



NEW REG: TOWARDS CONSUMER-CENTRIC ENERGY NETWORK REGULATION

Newsletter, August 2018

Regulatory innovation, collaboration and the New Reg process were all important themes that were discussed at the ENA and ACCC/AER conferences in July. At the same time AusNet Services' trial continues with another monthly customer forum meeting and the AER releasing its guidance notes. Looking forward, work continues on the program of monitoring and evaluation work.

In this (our second NewReg Newsletter) we:

- provide an update on AusNet Services' trial of the New Reg process, and
- cover the highlights from the Energy Networks Australia and ACCC / AER conferences,
- identify the key stages in our monitoring and evaluation of the AusNet Services' trial of the New Reg process.

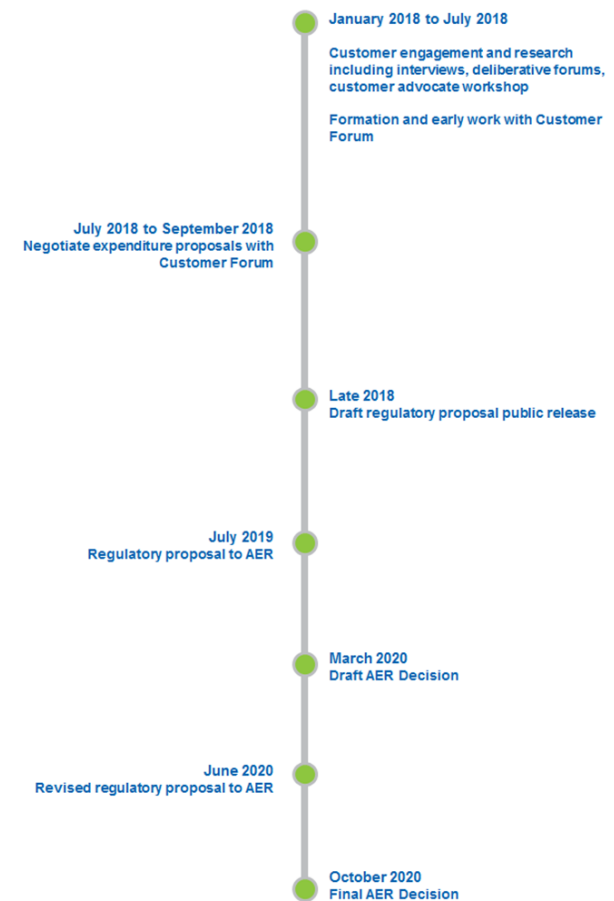
Trial update - narrowing down on scope, heading into the negotiation

AusNet Services' trial of the New Reg model continued on 18-20 and 23-24 of July and 15- 21 August.

In July, AusNet and the Customer Forum engaged on four issues that the AER has agreed to be in scope – operating expenditure, major augex projects, customer experience and customer hardship. In particular, the Customer Forum and AusNet Services staff spent a day in a facilitated workshop to co-develop a set of potential customer service, experience and hardship improvements.

AusNet and the Customer Forum also discussed major replacement projects, DER integration expenditure and connections framework, metering and innovation expenditure. While these are issues that aren't in the agreed scope, these are matters that AusNet Services will engage with the Customer Forum on as part of the process.

AusNet Services 2021-25 price review timeline



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In August, AusNet presented its initial negotiating positions to the Customer Forum.

As set out in the [detailed timeframe](#) on AusNet's website, the AusNet's trial of the New Reg process is now in the negotiation period

Slides and other materials from the July meeting of the Customer Forum will soon be available on AusNet Services website.

Trial update - AER guidance notes

During the trial of the New Reg process, AER staff will be periodically releasing guidance notes to facilitate the New Reg process. AER staff have released two guidance notes to support the AusNet Services trial:

- [Guidance note 1 – How the AER will support the Customer Forum](#); and
- [Guidance note 2 – Scope of negotiation](#).

The guidance notes are an important part of how the NewReg approach differs from other consumer consultation and early engagement processes. They are a consequence of the AERs active participation in enabling the network and the Customer Forum to have a constructive negotiation.

The second guidance note *Scope of negotiation* sets out the issues on which AER staff agree are within the negotiating scope. It sets out all of the issues which the parties proposed to be included in the scope, and includes a reasoned assessment of each of the proposed issues in light of assessment criteria that the AER and AusNet agreed at the commencement of the process in the [Early Engagement Plan](#) (see in particular pages 9-10) and [Memorandum of Understanding](#).

The five issues currently included in scope are:

- Operating expenditure
- Major augex projects
- Revenue path profile
- Customer experience
- Customer hardship arrangements.

Matters for the revenue proposal not included in the scope may still be informed by AusNet's discussion with the Customer Forum.

AER staff intend to release guidance notes on the issues in scope and on the role of AER staff in the negotiation shortly.

Conference update

Consumer engagement in regulatory determinations was an important theme in July at the ENA's 2018 [Power of Collaboration](#) Energy regulatory seminar on 25 July and the ACCC/AER's [New Frontiers in Regulation](#) conference on 26-27 July.

AER Chair, Paula Conboy addressed the Energy Networks Australia's Power of Collaboration seminar with a speech on '[Regulatory Innovation in a collaborative environment what has been achieved and where to from here?](#)' She covered a series of topics, including the transformation of the energy market, the AER's strategic objectives, and challenges for the sector in terms of corporate responsibility and governance.

I will say that I have been very heartened by the goodwill shown through these projects – the effort, the commitment and openness demonstrated by all those involved in the projects so far has been remarkable.

It has shown that we are able to work together – discussing, disagreeing, listening, agreeing, trialling, assessing, refining, developing and then starting all over again on the next issue – to try and achieve regulatory excellence.

This is how we move away from the adversarial culture of the past, through working together and then sitting down afterwards and considering, well, that was useful, how can we improve the process for next time? What worked, and what didn't? What's a new way of doing things we could try next time?

Paula Conboy, Australian Energy Regulator

Tony Robinson, Chair of AusNet Services' Customer Forum also addressed the audience on initial insights from the AusNet Services trial of the New Reg process. Tony also participated in a panel question and answer session

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afterward with AusNet Services Regulatory Manager, Charlotte Eddy, and the AER's director of the New Reg project Mark McLeish.

Questions from the audience covered on a range of topics from the role of each of the parties, to how negotiated settlements could change the economic regulatory landscape, and the strategy for addressing the media at project milestones.

[Expanding the role of consumers in regulatory decision making](#) was discussed on 26 July at the ACCC / AER's New Frontiers in Regulation conference. Each of the speakers covered a different aspect of this topic:

- Stephen Littlechild (Fellow, Judge Business School, University of Cambridge, and Emeritus Professor, University of Birmingham) set out the evolution of consumer engagement in regulatory determinations and recent international developments
- Iain Walker covered how citizen's juries could be made to inform regulatory decisions
- Pat McCafferty (MD, Yarra Valley Water) spoke about Yarra Valley Water's experience in making use of a citizen's jury for its recent regulatory process
- Rosemary Sinclair (CEO, Energy Consumers Australia) put NewReg and other consumer engagement efforts into the broader context of deep-seated consumer distrust of energy sector outcomes, as reflected in the Energy Consumer Sentiment Survey. She added to this the economy wide discussion about the accountability of Boards and their role in taking responsibility for consumer outcomes.

The shared core of all the recent developments in engagement is a commitment to move from the old 'tea and bikkies' consultation processes to a process of partnering in the evolution and funding of the energy system.

Rosemary Sinclair, Energy Consumers Australia

Next stages in the monitoring and evaluation of the New Reg process

An important part of our live engagement on the New Reg process is reporting back to the reference group and the wider group of stakeholders at different stages of the process. After each of the stages below, we will collect information and report back to the reference group are after:

- the establishment phase
- the first negotiation period and draft regulatory proposal and engagement report in December 2018
- the second negotiation and subsequent lodgment of the regulatory proposal with the AER in July 2019
- the AER's draft decision in March 2020
- the AER's final decision in October 2020.

We are running behind schedule on our monitoring and evaluation process. This week we sought the views of the reference group on the assessment factors for the trial. We anticipate a reference group workshop later in the year to discuss the findings from the establishment phase of the trial and will send out a meeting request to confirm a date for this shortly.

Regulatory Innovation enquiries? Email Mark McLeish RegulatoryInnovation@ aer.gov.au

AusNet Services price review enquires? AusNet Services is providing opportunities to join the conversation on its 2021-25 electricity distribution price review. Please email AusNet Services at: 202125EDPR@ausnetservices.com.au