, such as the Total Bill Impact, to minimise ‘anxiety’ responses.

### Content

- There was confusion on some concepts that may be helped with clearer messaging such as:
  - the conversation on electric vehicles may have benefited from highlighting the need to be energy smart, especially as there are low penetration levels
  - ‘willingness to control’ created fear with participants misunderstanding its intention i.e. they thought it meant turning off electricity during dinner or their favourite TV show.
- A relatively new concept such as de-energising the network on extreme weather events will need deeper discussion than time allowed in an online environment to enable participants to make an informed response.
- Ongoing confusion around the energy industry and the role of Essential Energy.

The SCC is comfortable that the above points requiring consideration and/or clarification were taken on board by Essential Energy and addressed – as highlighted in the next section. For example, messaging was refined to be more customer-focused and aspirational moving into the next phase, and Essential

Energy acknowledged they would need to revisit the concept of de-energising the network before making any future decisions.

To address the shortfalls of engaging online, the SCC supported by the PCC, recommended a separate, smaller deep dive to revisit pricing where:

- participants are empowered to come up with new pricing ideas
- there is enough time for deeper discussion
- customer values drive the options
- the right Essential Energy staff are on hand to answer questions.

In response to this, Essential Energy organised an all-day workshop in Sydney with a cross selection of participants from across their network, showing flexibility and adaptability within their engagement process.

Overall, prominence was given to the customer voice by providing a re-cap of feedback from Phase One i.e. 'What we heard was', 'To ensure we heard right' and 'Your network vision'. Prominence was also given to linking customer priorities to engagement topics to provide a framework for discussion on topics, and the introduction of personas (single lady versus a family of four) to help explain the complexity of pricing, resonating well with participants.

### Phase Three – investment options

Phase Three was undertaken between May and June 2022.

This phase aimed to develop proposals based on customer preferences and stakeholder collaboration; and identify program preferences.

Topics for engagement included resilience and a network fit for the future.

Engagement components consisted of a mix of methods across the IAP2 Spectrum consistent with Phase Two, including customer materials testing and meetings with the SCC and PCC. The customer forums were delivered face to face while the in-depth interviews and group discussions continued to be delivered online. Critical infrastructure providers and youth were not included in this engagement phase.

Key observations from Phase Three are:

#### How engagement has evolved

- Easing COVID-19 restrictions meant that consumer forums were held face-to-face in the seven identified network locations.
- Clear narrative and customer-focussed and aspirational messaging e.g. 'Lowering our environmental impact' and 'Creating a smarter network'.
- Clear and simple definitions of complex terms such as 'resilience'.
- Options were presented clearly and factually, with a balanced explanation of pros and cons, implications and limitations, and in bite-size topics so participants could make informed decisions.
- Each option was supported through visuals such as icons, pictures, and videos for example, on composite poles, and case studies such as the trial in Bulahdelah on Stand-Alone Power Systems (SAPs).
- Adequate discussion around each of the topics, expertly facilitated to ensure all voices were heard – an approach that added to the richness of conversation.

- Consumers were meaningfully contributing to discussion and had handouts to record their individual preferences.
- Roaming representatives from Essential Energy could answer technical questions at tables in real-time and intervene to correct mistruths and misunderstandings
- Open Q&A session with Essential Energy ahead of re-polling at the end of the forum clarified any final questions participants may have had that weren't addressed at individual tables. Participants were asking thoughtful questions such as 'what is Essential Energy's capacity to deliver these options?', 'what happens if Essential Energy is privatised?', and 'what makes up the other 63 per cent of the energy bill if Essential Energy's component is 37 per cent?'.
- Highly engaged participants who want to make a valuable contribution to discussion in line with customer priorities and the 'greater good' with environmentally conscious comments such as "Can we reuse timber poles?" not uncommon as part of their decision-making process.
- SCC is providing input on the topics of discussion and helping to ensure they are appropriate for the level of involvement of consumers. Leading into Phase Three, two proposed topics were removed to help reduce the length of the presentation pack and on the basis that they were more complex topics that could be engaged on with stakeholders, rather than customers i.e. billing and meter data system and cybersecurity.
- Providing SCC ongoing insights into business plans and strategies such as the proposed customer service incentive scheme, cost pass throughs, operating expenditure, ICT expenditure, Regulatory Asset Base RAB and depreciation and definitions around terms such as natural disasters and major cyber, as well as various studies such as demand consumption forecasts.
- Providing SCC updates on trials underway including on large peaky loads, a new proposed 'education only' trial in Broken Hill and Bungendore to promote benefits of proposed pricing packages to see if it helps understanding and adoption, as well as information on proposed future trials e.g. for SAPs.
- Gathering insights from retailers and aggregators on the Tariff Transition Strategy. A clear alignment with both the SCC and customers was evident in terms of their belief that education on tariffs being crucial to support the 'pace of transition'. Retailers also stating they would like customers to have a one-year grace period before moving to a cost reflective tariff (Sun-soaker) following a meter change. This is to ensure there is an opportunity for the customer and retailer to gain data to allow for more informed decision making.

### What's resonating well

- A warm, welcoming environment by Essential Energy that encouraged divergent views and all voices to be heard.
- Genuine commitment to engagement from the entire Essential organisation and an intent to embrace a culture of putting the community and its needs and preferences at the centre of decision making.
- A clear purpose for engagement i.e. 'We want to understand what you are willing to pay for the different options, what options are most important to you, and ensure you understand the trade-offs'.
- Clear context and scene setting i.e. 'Our network challenges are' and 'Your network vision'.
- Customer priorities providing a lens for discussion.
- Clearer understanding of total bill impacts for decisions being made by participants.
- 'Heat map' that adopts a traffic light system to show support of options and where the overall room sentiment was in an open and transparent manner.

- Feedback to customers seen as an integral part of the engagement process i.e. ‘We will come back to you to let you know how your feedback has been incorporated’.
- Feedback from the Materials Testing Group was much more meaningful in this phase as there was a higher level of understanding of the concepts e.g. inclusion of a baseline in the first option so it can be compared to the next option i.e. three new staff, 20 large generators is compared to what; ‘Cost pass throughs’ is too technical; need to be clear that the ‘new solutions’ (SAPs, microgrids) are for existing customers only; and explanation around how SAPs work needs to be clearer. All these suggestions were taken on-board by Essential Energy prior to the commencement of the customer forums.
- Phase Three showed the response to input from the SCC and was a step-change improvement from Phase Two in:
  - simplicity and clarity of the information presented
  - focus on key issues of importance
  - context in which issues and decisions were presented, including the background of costs
  - clear presentation of the implications of options for costs, communities, and consumers (with good, realistic caveats on what decisions would not do)
  - more meaningful opportunity to engage with the material and each other in discussion, and less reliance on ‘snap’ polling.

#### For future consideration and clarification

- Given the limitations of the earlier online phases, to encourage deeper and more deliberative engagement in this phase, more time could have been spent on clarifying what aspects of customer preferences could shape the proposal and what aspects are constrained due to the regulatory framework. This would then better inform conversations around what participants value such as fairness because they would understand what is in, and what isn’t in scope.
- Avoiding using potentially biasing comparisons (i.e. the way participants think about costs) for bill impacts e.g. ‘only costs a cup of a coffee’.
- In the context of COVID-19 and floods, start with a higher number of participants to account for attrition, to ensure continuity of participants, as it was apparent some participants were not educated as others.

In addition, the SCC advise the Draft Proposal and Phase Four engagement sessions should focus on:

- Continuing the conversation around the proposal being driven by affordability and value customers derive from the network in the context of rising costs, including an explanation on mitigate future costs e.g. via a higher level of distributed energy resources. This should be done through exploring concepts of fairness and value and how consumers can think about trade-offs between different ideas of what is fair (i.e. costs now versus benefits later, and costs to all versus benefits to some)
- Intersection with the Renewable Energy Zones, and how Essential Energy is part of the solution.
- Messaging for the proposed export Tariff Transition Strategy that focuses on greenhouse emissions and offsets.
- Network utilization, and like the last regulatory proposal, this proposal focuses on efficiency to drive prices down.

These proposed focus areas for Phase Four are also in line with stakeholder sentiments from the in-depths which were collectively concerned about the rising inflation and interest rate impacts on

customers, and the view that education is paramount, particularly in the context of two-way pricing and low levels of energy literacy.

In sum, this phase did largely achieve its aim of developing proposals based on customer preferences and stakeholder collaboration; and identifying program preferences.

## Deep dive workshop on pricing

During Phase Three, a smaller and separate deep dive workshop was held on pricing in direct response to the concerns and feedback raised throughout Phase Two. This consisted of an online pre-information session four nights before an all-day face-to-face workshop in Sydney. There was a mix of participants from all seven locations present, 19 in total.

### Information session

The information session was presented logically and factually, and there was a clear overall 'story' presented to the group to appropriately set up discussion for the workshop i.e. 'How do we get to a better place than today?' and 'How do we make it fairer?'

Unlike pricing discussions in Phase Two that 'jumped' right into the pricing narrative and assumed a level of existing knowledge, the information session took participants on a customer focused journey to educate them at a higher level. Essential Energy achieved this by presenting a summary of solutions, pros and cons, and cost impacts which they presented separately and together so participants could see all the options and cost implications side-by-side.

Contentious and complex concepts such as 'controlling appliances', 'battery subsidies' and 'solar export limits' were also better explained than in Phase Two.

Holding the information session ahead of the workshop also meant participants had time to process information and come to the workshop well informed for maximum input to the deep dive. It also meant that Essential Energy could expand on topics in the workshop that required further clarification e.g. energy supply chain, feed-in tariffs, and smart meter rollout.

### Deep dive workshop

The pricing deep dive workshop explained how pricing is a complement to alternative investments and allowed participants to debate more complex pricing matters, especially in relation to two-way prices and the export tariff transition strategy.

The deep dive demonstrated that through enough prior education, participants were able to contribute to discussion in an informed and meaningful manner by building on the ideas of each other and offering different perspectives. In this way, the workshop was deliberative in approach.

Essential Energy made an effort to understand customer values at the outset via a set of principles for decision making – based on customers' priorities and the pricing principles developed with customers and stakeholders – that participants were asked to review and prioritise. The principles provided a good framework for assessing the pros and cons of each option.

For example, participants felt that the 'limit exports' option would not only disadvantage those that had paid for solar, but it did not support greener energy objectives i.e. "First in, first served limits equity". Similarly, the conversation on battery subsidies shifted from "Essential Energy should provide us with a battery subsidy" in Phase Two to "Battery subsidies is not an option as everyone ends up paying for it" following the deep dive workshop.

Listening and being responsive to customer feedback was also evident for example, in addition to the solutions presented by Essential Energy, an additional solution (microgrids) was canvassed following participant feedback; even though on reflection by participants it was not deemed preferable when overlaid with the pricing principles, because of cost and technical limitations.

At this workshop, participants were also invited to present ideas on messaging for the rollout of two-way prices and ideas on how Essential Energy could communicate these to customers in a positive manner, demonstrating a strong commitment to empowering and partnering with consumers. It was clear that participants felt valued by Essential Energy because of this level of involvement and wanted other consumers to be educated as much as they were on these topics so they could all contribute to a future that was fair, greener, and cost-effective.

Throughout this process, it was evident that Essential Energy saw their customers as an asset and a valuable extension to their business. Overall, the value derived from discussions confirmed a separate deep dive on pricing was warranted given concerns raised throughout Phase Two. It also highlighted the importance of the governance role the SCC and PCC plays in providing independent feedback to ensure a meaningful approach to engagement.

## Phase Four – testing the proposal

Phase Four was undertaken between September and October 2022.

This phase aimed to test whether customers and stakeholders were satisfied with what was presented in the draft Regulatory Proposal and whether there was an appropriate balance between what was heard and how this was represented. It also assessed whether there was adequate explanation on where and why feedback and customer preferences were not taken onboard.

Topics for engagement included flexible connection agreements, playback of investment options, TSS changes and the Customer Service Incentive Scheme.

Engagement components consisted of a mix of methods across the IAP2 Spectrum consistent with Phase Three, including customer materials testing and meetings with the SCC and PCC. The customer forums were delivered face-to-face while the in-depth interviews and group discussions continued to be delivered online.

Key observations from Phase Four are:

### How engagement has evolved

- Sessions evolved during the phase because of ongoing feedback from SCC members, particularly in relation to:
  - the framing of 'fairness' and the explanation of the key challenges and proposed solutions – this linked better with discussions on the deep dive pricing workshop and why it resulted in the solutions it did
  - questions around flexible connection agreements and curtailment, resulting in a discussion that was framed around the technical decision (curtailment policy) with different concepts of fairness.
- Engagement was at a much more granular level in this phase, with values-based discussions forming the basis of discussions. This was particularly evident in deliberations around flexible connection agreements and the different approaches to implementing export limits on different sized systems, where once participants had a good understanding of the broader issues and how it affects different people, they were able to make informed decisions based on what they value regarding cost versus benefit. The concept of fairness within a values-based framework was

explored in its complexity and provided essential context for the deliberations. The outcome was robust, values-based decisions from the participants. This can be considered a best practice approach to engagement on topics that are technically complex and unfamiliar and involve competing trade-offs of concepts of fairness.

### What's resonating well

- As with earlier sessions, both the Materials Testing Group and in-depth interviews added to the richness and value of engagement.
- Presenters and presentation material continued to be high quality.
- There was a clear bridge between customer preferences and where the draft Regulatory Proposal landed.
- There was a clear playback of investment options to customers and a check-in to determine if their preferences change in the context of rising inflation and interest rate rises.
- Table conversations showed a deep level of understanding of most issues by participants. It also showed that participants are generally open to others' views if they differ from their own.
- Concepts were overall clearly explained e.g.:
  - discussion on export tariffs was framed well i.e. use of the network by exports, rather than as costs explicitly driven by exports.
  - the explanation around the interplay between the export charge and FiT was robust.

### For future consideration and clarification

- Rather than going into detail about the regulatory process, the session (script) would have benefited from a more succinct, plain English introduction about the purpose of the session e.g. "everything we are discussing tonight is helping to decide what we are going to so we can tell the regulator". Care should also be taken to remove industry jargon.
- Further discussions around the NSW Roadmap and how to equitably divide the costs should be undertaken as part of Essential Energy's next pricing review. We have been told that the business intends to use its new Peoples Panel for this discussion early next year and support this proposal.
- Unlike Phase 2 and the deep dive session, this Phase overlooked that cost reflective network tariffs and changes are about sharing costs fairly. While it was understood that revenue levels are set by the regulator and different prices are about improving fairness, it didn't convey the clear message that because solar owners will be paying some export charges, all the consumption charges will be a bit lower.

Likewise future discussions would benefit from:

- more clearly differentiating network tariffs as they exist in a revenue cap regime vs. the introduction of a new tariff by the government i.e. cost reflective network tariffs are easily misconstrued as a new tax rather than a reallocation of costs.
- making it explicitly clear that these tariffs are not being charged directly to consumers but to retailers and retailers can bundle these tariffs in a number of ways and there are consumer protections included as part of this process i.e. you can introduce cost reflective network tariffs and retailers can still provide flat tariffs on consumer bills.
- Consider how costs are presented as giving exact dollars and cents gives an impression of precision (which was not always the case). Instead, customers should be:
  - deciding whether they trust Essential to do its business efficiently and sensibly

- making value judgements/cost-benefit trade-offs based on approximate costs when discussing the proposed initiatives.
- While the quiz on the penetration of solar was a valuable way to test assumptions regarding the status quo of solar and likely future, there was a danger that it could bias the consideration of issues discussed subsequently.

Overall, Phase Four demonstrated the strongest evidence of engagement towards the collaborate (deliberative) level of the IAP2 Spectrum – and it is unlikely that engagement in this phase could have been much more collaborative within the limitations of the regulatory framework and the engagement approach adopted. The approach to engaging participants on flexible connection agreements was outstanding. Combined with longer and more in-depth discussion, this could be considered an approach to engagement that is even more deliberative.

# Customer preferences and the draft regulatory proposal

A key objective of this report is to examine the extent to which the Regulatory Proposal reflects consumer preferences and desired outcomes. Below is a high-level assessment against the four key engagement themes.

Throughout engagement, Essential Energy clearly linked engagement themes and topics to customer priorities as identified early in engagement.

The SCC is confident that the draft proposal is a true and accurate reflection of customer preferences uncovered through the engagement process. This includes:

## Network of the future – delivering the services customers want today and into the future

### Smarter network

Throughout engagement customers and stakeholders stated they would like a network that is smarter and fit for the future. This included support for implementing real-time monitoring and dynamic assets to facilitate increasing levels of renewable generation connecting to the network.

Customers identified that proactively monitoring the network would help with identifying voltage issues and allow for a degree of proactive management before it becomes a problem. Similarly, customers supported investment in dynamic assets to help mitigate existing and growing power quality issues.

### Environmental impact

Customers support the need for Essential Energy to reduce the environmental impact of its operations. There was a general sentiment that Essential Energy should be doing this anyway and that they should go above regulatory requirements. There was also strong support for investment in electric vehicles and solar panels for their depots.

## Resilience and reliability – how risk appetite shaped investment decisions

### Risks

Customers agreed that when assessing and prioritising projects Essential Energy should consider the main risks of safety, reliability, bushfire risk, ecology and heritage, and customer experience. Customers understood that the risks are fundamental to how Essential Energy funds its capital works program and regulatory proposal.

However, customers identified that climate change was missing from the approach and felt that it needed to be included at a macro-level. This was of particular importance to customers. To address this, Essential Energy has currently overlayed a climate change lens based on knowledge and experience. The formal link between the Proposal and the recently completed climate change modelling will take place ahead of lodging the Proposal with the regulator in January. More formally, Essential Energy is building a climate change risk into its value framework.

Essential Energy recognises that future impacts of climate change will be a fundamental shift in how they manage their asset base going forward.

Customers also identified that emissions reduction was missing from the approach, but Essential Energy were able to explain that until there is a consistent industry measurement standard, it would be difficult to incorporate it at this point. However, Essential Energy will monitor this and include it as a risk once there is industry agreement.

### Reliability

Customers said they support the current level of reliability and don't want to pay more to have it higher. They also support Essential Energy continuing its current program to improve reliability for its worst-served customers.

### Resilience

Customers said that they value strengthening the network slightly more than investing in community resilience. Customer sentiment generally was that if the network is strengthened communities won't need as much support.

To strengthen network resilience, customers showed support for investment in composite poles, a high level of investment in stand-alone power systems (SAPS) and microgrids, conversion of poor-condition overhead powerlines to underground in very high-risk areas, and investment in batteries and solar panels at key telecommunications and zone substation sites to provide a source of backup power. There was community sentiment that SAPs and microgrids would help communities recover more quickly and that it was the future for small townships.

Investments customers did strongly support for community resilience included generators, SAPS, portable solar streetlights, a portable community hub, portable depot, and staff to work with councils, communities, and critical infrastructure asset providers to help them develop resilience plans.

However, there was confusion around disconnecting the network on high-risk days and this resulted in mixed support. Essential Energy is not proposing to introduce this practice without undertaking further engagement.

## Pricing – fairness and affordability

### Consumption pricing

There is a customer preference for the continuation of postage stamp pricing and prices that do not change with the seasons. In the interest of fairness, customers did not like the idea of different rates being charged for different places.

There was support for moving towards more cost reflective tariffs, but customers want to ensure there is choice when it comes to tariff options. This was to cater for different types of lifestyles such as shift workers or those who work from home.

Retailers said they would prefer a one-year grace period before more cost-reflective prices are applied to customers following a meter change. This was to allow for consumption to be understood by retailers and customers, ensuring informed decision-making.

### Two-way pricing

Customers generally supported the concept that two-way pricing will improve fairness and help to solve network issues arising from integrating new technologies. Customers also supported export charges and rebates to be applied on a postage stamp basis.

Despite earlier confusion around the concept of two-way pricing and in particular the belief it would disadvantage those that had already invested in solar and discourage renewables, customers that participated in the deep dive workshop believed that, after further education, two-way pricing would have minimal impact on solar customers and understood its importance in a future network.

### Default tariff

There was a clear preference from customers that the trial Sun Soaker tariff along with the trial export charge is the preferred placeholder default tariff.

### Free export limit

There is currently no clear customer preference for the free export limit. Stakeholders including the SCC thought Essential Energy should base this on the technical limits of the network. Essential Energy has been undertaking modelling in its future network business case to determine what the network can accommodate. The business case indicates this to be 1.5kW of exports from each customer across the network on a postage stamp basis.

### Export tariff transition strategy

There was support from customers to be able to opt into two-way pricing from 1 July 2024.

Support for export prices to be applied to all exporting customers from 1 July 2025 was not as strong, especially from those customers with solar panels. However, customers that participated in the deep dive workshop were far more supportive after further education.

On this, retailers said their preference was for customers to have a one-year grace period before moving to cost-reflective prices following a meter change to allow for consumption to be understood by retailers and customers, ensuring more informed decision-making.

### Customer education

There was a clear preference from customers, which was echoed by stakeholders, to undertake a comprehensive education campaign ahead of the introduction of two-way pricing.

## Other essential services – customer service

### Measurement

Customers said that Essential Energy's customer service should be measured by using internal data as well as customer feedback to understand satisfaction with service levels. Customers thought qualitative and quantitative measures were equally important.

Customers said measurement outcomes should focus on communicating planned outage times and an estimated time to restore unplanned outages. There was also an expectation from customers that a key measure is the time to facilitate connections to the network and the average time taken to resolve complaints.

There was limited support for the current measure of answering calls within a particular timeframe. This was because customers identified that there were other ways to make a complaint and interact with Essential Energy.

Guided by this feedback, Essential Energy has been working with the SCC to develop a Customer Service Incentive Scheme (CSIS) to replace the existing telephone answering metric that was tested with customers in Phase Four.

## New customer service relationship system and online portal or App

Customer engagement also indicated a preference from customers for a new customer service relationship system and an online real-time portal or App. The most common services that customers identified as being useful for a portal or App were reporting an outage, network issue and/or vegetation issues. Customers said there should be capabilities to provide updates on resolution.

While there was support for a new customer service relationship system and the benefits were understood, a few customers did not believe they should have to pay for it. These customers thought it is something Essential Energy should fund itself (which might point toward a need for further customer education about why the network asks customers for their views). Customers said that even with a new system they should still be able to talk to a customer service representative.

Retailers and councils both said they would like to see the online portal or App extended to serve their needs, such as with Development Applications. They said this would streamline services. Customers and some stakeholders suggested this could be provided on a user-pay basis.

## Customer preferences and Phase Four feedback

Based on customer feedback from Phase Four engagement findings, Essential Energy consulted with the SCC and PCC on the following proposed changes and/or approach for revisiting key issues identified in the draft regulatory proposal. The SCC and PCC supported:

### Regulatory Proposal

- A commitment to funding campaigns as part of the strong desire for customer education around network challenges and tariffs and ensuring these address suggestions from the AEMC's Metering review when it is completed.
- Flexible connection agreements assumed to be in place for 2024-29 period.
- Weighting adjustments for the Customer Service Incentive Scheme.
- Minor changes to investment options considering strong support for options despite rising interest rates and inflation. This includes a reduction in proactive composite pole replacements from 15,000 to 11,000 and a reduction in the number of microgrids from seven to six (as one site is being installed in the current regulatory period).

### Tariff Structure Statement

- Maintaining the Sun-Soaker two-way as the new default tariff for new smart meters with the final form of the export price to be informed from the tariff trials currently underway given some concerns remain from customers around its complexity/benefit.
- Including a contingent trigger in the Tariff Structure Statement to allow for a quicker transition to the Sun-Soaker two-way pricing for existing smart meter customers, which aligns with findings from the deep dive pricing workshop and allows for an earlier customer transition should meter data and billing capabilities be introduced earlier than current expectations.
- In terms of balancing diverse views, there was agreement with our existing focus on customers' interests and alignment to the national electricity objective, the network pricing objective and our pricing principles, and a suggestion to also consider the impact of any change on retailers and other market players who develop products and services for electricity consumers, to the extent that this can be done without obstructing customers' interests. Using this lens, there was agreement to:

- Remove the one-year grace period for customers who replace their faulty meter with a new smart meter given applying a grace period will increase administrative costs and most customers will be better off on the Sun-Soaker two-way tariff.
- Removing the ability for customers to opt out of the Sun-Soaker two-way to a flat rate tariff.
- Introducing export charges and rebates to the two large business low voltage tariffs at the time that billing capabilities are in place to stop the avoidance of export prices. Given this is a late change, it will be made revenue neutral for the first year.
- Keeping the residential and small business customer demand charge in place as an opt-out tariff but also overlaying an export charge and rebate to it when billing capabilities are in place.
- Including a contingent trigger allowing charging windows to be changed if load shifts early in the 2024–29 regulatory period and the peak window charging window extends.
- Introducing a new tariff for batteries connected to the high voltage network.  
Adding in a high voltage battery tariff based on the same form as the low voltage battery tariff given the number of requests for such a tariff from proponents.

## Assessment against the building blocks

Part of Comacon’s brief for assessing the engagement undertaken by Essential Energy, includes looking at the key elements and the building blocks within each element of the Regulatory Proposal in line with the *AER’s Better Resets Handbook*. This includes:

- Capital expenditure
- Operating expenditure
- Depreciation
- Regulatory asset base
- Tariffs.

Comacon also considered whether Essential Energy’s engagement:

- Focused on the outcomes consumers want from the proposal
- Looked at long term outcomes beyond the regulatory period
- Used the inputs from the consultation to develop forecasts and craft the regulatory proposal
- Consulted beyond the building blocks i.e. consulted on other themes, issues, and considerations such as sustainability and affordability.

Given the complexity of the elements and the level of education required to understand financial concepts, Essential Energy’s approach was to talk about tangible outcomes that participants could engage with and to break the elements down into topics and themes. The two building blocks that Essential Energy engaged on were those that customers were able to influence i.e. capital expenditure and operating expenditure. The regulatory asset base and depreciation naturally fall out from this discussion.

Consultation on tariffs included introducing the concept of two-way prices during Phase Two and seeking to understand customers’ thoughts and preferences on how these should be transitioned and applied. The pricing deep dive workshop explained how pricing is a complement to alternative investments and allowed participants to debate more complex pricing matters, especially in relation to two-way prices and the export tariff transition strategy.

Essential Energy engaged with the SCC to discuss the financial elements of the regulatory proposal at a higher level, using the SCC’s feedback to inform their position. They presented to the SCC on a range of

elements including forecasting approaches and draft portfolio results, capital and operating expenditure profiles and breakdowns, the OPEX base-step-trend approach for operating expenditure and the approach to minimising asset base growth.

The SCC also provided feedback on the draft Pricing Principles, Guiding Principles for the 2024-29 Tariff Structure Statement, and establishing the Pricing Collaboration Collective to co-design elements of the draft Tariff Structure Statement.

Comacon's assessment is that this was the best approach to engaging on these elements.

Overall, Essential Energy's engagement has been future focused and looks beyond the 2024-29 regulatory period. Throughout their engagement activities, Essential Energy has spoken about outcomes being longer term, particularly on resilience expenditure which may take several regulatory periods to have an impact that customers will notice.

Essential Energy has incorporated messaging into their narrative about creating a 'future network vision' and needing to adapt to provide customers the services they expect in the future at an affordable cost. Their messaging has made it clear that a shift will happen over several regulatory periods and that the current proposal should be seen as a steppingstone to a future in 10-15 years' time.

One of the key risks that was important to customers was climate change and Essential Energy's long-term plans to address this issue. Essential Energy conducted modelling on this and is formally incorporating findings into the proposed 2024–29 investments and business-as-usual project prioritisation. This will represent a fundamental shift in how Essential Energy manages their asset base going forward.

Beyond the topics of capital expenditure, operating expenditure, depreciation, regulatory asset base and tariffs, Essential Energy's engagement looked at affordability, good customer service and communication, collective benefit, renewables and new technology, and future focus. There is evidence of Essential Energy applying the learnings from the engagement to business-as-usual engagement strategies for example, feedback from the Phase Two consumer forums has led to a partnership with the NRMA to educate remote regional areas on electric vehicles. Essential Energy is also undertaking an 'education only' trial around electricity usage in Broken Hill and Bungendore as part of the small customer tariff trials project. The idea is to test whether customers sufficiently change their electricity behaviour based on information alone to avoid the need to change tariffs.

Similarly, the deep dive workshop on pricing has allowed Essential Energy to identify an opportunity for improvement in their business-as-usual engagement processes and they plan to establish a customer advisory group with participants from this workshop who will assist with testing issues and communication materials going forward and outside the regulatory process.

## Raising the bar

A key goal<sup>9</sup> of the engagement program developed by Essential Energy for the 2024-29 Regulatory Proposal is to ‘raise the bar’ from the previous 2019-24 regulatory period<sup>10</sup> i.e. one where it moves from the ‘involve’ level of the IAP2 Spectrum to ‘collaborate’.

Below is an assessment of engagement against key criteria commensurate with the collaborate level of public participation in the decision-making process.

An Engagement Scorecard is included in *Appendix A*, which has used to peer review and independently assesses the level of engagement against a set of indicators under each of these criteria.

### An engagement framework designed with customers and stakeholders

From the outset, the engagement program for the Regulatory Proposal was shaped with a clear vision of ‘building a shared energy future’ supported by clear engagement goals and objectives. In line with this vision, both customer representatives and stakeholders had input on how they were being engaged on what topics, and what their level of influence was on those topics, as outlined in the Planning Phase.

Feedback from a co-design workshop was then directly fed into the development of the engagement plan, unlike the previous regulatory period where the engagement framework was designed by Essential Energy.

Overall, there has been a genuine commitment by Essential Energy to develop a robust engagement program led by a highly engaged and responsive regulatory team. Engagement within Essential Energy has also been embraced across the organisation starting from the top, demonstrating a strong deep-seated commitment to customer-centricity.

### Variety of engagement approaches and methods

Unlike the previous regulatory period where a major component of engagement was deliberative forums, engagement for this Regulatory Proposal has adopted a wider variety of approaches and methods for engagement including an extra round of deep dives and more diverse and inclusive stakeholder involvement. There has also been appropriate breadth of engagement via diversity of community perspectives based on geographic location.

An online interactive ‘Virtual Room’ was launched early in the engagement process – an idea that was tested in the Tariff Trials Project and addressed suggestions from customers to allow adequate time to digest new information. The online platform allowed for information to be shared ahead of the forums including presentation materials, videos, and graphics with customers. The room was also used to summarise what was heard in the last phase and ‘close the loop’ on next steps. Ahead of each forum, customers were encouraged to visit the site to access pre-reading material, allowing them to become familiar with the content ahead of the sessions.

Likewise, the Engagement Hub (Essential Energy’s business- as-usual stakeholder site) was used to publish a summary of findings and detailed engagement reports at the end of each engagement phase. This further ensured customers and stakeholders could see how their feedback was shaping the proposal in an open and transparent manner. The hub was also a key mechanism for customers and stakeholders

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<sup>9</sup> Woolcott Engagement Plan for the 24-29 Regulatory Proposal, September 2021

<sup>10</sup> Essential Energy Submission, Attachment 4.2 How engagement informed our proposal 2019-24

to provide feedback via a 'Have Your Say' call to action outside of forums and other engagement activities.

Surveys were also used to inform decisions for less important topics, and a radio and print advertising campaign was used to encourage customers to 'have their say' ahead of engagement for phases two and four.

### Stakeholder Collaborative Collective

The SCC was established in response to feedback from customers and stakeholders in the Planning Phase.

As an advisory group, the role of the SCC is to co-design and guide decisions in the development of Essential Energy's Regulatory Proposal to the AER. This has included using their knowledge to inform the details of what customers were engaged on as well as feedback to inform several other regulatory requirements. Many of these topics were deemed to be less important because of the ability for customers to influence the decision and/or given their impact on revenue. Some examples of these topics included incentive schemes, operating expenditure, ICT expenditure and service classifications.

The SCC began with nine stakeholder members representing a cross section of Essential Energy's regional, rural, and remote customers and communities, as well as environmental, retailer and individual representatives. It also included key representatives from Essential Energy including the Chief Executive Officer and other key members of the senior leadership team. The SCC has mostly met on a fortnightly basis since its inception in October 2021. One SCC member had to withdraw in early 2022.

The SCC has been invaluable in ensuring a customer centric approach to the development of the Regulatory Proposal and have been at the forefront of shaping discussions directly with key decision-makers within Essential Energy throughout the engagement journey.

The Essential Energy team has genuinely been receptive and responsive to the input provided by SCC members.

### Pricing Collaborative Committee

The PCC was established in February 2022 on the direct recommendation of the SCC.

The PCC has been established to co-design and guide decisions in the development of Essential Energy's 2024-29 Tariff Structure Statement (TSS) to the AER. The PCC is made up of a subset of the SCC and other interested stakeholders and met most months between February and July 2022.

The PCC:

- Focused on tariff outcomes for customers
- Helped shape the development of the TSS and tariffs for the regulatory period
- Guided the development of TSS engagement materials.

The PCC also took high-level decisions back to the SCC as required. Like the SCC, the PCC has been invaluable in helping to shape discussions on pricing with key decision-makers.

### Emphasis on creating informed, educated participants

Although executed with mixed success due to the impacts of COVID-19 and the need to engage virtually, there was a greater intention to inform at a 'higher level' than the previous regulatory period in the hope to have participants meaningfully contribute to discussions and make informed decisions. The Engagement Hub and Virtual Room played a key role in creating informed, educated participants via sharing information ahead of the forums, summarising what was heard and closing the loop on next steps.

It was also done via the use of personas, infographics, videos, and relevant case studies and by providing context to engagement topics via 'Your network vision' and 'Network challenges' to provide a consistent framework to discussions.

In addition, Essential Energy engaged independent experts including the NSW Department of Planning and Environment to present on the NSW Electricity Infrastructure Roadmap and NSW Electric Vehicle Strategy, and Eurobodalla Shire Council to present on their resilience experience of the 2019-20 bushfires.

### Meaningful feedback that is an integral part of the engagement process

Listening and being responsive to feedback has been evident throughout the entire engagement journey. At the beginning of each engagement, Essential Energy provided a playback to participants to reinforce what was heard. Similarly, at the end of the engagement Essential Energy made a commitment to let participants know how their feedback will be incorporated, demonstrating a commitment to participants on how their input is shaping the overall Regulatory Proposal in an open and transparent manner. The Virtual Room played a key role in this.

Similarly, there is evidence of Essential Energy applying the learnings from the engagement to business-as-usual engagement strategies, for example feedback from Phase Two consumer forums led to the development of a partnership with the NRMA to educate remote regional areas on electric vehicles. Essential Energy is also undertaking an 'education only' trial around electricity usage in Broken Hill and Bungendore as part of the small customer tariff trials project. The idea is to test whether customers sufficiently change their electricity behaviour based on information alone to avoid the need to change tariffs.

To encourage deeper and more deliberative engagement - in the context of limitations of the earlier online phases – more time in Phase Three could have been spent on clarifying what aspects of customer preferences could shape the proposal and what aspects are constrained due to the regulatory framework. This would then better inform conversations around what participants value such as fairness because they would understand what is in, and what isn't in scope.

Of significant note, based on feedback from earlier phases, effort was made to engage at a deeper, more granular level in Phase Four. This was evident in the way deliberations were structured to engage participants based on their values. For example, in deliberations around the different approaches to implementing export limits on different sized systems, where once participants had a good understanding of the broader issues and how it affects different people, they were able to make informed decisions based on what they value regarding cost versus benefit. This approach can be considered a best practice approach to engagement on material that is technically complex and unfamiliar and involves competing trade-offs of concepts of fairness – and the shift in approach from not only discussing different concepts of fairness but more broadly moving from a discussion of trade-offs across technical options to a discussion of trade-offs on values (both different values and different ways of interpreting those values).

### Partnering approach to decision-making

It is evident that Essential Energy sees their customers and stakeholders as an asset and a valuable extension to their business. This was particularly evident in the planning phase via the co-design workshop and again in the deep dive workshop on pricing – where there was a genuine collaborative approach to engagement.

## Appropriate structure and governance mechanisms around delivery

Undoubtedly, the creation of an advisory panel, the SCC, has created an increased level of governance around the implementation of engagement for the Regulatory Proposal. This is also the case for the PCC and the development of the Tariff Structure Statement. Their input has been critical to ensuring:

- Participants are being engaged to meaningfully contribute to decision making
- Information has been presented transparently
- Key messages have remained customer-focussed
- Topics for discussion are appropriate for the level of involvement of engagement.

## Public participation that espouses IAP2 core values

Throughout the engagement process, Essential Energy has modelled the core values of the IAP2 for engaging customers and stakeholders in the public participation process, demonstrating an approach to engagement that strives to be best practice. The value of this is that processes based on these core values have been shown to be the most successful and respected. *Refer to Appendix F for the IAP2 Core Values.*

## Overall assessment to 'raise the bar'

When assessed against these criteria, the overall evidence, suggests a considerable shift towards the collaborate level of engagement across all areas of the criteria.

While not all aspects of the engagement process could be considered collaborative (deliberative) under the IAP2 Spectrum, on balanced assessment, we consider the engagement to have had the right level of deliberative components when considering the limitations of the regulatory framework and the required outcomes.

We also consider that engagement was undertaken in such a way to have been sufficiently robust and it inspired confidence that the customer voice has been appropriately heard and reflected in Essential Energy's Regulatory Proposal

Phase Four demonstrated the strongest evidence of engagement at the collaborate level against the IAP2 Spectrum – and it is unlikely that engagement in this phase could have been much more collaborative within the regulatory framework and the engagement approach adopted.

Across all phases, there has been greater success at the collaborate level with stakeholders given their inclusion in designing the engagement plan and their ongoing insights via the in-depths and the regular and ongoing involvement of the SCC and PCC. For customers, while the process of engagement has overall genuinely been collaborative, and deliberative processes have been used, the engagement has not been truly collaborative as strictly defined by the IAP2 Spectrum.

# Opportunities for future engagement

As always, there are learnings that can be used to guide and enhance future engagement opportunities. Some considerations for future engagement both within this regulatory period and beyond are set out below.

## Engagement approach

The SCC recommends Essential Energy continues to focus on developing a deeper engagement on complex topics. It is proposed this could be achieved by:

- continue having conversations on those topics that are contentious and need deeper exploration such as future pricing (e.g. seasonal and locational pricing), and network strategies to manage extreme weather events – to further increase confidence ahead of introducing the changes of the Regulatory Proposal
- incorporating deep dives as part of a future engagement approach with a smaller representative customer base on complex topics such as pricing
- on those topics that Essential Energy decides to go to the collaborate level on the IAP2 Spectrum, it is recommended that a deliberative internal engagement specialist is engaged to support and complement the overall process *in addition* to the expertise of any provider of future deliberative engagement services moving forward.

In addition, the SCC recommends reviewing the way polling is delivered and being clearer with customers on how the results will be used and the purpose.

## Greater 'storytelling' from the outset

Storytelling is a powerful tool that helps people make sense of the world and engage with each other on a different level. Elements of this were evident throughout the engagement process such as the narrative created around 'Your network vision' and the introduction of two personas in Phase Two i.e. single person without solar versus a family of four with solar, and subsequently in Phase Four the introduction of a case study to demonstrate the various options on treating export limits (i.e. Mayfield's and The Silva's). It was evident that the personas/case studies resonated with participants and was referred to as a way for participants to make sense of the information and make decisions based on what they value. The SCC recommends further development of storytelling and case study approaches in future sessions, for example by using animated rather than static images to help communicate the changed impact of different approaches (e.g. impact of export changes on FIT revenue).

## Customer-focussed education campaigns

It was clear from the engagement process that not only does the community need to be better educated on matters relating to Essential Energy's business and the energy sector more broadly, but they want to be better educated.

There was a real desire from participants to be educated about a variety of topics ranging from the energy supply chain, renewable technology, solar and dynamic assets. In fact, participants at the pricing workshop said they wanted consumers to be educated as much as they were so they could all contribute to a future that was greener, cost-effective, and fair for people who can least afford or cannot access new technologies.

On the back of the Regulatory Proposal and this sentiment, there is an opportunity to turn these consumers into advocates and brand ambassadors for Essential Energy. Creating a 'brains trust' to develop these campaigns which proved so successful at the pricing workshop could be a good way to start this process.

It is the SCC's understanding that Essential Energy has CEO approval to form a customer advocacy group and invite people who participated in the deep dive workshop on pricing to be a part of this. It is understood that the aim of this advisory group would be to test issues from a business-as-usual perspective and provide feedback on communication materials. From an IAP2 perspective, forming this group going forward would ensure an equitable and deliberative approach to engaging with a variety of customers and would sit more within the collaborative space of the IAP2 Spectrum.

It is also an approach that is in line with the 2022 Edelman Trust Barometer<sup>11</sup>, where societal leadership is now a core function of business and trust is the ultimate currency, whereby it defines an organisation's license to operate, lead and succeed.

### Leadership and advocacy

There was a strong sentiment from consumers that a greater partnership and role needs to be played with retailers, particularly when it comes to discussing pricing tariffs with customers and having bills that are easier to understand. There was also a similar sentiment that on the back of the Regulatory Proposal, Essential Energy should provide government with insights into what is important to consumers to help shape future policy (in context of learnings around how the rebate system worked for solar panels). On this basis, there may be more opportunity for Essential Energy to proactively pass on what they are hearing from customers to retailers and government.

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<sup>11</sup> Edelman Trust Barometer 2022: Global Report

# Appendices

- A. Engagement Scorecard – Independent IAP2 Peer Review
- B. List of consumer forums and in depths observed
- C. IAP2 Spectrum
- D. Engagement journey
- E. Customer and stakeholder group analysis
- F. IAP2 core values

# Appendix A – Engagement Scorecard - Independent IAP2 Peer Review

The scorecard provides a wholistic assessment of engagement. Scores on each indicator have been independently weighted as part of the assessment\*.

Essential Energy Engagement Scorecard							
Indicators	Inform	Consult	Involve	Collaborate	Empower	Evidence	
<b>Design of Engagement</b> <ul style="list-style-type: none"> <li>• Codesign of engagement process and framework</li> <li>• Opportunities for stakeholders to provide ongoing insights</li> <li>• Empowerment of participants</li> <li>• Clear decision-making frameworks developed</li> </ul>				X		<ul style="list-style-type: none"> <li>• Clear vision supported by engagement goals and objectives.</li> <li>• Representative customer base and diverse stakeholder groups had input into the topic areas and engagement approach.</li> <li>• Feedback and insights shaped overall engagement plan.</li> <li>• Advisory group (SCC) formed to provide guidance throughout engagement.</li> </ul>	Planning
				X		<ul style="list-style-type: none"> <li>• Participants empowered to create their own energy future in visioning forums. Forums built understanding of the ‘big picture’ and laid engagement foundation.</li> <li>• Need to engage online due to COVID-19 restrictions making deliberative engagement challenging</li> <li>• SCC shape and advise on engagement process.</li> <li>• Stakeholders had the opportunity to provide insights.</li> </ul>	Phase 1
				X		<ul style="list-style-type: none"> <li>• PCC introduced to co-design and guide decisions on TSS.</li> <li>• Need to engage online due to COVID-19 restrictions making deliberative engagement challenging</li> <li>• SCC shape and advise on engagement process.</li> <li>• Stakeholders had the opportunity to provide insights.</li> </ul>	Phase 2
					X	<ul style="list-style-type: none"> <li>• Collaborative approach in the engagement design with high level of participant engagement.</li> <li>• SCC provided input on the topics of discussion and ensured they were appropriate for the level of involvement of consumers.</li> <li>• SCC shaped and advised on engagement process.</li> <li>• Stakeholders had the opportunity to provide insights.</li> </ul>	Phase 3

## Essential Energy Engagement Scorecard

Indicators	Inform	Consult	Involve	Collaborate	Empower	Evidence	
				X		<ul style="list-style-type: none"> <li>Information session and all day workshop.</li> <li>Participants presented ideas on messaging for the rollout of regulatory proposal.</li> <li>SCC and PCC provide advice on the format and approach to the workshop.</li> <li>Pricing principles provided a good framework for decision-making.</li> <li>Stakeholders had the opportunity to provide insights.</li> </ul>	<i>Pricing Workshop</i>
				X		<ul style="list-style-type: none"> <li>Clear purpose of phase.</li> <li>Clear bridge between customer preferences and where the draft regulatory proposal landed.</li> <li>Forums evolved during the phase because of ongoing SCC feedback particularly in relation to the framing of 'fairness'.</li> </ul>	<i>Phase 4</i>
<b>Engagement approach</b> <ul style="list-style-type: none"> <li>Adopts a genuine partnering approach</li> <li>Engagement methodology ensures valid results and minimises bias</li> <li>Variety of methods used</li> <li>Builds trust with customers and understands their values</li> </ul>				X		<ul style="list-style-type: none"> <li>Co-designing the engagement plan with customers and stakeholders represented an authentic and responsive early 'partnering approach'.</li> <li>Identified a mix of engagement channels at different levels of the IAP2 Spectrum including online and face-to-face engagement.</li> <li>Approach started with identifying what customers value.</li> <li>Efforts made to seek diverse views from young people, CALD, ATSI.</li> <li>Ongoing meetings/guidance with SCC.</li> </ul>	<i>Planning</i>
			X			<ul style="list-style-type: none"> <li>Engagement methods adapted due to changing COVID-19 restrictions.</li> <li>Set the scene for future engagement in terms of scope and building trust with customers to promote a collaborative approach.</li> <li>Identified what is important to customers in the engagement process.</li> <li>Good diversity and inclusiveness of divergent perspectives by involving various stakeholder groups.</li> <li>Customer energy literacy was low, and information was provided to help with understanding of Energy sector and Essential Energy's role within it.</li> <li>Ongoing meetings and advice with SCC.</li> </ul>	<i>Phase 1</i>

## Essential Energy Engagement Scorecard

Indicators	Inform	Consult	Involve	Collaborate	Empower	Evidence	
<ul style="list-style-type: none"> <li>• Adapts engagement methods based on feedback</li> <li>• Engagement is in depth and with a broad stakeholder base</li> <li>• Engagement approach assesses personal, organisation and community factors and what might contribute to inequitable or exclusionary practices and outcomes.</li> </ul>			X			<ul style="list-style-type: none"> <li>• Genuine willingness to engage led to a clear level of trust at consumer forums.</li> <li>• Introduction of the PCC added a robustness to the conversation around pricing.</li> <li>• Customer priorities linked to topics, providing framework for discussion.</li> <li>• Breakout rooms may have benefited from more time to discuss complex information, and better understand customer preferences</li> <li>• Polling may have resulted in ‘anxiety’ responses on more complex topics and may have benefited from more time to process information before making decisions.</li> </ul>	<i>Phase 2</i>
			X			<ul style="list-style-type: none"> <li>• Genuine level of goodwill between Essential Energy and participants.</li> <li>• Demonstrated genuine commitment to incorporate input from stakeholders and evolve and improve engagement.</li> <li>• More time clarifying what aspects of customer preferences could shape the proposal and what aspects are constrained due to the regulatory framework.</li> <li>• Ongoing meetings and advice with SCC and PCC.</li> <li>• SCC feedback taken on board in terms of format, structure, and content.</li> </ul>	<i>Phase 3</i>
					X		<ul style="list-style-type: none"> <li>• Workshop held in response to SCC concerns and feedback in Phase Two.</li> <li>• Genuine sense of ‘building a shared energy future’ by designing options based on well-informed participants and understanding customer values and preferences.</li> <li>• Longer and more flexible format</li> </ul>
				X		<ul style="list-style-type: none"> <li>• Forums evolved during the phase because of ongoing SCC input particularly in relation to the framing of ‘fairness’.</li> <li>• Participants engaged based on their values particularly discussions on flexible connection agreements.</li> <li>• Meaningful discussion based on participant understanding of broader issues and implications of fairness.</li> </ul>	<i>Phase 4</i>

## Essential Energy Engagement Scorecard

Indicators	Inform	Consult	Involve	Collaborate	Empower	Evidence		
<b>Creating informed, educated participants</b> <ul style="list-style-type: none"> <li>• Continuous proactive approach to educating customers beyond engagement</li> <li>• Complex information is simple, clear, and accessible</li> <li>• Information caters for different knowledge levels</li> </ul>				X		<ul style="list-style-type: none"> <li>• Opportunities identified with stakeholders to provide information ahead of time and in clear, easy to understand formats.</li> <li>• Forming SCC as an advisory panel.</li> <li>• Inclusive and representative engagement.</li> </ul>	<i>Planning</i>	
			X			<ul style="list-style-type: none"> <li>• Challenges of online engagement to engagement.</li> <li>• Volume and technical nature of information to be communicated to meet regulatory expectations.</li> <li>• Launch of Virtual Room with background information about Essential.</li> </ul>	<i>Phase 1</i>	
				X			<ul style="list-style-type: none"> <li>• Challenges of an online environment to deliberative engagement especially on complex and contentious topics.</li> <li>• Layered information and knowledge from Part A forums to Part B forums were expanded on and better explained from earlier forums.</li> <li>• Introduction of personas to explain concepts.</li> </ul>	<i>Phase 2</i>
					X		<ul style="list-style-type: none"> <li>• Opportunity to engage face-to-face with lifting of COVID-19 restrictions</li> <li>• Options clearly presented with clear messages and supported by high quality communications.</li> <li>• SCC feedback taken on board in terms of format, structure, and content.</li> <li>• Given limitations of earlier online phases, more time could be spent clarifying what aspects of customer preferences could shape the proposal and what aspects are constrained.</li> </ul>	<i>Phase 3</i>
					X		<ul style="list-style-type: none"> <li>• Workshop explained how pricing is a complement to alternative investments and allowed participants to debate more complex pricing matters.</li> <li>• Pre information session allowed participants to process topics.</li> <li>• Customers developed a deeper appreciation of the trade-offs and the larger role Essential Energy plays in the energy sector.</li> </ul>	<i>Pricing Workshop</i>

## Essential Energy Engagement Scorecard

Indicators	Inform	Consult	Involve	Collaborate	Empower	Evidence	
				X		<ul style="list-style-type: none"> <li>• Introduction of a case study to demonstrate the various options on treating export limits (i.e. Mayfield’s and The Silva’s).</li> <li>• Meaningful discussion based on participant understanding of broader issues and implications of fairness.</li> <li>• Table discussions showed a deep level of understanding of issues by most participants.</li> </ul>	<i>Phase 4</i>
<p><b>Meaningful feedback is part of the engagement process</b></p> <ul style="list-style-type: none"> <li>• Strong culture of engagement led from the top down</li> <li>• Staff committed to working with stakeholders and listening to and receiving feedback</li> <li>• Processes allow participants to contribute in an informed and meaningful manner</li> <li>• Feedback is well considered and incorporated into engagement plans</li> </ul>				X		<ul style="list-style-type: none"> <li>• Involvement of senior staff highlighted importance of customer voice and ensured Executive, and Board heard this first-hand.</li> <li>• Demonstrated early intention to listen and be authentic.</li> <li>• Attempted to incorporate successes from previous regulatory period.</li> <li>• Insights led to forming the SCC and including more representative groups in engagement.</li> </ul>	<i>Planning</i>
				X		<ul style="list-style-type: none"> <li>• High involvement of Essential Energy staff across the organisation, including senior representatives.</li> <li>• Undertaking joint network engagement with other distributors to avoid asking stakeholders for feedback on the same topics.</li> <li>• Responsiveness to SCC input and feedback.</li> <li>• Role of Virtual Room and Engagement Hub (interaction, engagement summaries, information etc).</li> </ul>	<i>Phase 1</i>
				X		<ul style="list-style-type: none"> <li>• Good application of learnings from consumer forums to business-as-usual strategies.</li> <li>• In-depths tested assumptions and gathered industry insights.</li> <li>• Re-capping feedback from Phase One.</li> <li>• Adequate insights into Essential Energy’s business plans and strategies.</li> <li>• Role of Virtual Room and Engagement Hub (interaction, engagement summaries, information etc).</li> <li>• Responsiveness to SCC and PCC input and feedback.</li> </ul>	<i>Phase 2</i>

## Essential Energy Engagement Scorecard

Indicators	Inform	Consult	Involve	Collaborate	Empower	Evidence	
<ul style="list-style-type: none"> <li>Regular testing of what was heard/assumptions</li> <li>Feedback shapes the regulatory proposal and customer values drive options</li> </ul>			X			<ul style="list-style-type: none"> <li>Involvement of senior executives and staff continued to demonstrate importance of ‘customer voice’.</li> <li>SCC feedback taken on board in terms of content, format, and structure.</li> <li>Role of Virtual Room and Engagement Hub (interaction, engagement summaries, information etc).</li> </ul>	<i>Phase 3</i>
				X		<ul style="list-style-type: none"> <li>SCC and PCC had input into structure and content.</li> <li>Pre- Information session provided context for workshop.</li> <li>Participants felt valued because of the level of involvement in the workshop e.g. input on messaging and rollout out of two-way pricing</li> <li>Role of Virtual Room and Engagement Hub (interaction, engagement summaries, information etc).</li> </ul>	<i>Pricing Workshop</i>
					X		<ul style="list-style-type: none"> <li>In-depths and materials testing groups added to the richness and value of engagement.</li> <li>Clear playback of what was heard.</li> <li>Forums evolved during the phase based on SCC input.</li> <li>Ongoing PCC guidance e.g. review of TSS principles and adding new principle about considering impact on retailers (while not losing sight of customers’ interests) when assessing customer feedback/considering revised approaches.</li> </ul>
<b>Structure and Governance mechanisms around delivery</b>				X		<ul style="list-style-type: none"> <li>Adequate resources and time dedicated and guided by input of customer representatives from the previous regulatory period and stakeholders.</li> <li>SCC as independent advisory panel established.</li> </ul>	<i>Planning</i>
<ul style="list-style-type: none"> <li>Ample time for engagement process and to</li> </ul>			X			<ul style="list-style-type: none"> <li>SCC input and feedback.</li> <li>Online nature of forums making engagement challenging.</li> </ul>	<i>Phase 1</i>

## Essential Energy Engagement Scorecard

Essential Energy Engagement Scorecard								
Indicators	Inform	Consult	Involve	Collaborate	Empower	Evidence		
build an in depth understanding <ul style="list-style-type: none"> <li>• Appropriate structure and format of engagement</li> <li>• Well facilitated discussions ensure all voices are heard</li> <li>• Pressure test/challenge opportunities</li> </ul>			X			<ul style="list-style-type: none"> <li>• Materials tested by customers ahead of forums.</li> <li>• Personas helped explain the complexity of pricing and resonated well.</li> <li>• High calibre of Essential presenters and answering questions in real-time.</li> <li>• Adequate explanation of the challenges of the current network.</li> <li>• Online nature of forums making deliberative engagement challenging.</li> <li>• PCC introduced on recommendation by SCC to guide decisions on the TSS.</li> </ul>	<i>Phase 2</i>	
				X			<ul style="list-style-type: none"> <li>• Materials tested by customers ahead of forums.</li> <li>• Well facilitated forums to ensure all voices were heard and participants could ask questions.</li> <li>• Clear customer focused narrative and messaging that is aspirational.</li> <li>• Clear and simple definitions of complex terms and concepts.</li> <li>• Options presented clearly and factually, with pros and cons, and in bite-size topics so participants, supported with high quality materials, case studies etc.</li> </ul>	<i>Phase 3</i>
					X		<ul style="list-style-type: none"> <li>• Pre- information session provided context for workshop and gave participants time to process information and be well informed.</li> <li>• Flexible format to facilitate ‘deliberative’ discussion on pricing principles and options.</li> <li>• Well facilitated sessions and handouts.</li> </ul>	<i>Pricing</i>
					X		<ul style="list-style-type: none"> <li>• Ongoing opportunities for PCC and SCC to provide guidance and challenge approach.</li> <li>• Participants encouraged to provide options other than those presented re treating exports to share benefits of exports fairly.</li> <li>• Rather than going into detail about the regulatory process, the script would have benefited from a more succinct, plain English intro about the purpose of the session – along with less jargon throughout.</li> </ul>	<i>Phase 4</i>
	Inform	Consult	Involve	Collaborate	Empower			
<b>Overall Engagement Score*</b>			X					

# Appendix B – List of consumer forums and in-depths observed

## Phase Two – Part A

- Broken Hill & Inverell consumer forum – 21 February
- Taree & Ballina consumer forum – 23 February

## Phase Two – Part B

- Materials Testing Group – 24 February
- Wagga Wagga consumer forum – 2 March
- Taree & Ballina consumer forum – 3 March
- Bega & surrounds consumer forum – 11 March
- Renewables in-depth – 23 March
- Advocates in-depth – 6 April

## Phase Three

- Materials Testing Group – 5 May
- Ballina consumer forum – 19 May
- Wagga Wagga consumer forum – 24 May
- Sydney pricing pre-information workshop session – 30 May
- Sydney pricing workshop – 4 June
- Dubbo consumer forum – 7 June
- Renewables in-depth – 22 June
- Advocates in-depth – 29 June
- Tariff Transition Strategy meeting (retailers and aggregators) – 14 July

## Phase Four

- Materials Testing Group – 25 August
- Draft Regulatory Proposal Launch – 1 September
- Wagga Wagga Consumer Forum – 5 September
- Ballina Consumer Forum – 13 September
- New Technology Group in-depth – 4 October
- Dubbo Consumer Forum – 10 October

# Appendix C – IAP2 spectrum of public participation



<b>Goal</b>	To provide balanced and objective information in a timely manner.	To obtain feedback on analysis, issues, and alternatives and decisions.	To work with the public to make sure that concerns and aspirations are considered and understood.	To partner with the public in each aspect of the decision-making.	To place the final decision-making in the hands of the public.
<b>Promise to the public</b>	"We will keep you informed."	"We will listen to you and acknowledge your concerns."	"We will work with you to ensure your concerns and aspirations are directly reflected in the decision made."	"We will look to you for advice and innovation and incorporate this in decisions as much as possible."	"We will work with you to implement what you decide."

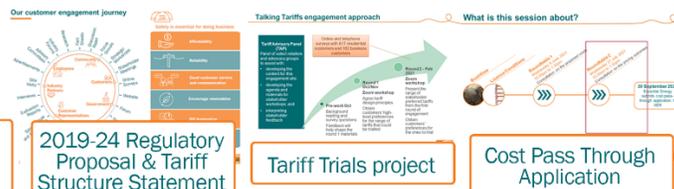
# Appendix D – Engagement journey

## ENGAGEMENT FOUNDATION



2014-19 Remittal Proposal

## Existing knowledge and desktop review



2019-24 Regulatory Proposal & Tariff Structure Statement

Tariff Trials project

Cost Pass Through Application

**OUTCOME**  
A leading-edge engagement plan - Who we engage with; what we engage on; and how we engage with them

## PLANNING

### PHASE 1: SETTING THE SCENE

### PHASE 2: SETTING THE SCENE

### PHASE 3: INVESTMENT OPTION FORUMS

### PHASE 3: COLLABORATIVE DEEP DIVE

### PHASE 1: SETTING THE SCENE

Co-design workshop with stakeholders

Meeting with 'Essential Connectors'

Test relevance of existing customer priorities  
Test alignment of project risks with customers priorities

Identify customers' preferred customer service (CSIS) measures  
Develop customers' future network vision

Cost of living pressures and NSW Roadmap  
Refine and rank customer priorities  
Customers views on reliability, their experience and priorities in extended outages  
High-level pace of change and willingness to pay for resilience and smarter network

Outline the emerging network challenge - power quality  
Begin fairness discussions in relation to pricing  
Introduce the concept of two-way prices  
Identify preferences around locational and seasonal prices

Cost of living pressures and NSW Roadmap  
Outline our costs and how they are recovered from customers  
Trade-off discussions around the pace of change to build resilience

Discussion for investments that deliver customers priorities in alternative ways  
Willingness to pay for varying levels of customer value and investment

Network solutions toolkit and customer outcomes  
Preferred default 'future proof' two-way tariff

Preferred transition to two-way prices  
Ideas for educating customers about two-way prices

## Publish Draft Proposal and Draft TSS

Acceptance of proposed CSIS measures and preferred weightings  
Cost of living pressures and NSW Roadmap  
Willingness to pay for slightly increased investment  
Support for the proposed Sun Soaker two-way as the default tariff

Should opt-out to flat rate be offered  
Preferred transition to two-way prices  
Should a grace period apply  
Support to move to flexible connection agreements  
Shared our free export limit findings

**OUTCOME**  
Informed customers and identification of what's important to them in terms of their priorities, risk assessment, customer service measures and the future network

**OUTCOME**  
Participants informed at a higher level  
An understanding of customers' views and priorities in relation to the key issues

**OUTCOME**  
Willingness to pay trade-offs are understood  
Identification of program and pricing preferences

**OUTCOME**  
Refinements to deliver a Regulatory Proposal developed collaboratively and supported by customers and stakeholders



# Appendix E – Customer and stakeholder group analysis



## Appendix F – IAP2 core values



### CORE VALUES

IAP2 Federation's Core Values for Public Participation professionals define the expectations and aspirations of the public participation process. Processes based on the Core Values have been shown to be the most successful and respected.

**1** Public participation is based on the belief that those who are affected by a decision have a right to be involved in the decision-making process.

**2** Public participation includes the promise that the public's contribution will influence the decision.

**3** Public participation promotes sustainable decisions by recognizing and communicating the needs and interests of all participants, including decision-makers.

**4** Public participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.

**5** Public participation seeks input from participants in designing how they participate.

**6** Public participation provides participants with the information they need to participate in a meaningful way.

**7** Public participation communicates to participants how their input affected the decision.

## Contact Us

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