

Dear Lynne

Re: Preliminary feedback on the AER's Stakeholder Engagement Framework

I confirm the comments that I made in meeting with you on 26th October 2016, and have augmented them a little to add to our comments.

The notes that you sent to me are as follows

“Meeting with Mark Henley on 26/10/16

- In general the AER does stakeholder engagement very well
- Important to monitor non-metro stakeholder impacts and responses of our engagement to ensure that consumers in regional and rural areas feel like they are being fully heard
- The meaning of long-term is relative – for vulnerable consumers it may be a week, for the average household, perhaps 3-5 years
- The ways in which consumers use energy can also vary - for example, some customers (such as nursing homes and families with small children) have little ability to shift the times at which they use energy
- Consumers are actively engaged, but perhaps not in the places we look for. Consumer engagement means different things to different people and happens at different times (eg –to retailer – could mean a customer paying their bill; to a consumer group - could be acting as a conduit for advocacy)
- The media can help to build confidence in the regulatory process. We could also use social media to tell our story
- Would be useful to have a place on the AER website which lists our top 5 reports
- Leadership is the role of the COAG EC and the AEMC, rather than the AER. But we could:
 - have an informal role in linking different stakeholders in search for common ground
 - be more proactive in taking consumer views to the COAG EC , through complaints etc.
 - have a place on our website with useful articles (eg from overseas regulators, about emerging issues, best practice)

- From a consumer group perspective it would also be useful if we could coordinate engagement across all energy institutions. With more lead time consumer groups could utilise their resources more effectively and save money on travel.”

In terms of some additional comments, I note that we were very actively involved with providing input into the development of the AER “consumer engagement guideline” that was part of the “better regulation” programme of 2013. Consumers being a stakeholder of considerable interest to us. We observe that this has been a particularly useful guideline in encouraging network service providers to engage more actively with consumers. We suggest that recent processes of consumer engagement in developing regulatory proposals by Australian Gas Networks and ElectraNet are very good examples of enhanced consumer engagement.

I also note that we have a very keen interest in the processes of consumer engagement, particularly as applied to network regulation. Our report “The DNA¹ approach to network regulation” explores the place that we suggest exists for much greater deliberation and negotiation with consumer interests toward achieving agreement / no shocks in network regulatory proposals when they are lodged.

Regarding our comment, “Consumers are actively engaged, but perhaps not in the places we look for” I was referring to engagement in talkback radio, complaints on Facebook and other social media as examples of active consumer engagement, that is outside the traditional market environment, but are still examples of consumer engagement. Similarly I suggest that a vast majority of households have installed energy saving devices over recent years, another aspect of engagement that goes beyond the view of some that switching retailers is the best (only) acceptable form of consumer engagement.

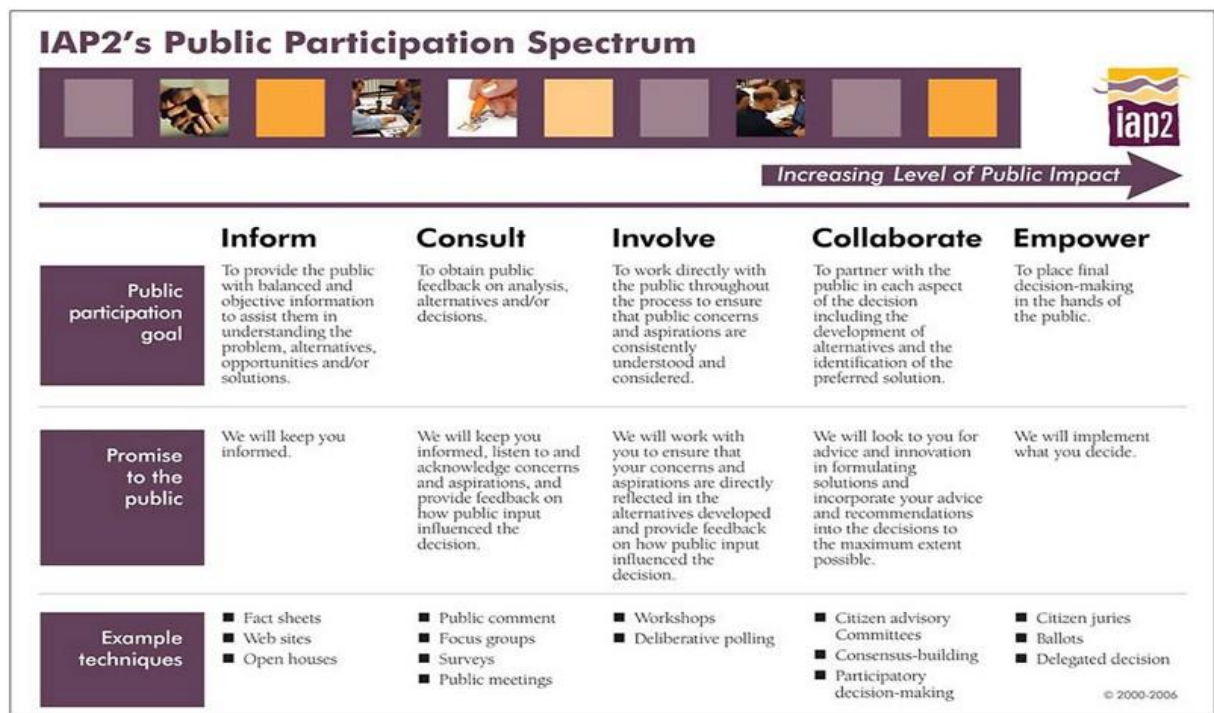
Regarding the “AER’s top five reports,” to my mind these include:

- State of the Energy market (a particularly useful report that I refer to regularly and refer others to as well)
- Annual Benchmarking report
- Annual retail Market Performance report
- Hardship indicators (though this is more specific than the reports listed above)

¹ <http://noshockenergy.org/wp-content/uploads/2016/07/DNA-of-network-tariff-setting-June-2015.pdf>

The other comments I intended to make on 26th October relate to my encouragement for the continued use of the International Association of Public Participation (IAP2) spectrum as a basis for developing consumer engagement, also with broader application to stakeholder wide engagement. A version of the spectrum is copied below. I note that there has been a reasonable degree of acceptance by AER and network service providers in exploring the top row of the spectrum, namely “inform” to “empower”. However I suggest that there is still some thinking to be done about what “collaborate” and “empower” look like in energy stakeholder engagement.

I also highlight that the spectrum is two-dimensional with the second line of the spectrum providing focus on “promise to the public”, I think it is this aspect of applying the spectrum to stakeholder engagement that is the next challenge for the energy sector, including the regulator.



Please do not hesitate to get back to me to clarify any of these comments,

Best wishes

Mark Henley