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Dear Lynne

Review of Stakeholder Engagement Framework

Jemena thanks the AER for the opportunity to provide preliminary feedback on the AER's Stakeholder Engagement Framework (**Framework**). Jemena owns two regulated energy networks—distributing gas to 1.3 million customers in New South Wales and electricity to 320,000 customers in Victoria—and as such we have had extensive experience engaging with the AER through both revenue determination processes and a range of other matters.

We welcome the AER applying an engagement framework that broadly reflects the principles of its Consumer Engagement Guideline (**Guideline**) for network service providers (**NSP**). Jemena undertook significant customer and stakeholder engagement to support our last two regulatory proposals, underpinned by this Guideline. The positive feedback we received from our stakeholders on our engagement indicates that the Guideline provides a positive framework on which to build meaningful and genuine engagement with a wide range of stakeholders.

For both the AER and the businesses it regulates, effective stakeholder engagement is a process of continuous improvement and open and honest feedback between stakeholders. We have set out some preliminary views on the AER's application of its Framework in relation to two areas below.

Improving the clarity of stakeholders' participation in AER engagement

One of Jemena's key learnings from our customer, stakeholder and community engagement over the past four years has been that a clear understanding by stakeholders of their role in our engagement is critical to their consideration of it as meaningful and genuine. To this end, the AER's engagement with non-NSP stakeholders could involve providing greater clarity of how those stakeholders will be involved, consistent with the principle of transparency.

The AER's Network Revenue Determination Engagement Protocol (September 2015) (**Protocol**) sets out some additional principles the AER applies during revenue determination processes, including that the emphasis of the AER's engagement with non-NSP stakeholders is on informing them of the AER's processes and assessment approaches, and on understanding their views. These are positive steps towards ensuring a broad range of stakeholders (including consumers and their

representatives) fully understand the AER's decisions, particularly in light of the barriers to participation in engagement faced by some stakeholders due to time and resource constraints.

However, we consider the consistency of the Protocol with the Framework could be enhanced if the Protocol was to also cover the transparent explanation to non-NSP stakeholders of how their views have been considered by the AER in its decision making. This would provide these stakeholders with a clearer understanding of their role and influence in the AER's decision making process, fostering stronger relationships and more effective engagement over time. For example, consistent with the Guideline, Jemena produced a document during each of our revenue determination processes that sets out how the feedback we'd received had been incorporated into our regulatory proposal. There may be merit in the AER publishing a similar summary alongside its regulatory decisions, as such a summary may be more accessible and inclusive for some stakeholders than documents setting out detailed reasons for decisions. A clearer understanding of the stakeholders, issues and outcomes of the AER's engagement may also assist NSPs to better tailor their own future engagement to stakeholders' needs and interests.

Greater clarity on the scope of the AER's engagement during revenue determinations (and during processes such as the development of guidelines) could also be provided up-front when the AER engages with both NSP and non-NSP stakeholders—in particular, the 'level' of engagement as per the spectrum outlined in the Framework, could be more clearly specified. Jemena clearly states the purpose (inform/consult/involve/collaborate/empower) of our engagement and any key 'questions' for stakeholders at the start of an engagement activity. Again, we have found that this can allow stakeholders to tailor their input to our decision making and allows them to better consider whether our engagement has met their expectations—the latter being vital to measuring the effectiveness of our engagement.

Building and maintaining an open and effective dialogue with NSPs

In relation to the AER's engagement with NSPs during a revenue determination process, the Protocol states that the AER may seek to 'front-end' its direct engagement with an NSP about the business' proposal. While we are mindful of the practical constraints on the AER's availability towards the end of a regulatory process, we consider that continued engagement between the NSP and the AER throughout the entire process is all the more important and in fact may be even more relevant at the back end of the process. The Protocol identifies the value of the AER engaging with the NSP to fully understand its proposal; however we consider the NSP should be afforded a similar opportunity to allow it to understand and properly respond to the AER's decisions.

We note the AER 2015-16 Annual Report lists exploring new options for engagement, for example, engagement which is less formal and more proactive, as a focus for 2016-17 in response to the AER's recent stakeholder survey. We welcome this focus and the opportunity for informal engagement with the AER throughout the revenue determination and other processes based on the principles of clear communication, accessibility, transparency and measurability (noting that direct feedback is an important part of both the AER and NSPs measuring the effectiveness of and continually improving their stakeholder engagement).

We consider the AER's extensive engagement underpinning the development of the Electricity Ring-Fencing Guideline 2016 is a positive example of these new engagement approaches being successfully applied. We look forward to the

opportunity for ongoing informal and proactive engagement with the AER at the Board and all staff levels of our organisations as the pace of change in our energy market continues to increase.

We would welcome the opportunity to discuss this feedback and any other related matters further, and we look forward to participating in the formal consultation process on the Framework. Should you have any questions, please contact me on (03) 9173 8231 or at matthew.serpell@jemen.com.au.

Yours sincerely

Matthew Serpell
Manager, Asset Regulation and Strategy