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ADVOCACY CENTRE

## **ATTACHMENT A**

### **PIAC Evaluation of Consumer Engagement by NSW DNSPs 2017-18**

**8 August 2018**

## About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in Sydney.

Established in 1982, PIAC tackles barriers to justice and fairness experienced by people who are vulnerable or facing disadvantage. We ensure basic rights are enjoyed across the community through legal assistance and strategic litigation, public policy development, communication and training.

## Energy and Water Consumers' Advocacy Program

The Energy and Water Consumers' Advocacy Program (EWCAP) represents the interests of low-income and other residential consumers of electricity, gas and water in New South Wales. The program develops policy and advocates in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives input from a community-based reference group whose members include:

- NSW Council of Social Service;
- Combined Pensioners and Superannuants Association of NSW;
- Ethnic Communities Council NSW;
- Salvation Army;
- Physical Disability Council NSW;
- Anglicare;
- Good Shepherd Microfinance;
- Financial Rights Legal Centre;
- Affiliated Residential Park Residents Association NSW;
- Tenants Union;
- The Sydney Alliance; and
- Mission Australia.

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The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

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## 1. Executive summary

Consumer engagement is a core responsibility of DNSPs in the NEM. This is reflected in the expectations outlined by the AER in its *Consumer engagement guideline for network service providers* (NSPs).<sup>1</sup> The Guideline outlines the AER's expectations for how NSPs should engage with consumers, and underpins PIAC's view that consumer engagement should be the bedrock of business planning by the NSW DNSPs.

In previous regulatory determinations, consumer representatives did not consider the NSW DNSPs to have done consumer engagement well. In PIAC's response to the 2014-19 AER issues paper, we wrote that "On the whole, PIAC does not consider that the consumer engagement undertaken by the three NSW networks has been sufficiently extensive or effective".<sup>2</sup>

For the 2019-24 period, the NSW DNSPs state that their proposals have been guided by consumer engagement and have sought to identify consumer support for their proposals where possible. To ensure this was the case, PIAC performed an evaluation of the NSW DNSPs' consumer engagement, assessing each business on a five star rating scale. We evaluated the DNSPs' engagement with their end-use consumers (network customers) and consumer representative bodies like PIAC, Energy Consumers Australia and the Consumer Challenge Panel (consumer representatives).

Overall, there was a significant improvement in consumer engagement by the NSW DNSPs compared with that done to support their 2014-19 proposals. If we had performed this analysis on those consumer engagement programs, none of the businesses would have received a rating above 1 star. This progress is in line with the more collaborative regulatory process promoted by the AER over last year, and demonstrates that DNSPs and consumers can work together much more closely than had previously been the case.

However, there is still improvement required by the DNSPs. In particular, more could have been done to ensure that consumer engagement programs made a measurable difference to the proposals. While the DNSPs have accurately reported that affordability is the primary concern for consumers, with reliability, safety and sustainability also factors, they have done less work in translating this into changes in the way they do business.

### 1.1 Ausgrid – 2.8 stars



Despite improvement from last period, Ausgrid has still not shown a high level of commitment to consumer engagement. PIAC considers the Ausgrid's consumer engagement program was somewhere between a box-ticking exercise and standard practice.

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1 AER, [Consumer Engagement Guideline for Network Service Providers](#), November 2013.

2 PIAC, [Moving to a new paradigm](#), August 2014, 28.

Ausgrid's network customer engagement program was characterised by superficial consultation, an over-reliance on online surveys and glossy corporate communications. PIAC observed that Ausgrid appeared to approach this process as a means of supporting existing positions rather than seeking input from its customers.

While generally of a better standard than its customer engagement, Ausgrid's consumer representative engagement did not take full advantage of good stakeholder working groups to negotiate compromises and improve its standing with consumers.

There is some evidence that Ausgrid's engagement has translated into a better proposal. However, this is limited to a general price decrease. On many specific issues, Ausgrid did not adopt consumer positions and continued to treat these views as secondary to board positions.

However, PIAC is encouraged by signs that Ausgrid has sought to develop a better culture of, and approach to, engagement over the period. In particular, PIAC considers the consumer representative engagement in 2018 to have been of a much higher quality than that in 2017. If Ausgrid continues to use deliberative engagement and commit to a culture of compromise, we are hopeful that Ausgrid will rate much higher in the future.

## 1.2 Endeavour Energy – 3.5 stars



Endeavour Energy's consumer engagement was inconsistent over the evaluation period. While some aspects of its engagement program were good, this was punctuated by periods of inactivity and unwillingness to compromise.

When it did engage, Endeavour Energy exhibited good practice network customer engagement. Endeavour Energy provided customer forum participants with clear, accurate and accessible information and worked hard to elicit informed feedback. However, this engagement did not start early enough, nor continue for long enough, which limited its effectiveness.

Endeavour Energy's consumer representative engagement was even more inconsistent. In mid-2017 and in the 2018 extended consultation period, it worked closely with consumer representatives and provided them with a wealth of information. PIAC was particularly impressed with how Endeavour Energy ran its 2018 'deep dive' forums. By structuring each session around a particular aspect of its regulatory proposal, Endeavour Energy ensured that consumer representatives were given the time and information required to provide meaningful feedback to Endeavour Energy.

However, this approach was undermined by Endeavour Energy's unwillingness to compromise on key issues.

Therefore, there is mixed evidence of Endeavour Energy incorporating consumer input into its regulatory proposal. While its TSS was developed in collaboration with consumer representatives, they have made decisions about capital expenditure and their connections policy

that, if approved, would increase its RAB and network charges against the express wishes of consumers.

In PIAC's view, Endeavour Energy is well-placed to build on the considerable improvements made in its approach to engagement. If it seeks to embed a willingness to compromise into its engagement culture, Endeavour Energy's next round of consumer engagement has the potential to be rated considerably higher.

### 1.3 Essential Energy – 4.0 stars



Essential Energy's consumer engagement was the best of the three NSW DNSPs. Through 2017, Essential Energy demonstrated a commitment to consulting in good faith, deliberative engagement approaches and acting transparently.

In particular, Essential Energy had a strong network customer engagement program. Essential Energy invested significant resources in conducting three rounds of customer forums across seven locations. By conducting repeat forums over nine months, Essential Energy developed a strong relationship with the participants and facilitated educated input from its customers.

Essential Energy initially placed less emphasis on consumer representative engagement. However, it responded to stakeholder feedback and developed this as part of its engagement program in 2017. While they were not as detailed as Ausgrid and Endeavour Energy's deep dive forums, Essential Energy did use similar approach and sought to reach negotiated outcomes with consumer representatives where possible.

Overall, Essential Energy was transparent about its business plans and sought to reflect consumer preferences in its regulatory proposal. In particular, Essential Energy responded to consumer concern about energy affordability by proposing to significantly reduce its capital and operating expenditure in the 2019-24 RCP.

In PIAC's view, Essential Energy could improve its consumer engagement further by starting earlier, reducing the size of its customer forums and investing more in consumer representative engagement.

## 2. Introduction

### 2.1 Consumer Engagement by Network Service Providers

Consumer engagement is a core responsibility of network service providers (NSPs) in the energy market. The regulatory framework for monopoly energy networks is designed to replicate the conditions associated with a workably competitive market. In competitive markets, firms are required to engage with consumers constantly; to ascertain consumer preferences as they seek to provide the goods and services consumers require, at the price they are willing to pay. When consumers are not happy with the quality or price of the service, they are able to either purchase from a different firm, or not purchase it at all.

Monopoly essential service businesses like NSPs do not face these competitive pressures; consumers cannot choose a different set of poles or pipelines, nor can most cost-effectively remove themselves from the grid at this stage.

Instead, NSPs need to implement formal consumer engagement programs. These programs ensure NSPs provide energy network services that meet the requirements and preferences of their customers.

This is reflected in the expectations outlined by the Australian Energy Regulator (AER) in its *Consumer engagement guideline for network service providers*.<sup>3</sup> The Guideline outlines the AER's expectations for how NSPs should engage with consumers, and underpins PIAC's view that consumer engagement should be the bedrock of business planning by these businesses.

### 2.2 Network Engagement Evaluation Project

This is the first report of PIAC's Network Engagement Evaluation project. The project uses a rigorous framework to assess the consumer engagement practices of NSPs.

The purpose of this project is twofold. Firstly, it provides a framework within which PIAC can assess consumer engagement practices and provide ongoing feedback to NSPs as they engage with consumers.

Secondly, the project provides an independent, evidence-based assessment of NSP engagement. While NSPs are required to report on their consumer engagement process as part of their regulatory proposal, corresponding assessments from the consumer perspective are not usually submitted to the AER.

In PIAC's view, this is a gap in the process, as the AER tends not to have visibility of NSP consumer engagement outside of what is reported to them by the businesses. By providing an independent perspective on this engagement, PIAC aims to give the AER a clearer view of how NSPs interact with their consumers.

### 2.3 Network Engagement Evaluation – NSW DNSPs, 2017-18

This report focuses on the engagement practices of the three NSW electricity distribution network

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<sup>3</sup> AER, [Consumer Engagement Guideline for Network Service Providers](#), November 2013.

service providers (DNSPs) as they have prepared to submit their regulatory proposals for the 2019-24 regulatory control period (RCP) to the AER. The DNSPs are:

- Ausgrid;
- Endeavour Energy; and
- Essential Energy.

To prepare the report PIAC has engaged extensively with the NSW DNSPs. Starting in April 2017, PIAC was involved with all three businesses in a number of forums. Table 1 reports PIAC's major forms of engagement with NSW DNSPs.

**Table 1 – PIAC engagement with NSW DNSPs, 2017/18**

	<b>Ausgrid</b>	<b>Endeavour Energy</b>	<b>Essential Energy</b>
<b>Bilateral meetings</b>	Yes	Yes	Yes
<b>Customer council</b>	Yes	Yes	PIAC not a member
<b>Stakeholder working groups</b>	Yes	Yes	Yes
<b>Observed customer engagement</b>	Yes	Yes	Yes
<b>Responded to draft proposals</b>	None publicly released <sup>4</sup>	Yes	Yes

## 2.4 Structure of the report

The remainder of the report is set out as follows:

- **Section 3** outlines the methodology used by PIAC to evaluate consumer engagement by the NSW DNSPs;
- **Section 4** reports the overall star ratings for the NSW DNSPs;
- **Section 5** evaluates the NSW DNSPs' culture of engagement;
- **Section 6** evaluates the NSW DNSPs' approach to engagement;
- **Section 7** evaluates the clarity, accuracy and timeliness of the NSW DNSPs' engagement;
- **Section 8** evaluates the accessibility and inclusiveness of the NSW DNSPs' engagement;
- **Section 9** evaluates the transparency of the NSW DNSPs' engagement; and
- **Section 10** evaluates the measurable impacts of the NSW DNSPs' engagement.

<sup>4</sup> While PIAC engaged in the drafting of Ausgrid's Early Consultation Document through their Reset Working Group and Customer Consultative Committee, it was not released publicly and therefore did not receive a public response from PIAC.

### 3. Methodology

This section outlines the methodology used by PIAC in assessing consumer engagement by the NSPs and, in this case, specifically the NSW DNSPs. It describes:

- The scope of the project;
- PIAC's good engagement framework; and
- The assessment method used to evaluate NSPs.

#### 3.1 Scope

##### 3.1.1 Consumers or stakeholders?

This project evaluates *consumer* engagement by NSW DNSPs, rather than broader *stakeholder* engagement. PIAC considers that consumer engagement is engagement by NSPs with customers and consumer representatives.<sup>5</sup>

PIAC only evaluates engagement with residential consumers. PIAC acknowledges that NSPs must engage with business consumers. However, as an advocate for residential consumers of electricity, gas and water, PIAC is not well-placed to evaluate that engagement.

PIAC also acknowledges that NSPs must engage with non-consumer stakeholders such as retailers, property developers and accredited service providers. However, such engagement is neither required by the AER's guideline, nor within PIAC's expertise to evaluate.

##### 3.1.2 Consumer categories

PIAC has identified two distinct groups that the NSW DNSPs should have targeted in their consumer engagement programs. These are:

- Network customers; and
- Consumer representatives.

Network customers are the end-use consumers served by each of the NSW DNSPs. These are the consumers from whom each DNSP will recover their allowed revenue in the 2019-24 regulatory period. As such, they have a direct stake in the actions of the DNSPs and the determinations made by the AER.

Consumer representatives are organisations like PIAC and others that represent the interests of NSW consumers. PIAC chose to evaluate engagement with consumer *representatives* rather than solely with consumer *advocates* to include groups like the Total Environment Centre (TEC) and the AER's Consumer Challenge Panel (CCP), who are not universally considered to be consumer advocates. In this project, the active consumer representatives have been:

- PIAC;
- CCP subpanel 10 (CCP10);
- TEC;
- NSW Council of Social Service;
- Energy Users Association of Australia; and

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<sup>5</sup> See: section 2.1.2.

- Energy Consumers Australia.

Engaging with consumer representatives is not a replacement for direct customer engagement. However, consumer representatives play an important role in providing a consumer view of complex regulatory issues that a customer with no energy background (nor time to dedicate to these issues) could provide.

Meaningful engagement with both categories of consumers is critical to ensuring that NSW DNSPs remain accountable to consumers. Therefore, PIAC evaluated engagement with both network customers and consumer representatives for this report.

### 3.1.3 Evaluation periods

The evaluation periods differ between Ausgrid and Endeavour Energy, on one hand, and Essential Energy, on the other. This is because of the extension process for each of the DNSPs.

In late 2017, the NSW DNSPs sought, and were granted, extensions from the AER for their regulatory proposals until 30 April 2018. These extensions were granted with slightly different timeframes and considerations for Essential Energy compared to Ausgrid and Endeavour Energy, presenting a challenge for PIAC in assessing the NSW DNSPs' consumer engagement in the extension period.

Essential Energy wrote to the AER requesting an extension in September 2017, noting that its then-ongoing 2014-19 remittal process would make it difficult for the business to finalise a high-quality proposal by the original due date of 31 January 2018.<sup>6</sup> The extension was approved in October 2017, without a requirement for further consumer engagement.<sup>7</sup>

Ausgrid and Endeavour Energy, on the other hand, wrote to the AER in December 2017 to request extensions. In their requests, they explicitly identified the need for further stakeholder engagement as a reason for their applications.<sup>8</sup> As a result, the AER approved their extensions with specific regard to the businesses implementing extended consultation programs in early 2018.<sup>9</sup> These consultation programs applied to consumer representatives and other stakeholders, but not network customers.

For Ausgrid and Endeavour Energy, engagement from 2017 and 2018 is evaluated with separate ratings given for 2017 and the 2018 extended consultation period.

Since Essential Energy was not bound by the same consultation requirement through the extension process, PIAC did not consider it appropriate to assess the value of consumer engagement performed during this period. Therefore, we only evaluated its 2017 engagement program.

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<sup>6</sup> Essential Energy, [Letter to AER re: Essential Energy 2019-24 Price Review Process](#), 14 September 2017.

<sup>7</sup> AER, [Letter to Essential Energy re: Essential Energy 2019 to 2024 regulatory period price review process](#), 3 October 2017.

<sup>8</sup> Ausgrid, [Letter to AER re: Date for submission of Ausgrid's 2019-2024 Regulatory Proposal](#), 7 December 2017; Endeavour Energy, [Letter to AER re: Seeking AER Approval to Extend Submission Date for Endeavour Energy's Initial Regulatory Proposal](#), 8 December 2017.

<sup>9</sup> AER, [Letter to Ausgrid re: Date for submission of Ausgrid's 2019 to 2024 regulatory proposal](#), 15 December 2017; AER [Letter to Endeavour Energy re: Seeking AER approval to extend submission date for Endeavour Energy's 2019 to 2024 initial regulatory proposal](#), 15 December 2017.

Further, because none of the DNSPs were required to perform network customer engagement in 2018, we could not evaluate their performance against this. We therefore chose to treat our 2017 network customer ratings as 2017/18 ratings and held the score constant for deriving averages.<sup>10</sup>

Table 2 reports the evaluation periods for each business.

**Table 2 - Engagement evaluation periods, all DNSPs**

DNSP	Customers		Representatives	
	2017	2018	2017	2018
Ausgrid	Evaluated	Not evaluated	Evaluated	Evaluated
Endeavour Energy	Evaluated	Not evaluated	Evaluated	Evaluated
Essential Energy	Evaluated	Not evaluated	Evaluated	Not evaluated

### 3.2 PIAC's good engagement framework

PIAC's understanding of good consumer engagement by NSPs is informed by two sources:

- The AER's *Consumer Engagement Guideline for Network Service Providers*<sup>11</sup>; and
- A presentation given by the Alternative Technology Association (ATA) to the ENA/CSIRO Consumer Engagement Handbook workshop in September 2015.<sup>12</sup>

Using these sources, PIAC produced a two-tiered framework for grading the engagement practices of NSPs that links the AER's principles to a set of ATA-inspired criteria.

#### 3.2.1 AER principles

The AER's *Consumer Engagement Guideline for Network Service Providers* sets out a principles-based consumer engagement approach for energy network service providers like the NSW DNSPs. According to the AER's principles, consumer engagement should be:

- Clear, accurate and timely;
- Accessible and inclusive;
- Transparent; and
- Measurable.

While the guideline is not binding, the AER states that it is an expression of its expectations regarding how energy network businesses will engage with their consumers.<sup>13</sup> Given that the NER requires DNSPs to report to the AER on this engagement,<sup>14</sup> PIAC considers the AER's expectations to be highly relevant.

<sup>10</sup> This process is discussed in Section 3.3.

<sup>11</sup> AER, [Consumer Engagement Guideline for Network Service Providers](#), November 2013.

<sup>12</sup> Craig Memery, [Why are why here? An engagement snapshot](#), September 2015.

<sup>13</sup> Ibid, 5.

<sup>14</sup> NER, cil. 6.8.2(c1)(2).

PIAC considers the AER principles to broadly encompass the elements of consumer engagement that we expect to see from NSPs. Therefore, PIAC has used these principles in assessing good engagement by NSPs.

However, PIAC modified the AER principles slightly in our engagement evaluation. Firstly, PIAC added two further principles. These are:

- Culture of engagement; and
- Approach to engagement.

‘Culture of engagement’ refers to the overall commitment of an organisation to good consumer engagement practices. This commitment is a top-down process that requires a board and executive staff members to push for good consumer engagement practices to be embedded in the day-to-day operation of a business. While a culture of good engagement takes time to develop, PIAC expects all NSPs to have made a genuine effort to do so.

‘Approach to engagement’ refers to the actual engagement activities performed by NSPs. While the AER principles include the content and tone of engagement, they do not seek to prescribe what form that engagement should take.

PIAC, however, has expectations for how consumer engagement by NSPs should be structured. PIAC contends that good consumer engagement involves deliberative processes that do not treat consumers as homogenous and seek to achieve negotiated outcomes.

As well as adding two principles, PIAC interprets the ‘Measurement’ principle more broadly than the AER. The AER guideline focusses on internal measurement of engagement success by NSPs.<sup>15</sup> PIAC concurs that this is important, and encourages all NSPs to perform regular internal reviews.

In this project PIAC has used the ‘Measurable’ concept to refer to the impact of an NSPs consumer engagement program. That is, whether engagement with consumers and their representatives has a measurable impact on the actions, decisions and proposals of businesses.

### **3.2.2 PIAC criteria**

While PIAC’s framework is broadly consistent with the AER’s guideline, we used a second source to assess NSPs at a granular level.

The second source used by PIAC was a presentation given by the Alternative Technology Association (ATA) to the ENA/CSIRO Consumer Engagement Handbook workshop in September 2015.<sup>16</sup> Compared with the broad AER principles, this document is much more specific about what does and does not work in consumer engagement. From the extensive list in the document, PIAC prioritised this list to 16 criteria for good engagement.

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<sup>15</sup> AER, Consumer Engagement Guideline for Network Service Providers, 9.

<sup>16</sup> Craig Memery, [Why are we here? An engagement snapshot](#), September 2015.

Each PIAC criterion is linked to an AER principle. By linking the two, PIAC assessed NSPs on each PIAC criteria and used these scores to derive an aggregate score for each AER principle. PIAC expects all NSPs to meet a high standard in each of these criteria.

The PIAC criteria, their descriptions and their relationship to AER principles are listed in Table 3.

**Table 3 – Evaluation criteria**

<b>Criterion</b>	<b>Description</b>	<b>AER Principle</b>
Genuine commitment to engagement process	NSPs have a top-down commitment to embedding good consumer engagement into business as usual business practice.	Culture of engagement
Willingness to compromise	NSPs are willing to compromise when they have a different view to consumers.	Culture of engagement
Open-mindedness	NSPs are open to new ideas and information presented by consumers.	Culture of engagement
Deliberative engagement	NSPs use deliberative engagement processes to reach negotiated outcomes with consumers.	Approach to engagement
Ongoing engagement	NSPs integrate consumer engagement into their business as usual work, rather than limiting it to the months before a regulatory proposal is submitted.	Approach to engagement
Strategy-driven processes	NSPs design engagement programs that facilitate good consumer outcomes, not use 'process-driven strategies' to shape outcomes through a pre-determined engagement process.	Approach to engagement
Start talking early	NSPs begin engagement early enough to ensure that consumers can materially influence particular business decisions.	Clear, accurate and timely
Flexible planning	NSPs adapt their plans as circumstances change.	Clear, accurate and timely
Clarity of purpose	NSPs clearly articulate the purpose of consultation when they engage with consumers.	Clear, accurate and timely
Fair and balance information	NSPs provide balanced information that does not lead consumers to a particular answer.	Clear, accurate and timely
Providing the appropriate amount of information	NSPs provide the right amount of information to consumers, pitched at the right level; not so much that it is overwhelming, not so little that it is not useful.	Accessible and inclusive
Producing accessible communications	NSPs provide required information in a manner in which consumers can easily access it.	Accessible and inclusive

Effective inquiry	NSPs actively seek responses and do not just assume that no response means agreement.	Accessible and inclusive
Proactivity	NSPs are proactive in their consumer engagement.	Accessible and inclusive
Openness	NSPs are willing to share ideas and information without excessive confidentiality.	Transparent
Information by request	NSPs provide the information requested of them by consumers.	Transparent
Stakeholder identification	NSPs identify the consumers with whom they need to engage and share relevant information with them.	Transparent
Consumers influence business planning	NSPs demonstrate that consumers have had input into the business planning process.	Measurable
Consumers preferences are reflected in regulatory proposals.	NSPs demonstrate how revealed consumer priorities are reflected in their final regulatory proposals to the AER. In some ways, this the desired output of the criterion above.	Measurable

### 3.3 Assessment method

To systematically assess the engagement of NSPs, PIAC constructed an evaluation rubric. This rubric uses a 'bottom up' approach, assessing engagement at the most granular level before using this data to derive higher level grades.

PIAC evaluated each NSW DNSP on each PIAC criterion, each AER principle and for the business as a whole. This process was conducted for each consumer category.

In practice, PIAC assigned a percentage for each PIAC criterion. Businesses were graded using a percentage scale, where 1% represents poor engagement and 100% exceptional. Consistent with most grading scales, a score lower than 50% is unacceptable.

These scores can then be used to calculate a mean score for the relevant AER principle. For example, a DNSP could be given a 60% for consumers understanding business proposals and a 70% for reflecting consumer preferences in regulatory proposals. The report would note these results individually as well as deriving a mean score of 65% for the Measurable engagement principle. The principle-level score can be averaged further to give an overall score. Scores at any level can be reported for each consumer category, or averaged to report a total.

Following feedback from the NSW DNSPs, PIAC concluded that a star rating out of 5 stars is an appropriate means to communicate overall scores, striking the balance between:

- Reader accessibility;
- Incentivising business improvement; and

- Not appearing overly punitive.<sup>17</sup>

To derive a star rating, 50% was set as 2 stars. This means that a rating less than 2 stars is considered unacceptable. Table 4 reports the relationship between percentage and star ratings in PIAC's evaluation rubric.

**Table 4 – Star rating-percentage score correspondence**

Score range	Star rating (0.1 – 2.5)	Score range	Star rating (2.6 – 5.0)
0.0% - 2.5%	0.1	58.31% - 60.0%	2.6
2.51% - 5.0%	0.2	60.01% - 61.7%	2.7
5.01% - 7.5%	0.3	61.71% - 63.3%	2.8
7.51% - 10.0%	0.4	63.31% - 65.0%	2.9
10.01% - 12.5%	0.5	65.01% - 66.7%	3.0
12.51% - 15.0%	0.6	66.71% - 68.3%	3.1
15.01% - 17.5%	0.7	68.31% - 70.0%	3.2
17.51% - 20.0%	0.8	70.01% - 71.7%	3.3
20.01% - 22.5%	0.9	71.71% - 73.3%	3.4
22.51% - 25.0%	1.0	73.31% - 75.0%	3.5
25.01% - 27.5%	1.1	75.01% - 76.7%	3.6
27.51% - 30.0%	1.2	76.71% - 78.3%	3.7
30.01% - 32.5%	1.3	78.31% - 80.0%	3.8
32.51% - 35.0%	1.4	80.01% - 81.7%	3.9
35.01% - 37.5%	1.5	81.71% - 83.3%	4.0
37.51% - 40.0%	1.6	85.01% - 85.0%	4.1
40.01% - 42.5%	1.7	85.01% - 86.7%	4.2
42.51% - 45.0%	1.8	86.71% - 88.3%	4.3
45.01% - 47.5%	1.9	88.31% - 90.0%	4.4
47.51% - 50.0%	2.0	90.01% - 91.7%	4.5
50.01% - 51.7%	2.1	91.71% - 93.3%	4.6
51.71% - 53.3%	2.2	93.31% - 95.0%	4.7
53.31% - 55.0%	2.3	95.01% - 96.7%	4.8
55.01% - 56.7%	2.4	96.71% - 98.3%	4.9
56.71% - 58.3%	2.5	98.31% - 100.0%	5.0

Each potential star rating represents an assessment of a NSP consumer engagement, ranging from 'Unacceptable practice' to 'Best practice'. Table 5 describes the meaning attributed to each star rating.

<sup>17</sup> A letter sent to DNSPs documenting this decision is attached as Appendix A.

**Table 5 – Star descriptions**

Star Score	Description
	<p><b>Best practice.</b> Sector-leading, innovative engagement that is an exemplar for the wider industry. Stakeholders can be confident that consumer preferences and interests are at the core of DNSP’s actions and activities, and customer outcomes have been put first.</p>
	<p><b>Good practice.</b> Stakeholders can be confident that consumer preferences and interests have informed DNSP’s actions and activities, and some genuine compromises have been made by the DNSP to get to that point.</p>
	<p><b>Standard practice.</b> Stakeholders can be confident that consumer preferences and interests have been a feature of DNSP’s actions and activities. Engagement outcomes have had some impact on business decisions, but improvement will be needed to keep pace with change in the sector and to justify moving to new regulatory models.</p>
	<p><b>Box-ticking.</b> DNSP did the bare minimum to engage with consumers, and/or there is little evidence that consumer preferences and interests are reflected in the DNSP’s actions and activities. This level of engagement may become unacceptable over time with change in the sector.</p>
	<p><b>Unacceptable practice.</b> The DNSP has not been committed to good consumer engagement. Stakeholders cannot have confidence that consumer preferences and interests are reflected in the DNSP’s actions and activities.</p>

## 4. Summary ratings

This section reports the overall star ratings assigned to each NSW DNSP. More detailed analysis of the consumer engagement programs against each AER principle and PIAC criterion is contained in later sections.

Overall, there was a significant improvement in consumer engagement by the NSW DNSPs compared with that done to support their 2014-19 proposals. If we had performed this analysis on those consumer engagement programs, none of the businesses would have received a rating above 1 star.

### 4.1 Ausgrid – 2.8 stars



Despite improvement from last period, Ausgrid has still not shown a high level of commitment to consumer engagement. PIAC considers the Ausgrid's consumer engagement program was somewhere between a box-ticking exercise and standard practice.

Ausgrid's network customer engagement program was characterised by superficial consultation, an over-reliance on online surveys and glossy corporate communications. PIAC observed that Ausgrid appeared to approach this process as a means of supporting existing positions rather than seeking input from its customers.

While generally of a better standard than its customer engagement, Ausgrid's consumer representative engagement did not take full advantage of good stakeholder working groups to negotiate compromises and improve its standing with consumers.

There is some evidence that Ausgrid's engagement has translated into a better proposal. However, this is limited to a general price decrease. On most specific issues, Ausgrid did not adopt consumer positions and continued to treat these views as secondary to board positions.

However, PIAC is encouraged by signs that Ausgrid has sought to develop a better culture of, and approach to, engagement over the period. In particular, PIAC considers the consumer representative engagement in 2018 to have been of a much higher quality than that in 2017. If Ausgrid continues to use deliberative engagement and commit to a culture of compromise, we are hopeful that Ausgrid will rate much higher in the future.

## 4.2 Endeavour Energy – 3.5 stars



Endeavour Energy’s consumer engagement was inconsistent over the evaluation period. While some aspects of its engagement program were good, this was punctuated by periods of inactivity and unwillingness to compromise.

When it did engage, Endeavour Energy exhibited good practice network customer engagement. Endeavour Energy provided customer forum participants with clear, accurate and accessible information and worked hard to elicit informed feedback. However, this engagement did not start early enough, nor continue for long enough, which limited its effectiveness.

Endeavour Energy’s consumer representative engagement was even more inconsistent. In mid-2017 and in the 2018 extended consultation period, it worked closely with consumer representatives and provided them with a wealth of information. PIAC was particularly impressed with how Endeavour Energy ran its 2018 ‘deep dive’ forums. By structuring each session around a particular aspect of its regulatory proposal, Endeavour Energy ensured that consumer representatives were given the time and information required to provide meaningful feedback to Endeavour Energy.

However, this approach was undermined by Endeavour Energy’s unwillingness to compromise on key issues.

Therefore, there is mixed evidence of Endeavour Energy incorporating consumer input into its regulatory proposal. While its TSS was developed in collaboration with consumer representatives, Endeavour Energy has made decisions about capital expenditure and connections policy that, if approved, would increase its RAB and network charges against the express wishes of consumers.

In PIAC’s view, Endeavour Energy is well-placed to build on the considerable improvements made in its approach to engagement. If it seeks to embed a willingness to compromise into its engagement culture, Endeavour Energy’s next round of consumer engagement has the potential to be rated considerably higher.

## 4.3 Essential Energy – 4.0 stars



Essential Energy’s consumer engagement was the best of the three NSW DNSPs in the evaluation period. Through 2017, Essential Energy demonstrated a commitment to consulting in good faith, using deliberative engagement approaches and acting transparently.

In particular, Essential Energy had a strong network customer engagement program. Essential Energy invested significant resources in conducting three rounds of customer forums across seven locations. By conducting repeat forums over nine months, Essential Energy developed a strong relationship with the participants and facilitated educated input from its customers.

Essential Energy initially placed less emphasis on consumer representative engagement. However, it responded to stakeholder feedback and developed this as part of its engagement program in 2017. While they were not as detailed as Ausgrid and Endeavour Energy's deep dive forums, Essential Energy did use similar approach and sought to reach negotiated outcomes with consumer representatives where possible.

Overall, Essential Energy was transparent about its business plans and sought to reflect consumer preferences in its regulatory proposal. In particular, Essential Energy responded to consumer concern about energy affordability by proposing to significantly reduce its capital and operating expenditure in the 2019-24 RCP.

In PIAC's view, Essential Energy could improve its consumer engagement further by starting earlier, reducing the size of its customer forums and investing more in consumer representative engagement.

## 5. Culture of engagement

PIAC's 'Culture of engagement' concept is not based on an AER engagement principle.

PIAC considers the culture of an organisation to be critical to its ability to engage effectively with network customers and consumer representatives. In following sections of this report, a DNSP may score well for practical aspects of engagement like proactivity and stakeholder identification. This would be insufficient if the organisation did not have a culture of engagement that allowed these to translate into meaningful outcomes.

PIAC looks for senior management and boards to play a visible role in consumer engagement programs. This not only demonstrates to participants that the DNSP is genuinely committed to the program, but plays an important role in ensuring that staff are too.

In the past, consumer representatives have not considered any of the NSW DNSPs to have had a good culture of engagement. PIAC acknowledges that a culture of good engagement cannot be created overnight but PIAC expects all of the DNSPs to make genuine attempts to embed good consumer engagement practices in their day-to-day operation and therefore progress towards a culture of consumer engagement.

As noted in section 3, PIAC assessed the culture of engagement using three criteria:

- Genuine commitment to engagement process;
- Willingness to compromise; and
- Open-mindedness.

### 5.1 Ausgrid

**Table 6 - Ausgrid, 'Culture of Engagement' scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives		Total	
	2017/18	2017	2018	2017	2018
Genuine commitment to engagement process	40	40	60	40	50
Willingness to compromise	55	65	65	60	60
Open-mindedness	55	60	65	58	60
<b>Total</b>	<b>50</b>	<b>55</b>	<b>63</b>	<b>53</b>	<b>57</b>

PIAC considers Ausgrid's culture of engagement to be poor. In both 2017 and 2018, Ausgrid did not show full commitment to the engagement process, willingness to compromise on the content of its proposal or open-mindedness.

PIAC found particular Ausgrid staff to be committed to fostering a culture good engagement in the business. However, many of these staff have subsequently been removed from public-facing positions or left the company. That staff have not been supported to engage with consumers indicates that Ausgrid does not have, and has not attempted to gain, a top-down culture of good consumer engagement.

### 5.1.1 Network customers

Ausgrid does not have an established culture of engaging directly with its customers, nor has it worked effectively to establish one over the last 18 months.

Through 2017, Ausgrid ran a customer engagement program known as 'Customers at the Centre'. According to Ausgrid, this program was to ensure that the customer perspective informed business decisions and was incorporated into Ausgrid's 2019-24 regulatory proposal and TSS.<sup>18</sup>

While PIAC supported this goal, there was minimal evidence that Ausgrid is committed to achieving it. This was reflected in the lack of engagement from senior management and the board in the process. PIAC understands this was also the case in the focus group stage. This can be compared with Endeavour Energy and Essential Energy, who each had CEOs and board members attending customer engagement activities in 2017.

Furthermore, Ausgrid did not appear willing to compromise or be open-minded in its limited face-to-face customer engagement. As observers in both customer forums, PIAC noted that Ausgrid staff repeatedly used leading language about reliability and tariffs that appeared designed to elicit a particular outcome from participants. This suggested that Ausgrid was looking to justify its existing positions, not compromise or adopt new ideas.

Since the completion of the program in September 2017, Ausgrid does not appear to have maintained a focus of network customer engagement nor act on the insights gained from its customer research. Senior staff have left Ausgrid's customer engagement team and have not been directly replaced.

### 5.1.2 Consumer representatives

Generally, Ausgrid's culture of engaging with consumer representatives is better than with network customers.

In 2017, Ausgrid used a Reset Working Group subcommittee of its Customer Consultative Committee to engage with consumer representatives and other stakeholders on issues pertaining to its upcoming regulatory determination. As noted in the next section, PIAC supports this approach to engagement. In PIAC's view, Ausgrid staff attempted to make this process work effectively.

However, Ausgrid's senior management did not seem committed to this process. For example, Ausgrid failed to publish its Early Consultation Document. This document was designed as a preliminary proposal for public consultation. Through the Reset Working Group, Ausgrid engaged with consumer representatives on this paper and the working group members supported its release. However, Ausgrid chose to withdraw the paper at the last minute and not release it for wider consultation. Given the large amount of work put into the document by both Ausgrid staff and the Reset Working Group, it seemed to consumer representatives that permission to release was denied by the Ausgrid executive and board, suggesting that Ausgrid did not possess a 'top-down' culture of good engagement.

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<sup>18</sup> Ausgrid, [Customers at the Centre](#), 2017.

Further, Ausgrid’s bilateral engagement with consumer representatives was characterised by a relative unwillingness to compromise and take on new ideas. While individual staff were often open to new perspectives from consumer representatives, the engagement was too often structured as a presentation from Ausgrid to consumer representatives designed to convince them of an Ausgrid position.

In 2018, Ausgrid’s extended consultation program of stakeholder deep dives was an improvement in its culture of engagement with consumer representatives. Through this program, Ausgrid engaged extensively with PIAC and others . As in the Reset Working Group, operational staff were committed to effective engagement and worked hard to elicit useful feedback from consumer representatives. As well, Ausgrid’s senior management were represented at all deep dive sessions and were genuinely engaged in the process.

Ausgrid did not receive a higher score because it continued to display a lack a willingness to compromise and be open-minded. While Ausgrid staff worked hard to note consumer representatives feedback through the process, much of this feedback was taken as ‘questions’ which were never answered.

While PIAC does not expect NSPs and consumers to agree on everything, that Ausgrid did not seek to compromise or fully incorporate alternative perspectives for the majority of issues discussed indicates that more work is required for Ausgrid to build a strong culture of engagement with consumer representatives.

## 5.2 Endeavour Energy

**Table 7 - Endeavour Energy, ‘Culture of Engagement’ scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives		Total	
	2017/18	2017	2018	2017	2018
Genuine commitment to engagement process	75	75	80	75	78
Willingness to compromise	80	80	65	80	73
Open-mindedness	65	80	70	73	68
<b>Total</b>	<b>73</b>	<b>78</b>	<b>72</b>	<b>76</b>	<b>73</b>

Overall, Endeavour Energy has not consistently demonstrated a good culture of engagement, despite some positive signs.

In 2017, Endeavour Energy took some steps towards building a culture of good engagement. However, the 2018 extended consultation period revealed that Endeavour Energy was less willing to compromise and engage with an open mind than PIAC had previously experienced. This is discussed further in section 4.2.2.

### 5.2.1 Network customers

Endeavour Energy made some good initial steps towards building a good culture of network customer engagement. In July 2017, PIAC attended Endeavour Energy deliberative forums in Wollongong and Western Sydney as observers. Discussion at both locations was led by the Chief

Operating Officer and attended by a range of senior staff, indicating that commitment to engagement was being led from the top of the organisation.

Furthermore, Endeavour Energy were relatively receptive to the feedback it received from its customers. Through subsequent discussions with Endeavour Energy, it was clear to PIAC that staff were attempting to incorporate customer views into its regulatory proposal.

However, Endeavour Energy did not score more highly because its network customer engagement was not as open-minded as it could have been. Rather than appearing genuinely open to new ideas from network customers, Endeavour Energy largely confined to its consultation to sets of pre-determined options. This was an issue with all DNSPs, not just Endeavour Energy.

## **5.2.2 Consumer representatives**

In mid-2017, Endeavour Energy appeared to be building a strong culture of engagement with consumer representatives. In a relatively short period of time following its change of ownership, Endeavour Energy staff proactively engaged with consumer representatives on tariff structures and deliberative forum design. In these discussions, PIAC found Endeavour Energy to be committed to engagement, open to feedback and willing to compromise on its positions.

For example, Endeavour Energy staff visited PIAC in July 2017 to negotiate broad pricing principles with NSW consumer representatives. PIAC considered the willingness of Endeavour Energy to compromise on tariffs and its open-mindedness to views on consumer engagement to be extremely encouraging.

PIAC was also encouraged when Endeavour Energy commissioned an independent audit of its engagement program in 2017. As part of this process, PIAC and other consumer representatives were given the opportunity to provide frank feedback to Endeavour Energy audit staff on the effectiveness of the engagement program. PIAC considers both the board concern about compliance and subsequent feedback process to be strong signs that Endeavour Energy is developing a culture of engagement.

However, Endeavour Energy's commitment to good consumer engagement practice has appeared inconsistent since the initial period of activity. Where Endeavour Energy staff previously proactively sought meetings with PIAC and other consumer representatives, they ceased to do so in late 2017. Instead, engagement was limited to the Endeavour Energy Customer Consultative Committee. PIAC supports and actively participates in this committee. However, it meets infrequently and a two-hour meeting is insufficient for adequate engagement on a complex regulatory proposal.

During the 2018 extended consultation period, PIAC was disappointed as Endeavour Energy's culture of engagement appeared to regress. PIAC supported the deep dive engagement approach used by Endeavour Energy during this period. However, Endeavour Energy seemed less open-minded and willing to compromise than it had been previously.

For example, Endeavour Energy recently changed its capital contributions policy to socialise more of the costs associated with connecting new residential developments to the distribution

network. In PIAC's view, this change will have the long-term impact of growing Endeavour Energy's regulated asset base and increasing electricity bills for consumers.

In the deep dives, it was clear that the policy change was supported by one non-consumer stakeholder: the Urban Development Institute of Australia (UDIA). It was not, however, supported by any consumer representatives. While PIAC acknowledges the UDIA is an important stakeholder, that Endeavour Energy chose to act in its interests over the express concerns of every consumer representative present does not suggest that it is building a strong culture of consumer engagement.

One exception was Endeavour Energy's approach to its pricing strategy. On this subject, Endeavour Energy was willing to negotiate with consumer representatives and has adopted recommendations in its TSS proposal. If Endeavour Energy uses this approach more widely in future, it will go a long way to building a good culture of engagement.

### 5.3 Essential Energy

**Table 8 - Essential Energy, 'Culture of Engagement' scores, 2017 (%)**

PIAC criteria	Customers	Representatives	Total
Genuine commitment to engagement process	90	85	88
Willingness to compromise	90	80	85
Open-mindedness	80	85	83
<b>Total</b>	<b>87</b>	<b>83</b>	<b>85</b>

Of the three NSW DNSPs, Essential Energy showed the most evidence that it is building a culture of engagement in the business. Throughout its consumer engagement program, Essential Energy's senior management sought to engage directly with network customers and consumer representatives. This indicates a high level commitment from the business.

Essential Energy's customer engagement was also linked to a broader program of work where senior stakeholder engagement and regulatory managers spent time in local depots reporting what they'd heard about consumer preferences to operational staff. PIAC considers this to be a very good way of embedding a culture of good engagement in the day-to-day operation of the business.

#### 5.3.1 Network customers

Essential Energy made a considerable investment in engaging directly with its customers. From April 2017 to February 2018, Essential Energy held three rounds of customer forums in each of the following locations:

- Port Macquarie;
- Goulburn;
- Cootamundra;
- Wagga Wagga;
- Tamworth;

- Broken Hill; and
- Dubbo.

Each of these forums was run by a member of the senior management team and was well-attended by a range of Essential Energy staff; ranging from regulatory specialists to network engineers.

Furthermore, Essential Energy has also shown a willingness to compromise with its customers. In its customer engagement, Essential Energy presented a range of options to consumers and were willing to compromise on the status quo, and its initial preference, on these issues. This included:

- Vegetation management;
- Outage response time;
- Planned outage timing; and
- Tariff structures.

The one culture criterion on which Essential Energy did not score as well was open-mindedness. While it was willing to compromise with customers on the variety of issues noted above, PIAC noted that there was less commitment to adopting ideas beyond the pre-determined options. As noted above, this is a criticism of engagement culture in all three DNSPs, not just Essential Energy.

### **5.3.2 Consumer representatives**

Essential Energy also sought to develop a culture of engagement with consumer representatives. However, Essential Energy placed less focus on this engagement than network customer engagement. Where it took a consistent, structured approach to network customer engagement, its work with consumer representatives was more ad hoc, relying on the small Essential Energy Customer Advocacy Group and occasional bilateral meetings until relatively late in the process.

Despite this relative lack of commitment, Essential Energy has made an effort to genuinely engage with consumer representatives. For example, Essential Energy staff invited consumer representatives to observe its network customer engagement program, involved them in drafting its new Stakeholder Engagement Framework<sup>19</sup> and, in late 2017, convened stakeholder working meetings on aspects of its regulatory proposal. In PIAC's view, these represented a genuine attempt to engage with consumer representatives.

Further, Essential Energy have exhibited a willingness to compromise and open-mindedness in engagement with consumer representatives. For example, Essential Energy sought consumer representative views on its pricing strategy and made changes to its TSS that reflected these views regarding the application of a demand tariff and the addition of a mid-period pricing review.

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<sup>19</sup> Essential Energy, [Stakeholder Engagement Framework](#), April 2018.

## 6. Approach to engagement

Unlike the AER’s guideline, PIAC’s good engagement framework reflects a preference for a particular approach to consumer engagement. As noted in section 3, PIAC assessed ‘Approach to engagement’ by evaluating the DNSPs’ commitment to:

- Deliberative engagement;
- Ongoing engagement; and
- Strategy-driven processes.

For true deliberative engagement, NSPs should treat representative groups of consumers as a ‘mini public’, to talk through issues from start to finish and work towards a consensus outcome.<sup>20</sup> This form of engagement requires NSPs to host the same group of participants over a number of sessions in order to properly explore complex issues and facilitate high quality feedback from, and negotiate outcomes with, deliberative forum participants.

Deliberative processes relate directly to the IAP2 Public Participation Spectrum.<sup>21</sup> Outlined in detail in Figure 1, the spectrum measures public participation in decision-making from ‘Inform’ to ‘Empower’. PIAC contends that any truly deliberative consumer engagement process could be considered to be at the ‘Collaborate’ level of this spectrum.

**Figure 1 – IAP2 Spectrum of Public Participation**

		INCREASING IMPACT ON THE DECISION				
		INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
PUBLIC PARTICIPATION GOAL		To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
	PROMISE TO THE PUBLIC	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision. We will seek your feedback on drafts and proposals.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will work together with you to formulate solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

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In 2017, all three NSW DNSPs ran what they called customer deliberative forums. While PIAC supported the DNSPs in holding these forums, none of them were truly deliberative. Instead, they

<sup>20</sup> Lucy Cole-Edelstein, [Random Selection Does Not Equal Deliberative](#), 2016.

<sup>21</sup> International Association for Public Participation, [IAP2 Public Participation Spectrum](#), 2014.

more closely resembled a targeted market research event. Rather than taking a small group through the process of developing consensus positions, the NSW DNSPs presented forum participants with pre-determined options and asked for feedback. Depending on the DNSP, these forums tended to fall into either the ‘Consult’ or ‘Involve’ levels on the IAP2 Spectrum. Therefore, this report refers to them as ‘customer forums’, rather than ‘deliberative forums’.

PIAC commends the NSW DNSPs for attempting deliberative-style processes for the first time. In future, the DNSPs will achieve higher scores for Approach to engagement if they continue to develop the way they run these for a and seek to move beyond ‘Consult’ and ‘Involve’ to ‘Collaborate’.

PIAC also expects NSPs to engage using strategy-driven processes, not process-driven strategies. This means that a pre-determined Approach to engagement should not drive how a business engages with its consumers. Instead, NSPs should identify how they need consumers to influence outcomes (the *strategy*) and design flexible deliberative practices (the *process*) through which that engagement can be performed.

Following workshops with the NSW DNSPs in January 2018, PIAC added an ongoing engagement criteria to our framework. This criteria reflects the agreed notion that an NSP’s approach to consumer engagement should be built around an ongoing commitment to engaging with consumers. Rather than only engaging with network customers and consumer representatives directly before submission of a regulatory proposal, NSPs are expected to maintain relationships throughout the regulatory cycle.

Furthermore, it reflects the ongoing, non-regulatory engagement conducted by NSPs, including outage notifications, general community engagement and the operation of customer councils. It is difficult for PIAC to evaluate much of this engagement directly, so we have relied on information provided by the DNSPs to do so.

**6.1 Ausgrid**

**Table 9 - Ausgrid, ‘Approach to Engagement’ scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives		Total	
	2017/18	2017	2018	2017	2018
Deliberative engagement	65	75	80	70	73
Strategy-driven processes	60	60	70	60	65
Ongoing engagement	65	70	70	68	68
<b>Total</b>	<b>63</b>	<b>68</b>	<b>73</b>	<b>66</b>	<b>68</b>

**6.1.1 Network customers**

Ausgrid's customer engagement was structured around a program it called 'Customers at the Centre'. Managed by Newgate Research, this program was essentially a market research program that included:

- Online surveys;
- Focus groups; and

- Customer forums.

PIAC was encouraged that Customers at the Centre did involve customer forums in Newcastle and Sydney. This was an important means of providing information and seeking feedback directly from network customers. However, the customer forums that were held by Ausgrid were not truly deliberative. Instead of working with a small group of consumers over a number of weeks to explore issues relating to the regulatory reset, Ausgrid held a single forum in each location. As a result, participants were unable to engage with the issues in enough depth to provide meaningful feedback and negotiate outcomes with Ausgrid.

Further, it was clear that customer forums were not the major feature of Ausgrid's engagement program. Instead, Ausgrid relied heavily on Newgate's survey research for large parts of its engagement.

This approach to engagement is less desirable than true deliberative processes. Without repeated face-to-face contact, it is much more difficult to educate consumers about the complex issues they are being asked to comment on. This leaves businesses with two choices. They can either ask much simpler questions than is required to gain meaningful feedback on the regulatory proposal, or risk having meaningless data based on misunderstood questions. In either case, this information will not truly reflect consumer preferences on the regulatory proposal and therefore make a negotiated outcome impossible.

Ausgrid's Customers at the Centre program did not score well in 'strategy-driven processes'. This is because Ausgrid committed themselves to Newgate's market research program rather than remaining flexible in its customer engagement. This lack of flexibility meant that Ausgrid did not hold a further round of deliberative forums to explore more deeply the issues not covered in the first. Instead, it relied on the pre-determined process to engage with customers on these issues.

Finally, Ausgrid has not maintained an ongoing program of network customer engagement following Customers at the Centre. Ausgrid neither maintained a focus of network customer engagement nor appeared to act on the insights gained from its customer research since it published results from Customers at the Centre in September 2017. Therefore, Ausgrid have not achieved a high score for Ongoing engagement.

### **6.1.2 Consumer representatives**

Ausgrid's approach to consumer representative engagement was better. Through its 2017 Reset Working Group, Ausgrid implemented a good example of deliberative engagement with consumer representatives. Ausgrid worked with a small group of consumer representatives to develop their knowledge and facilitate feedback on elements of the regulatory proposal.

This method of engagement was very encouraging. By gathering the same group of stakeholders to discuss issues over a long period of time, Ausgrid was able to build knowledge among consumer representatives and elicit informed feedback on its proposals. Furthermore, it allowed for greater depth of discussion than would have been possible had Ausgrid limited engagement with consumer representatives to its Customer Consultative Committee.

However, the lack of investment in this process by Ausgrid's executive and board hampered the Reset Working Group's ability to reach negotiated outcomes. This was clear when Ausgrid failed to release the Early Consultation Document to the public. From the consumer representatives' perspective, this document was the culmination of the Reset Working Group's deliberations and negotiations. In choosing not to release the document, Ausgrid undermined the good work done through the Reset Working Group process and meant it was ineffective at producing negotiated outcomes.

Furthermore, it indicates that Ausgrid was more committed to the process of the Reset Working Group than the outcome. This suggests a that it was a process-driven strategy, not a strategy driven process.

In 2018, Ausgrid built on the Reset Working Group with a series of 'deep dive' workshops on topics relevant to its 2019-24 regulatory proposal. The approach taken to these workshops was an improvement on the Reset Working Group. By structuring each session around a particular aspect of its regulatory proposal, Ausgrid was able to provide information to consumer representatives in even greater depth than through the Reset Working Group.

Ausgrid could improve on this engagement program in the future by expanding the scope for negotiation with consumer representatives. While the Ausgrid staff left time for input by consumer representatives, the sessions remained relatively Ausgrid-heavy, with staff giving stating the Ausgrid position and taking questions afterwards. PIAC would prefer to see an Approach to engagement designed to negotiate the initial positions with consumers rather than test those already decided on.

## 6.2 Endeavour Energy

**Table 10 - Endeavour Energy, 'Approach to Engagement' scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives		Total	
	2017/18	2017	2018	2017	2018
Deliberative engagement	70	70	85	70	78
Strategy-driven processes	75	75	80	75	78
Ongoing engagement	70	70	70	70	70
<b>Total</b>	<b>72</b>	<b>72</b>	<b>78</b>	<b>72</b>	<b>75</b>

### 6.2.1 Network customers

Endeavour Energy's network customer engagement program involved:

- Focus groups;
- Customer forums;
- A publicly available directions paper; and
- Online surveys through the 'Your Say' portal.

Endeavour Energy treated the deliberative forums as the centrepiece of its network customer engagement program, holding one in Wollongong and one in Western Sydney. Overall, these

were very positive. Endeavour Energy staff sought to work through complex issues with network customers in a manner that could elicit the most informed and useful feedback.

For example, Endeavour Energy engaged with customers about how to address peak demand through pricing by educating forum participants about what peak demand is, how it effects Endeavour Energy's costs and how you can reflect that cost in prices, before offering the opportunity to provide feedback on potential tariff structures. By establishing contextual knowledge before presenting pricing options, Endeavour Energy facilitated exploration of complex issues and went some way to taking advantage of deliberative-style engagement.

However, the customer forums that were held were not truly deliberative. Instead of working with a small group of consumers over a number of sessions to explore issues relating to the regulatory reset, Endeavour Energy held a single forum in each location. Therefore, participants were limited in their ability to provide meaningful feedback despite the efforts of Endeavour Energy staff.

The single round of deliberative sessions also meant that Endeavour Energy had to try and fit all the issues it wanted to consult forum participants on into a single four hour session. Given the scope of a regulatory proposal, that was not possible. As such, Endeavour Energy spent a considerable proportion of the forums on three subjects: tariff design, network reliability and the future of the grid.

This problem was noted by an Endeavour Energy staff member, who remarked to consumer representatives that they felt there was a tension between including enough detail about tariffs and enough detail about other aspects of the regulatory proposal. In PIAC's view, the way to resolve this tension was simply to have more deliberative forums. The inability of deliberative forum participants to give meaningful, deliberative feedback on the full range of issues in Endeavour Energy's regulatory proposal means that PIAC does not consider this to have been ideal Ongoing engagement.

Endeavour Energy did score well on 'strategy-driven processes'. This is because it showed flexibility in its engagement style with the goal of receiving appropriate feedback from its customers. Endeavour Energy sought feedback after the first forum and was flexible enough to incorporate that feedback into its plans for the following night. This indicates that Endeavour Energy were operating with a desire to approach the engagement process around the strategy of good consumer engagement.

## **6.2.2 Consumer representatives**

Endeavour Energy's approach to consumer representative engagement was inconsistent.

In 2017, Endeavour Energy did not invest in any deliberative consumer representative process. Instead, this engagement was limited to bilateral, and small multilateral, meetings early in the process, followed by a reliance on the Endeavour Energy Customer Consultative Committee in late 2017. While PIAC appreciated the commitment of Endeavour Energy staff to these processes, they are not a substitute for convening a recurring forum for consumer representatives to consider regulatory proposal issues in depth over a long period of time. While

the Customer Consultative Committee does have some of these features, it is too infrequent and its membership too diverse to serve this purpose properly.

Despite these shortcomings, Endeavour Energy did consistently show willingness to negotiate with consumer representatives. For example, Endeavour Energy met with PIAC and other consumers advocates early in the process and negotiated some agreed principles for tariff reform. In bilateral meetings, PIAC also collaborated with Endeavour Energy on the format and structure of deliberative forums. The willingness to engage in different settings indicates a commitment to strategy-driven processes.

In the 2018 extended consultation period, Endeavour Energy held a series of deep dive workshops on topics relevant to its 2019-24 regulatory proposal. This engagement was a dramatic improvement on the ad hoc approach Endeavour Energy took to consumer representative engagement in 2017. By structuring each session around a particular aspect of its regulatory proposal, Endeavour Energy ensured that consumer representatives were given the time and information required to provide meaningful feedback to Endeavour Energy.

Consumer representatives were also given multiple opportunities to provide input, with each deep dive workshop including a follow-up section where Endeavour Energy provided clarification or further information on previous topics and consumer representatives had to opportunity to provide feedback. While there were issues with the outcomes of this engagement that are explored elsewhere in this report, PIAC considers the approach to have been a good use of deliberative engagement with consumer representatives.

Further, Endeavour Energy favoured outcomes over process, repeatedly changing plans based on either information requests by participants or the evolving nature of discussions, often at short notice. In doing so, it exemplified a commitment to strategy-driven process.

As noted above, Endeavour Energy’s engagement with consumer representatives was sporadic. Therefore, Endeavour Energy scored relatively poorly for Ongoing engagement when compared to other Approach to Engagement criteria in both 2017 and 2018.

### 6.3 Essential Energy

**Table 11 - Essential Energy ‘Approach to Engagement’ scores, 2017 (%)**

PIAC criteria	Customers	Representatives	Total
Deliberative engagement; negotiated outcomes	80	75	78
Strategy-driven processes	85	85	85
Ongoing engagement	90	85	88
<b>Total</b>	<b>85</b>	<b>82</b>	<b>83</b>

#### 6.3.1 Network customers

Essential Energy had the best approach to network customer engagement of the three NSW DNSPs. It involved:

- Customer forums;

- Focus groups; and
- Online surveys and engagement portals.

Unlike Ausgrid and Endeavour Energy, Essential Energy conducted multiple rounds of customer forums, visiting seven locations at least twice and returning to some three times over the course of nine months. Further, it tried to re-visit the same participants at each forum. This deliberative, ongoing engagement allowed Essential Energy to elicit informed feedback from its network customers.

Where Essential Energy did use online surveys and engagement portals, these were supplementary to its face-to-face engagement program, often used to prepare participants for the forums. In PIAC's view, this is good practice deliberative engagement.

However, the forums remained too large to be considered truly deliberative. As with the other NSW DNSPs, Essential Energy's customer forums more closely represented market research sessions, where there was an emphasis on seeking statistical samples of consumer views rather than treating participants as a 'mini public' and seeking consensus.

### **6.3.2 Consumer representatives**

Essential Energy did not score as highly for Deliberative engagement with consumer representatives as with network customers. This was because Essential Energy did not use deliberative processes with consumer representatives until late in its engagement program. Until September 2017, Essential Energy relied on bilateral meetings and its Customer Advisory Group for engagement. As noted regarding Endeavour Energy, these are not substitutes for convening a recurring forum for consumer representatives for detailed, multilateral consideration of regulatory issues.

Despite its relatively late commitment to deliberative processes with consumer representatives, Essential Energy's engagement was both strategy-driven and ongoing. Throughout the evaluation period, staff in Essential Energy's stakeholder engagement and regulatory affairs teams were consistently engaged in bilateral discussions with consumer representatives. This ongoing engagement was beneficial in building understanding between Essential Energy and consumer representatives and allowing for exploration of regulatory issues over an extended period of time.

These discussions progressed organically as the interests of the participants developed. Initially, they focussed on tariff structures and customer engagement strategies, before progressing to price path and capital expenditure. Further, when Essential Energy did begin to engage deliberatively, this was in response to both requests from consumer representatives and internal decisions by the business. In showing willingness to change course as engagement needs developed, Essential Energy demonstrated a commitment to strategy-driven processes.

## 7. Clear, accurate and timely engagement

As noted in section 3, PIAC assessed clear, accurate and timely engagement using the following criteria:

- Start talking early;
- Flexible planning
- Clarity of purpose; and
- Fair and balanced information.

In PIAC's view, none of the NSW DNSPs started consumer engagement sufficiently early to be marked well for timeliness. While PIAC was recently provided with documentation that indicates the DNSPs began thinking about its engagement programs in 2016, they only started engaging with network customers and consumer representatives in early 2017. This gave them less than a year before proposals were due to engage on the large number of issues that will affect consumers for the next five years.

For Ausgrid and Endeavour Energy, there was an explicit acknowledgement that they did not engage early enough in its applications for extensions from the AER, both of which were based on the need for further consultation. Therefore, both DNSPs were given a score of 50 for 'Start talking early' in 2018.

In contrast, Jemena Gas Networks has already made substantial progress in consumer engagement for its 2020-25 access arrangement. By starting in mid-2017, Jemena Gas Network gave themselves a full two years to engage with consumers before submitting its proposal.

### 7.1 Ausgrid

**Table 12 - Ausgrid, 'Clear, Accurate and Timely Engagement' scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives		Total	
	2017/18	2017	2018	2017	2018
Start talking early	75	65	40	70	58
Flexible planning	55	50	50	53	53
Clarity of purpose	65	70	80	68	73
Fair and balanced information	45	60	60	53	53
<b>Total</b>	<b>60</b>	<b>61</b>	<b>58</b>	<b>61</b>	<b>59</b>

#### 7.1.1 Network customers

Ausgrid started engaging with its customers in early 2017 through a series of focus groups. Relative to the other NSW DNSPs, this was a fairly early start.

However, Ausgrid was neither clear nor accurate when engaging with its customers. For example, Ausgrid shared analysis with the forum that showed all customer groups would be financially worse off under cost reflective pricing. This is simply untrue. The transition to cost reflective pricing is a re-division of revenue recovery between different groups of consumers.

Therefore, while some customer groups will indeed be worse off, many will receive an immediate financial benefit. Presenting information that suggested otherwise was neither clear nor accurate.

### **7.1.2 Consumer representatives**

Ausgrid started consulting with consumer representatives on its regulatory proposal through its Reset Working Group in early 2017. Compared with the other two DNSPs, it started relatively early. However, Ausgrid did not begin bilateral engagement with consumer representatives until much later. In fact, Ausgrid repeatedly ignored efforts by consumer representatives to initiate this process, including by not responding to the TSS letter included in Appendix B. This contributed to a lower score for 'Start talking early' than Ausgrid would have otherwise received.

The clarity and accuracy of Ausgrid's engagement with consumer representatives has generally been of a higher quality than that of its customer engagement, primarily through its Reset Working Group. Through this forum, PIAC and other consumer representatives were able to give input on a range of issues relevant to Ausgrid's regulatory proposal.

While the Reset Working Group was a good approach, it was devalued by the lack of detail on specific projects. This meant that it was sometimes unclear what specific purpose the meetings served and resulted in unbalanced information being presented by Ausgrid staff, who sought to convince participants of the need for investment without presenting a rounded business case.

Further, there was not the level of engagement from Ausgrid senior management required for participants to provide input into final business decisions. This was compounded by the decision not to release the Early Consultation Document, which indicated that Ausgrid was not committed to engaging fully through that forum. In both cases, Reset Working Group participants requested Ausgrid change their approach to no avail. This was not flexibly planned engagement.

As noted above, Ausgrid's 2018 deep dive engagement program was not started early enough. Furthermore, Ausgrid failed to organise meetings in a timely manner. Ausgrid repeatedly convened meetings at the last minute and failed to provide the required documentation for deep dive participants in a timely manner; often not until after the meeting had finished.

However, Ausgrid's Clarity of purpose was considerably better in the extended consultation period than in 2017. As noted in relation to Approach to Engagement, each deep dive session targeted a particular topic. Unlike in the Reset Working Group, Ausgrid provided specific information and clearly sought to discuss particular aspects of the regulatory proposal. Despite the difficulty providing feedback without timely information provision, it was at least clear what the purpose of the meetings were.

## 7.2 Endeavour Energy

Table 13 - Endeavour Energy, 'Clear, Accurate and Timely Engagement' scores, 2017-18 (%)

PIAC criteria	Customers	Representatives		Total	
	2017	2017	2018	2017	2018
Start talking early	50	55	50	53	50
Flexible planning	65	75	80	70	73
Clarity of purpose	75	80	80	78	78
Fair and balanced information	65	80	80	73	73
<b>Total</b>	<b>64</b>	<b>73</b>	<b>73</b>	<b>68</b>	<b>68</b>

### 7.2.1 Network customers

Endeavour Energy's first contact with its customers for its 2019-24 regulatory proposal was in May 2017, through three focus groups.<sup>22</sup> While this was later than the other DNSPs, the difference was not considerable. Further, PIAC was prepared to give Endeavour Energy some leeway given its change of ownership during this period.

Endeavour Energy's next face-to-face engagement with customers was at its deliberative forums in August 2017. This was considerably later than both Essential Energy and Ausgrid, who held their forums in May and June respectively. PIAC does not consider this be early enough, given that at that time the expected submission date for Endeavour Energy's proposal was 31 January 2018.

When it did occur, PIAC's experience of Endeavour Energy's engagement with its customers was positive. Endeavour Energy's customer forums were of a good standard of clarity and accuracy. In particular, Endeavour Energy did a good job of engaging its customers in tariff design. In the customer forums, Endeavour Energy presented complex information about cost reflective network tariff reforms in a clear, accurate and impartial manner. By stepping consumers through the rationale for cost reflectivity and how it will impact consumers, Endeavour Energy was able to elicit meaningful responses from its customers on tariff design.

However, PIAC was concerned with Endeavour Energy's provision of fair and balanced information on one particular topic. When discussing the trade-off between price and reliability, forum participants were presented with three options:

1. Pay a higher price for higher reliability;
2. Pay a similar price for similar reliability; and
3. Pay a lower price for a slight decrease in reliability.

In theory, this is a very good way to ask about the price/reliability trade-off. However, PIAC is concerned about how this question was framed. In the forums, participants were told that option

<sup>22</sup> Endeavour Energy, Customer and Stakeholder Engagement Plan to support our 2019-24 Regulatory Proposal, Version 2.0, 2017, 17.

three, lower bills for lower prices, was unlikely to be adopted.<sup>23</sup> By framing it as a non-option, Endeavour Energy implied that a vote for lower prices would have been wasted.

In PIAC's view, this framing of a key question was not a presentation of fair and balanced information. Not only did it skew the results, but it did so in Endeavour Energy's favour. Pointing to that result, Endeavour Energy are now seeking to recover revenue from consumers on the basis that it needs to maintain an extremely high level of reliability.<sup>24</sup>

## 7.2.2 Consumer representatives

Of the three NSW DNSPs, Endeavour Energy was the last to begin consumer representative engagement for its 2019-24 regulatory proposal. PIAC acknowledges that this was largely due to the change of ownership in June 2017.

PIAC would have considered it reasonable for Endeavour Energy to have contacted consumer representatives, even if it had to wait for the new board to approve a full engagement program. Instead, advocates were not contacted until July 2017, following an initial letter from PIAC, NCOSS, ECC and TEC to the three NSW DNSPs regarding engagement on tariff principles.<sup>25</sup> The late start and lack of proactivity means PIAC does not consider Endeavour Energy's consumer representative engagement to have been timely.

When Endeavour Energy did begin to engage with consumer representatives, its clarity and accuracy was inconsistent. When Endeavour Energy initially engaged with consumer representatives, there appeared to be a strong level of staff commitment to clarity and accuracy. In bilateral and multilateral meetings about tariff principles, deliberative forum content and consumer engagement strategies, PIAC found Endeavour Energy staff to be clear about the purpose of engagement, open about where they could compromise and willing to accept new ideas.

However, Endeavour Energy's engagement became less clear as 2017 progressed. Consumer representative engagement became limited to Endeavour Energy's Customer Consultative Committee. While this committee does serve a vital purpose in exposing Endeavour Energy to a wide group of stakeholders, it is not appropriate to treat it as the sole forum for consumer engagement on a regulatory proposal. Because of the variety of stakeholders that are members, this forum is not specific to consumers. For this reason, meetings that deal with the proposal tend to involve general presentations from Endeavour Energy staff that are not specifically targeted at consumer representatives or any other particular stakeholder group, meaning that they do not have a very clear purpose.<sup>26</sup>

As noted above, Endeavour Energy's 2018 deep dive engagement program was not started early enough. Within the time constraint, however, Endeavour Energy were very good at engaging flexibly with consumer representatives. Unlike Ausgrid, Endeavour Energy staff always provided information to deep dive participants ahead of the meetings. Furthermore, they were very flexible

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<sup>23</sup> Endeavour Energy/Newgate Research, Endeavour Energy Deliberative Forum, presentation slide notes, 2017, Slide 64.

<sup>24</sup> Endeavour Energy, [Regulatory Proposal, 1 July 2019 to 30 June 2024](#), April 2018, 21.

<sup>25</sup> Letter template included in Appendix B.

<sup>26</sup> This is a general comment on the effectiveness of customer councils for regulatory engagement, not a specific comment on the Endeavour Energy CCC, which PIAC considers to be well run.

in its planning, repeatedly changing plans based on either information requests by participants or the evolving nature of discussions, often at short notice.

### 7.3 Essential Energy

**Table 14 - Essential Energy, ‘Clear, Accurate and Timely Engagement’ scores, 2017 (%)**

PIAC criteria	Customers	Representatives	Total
Start talking early	65	60	63
Flexible planning	80	80	80
Clarity of purpose	90	80	85
Fair and balanced information	85	85	85
<b>Total</b>	<b>80</b>	<b>76</b>	<b>78</b>

#### 7.3.1 Network customers

Like Ausgrid and Endeavour Energy, Essential Energy did not start talking to its network customers early enough.

However, when Essential Energy did begin its customer engagement program it was both clear and accurate. In its customer forums, Essential Energy had a strong clarity of purpose, seeking feedback on specific issues, and ensuring that participants knew how their feedback would feed into Essential Energy’s internal decision-making.

For example, Essential Energy spent considerable time in its second round of customer forums discussing the timing of planned outages, and how that had an impact on other aspects of the regulatory proposal. Participants were given the required information and provided detailed feedback on a number of options. This level specificity helped customers, Essential Energy and observers by ensuring that everyone knew exactly what the purpose of the forums was.

Essential Energy also presented forum participants with fair and balanced information. Trade-offs were presented to participants as such and Essential Energy staff refrained from influencing participant choices. For example, participants had the trade-off between price and reliability clearly explained to them, without Essential Energy indicating a preference or that one option was more likely to be adopted. This allowed participants to provide clear feedback to Essential Energy that affordability was the key issue for them in this regulatory determination, and they were willing to trade some reliability for lower network charges. In PIAC’s view, this was a good example of fair and balanced information provision by Essential Energy.

#### 7.3.2 Consumer representatives

Essential Energy began engaging with consumer representatives before Endeavour Energy, but after Ausgrid. Like the other DNSPs, Essential Energy only began engaging with NSW consumer representatives in early 2017, less than a year before its proposal was, at that time, due. PIAC does not consider early enough.

However, Essential Energy was clear and accurate when engaging with consumer representatives. In each stakeholder forum, Essential Energy identified a discrete set of issues on which to consult, displaying a clarity of purpose to participants. For example, Essential Energy

held a tariff forum in September 2017. At this forum, Essential Energy sought input about very specific parts of its draft TSS, including tariff structures and assignment policies. This allowed consumer representatives to provide targeted feedback rather than be overwhelmed by broad questions about the TSS, or regulatory proposal, as a whole.

Essential Energy also provided fair and balanced information to consumer representatives. This was evident in Essential Energy's discussion of its price path for the 2019-24 RCP. Essential Energy were aware that consumer representatives were disappointed that it is proposing a real price increase every year of the RCP, despite significant cuts to capital and operating expenditure. In response, it hosted a stakeholder workshop and explained how growth in its asset base was driving this price increase. While stakeholders may disagree with Essential Energy over exactly how to address this, PIAC was pleased that the issue was fairly presented to consumer representatives.

## 8. Accessible and inclusive engagement

As noted in section 3, PIAC assessed accessible and inclusive engagement using the following criteria:

- Providing the appropriate amount of information;
- Producing accessible communications;
- Effective inquiry; and
- Proactivity.

### 8.1 Ausgrid

**Table 15 - Ausgrid, 'Accessible and Inclusive Engagement' scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives		Total	
	2017/18	2017	2018	2017	2018
Providing the appropriate amount of information	65	60	80	63	73
Producing accessible communications	70	80	60	75	65
Effective inquiry	65	70	80	68	73
Proactivity	70	65	55	68	63
<b>Total</b>	<b>68</b>	<b>69</b>	<b>69</b>	<b>68</b>	<b>68</b>

#### 8.1.1 Network customers

Ausgrid had mixed success at accessible and inclusive engagement with its network customers. In general, it pitched the information at the right level for the audience and ensured that this information was available to customers in a form they could access. In its customer forums, Ausgrid and Newgate staff did genuinely attempt to make complex information accessible for participants.

However, Ausgrid struggled to provide the appropriate amount of information to customers. In the deliberative forums, key points were made using slides filled with modelled information about customer financial impacts. While PIAC agrees that it is useful to provide financial context when discussing tariff changes, there are considerably more accessible ways to present this information than as a slide full of numbers at the front of a room.

Ausgrid's focus on online customer surveys also detracted from the inclusiveness of its customer engagement. Compared with face-to-face engagement, online surveys have a two important drawbacks. Firstly, they rely on customers having both the skills and technology to access them. Many consumers in CALD communities or who are vulnerable and disadvantaged may not have the language or IT skills required to complete an online survey and/or may lack access to a computer or smart phone which would enable them to participate.

Secondly, they do not allow for effective inquiry. Face-to-face engagement allows facilitators to respond to participants as they are providing feedback, giving extra information where needed and probing to elicit more fulsome responses. This level of engagement is not possible when someone is filling out an online survey. Instead, participants are left to respond to whatever information they have been provided with, regardless of whether they fully understand it.

### 8.1.2 Consumer representatives

In 2017, Ausgrid's engagement with consumer representatives was variable in its accessibility and inclusivity. PIAC and other representatives have found it difficult to engage bilaterally with Ausgrid, finding them to be generally non-proactive and difficult to pin down. Ausgrid was unwilling to provide information and accessible communications, nor to engage proactively on a bilateral basis until late in 2017.

The Reset Working Group proved a more positive experience. Since Ausgrid convened the group with a small group of key stakeholders, it was a forum for consultation on detailed issues for consideration in its regulatory proposal. In general, PIAC found Ausgrid to be willing to provide the appropriate level of information in accessible formats in this context. The small group approach also facilitated effective inquiry, where Ausgrid staff sought to fully explore the issues discussed with consumer representatives.

In the 2018 extended consultation period, Ausgrid provided the appropriate amount of information to, and engaged in effective inquiry with, consumer representatives. Through the deep dive process, Ausgrid provided consumer representatives with detailed information about a range of key regulatory topics. Furthermore, the structure of the deep dives allowed for Ausgrid staff to engage in meaningful discussions with consumer representatives about key regulatory issues over an extended period of time. In PIAC's view, this was reasonably effective inquiry.

However, Ausgrid's approach to consumer representative engagement in 2018 was characterised by inaccessible communications and a lack of proactivity. In this period, consumer representatives had to repeatedly follow up with Ausgrid to gain access to documentation and schedule meetings. Given the improvements made in other aspects of accessibility and inclusivity noted above, this was particularly disappointing. While PIAC understands that this was largely a function of the poor timeliness of this engagement, we contend that Ausgrid could have done more to ensure accessible communications within the time constraints.

## 8.2 Endeavour Energy

**Table 16 - Endeavour Energy, 'Accessible and Inclusive Engagement' scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives		Total	
	2017/18	2017	2018	2017	2018
Providing appropriate amount of information	80	75	90	78	85
Producing accessible communications	85	85	90	85	88
Effective inquiry	70	85	90	78	80
Proactivity	70	80	80	75	75
<b>Total</b>	<b>76</b>	<b>81</b>	<b>88</b>	<b>79</b>	<b>82</b>

### 8.2.1 Network customers

Endeavour Energy's network customer engagement was generally accessible and inclusive. Through its customer forums, Endeavour Energy presented complex information about peak demand, tariffs, reliability and vegetation management in an accessible way. By starting with simple concepts and building on them throughout the forum, Endeavour Energy provided the right

level of information in a way that was understandable for participants. Furthermore, Endeavour Energy staff made themselves available throughout the events to answer more complex questions.

Endeavour Energy also produced a directions paper. PIAC understands that Endeavour Energy attempted to produce a document for consumption by both network customers and consumer representatives. While this has received criticism from consumer representatives for its lack of detail, it was pitched well for a network customer to read.

However, Endeavour Energy did not spend enough time talking to its customers. Instead of following up with a second round of deliberative forums, Endeavour Energy's customer engagement program was limited to its online 'YourSay' portal and public consultation on the directions paper. Like Ausgrid, this reduced the accessibility of the communications and effectiveness of inquiry. This is a particular issue for Endeavour Energy, whose distribution region in Western Sydney contains a high proportion of CALD consumers, who may find online engagement difficult.

### 8.2.2 Consumer representatives

Endeavour Energy's commitment to accessible and inclusive engagement with consumer representatives was inconsistent. In mid-2017, Endeavour Energy was very proactive in engaging with consumer representatives. Endeavour Energy sought meetings with PIAC and other advocates to discuss consumer engagement strategies and a range of issues relevant to its regulatory proposal.

However, Endeavour Energy's Directions Paper was not detailed enough for a consumer representative audience. While a high-level summary of principles is appropriate for a document aimed at customers with little previous experience of regulatory proposals, PIAC expects NSPs to publish detailed information for discussion with consumer representatives. Endeavour Energy acknowledged this problem in recent meetings.

Endeavour Energy's consumer representative engagement in the 2018 extended consultation period scored well for accessibility and inclusiveness. Through its deep dive program, Endeavour Energy consistently provided detailed, appropriate information that allowed consumer representatives to provide meaningful input. Furthermore, providing slideshows and papers before the meetings enabled consumer representatives to be fully engaged with the process.

## 8.3 Essential Energy

**Table 17 - Essential Energy, 'Accessible and Inclusive Engagement' scores, 2017 (%)**

PIAC criteria	Customers	Representatives	Total
Providing appropriate amount of information	85	85	85
Producing accessible communications	90	90	90
Effective inquiry	85	80	83
Proactivity	90	75	83
<b>Total</b>	<b>88</b>	<b>83</b>	<b>85</b>

### **8.3.1 Network customers**

Essential Energy's network customer engagement was highly accessible and inclusive. In its customer forums, Essential Energy ensured that participants were not overwhelmed by too much information and used accessible slideshows, infographics and videos to present this information.

Further, Essential Energy were proactive in seeking feedback, and did so effectively. By conducting focus groups and three rounds of customer forums, Essential Energy ensured that it could ask a range of questions of participants and follow-up with more detailed responses and further questions at the next forum. This gave Essential Energy a rich set of customer responses about a range of issues on which to build its regulatory proposal.

### **8.3.2 Consumer representatives**

Essential Energy's consumer representative engagement was less accessible and inclusive than its network customer engagement. While Essential Energy did provide the appropriate amount of information in accessible forms of communication, it did not score as well for Effective inquiry or Proactivity in its engagement with representatives.

This was largely a function of Essential Energy's relative lack of engagement with consumer representatives, compared with its network customers. Where Essential Energy spent considerable time and effort repeating customer forums to effectively inquire about customer views, its engagement with consumer representatives was considerably more ad hoc. It was not until late in 2017 that Essential Energy began organising stakeholder forums, instead relying on bilateral meetings with consumer representatives. This did not allow for structured feedback to be given and this meant that inquiry was less effective than it otherwise could have been.

Further, in early 2017, consumer representatives were often required to seek meetings with Essential Energy rather than Essential Energy seeking meetings with consumer representatives. In PIAC's view, it is the responsibility of NSPs to seek out consumer representatives to elicit feedback on their regulatory proposals. While this improved over the year, this early reluctance to engage was detrimental to Essential Energy's overall Proactivity score.

Essential Energy sought to rectify these problems in late 2017, scheduling a number of stakeholder forums and improving the accessibility and inclusiveness of its consumer representative engagement.

## 9. Transparent engagement

As noted in section 3, PIAC assessed transparent engagement using the following criteria:

- Openness;
- Information by request; and
- Stakeholder identification.

### 9.1 Ausgrid

**Table 18 - Ausgrid, 'Transparent Engagement' scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives		Total	
	2017/18	2017	2018	2017	2018
Stakeholder identification	65	75	80	70	73
Openness	40	40	75	40	58
Information by request	50	70	90	60	70
<b>Total</b>	<b>52</b>	<b>62</b>	<b>82</b>	<b>57</b>	<b>67</b>

#### 9.1.1 Network customers

Ausgrid's stakeholder identification for its Customers at the Centre program was mixed. It included a representative sample of its customers in its online survey program and a mix of customers in its forums. Further, Ausgrid engaged specifically with life support customers to ensure that subset of vulnerable consumers had input into its proposal.

Ausgrid was unable to identify to PIAC how it ensured that CALD consumers were adequately represented in its network customer engagement program. While Ausgrid consults with Ethnic Communities Council as a consumer representative, it is unclear whether it sought to receive direct feedback from the large CALD communities in its distribution region. Given that Ausgrid's customer base is highly diverse, PIAC considers this a failure of stakeholder identification.

Ausgrid was not open with its customers. Unlike the other NSW DNSPs, Ausgrid did not release a draft proposal that could be seen by its customers. Despite producing an Early Consultation Document, Ausgrid decided at the last minute not to make it publicly available. This meant that Ausgrid customers were unable to engage with Ausgrid on the detail of its proposal. PIAC does not consider Ausgrid's decision to reflect the required level of openness for its customer engagement to be considered transparent.

Finally, Ausgrid's single round of customer forums meant that it was unable to provide information by request directly to its customers. While Ausgrid staff did attempt to answer questions from participants in the forums it did run, a single engagement session does not adequately allow for network customers to engage with the complicated concepts and come back with more questions later.

#### 9.1.2 Consumer representatives

In 2017, Ausgrid was relatively successful at stakeholder identification. Through its Reset Working Group, Ausgrid gathered a good range of consumer representatives for regular meetings and engaged with them on a range of issues.

Despite successfully identifying its stakeholders, Ausgrid was often not inclined to be open or provide the information requested by consumer representatives. For example, PIAC’s first contact with the NSW DNSPs in advance of their 2019-24 regulatory proposal was a letter sent by PIAC and other consumer representatives requesting a workshop about tariff structures.<sup>27</sup> In response, Endeavour Energy and Essential Energy organised meetings. Ausgrid, however, ignored both the letter and repeated attempts to follow it up. While Ausgrid was subsequently been willing to organise meetings with consumer representatives, it continued to be the least willing to engage of the three NSW DNSPs.

During the 2018 extended consultation period, Ausgrid improved against all Transparency criteria. In particular, Ausgrid did a very good job at stakeholder identification and providing information by request. Its deep dives included all relevant stakeholders and Ausgrid staff worked extremely hard to provide the information requested by consumer representatives.

## 9.2 Endeavour Energy

**Table 19 - Endeavour Energy, ‘Transparent Engagement’ scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives		Total	
	2017/18	2017	2018	2017	2018
Stakeholder identification	80	75	75	78	78
Openness	80	75	80	78	80
Info by request	65	75	90	70	78
<b>Total</b>	<b>75</b>	<b>75</b>	<b>82</b>	<b>75</b>	<b>78</b>

### 9.2.1 Network customers

Endeavour Energy was relatively transparent with its customers. Endeavour Energy sought to engage with a representative sample of its customers through its focus groups, deliberative forums and focus groups.

Endeavour Energy released and publicised a draft proposal in the form of its directions paper.<sup>28</sup> By publicising the paper’s release through social media, Endeavour Energy demonstrated a strong commitment to openness with its customers.

However, Endeavour Energy’s transparency score was reduced by its single round of customer forums. While Endeavour Energy staff did attempt to answer questions from participants in the forums it did run, a single engagement session does not adequately allow for network customers to engage with the complicated concepts and come back with more questions.

### 9.2.2 Consumer representatives

<sup>27</sup> See: Appendix A.

<sup>28</sup> Endeavour Energy, [Directions Paper for Consultation](#), 2017,

In 2017, Endeavour Energy had mixed results in transparently engaging with consumer representatives. Endeavour Energy was particularly strong at identifying the consumer representatives with which it needed to engage and sharing information openly in meetings with them. For example, Endeavour Energy sought out PIAC, TEC and NCOSS, as representatives of NSW households, to provide input into the design and implementation of its customer forums.

However, Endeavour Energy became less transparent towards the end of 2017. In that period, PIAC heard reports from consumer representatives that it became much more difficult to obtain information from Endeavour Energy than it previously had been.

Endeavour Energy's transparency improved during the 2018 extended consultation period. Through its deep dive program, Endeavour Energy was very open about its regulatory plans and the analysis that underpins them, while Endeavour Energy staff worked extremely hard to provide the information requested by consumer representatives.

However, Endeavour Energy did not improve against the openness criterion as much as expected. This was because it repeatedly refused to provide consumer representatives with its 2019-24 price x-factors exclusive of its proposed 2014-19 remittal outcome. In PIAC's view, this was an attempt to obfuscate the fact that Endeavour Energy is proposing a 0.8% per annum real price increase over the period.

Further, Endeavour Energy did not improve against the Stakeholder identification criterion. While it effectively identified the stakeholders that needed to be included in the deep dives, PIAC is concerned that it sought to engage more deeply with stakeholders who agreed with them on key issues. For example, Endeavour Energy engaged exclusively with the UDIA before changing its connections policy to socialise more of the capital costs associated with connecting new developments. While this policy change is clearly in the interests of both Endeavour Energy and the UDIA, it is not supported by any consumer representatives. That Endeavour Energy did not seek to engage with all relevant stakeholders on this issue was poor stakeholder identification by the business.

## 9.3 Essential Energy

**Table 20 - Essential Energy, 'Transparent Engagement' scores, 2017 (%)**

PIAC criteria	Customers	Representatives	Total
Stakeholder identification	90	75	83
Openness	85	85	85
Info by request	85	85	85
<b>Total</b>	<b>87</b>	<b>82</b>	<b>84</b>

### 9.3.1 Network customers

Essential Energy was consistently transparent when engaging with its network customers.

In particular, it was exceptional at stakeholder identification. Since it conducted customer forums in seven locations, Essential Energy effectively identified and engaged with customers from all parts of its geographically diverse distribution region. Further, Essential Energy included

demographically representative samples from each region in the forums and of its entire customer base in online surveys.<sup>29</sup> This was very good engagement practice.

Further, Essential Energy engaged openly, both through its customer forums and by releasing a draft proposal and TSS for public consultation. Like Endeavour Energy, Essential Energy actively promoted these documents through its online engagement communities and social media.

Finally, Essential Energy was effective at providing the information requested by its customers. By holding multiple rounds of customer forums, Essential Energy was able to provide extensive follow-up information to forum participants at subsequent sessions. Furthermore, Essential Energy staff worked very hard at each forum to provide extra information where necessary.

### **9.3.2 Consumer representatives**

Essential Energy was less transparent when engaging with consumer representatives than network customers. While Essential Energy was both open and willing to provide the information requested of them, it initially struggled with stakeholder identification.

This was particularly prevalent early in 2017, when Essential Energy relied on its customer council, known as the Essential Energy Customer Advocacy Group (CAG), for consumer representative engagement. PIAC considers customer councils to be a key method of ongoing accountability for NSPs but they do not include all relevant consumer representatives. While CAG members include Energy Consumers Australia, NSW Farmers and the Country Women's Association, it does not include key consumer representatives like PIAC or NCOSS. By not seeking to engage with these groups, PIAC considers that Essential Energy did not effectively identify all relevant stakeholders all in the process.

Essential Energy sought to rectify this problem in response to feedback. Since mid-2017, Essential Energy has consistently engaged with non-CAG consumer representatives through bilateral meetings and stakeholder forums.

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<sup>29</sup> Woolcott Research and Engagement, [Essential Energy Engagement Programme Summary Report – Phase 2](#), October 2017, 4.

## 10. Measurable engagement

As noted in section 3, PIAC assessed the Measurable impact of DNSP engagement using the following criteria:

- Consumers influence business planning; and
- Consumer priorities are reflected in regulatory proposals.

This evaluation was different to that performed for other AER principles. Because the extent to which consumer engagement has made a measurable difference is only possible after the proposals have been submitted by the businesses, it is difficult for PIAC to determine the extent to which engagement in different evaluation periods influenced the final result.

As a result, we have only produced ‘Measurable’ evaluations at the aggregate 2017/18 level only for all DNSPs.

### 10.1 Consumer priorities

To evaluate whether consumer engagement has had a measurable impact on DNSP business planning and regulatory proposals, it is necessary to identify the consumer priorities the DNSPs should be reflecting. These priorities have been revealed through the engagement programs.

#### 10.1.1 Network customers

The NSW DNSPs have heard relatively consistent messages from their customers. According to the DNSPs, consumers identified three over-riding themes for DNSPs to consider:

- Affordability;
- Reliability; and
- Safety.<sup>30</sup>

Ausgrid also reported sustainability as a key theme.<sup>31</sup>

While PIAC agrees with the DNSPs’ assessment of the themes raised in consumer engagement, we consider affordability to be the most important. Across NSW, consumers are primarily concerned with the high price of electricity, making affordability the number one priority for consumers in this regulatory determination.

The centrality of affordability is noted in both Endeavour Energy’s and Essential Energy’s proposal documentation. Endeavour Energy’s proposal highlights affordability as “the number one concern for many of our consumers”,<sup>32</sup> while Essential Energy’s consumer engagement summary reported some support for accepting slightly lower reliability for better affordability.<sup>33</sup>

#### 10.1.2 Consumer representatives

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<sup>30</sup> Ausgrid, [Ausgrid’s Regulatory Proposal: 1 July 2019 to 30 June 2024](#), April 2018, 27; Endeavour Energy, [Regulatory proposal – 1 July 2019 to 30 June 2024](#), April 2018, 56; Essential Energy, [Empowering communities to share and use energy for a better tomorrow: 2019-24 Regulatory Proposal](#), April 2018, 32.

<sup>31</sup> Ausgrid, [Ausgrid’s Regulatory Proposal](#), 27.

<sup>32</sup> Endeavour Energy, [Regulatory Proposal](#), 52.

<sup>33</sup> Essential Energy, [4.2 How engagement informed our proposal](#), 16.

As one would expect, consumer representatives have the same broad preferences as the customers they represent. However, the greater detail in which they provide feedback means that they have more specific priorities. For the 2019-24 RCP, consumer representatives have identified the following priorities:

- Price path;
- RAB growth;
- Ongoing efficiency; and
- Tariff reform.<sup>34</sup>

## 10.2 Ausgrid

**Table 21 - Ausgrid, ‘Measurable Engagement’ scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives	Total
Consumers influence business planning	60	65	63
Consumer priorities reflected in regulatory proposals	75	65	70
<b>Total</b>	<b>68</b>	<b>65</b>	<b>66</b>

### 10.2.1 Network customers

Ausgrid did not provide enough opportunities for its customers to influence business planning. In order for customers to have this influence, they need to be involved as a DNSP develops its plans. This was not possible due to Ausgrid’s relatively short period of network customer engagement and its over-reliance on online surveys. Further, Ausgrid appeared to have made many individual decisions before consulting on them.

However, Ausgrid has broadly reflected consumer preferences for an affordable distribution network by decreasing network charges in the 2019-24 period. In its regulatory proposal, Ausgrid proposed a 5.7% price decrease in the first year of the period.<sup>35</sup> While PIAC will continue to advocate for further cost reductions through the AER’s regulatory process, this is a notable initial response to consumer concern about affordability.

### 10.2.2 Consumer representatives

Through the 2017 Reset Working Group and 2018 deep dives, Ausgrid provided consumer representatives with opportunities to provide feedback on business plans. In some cases, this input has influenced the outcome. For example, Ausgrid genuinely sought input on a potential change in connections policy, and chose not to proceed after receiving negative feedback from consumer representatives.

However, Ausgrid was often not willing to negotiate openly in these forums. Instead, they sought to convince consumer representatives of pre-existing views, or stated that we would have to ‘agree to disagree’, rather than allowing them to influence business plans.

<sup>34</sup> This is PIAC’s assessment of priorities in the general consumer representative community, we do not speak for individual organisations other than ourselves. More detail on these priorities can be found in the submission to which this report is attached.

<sup>35</sup> Ausgrid, *Ausgrid’s Regulatory Proposal*, April 2018, 4.

Ausgrid was also less willing to reflect consumer representative preferences in its proposal than those of its customers. While consumer representatives supported Ausgrid’s work to reduce prices, there has not been agreement on large parts of the proposal following the 2018 deep dives, including:

- Ongoing opex productivity;
- The size of the capital expenditure proposal;
- DER integration; and
- Tariff structures.

### 10.3 Endeavour Energy

**Table 22 – Endeavour Energy, ‘Measurable Engagement’ scores, 2017-18 (%)**

PIAC criteria	Customers	Representatives	Total
Consumers influence business planning	75	80	78
Consumer priorities reflected in regulatory proposals	75	70	73
<b>Total</b>	<b>75</b>	<b>75</b>	<b>75</b>

#### 10.3.1 Network customers

The measurable impact of Endeavour Energy’s network customer engagement varied by issue.

Because Endeavour Energy placed a high value on their customer forums and focus groups, its customers had an opportunity to influence business plans early in the process. In particular, customers had considerable influence on pricing strategy. In its customer forums, Endeavour Energy received support for a rapid transition to cost-reflective network pricing as a means of ameliorating the need for network augmentation in the future. In response, the Endeavour Energy engaged in a process of designing demand tariffs.

This influence has resulted in some good results in Endeavour Energy’s proposal. Endeavour Energy has noted that a number of aspects of its proposal are in response to the affordability priority and other consumer feedback, including:

- Transition to cost reflective pricing;
- A reduction in opex;
- A limited price increase; and
- A lower capex allowance than they would otherwise have sought.<sup>36</sup>

However, PIAC notes a number proposals that remain inconsistent with consumer priorities:

- A large capex increase compared with 2014-19, increasing prices in the long term; and
- A real price increase of 0.8% (excluding remittal outcome) per annum.

#### 10.3.2 Consumer representatives

<sup>36</sup> More examples are listed on page 52 of Endeavour Energy’s regulatory proposal.

Endeavour Energy has provided considerable opportunities for consumer representatives to influence business decisions. Their deep dive sessions involved genuine explorations of many of the issues key core to network business planning.

The examples identified in 9.3.1 regarding Endeavour Energy’s proposal apply equally to consumer representative priorities. However, Endeavour Energy’s proposal also includes some examples of its refusal to reflect the more specific consumer representative priorities:

- A refusal to reflect consumer preferences in its connections policy which, if approved, will result in a higher RAB and future network charges to consumers;
- A zero opex productivity assumption; and
- A significant RAB increase.

## 10.4 Essential Energy

**Table 23 - Essential Energy, ‘Measurable Engagement’ scores, 2017 (%)**

PIAC criteria	Customers	Representatives	Total
Consumers influence business planning	85	85	85
Consumer priorities reflected in regulatory proposals	70	65	68
<b>Total</b>	<b>78</b>	<b>75</b>	<b>76</b>

### 10.4.1 Network customers

Essential Energy’s customers have influenced its business planning through their preference for a more affordable distribution network. Essential Energy has reduced both its capital and operational expenditure plans for the 2019-24 period. This has translated into lower prices than would have otherwise been proposed through the Essential Energy regulatory proposal and TSS. While PIAC will continue to advocate for further cost reductions through the AER’s regulatory process, Essential Energy genuinely attempted to allow consumers to influence business planning with regards to affordability.

Essential Energy has been less successful in translating this influence into results in its regulatory proposal. PIAC notes that the proposed reductions in capex and opex are aligned with consumer priorities and welcomes them. Further, Essential Energy proposals relating to vegetation management, street lighting and planned outages have reflect what their customers told them. This is well documented in attachment 4.2 to Essential Energy’s proposal.<sup>37</sup>

However, two key aspects of the proposal do not reflect consumer priorities:

- A 1.83% (excluding remittal outcome) real price rise per annum; and
- A proposal to maintain reliability across the network despite hearing that customers are willing to accept lower reliability to increase affordability.

<sup>37</sup> Essential Energy, *Attachment 4.2 – How engagement informed our proposal*, April 2018.

In particular, a price rise does not reflect the central affordability priority of consumers. While PIAC understands that Essential Energy is facing significant difficulty with their RAB, this criterion relates to results and they can therefore not be scored highly when raising prices.

#### **10.4.2 Consumer representatives**

Consumer representatives were similarly involved in Essential Energy's business planning. Like customers, their affordability priority is reflected in the plans to reduce expenditure. Further, Essential Energy engaged extensively with consumer representatives while making decisions about:

- Customer engagement strategies;
- Stakeholder engagement frameworks;
- Pricing strategy; and
- Non-determination regulatory issues.

Essential Energy did not score as well for reflecting consumer priorities in its proposal for broadly the same reasons identified in relation to its network customers. However, the proposal also includes some failures to reflect the more specific consumer representative priorities:

- Significant RAB growth; and
- Limited customer assignment to cost reflective network tariffs.

## Appendix A – Template PIAC letter to NSW DNSPs – Workshop Follow-up

[Date: ## Month #####]

[name]

[position]

[organisation]

[address]

[CITY NSW POSTCODE]

By email to: [EMAIL ADDRESS]

Dear [salutation]

### PIAC Engagement Evaluation Project – Workshop Follow-up

I write to thank **Essential Energy/Endeavour Energy/Ausgrid** [choose one] for meeting with PIAC to discuss our energy network consumer engagement evaluation project in January 2018, let you know our next steps and invite your further input.

#### Key feedback

In meetings with each of the NSW distribution network service providers (DNSPs) that week, we heard that the intention of the project was supported by the DNSP's, and PIAC's overall approach was understood. In addition, valuable feedback was received on opportunities to improve three particular aspects of our approach:

1. The grading system;
2. Identifying stakeholders; and
3. PIAC's visibility of the DNSPs' engagement with end users.

#### The grading system

##### *What we heard*

PIAC heard a shared concern of all three NSW DNSPs was regarding the preliminary letter-based grading system. This feedback was twofold.

Firstly, it was considered a punitive way to represent the information, and while giving a low grade clearly implied failure or poor performance, there appeared to be little incentive for a business to improve (from a 'C' to a 'B', for example).

Secondly, it was stated that the meaning of the letter grades was unclear and overly complex. While it was clear that an 'A' represented an excellent standard of engagement and an 'F'

unacceptably poor, the DNSPs considered the differences between some other grades to be difficult to interpret and/or not particularly meaningful.

PIAC understands and agrees with the DNSPs on these concerns and will adopt recommendations from the DNSPs to address them.

### *What we are changing*

PIAC will use a five star rating system, instead of the six letter grades used in our preliminary evaluation. This idea was first proposed by Essential Energy, and supported by Endeavour and Ausgrid.

PIAC agrees that a star rating system is widely used and understood, and better promotes a culture of improvement. PIAC heard that the potential to be considered a ‘five-star engagement business’ provides a better incentive for improved consumer engagement than a single, point-in-time report card-style measure. Furthermore, we can communicate the same information with a low star rating less discouragingly than by using a low grade or fail.

The table below outlines PIAC’s proposed star rating system.

Star Score	Description
	<p><b>Best practice.</b> Sector-leading, innovative engagement that is an exemplar for the wider industry. Stakeholders can be confident that consumer preferences and interests are at the core of DNSP’s actions and activities, and customer outcomes have been put first.</p>
	<p><b>Good practice.</b> Stakeholders can be confident that consumer preferences and interests have informed DNSP’s actions and activities, and some genuine compromises have been made by the DNSP to get to that point.</p>
	<p><b>Standard practice.</b> Stakeholders can be confident that consumer preferences and interests have been a feature of DNSP’s actions and activities. Engagement outcomes have had some impact on business decisions, but improvement will be needed to keep pace with change in the sector and to justify moving to new regulatory models.</p>
	<p><b>Box-ticking.</b> DNSP did the bare minimum to engage with consumers, and/or little evidence that consumer preferences and interests are reflected in the DNSP’s actions and activities. This level of engagement may become unacceptable over time with change in the sector.</p>
	<p><b>Unacceptable practice.</b> The DNSP has not been committed to good consumer engagement.</p>

	Stakeholders cannot have confidence that consumer preferences and interests are reflected in the DNSP's actions and activities.
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## Identifying stakeholders

### *What we heard*

PIAC heard concerns that the evaluations did not reflect the full range of stakeholders with whom DNSPs engage

PIAC has sought to evaluate DNSP engagement with two stakeholder groups: end users and consumer representatives. In the workshops, NSW DNSPs were concerned that the evaluation did not recognise the engagement they do with councils, accredited service providers (ASPs) and retailers.

### *What we are changing*

PIAC is aware that we have not fully accounted for engagement with councils by DNSPs thus far and appreciates the reinforcement. To address this, PIAC will seek to incorporate this engagement into our evaluation. In one sense councils are consumer representatives that engage with networks on behalf of their ratepayers yet they are also end users through their electricity consumption as both small and energy large users, and for street lighting which includes other services. We will therefore incorporate them into our engagement evaluation as both consumer representatives and end users.

PIAC does not propose to include engagement with ASPs or retailers in our evaluation. While PIAC fully supports DNSPs engaging with these key stakeholders, our role as a consumer representative does not extend to representing these groups. As such, we are not in a position to meaningfully and independently assess how DNSPs engage with them. To avoid confusion, PIAC will make it clear in relevant reports and communications that this engagement is out of scope for the evaluations.

## Understanding network engagement with end-use consumers

### *What we heard*

PIAC and the DNSPs discussed how to effectively assess the engagement between DNSPs and end users when we have limited visibility of some programs.

PIAC noted that, in the preliminary evaluations shared with the DNSPs, PIAC's assessment of this engagement was based mainly on the deliberative forums we attended as observers, publicly available documents like customer discussion papers, and some self-reporting from the networks, including to customer consultative committees.

All three DNSPs noted that they had engaged with end users beyond the methods PIAC had considered, including pre-forum focus groups, quantitative surveys, and ongoing engagement with customers through business-as-usual processes like outage notifications and rectification as examples end user consumer engagement of which PIAC has had limited visibility of to date.

PIAC's preliminary evaluation did give the DNSP's some benefit of the doubt for engagement we are not aware of by assuming it met the industry standard, however any particularly good (or particularly poor) end user engagement that we were not aware of was not reflected in the preliminary results.

### *What we are changing*

PIAC agrees that our preliminary evaluation of end user consumer engagement does not reflect the full range of engagement activities with this stakeholder group. In response, we propose to work with the DNSPs to gain a better understanding of these activities.

In the workshops, each DNSP offered to provide information about this part of their consumer engagement programs to aid PIAC in making these assessments. PIAC will work with them to ensure that our final evaluations adequately account for all engagement with end users.

### **Next steps**

As noted in the engagement workshop, the main output of PIAC's engagement project will be a written evaluation of each DNSP's engagement, to be provided with our submission to the AER's issues paper regarding the 2019-24 determinations for the NSW DNSPs. PIAC understands that this is likely to be in May 2018.

PIAC will continue to seek input from the DNSPs about the project and our evaluations, and continue to provide ongoing feedback on their consumer engagement programs.

PIAC proposes to host follow-up meetings with each of the DNSPs following the extended engagement period for the 2019-24 regulatory proposals, and will be in touch soon to lock in dates. These meetings will allow PIAC to share the next stage of our evaluation results before they are finalised and give the DNSPs the opportunity to report to PIAC how their consumer engagement programs have further informed their thinking about their regulatory proposals since the end of the extended engagement period.

The table below reports the timeline for PIAC's engagement project:

<b>Date</b>	<b>Activity</b>
February-April 2018	PIAC continued to engage with the DNSPs in the extended consultation period for their regulatory proposals.
January-April 2018	PIAC met with the AER, ECA, CCP, NCOSS, other stakeholders, including NSW Government, to discuss the project.
April or May 2018	PIAC will host the DNSPs for follow-up workshops to as we finalise the engagement project.

April 2018	PIAC will continue to engage with the DNSPs as we finalise the engagement evaluation report and work with the DNSPs to increase our visibility of their end user consumer engagement during 2016/17.
May 2018	PIAC will present engagement evaluations to the AER board.
May 2018	PIAC will send the final engagement evaluation report to the AER as an attachment to our issues paper submission.

PIAC looks forward to continuing engagement with **Essential Energy/Endeavour Energy/Ausgrid** [choose one] would welcome the opportunity to further discuss these or any other issues herein.

Yours sincerely

**Craig Memery**  
**Policy Team Leader – Energy and Water**  
Public Interest Advocacy Centre

Direct phone: +61 2 8898 6522  
E-mail: [cmemery@piac.asn.au](mailto:cmemery@piac.asn.au)

## Appendix B – Template consumer representative TSS letter to NSW DNSPs

Date: 05 June 2017

[name]  
[position]  
[organisation]  
[address]  
[CITY STATE POSTCODE]

By email to: [EMAIL ADDRESS]

Dear [CEO]

I write to request **Ausgrid/Essential Energy/Endeavour Energy** [choose one]'s participation in a forum to facilitate effective consumer input into the development of NSW DNSP's Tariff Structure Statement (TSS) proposals.

As you are aware, the National Electricity Rules (NER) and Australian Energy Regulator (AER) require distribution network service providers (DNSPs) to engage with stakeholders, and in particular consumer representatives, in the development of Tariff Structure Statements.

Our four organisations represent households and small businesses in New South Wales. We have come together to engage more effectively with **Ausgrid/Essential Energy/Endeavour Energy** [choose one] in the development of your TSS proposal. Energy Consumers Australia has also indicated its support for this initiative and willingness to participate in the forum.

Matters relating to tariffs are often highly complex and technical in nature, yet are mostly common to all DNSPs. Considering this, and the limited time and financial resources available to consumer groups and DNSPs alike, we are of the view that the most effective approach to engagement for TSSs in NSW will involve face to face meetings between all three networks and consumers advocates. From our perspective, the most positive aspect of the engagement undertaken by Networks NSW for the 2017-19 TSS proposals was the commitment by all three DNSPs (then under Networks NSW) to a series of joint workshops with key consumer groups.

Noting that TSS statements are due to be submitted to the AER in January 2018, we consider that engagement on the 2019-24 TSS should be commenced as a matter of high priority. To this end, we propose that the forum commences with an initial workshop, with all three NSW DNSPs, to be held at a mutually convenient time and place in the week commencing 3 July 2017. The purpose of this workshop would be to:

- Discuss, with a view to reaching accord on, principles for network tariff pricing;
- Identify opportunities to explore more complicated and contentious matters in a collaborative manner; and
- Consider approaches for further engagement by each business, such as that undertaken to understand consumer preferences.

PIAC would be pleased to host the initial workshop at our offices, if that is convenient. Importantly, we do not anticipate that this first workshop would result in decisions on specific or detailed matters such as tariff structures or approaches to locational pricing. We do expect it to be a productive step towards submission to the AER of TSS proposals that are broadly supported by consumer representatives.

It would be appreciated if you could advise us of **Ausgrid/Essential Energy/Endeavour Energy's** interest in the process, along with any preferences for the time and location of the proposed initial workshop, by Tuesday 13 June. In the spirit of Ausgrid/Essential Energy/Endeavour's express commitment to listening to, respecting and delivering for its customers, we look forward to **Ausgrid/Essential Energy/Endeavour Energy's** collaborative approach to the development of **Ausgrid/Essential Energy/Endeavour Energy's** 2019 - 2024 Tariff Structure Statement.

Please contact Craig Memery at [cmemery@piac.asn.au](mailto:cmemery@piac.asn.au) or on (02) 8898 6522 with any queries, or to respond to this proposal.

Yours sincerely

Jonathon Hunyor  
Chief Executive Officer  
Public Interest Advocacy Centre

On behalf of:

*NSW Council of Social Services  
Total Environment Centre  
Ethnic Communities Council*