

# NEW REG: TOWARDS CONSUMER-CENTRIC ENERGY NETWORK REGULATION

## Newsletter, February 2020

Well, we are now two and a half years on from when the Australian Energy Regulator (AER), Energy Networks Australia (ENA) and Energy Consumers Australia (ECA) launched our New Reg joint initiative to explore ways to improve sector engagement, and identify opportunities for regulatory innovation.

After the initiative's launch in July 2017, we released our [draft New Reg process](#) in March 2018 following stakeholder consultation on the approach to this process and its key design features.

Our first [trial](#) of this New Reg process hit a major milestone on 31 January. This saw completion of the negotiations between AusNet Services and its Customer Forum culminate in submission of the Customer Forum's [Engagement Report](#) and AusNet Services' 2022-26 Distribution [Regulatory Proposal](#) to the AER.



In this newsletter we:

- Update on the New Reg trial's progress to this key milestone
- Outline the timeline for next steps in the trial and AER review process
- Update on the small scale incentive scheme arising from the New Reg trial, and
- Further consumer engagement.

## Trial update

### Where is the trial up to?

#### 1. Establishment

- Stage one monitoring report
- Stage one insights report

#### 2. Initial negotiations stage / draft plan

- Stage two monitoring report
- Stage two insights report

#### 3. Customer Forum's Engagement Report / AusNet Services' Proposal

- Stage three monitoring report
- Stage three insights report

#### 4. AER's Draft Determination

- Interim evaluation report

#### 5. AER's Final Determination

- Final evaluation report

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## What does this stage involve?

Submission of the Customer Forum's [Engagement Report](#) and AusNet Services' 2022-26 Distribution [Regulatory Proposal](#) on 31 January 2020 means we have now completed 9 of the 12 steps in the New Reg process.

Steps 8 and 9 from our [draft New Reg process](#) are key to this trial milestone, and these are set out below.

### New Reg process steps for this milestone

8. At the conclusion of the Early Engagement Process the parties submit an Engagement Report setting out the process followed and outcomes from the engagement. The Engagement Report is a critical input to the AER's subsequent assessment of the regulatory proposal submitted by the network business, contributes to learning and improvement for future applications of the New Reg process, and supports accountability of the Customer Forum to the end-use consumers.

a. The Engagement Report includes the scope of matters considered and, for each matter, the agreement that has been reached or, in the event of disagreement, the positions of the relevant parties.

b. For the matters which have been agreed between the parties, the Engagement Report should explain why these agreements reached are consistent with, or best reflect, consumer perspectives and preferences—referencing any customer research or consultation undertaken during the process.

c. For aspects of a proposal for which the business and Customer Forum could not reach agreement, the Engagement Report should identify and explain the reasons these issues were left unresolved. This provides transparency and a useful starting point for the AER's subsequent assessment of the regulatory proposal.

9. If the network business and its Customer Forum can reach agreement on some or all aspects of the regulatory proposal, there is an expectation that the Engagement Report would evidence how the agreement reflected consumers' preferences, citing relevant customer research and results of consumer engagement. Provided the Engagement Report accompanies or is included in the network business' revenue proposal the AER must have regard to it.

## What does the Engagement Report cover?

The final negotiations and Engagement Report covered:

- Matters agreed to be in scope between AusNet Services and the AER, including operating expenditure, major growth projects (augmentation), customer experience and hardship arrangements, and price path, as well as
- Matters agreed between the Customer Forum and AusNet Services, including major asset replacement, DER integration expenditure, innovation expenditure, smart metering, and overall 'reasonableness' of the regulatory proposal.

For each of these items the Engagement Report sets out:

- An Interim Engagement Report summary, or relevant background where a position on the matter was not covered in the interim report
- Final negotiations, or AusNet Services' proposal where not covered in the interim report
- What the evidence says about customer needs and expectations
- Whether the Customer Forum considers that AusNet Services' final proposal adequately recognises the needs and expectations of customers
- What the customer benefit is and whether it is tangible
- Whether the Customer Forum believes AusNet Services' final proposal represents overall value for money.

Being the first trial, the Customer Forum has also set out its reflections on the process to aid future trials and further development of the New Reg process.



The Customer Forum and AusNet Services in their negotiations

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### What happens next?

The AER will now review AusNet Services' regulatory proposal in accordance with the requirements of the National Electricity Rules. These rules cover the decisions the AER must make, matters it must have regard to and be satisfied of, and the process it must follow, including for public consultation.

Upcoming milestones in this process include the AER:

- Publishing an issues paper by the end of March
- Holding a public forum by mid April, and
- Publishing a draft decision around September 2020.

You can follow these consultations on the AER [website](#).

The New Reg project team has initiated the next stage of trial monitoring and evaluation. It will publish the stage 3 monitoring and insights reports later this year.

### Customer service incentive scheme

AusNet Services' trial of the New Reg process has revealed that customers value improvements in distributor customer service performance. This is separate to the traditional network reliability and customer calls answered within 30 seconds already covered by the AER's service target performance incentive scheme (STPIS).

The Customer Forum and AusNet Services agreed to introduce a mechanism for incentivising AusNet Services to improve key customer service interactions through a Customer Satisfaction Incentive Scheme (CSIS). So AusNet Services designed a scheme in consultation with the Customer Forum and submitted it to the AER in March 2019.

On 17 December 2019, the AER published the draft CSIS. This was after having published an [issues paper](#) in July 2019, received [20 submissions](#) to the issues paper, and held two workshops in November 2019.

The draft CSIS sets out a principles-based framework for the AER to consider incentive designs that distribution network service providers develop in consultation with their customers. The scheme's objective is to provide distributors with an incentive to deliver customer services in accordance with the preferences of their customers.

### Further consumer engagement

With the project having reached the milestone of lodgement, Energy Consumers Australia is undertaking its own project, in conjunction with the monitoring and evaluation processes to assess consumer and consumer advocate perception of the end to end project. David Havyatt will be conducting this evaluation and will first interview a range of consumer advocates and will then convene another forum to discuss the results of those interviews. The date for the forum will depend on the scope of interviews. It is hoped to complete this work at the same time as the CEPA Evaluation report.

The list for interviews will be drawn from previous participants in ECA convened New Reg forums and the records of consultation from the Customer Forum. If you are interested in providing your feedback, and want to make sure you are included then please email David directly at:

[david.havyatt@energyconsumersaustralia.com.au](mailto:david.havyatt@energyconsumersaustralia.com.au)

#### Regulatory Innovation enquiries?

Email Mark McLeish [RegulatoryInnovation@aer.gov.au](mailto:RegulatoryInnovation@aer.gov.au)

#### AusNet Services price review enquires?

AusNet Services is providing opportunities to join the conversation on its electricity distribution price review. Please email AusNet Services at: [2021-25EDPR@ausnetservices.com.au](mailto:2021-25EDPR@ausnetservices.com.au)