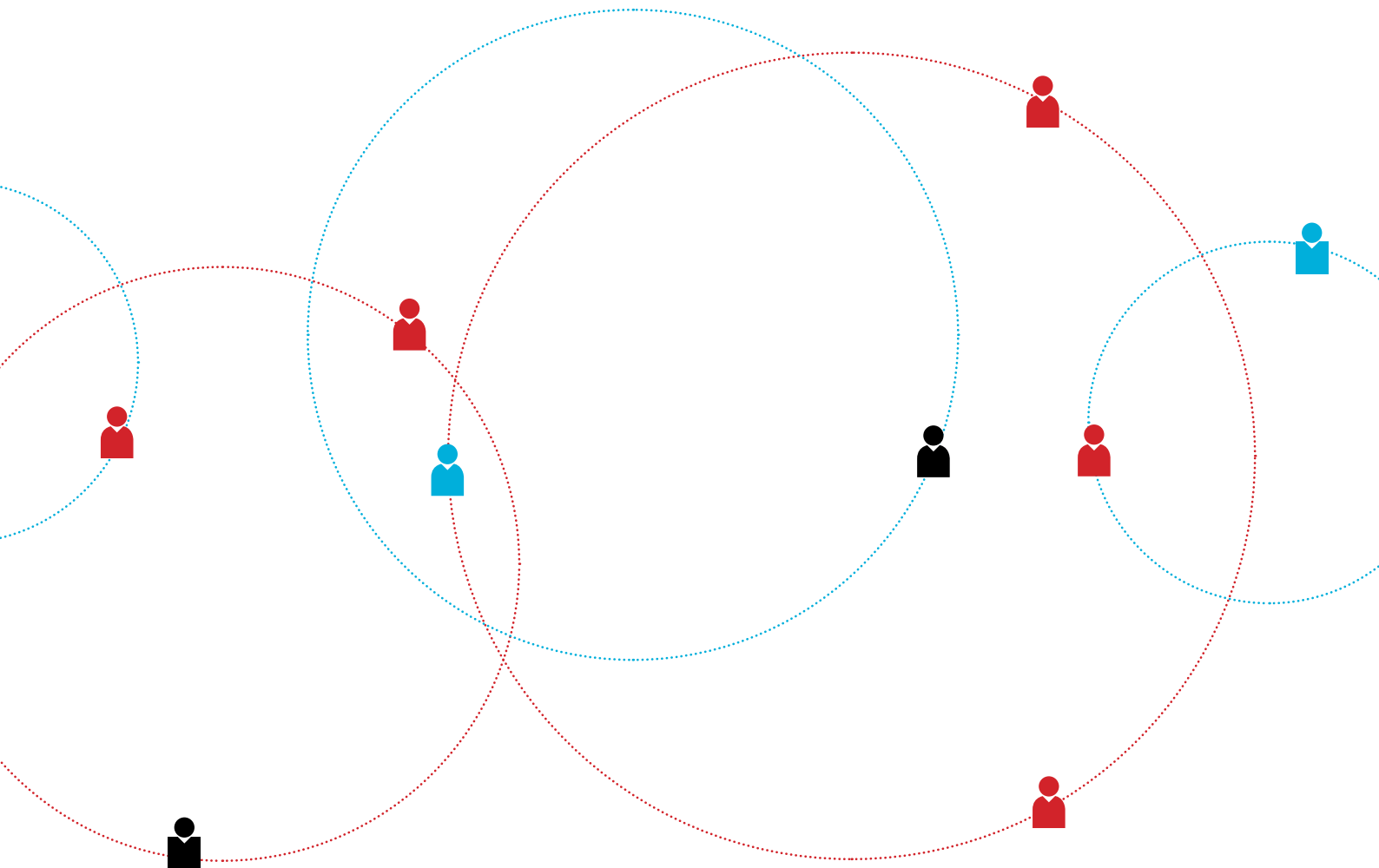


# CUSTOMER ENGAGEMENT HANDBOOK

Engagement Draft April 2016



ELECTRICITY NETWORK  
TRANSFORMATION ROADMAP



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# EXECUTIVE SUMMARY

This **Customer Engagement Handbook** has been designed to provide a set of industry-endorsed features and methods of engagement that best support consistent, high-quality and effective engagement by energy network businesses with their end-users. It also outlines the opportunities for sharing engagement outputs to foster transparency and trust, and the importance of systematic evaluation of customer engagement for continuous improvement.

This handbook is intended to build on the considerable work that the electricity and gas transmission and distribution network service providers have already undertaken to develop customer engagement strategies and implement engagement programs with end users. It is a living document that aims to foster continual improvement in this area, tailored specifically to issues and challenges known to be relevant to the energy sector. It provides supports for businesses the co-ordination of future engagement activities between energy network businesses, energy institutions and customers.

Developed in collaboration with energy network businesses and customer representatives and informed by CSIRO social science expertise, the Customer Engagement Handbook goals are to:

- » **Provide best practice guidance to ENA member businesses for engaging with customers** – The Handbook does not duplicate the Australian Energy Regulator’s (AER) Consumer Engagement Guideline for Network Service Providers, but is intended to complement and build on it (and other guidelines) to help network businesses plan, execute, evaluate and continuously improve their engagement activities.
- » **Strengthen relationships with customers and consumer groups** – The Handbook is designed to support network businesses’ engagement activities, provide transparency around engagement processes and goals, and address stakeholder expectations about engagement.
- » **Support the use of performance measurement and indicator tools in engagement activities** – The Handbook identifies meaningful performance measures, aims to promote consistency in metrics used across network businesses and activities, and is designed to assist them to track their engagement performance over time.
- » **Provide the opportunity for continuous learning and evolution of engagement activities** – The Handbook provides a foundation for ongoing information sharing between network businesses and continuous improvement in their engagement activities.
- » **Leverage opportunities for networks to collaborate on customer engagement** – The Handbook is designed to enable and encourage collaboration between network businesses, to maximise efficiencies and effectiveness of their engagement activities.

The Handbook is divided into four main sections:

- » **Background material**

This section describes the context in which network businesses operate, which has implications for how and on what topics they engage with stakeholders. Background is provided about the Australian energy system, the regulatory environment, energy customers and their evolving needs, and the processes used in the development of this handbook.
- » **Implementing effective engagement**

This section introduces important concepts of engagement. To avoid duplicating or overwriting the existing regulator guidelines or network businesses’ own engagement strategies, this section focusses on the broad elements that are related to effectiveness of engagement. These elements are building mutual trust, purpose and planning, invoking a true dialog, recognising a scale of participation, and responsible and ethical conduct.

» **Engagement** methods

This section describes some (but by no means all) of the major methods of engagement, split into the three broad goals of *provide information, consult and involve, and collaborate and empower*. Examples, tips, advantages and disadvantages are described, and additional resources for more detailed treatments of engagement methods are provided. The section also provides some specific discussion about the processes and value of *sharing engagement outputs* with engagement participants and also with other stakeholders.

» **Evaluating engagement**

This final section provides detailed discussion of the methods used to evaluate customer engagement. Key performance indicators for engagement are discussed and described. More specifically, individual metrics of engagement are discussed, along with details of how to develop high quality metrics, and some examples of potential engagement metrics that could usefully be adopted by network businesses.

Throughout the Handbook, there are key references and web links to further resources on specific topics, and also case studies of engagement drawn from Australian network businesses. The cases are presented without naming the specific network business, but they present sufficient detail that the source could easily be identified. The intent of the cases is to focus on the range of engagement activities and approaches that have been used, rather than to draw attention to individual businesses.

## Development of the Customer Engagement Handbook

In developing this handbook, formal engagement via workshops and direct conversations took place between CSIRO, customer engagement practitioners from energy network businesses, and external stakeholders of the network businesses, including representatives from an array of consumer advocacy groups and other stakeholder groups.

Participants in these workshops provided detailed advice about how customer engagement conducted by network businesses could be improved, and what specific content should be incorporated within the handbook. Most of this feedback has been built into the general handbook text; some of this feedback is provided in separate highlighted sections.

### Have your say

The Draft Customer Engagement Handbook has been released for feedback and ENA and CSIRO would welcome your views.

Please contact us at [john.gardner@csiro.au](mailto:john.gardner@csiro.au) or [ewatts@ena.asn.au](mailto:ewatts@ena.asn.au) by Monday 2nd May 2016 to provide your feedback or arrange a discussion.

# BACKGROUND

## The Australian energy system

Australian energy networks provide an energy transport service and operate as monopoly business regulated by the [Australian Energy Regulator \(AER\)](#) and the [Australian Energy Market Commission \(AEMC\)](#).

The Australian electricity system was originally based on independent, self-supporting state systems. The National Electricity Market was then developed in the 1990s, and connects all states and territories except Northern Territory and Western Australia

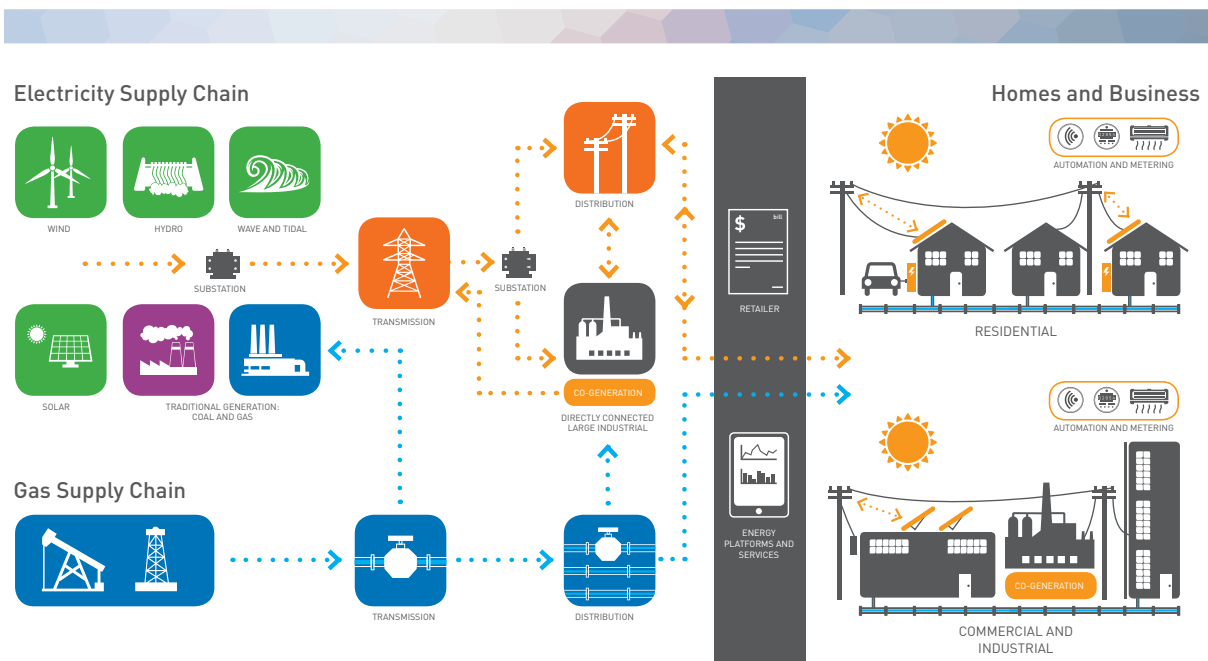
Electricity networks facilitate the supply of energy to almost every household and business in Australia through over 910,000 kilometres of transmission and distribution lines. Electricity transmission networks transport power over long distances, linking large generators with load centres.

Distribution networks transport electricity from points along the transmission network and through urban and regional areas to provide electricity to customers.

The domestic natural gas network sector operates and manages over 88,000 kilometres of distribution pipelines, providing energy to over 4.3 million households and 130,000 businesses. The gas produced for domestic use is transported by high pressure transmission pipelines from the production facility to the distribution network or to large users. Gas entering the distribution system is then transported under lower pressures to customers. Retailers arrange with gas distribution network operators for the supply of gas to end users via the distribution network.

A list of Australia's energy network businesses is found at Appendix A.

Figure 1: The Energy Supply Chain



## Regulatory environment

The AER regulates energy networks and markets under relevant legislation and rules. It also sets prices that can be charged for using energy networks services. This includes determining what energy networks can charge for using their services, and the approval of scoped pricing proposals.

The AER is obliged to ensure their decisions promote the long-term interests of energy end-users. In pursuing this interest, energy network businesses must articulate how they have engaged with their customers and how they have sought to address any concerns identified through that engagement.

As part of their five-yearly assessment of energy network businesses revenue proposals the AER considers (amongst other factors) the extent and quality of **consumer engagement undertaken**.

As part of the Better Regulation Reform Program, the AER released its *Consumer Engagement Guideline for Network Service Providers* in 2013. The guideline provides principles and a framework for energy network service providers to engage with their consumers. The guideline aims to help energy network service providers develop consumer engagement strategies and approaches to apply across their business, and also to help them prepare spending proposals that reflect consumers' long term interests.<sup>1</sup>

The guideline identifies a set of best practice principles to guide effective engagement with consumers. These overarch four components that the AER considers to constitute a robust approach to consumer engagement.

The four principles expected to characterise company interactions with consumers are:

1. **Clear, accurate, and timely communication** – 'provide information to consumers that is clear, accurate, relevant, and timely, recognising the different communication needs and wants of consumers' (p. 7).
2. **Accessible and inclusive** – 'recognise, understand, and involve consumers on an ongoing basis; not just at the time an expenditure proposal is being prepared' (p. 8).
3. **Transparent** – 'clearly identify and explain the role of consumers in the engagement process, and consult with consumers on information and feedback processes' (p. 9).
4. **Measurable** – 'measure the success, or otherwise, of their engagement activities' (p. 9).

The four components that the guidelines are structured around to guide service providers in developing new or improved consumer engagement strategies and processes are:

1. **Priorities** – service providers are expected to identify consumer cohorts and their relevant views, outline their engagement objectives, and discuss how to achieve those objectives.
2. **Delivery** – service providers are expected to address priorities through 'robust and thorough' consumer engagement.
3. **Results** – service providers are expected to articulate the outcomes from their engagement processes and how success has been measured.
4. **Evaluation and review** – service providers are expected to evaluate and review the effectiveness of their engagement processes. The AER expects 'all network service providers – gas and electricity, transmission and distribution – to use the guideline to enhance their consumer engagement activities' (p. 12). Consumer engagement is explicitly 'a factor in how we assess expenditure proposals' (p. 12).

**Figure 2:** Policy and Regulatory Environment



<sup>1</sup> Australian Energy Regulator (2013). *Better regulation: Consumer engagement guideline for network service providers*. Canberra: Commonwealth of Australia.

The AER consumer engagement guideline refers to the ‘public participation spectrum’ identified by the International Association for Public Participation (IAP2). This spectrum identifies five different levels of community engagement in any program: ranging from *Inform*, which is a one-directional communication flow providing the public with information, to *empower*, which hands over final decision-making to the public. Levels in between (*consult*, *involve*, and *collaborate*) range in increasing public participation and engagement in decision-making.

The AER consumer engagement guideline clearly expects service providers to construct their consumer engagement activities to fall somewhere between *inform* and *empower*. We note that the IAP2 approach is not the only method of delineating different engagement methods: other frameworks exist and may prove useful as a means of understanding the level of engagement that can potentially be adopted.

## Energy Customers

The *Electricity Network Transformation Roadmap* has completed comprehensive work analysing how to segment energy users and has identified that future customers are expected to be increasingly varied in their expectations across a broad *vulnerable—engaged—empowered* spectrum of market segments. These market segments:

- » Represent discrete combinations of outcomes and priorities (or ‘jobs’) that different customers will want energy solutions to help them achieve;
- » Highlight the different levels of customer willingness and ability to engage with technical complexity and/or assume some responsibility for their energy supply in exchange for a financial or non-financial benefit;
- » Are likely to have a declining correlation with household or enterprise financial status as new business models and financing mechanisms evolve to more elaborate solutions; and,
- » Should be considered as somewhat fluid and bi-directional as households and enterprises likely transition between segments at different stages of their life cycle, either in the direction of greater autonomy or of increased dependence.

At the highest level, end-user customers have typically been categorised as:

- » residential customers
- » small to medium enterprises (SMEs)
- » commercial and industrial customers (C&I).

Advancing into the current period of industry transformation, it is necessary to expand the definition of network customers to include:

- » traditional end-user customers (residential, commercial and industrial) who primarily receive energy from network businesses
- » end-user ‘prosumers’ who both consume and supply energy services (some of whom may disconnect from the network periodically or permanently)
- » new and existing service providers and other market participants who function as a ‘value network’, collaborating and/or competing with network businesses to provide diverse energy and other solutions to end-users.

## Residential end-users

A global literature review conducted in preparing the *Electricity Network Transformation Roadmap Interim Program Report (IPR)* identified many approaches to segmenting residential energy end-users. The Roadmap program identified some common themes, which are reflected in the five segments listed below.

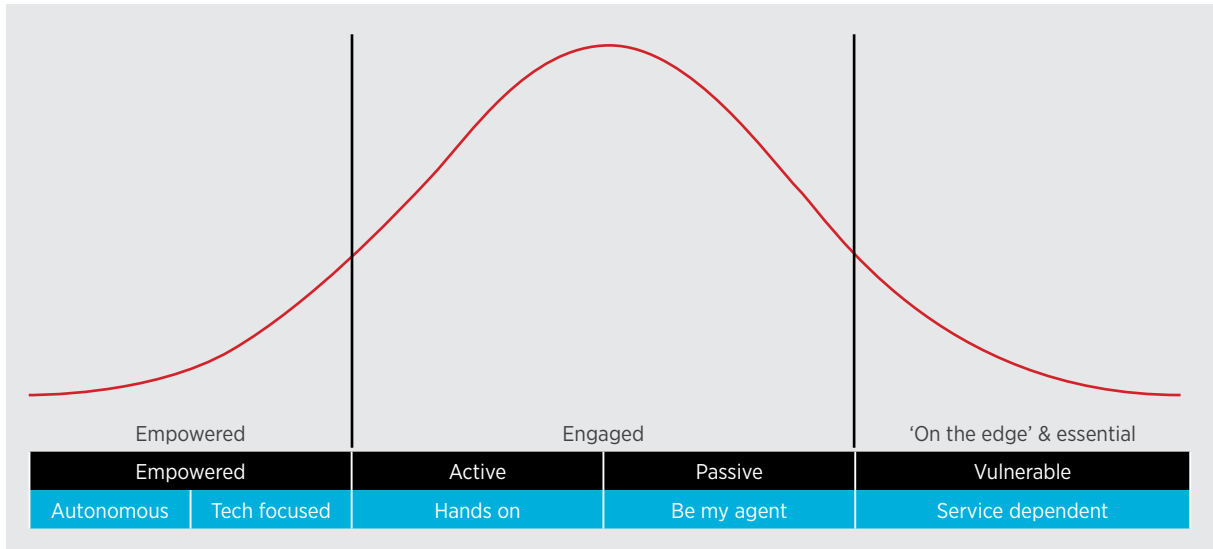
- » Autonomous
- » Tech-focused
- » Hands on
- » Be my agent
- » Service dependent (including vulnerable customers)

These segments are described in much more detail in the Roadmap *Interim Program Report* (2015).

It is difficult to present the segments simple and easily. For this purpose, the Roadmap program adapted a graphic developed by Energy Consumers Australia (ECA) (with ECA’s permission), representing residential customer segments. It is based on a standard market adoption curve, with highly engaged early adopters to the left, and more passive late adopters to the right. *Passive late adopters* includes the vulnerable customer group, who, for a range of reasons, will struggle to access more advanced market offerings but require ongoing access to affordable and reliable network services (Figure 3).



**Figure 3:** Proposed market segmentation curve for residential customers



Source: Plausible 2025 customer segments were informed by an international literature review, commissioned expert papers and structured stakeholder workshops. In particular, Rosemary Sinclair of Energy Consumers Australia is acknowledged for employing the market curve device to graphically represent customer segments (adapted with permission).

The energy marketplace involves a spectrum of customer needs, drivers and aspirations. The customers at the far right are highly dependent on the grid to maintain their standard of living (and require ongoing access to affordable, reliable and predictable services). By contrast, the customers at the far left are highly autonomous (and some may leave the grid). The bulk of future customers are likely to be either actively or passively engaged. However, actual proportions of customers in each segment will shift over time, as customers respond to emerging market and technology trends.

The segments are multidimensional and no single factor can suitably differentiate the behavioural characteristics between segments. Importantly, the segments do not represent income or socioeconomic status. That is, high levels of grid dependency and autonomy do not necessarily correlate with low and high income households respectively. There are many reasons why customers may not engage in the market (for example, rental barriers). Similarly, customers from lower socioeconomic groups may seek to leave the grid for a range of reasons.

Each segment represents a type of 'consumer psychology' or 'way of thinking' about how a customer interacts with energy. Together, the segments represent a 'dependent-engaged-autonomous' spectrum. The spectrum does not imply any value judgements (for example, autonomy is good, dependence is bad).

However, we can assume customers that move and remain to the left of the diagram are willing to deal with increased levels of complexity, choice and possibly risk in exchange for some financial, social and/or emotional incentive or motivator. The NTR *Interim Program Report* (2015) describes the five segments in much more detail.

### Non-residential end-users

Most literature categorises non-residential end-user customers in the following high level groups:

- » Small and medium-sized enterprise (SMEs) – typically smaller organisations such as small offices, businesses or home based offices
- » Commercial and industrial (C&I) customers – typically large organisations with intensive energy requirements and large scale outputs.

In 2015, SME and C&I end-users consumed approximately 74 per cent of Australia's grid-supplied electricity. While this is expected to decline slightly towards 2025, these end-users will remain a critical segment into the future.

However, there is little publicly available literature that describes SME and/or C&I customer segments. This reflects the commercially-sensitive and increasingly customised way that electricity market actors engage with non-residential customers, especially those consuming large volumes of energy. Traditionally, SME and C&I end-users were characterised largely by business type, electrical capacity, consumption and/or type of connection to the grid. These distinctions may be useful for some purposes, but they appear to assume uniform customer psychology and decision making. They provide little insight on the types of energy services that the diversity of non-residential customers may value in the future.

The Roadmap program identified four non-residential customer segments (see Figure 4):

- » Autonomous
- » Active
- » Passive
- » Vulnerable.

Feedback from stakeholders suggests it is plausible to consider non-residential future customers across an 'essential—engaged—empowered' spectrum, similar to the spectrum of residential customers. The following two factors will be particularly relevant in segmenting non-residential customers in the future:

- » **Focus on energy** – A measure of how much focused attention an organisation places on energy costs and/or technologies. In general, we expect the level of focus to be proportional to the degree that energy costs affect operational cash flows and/or the scale of losses resulting from interruptions to supply.
- » **Ability to act** – A combined measure of how motivated and capable an organisation is to change the way it interacts with energy to achieve desired outcomes. In general, we expect it to be proportional to organisational values, investment profile and market and environmental positioning (motivation) and the capacity to make energy use changes, integrate new technologies and/or fund new investments (capability).

Like the residential customer segments, the non-residential customer segments are 'plausible hypotheses', not perfect predictions, and will be refined throughout the NTR program. They are based on the factors outlined above and with feedback from stakeholders. The NTR *Interim Program Report* (2015) describes these segments in more detail.

**Figure 4:** Proposed market segmentation curve for non-residential end customers



Source: Plausible 2025 customer segments were informed by an international literature review, commissioned expert papers and structured stakeholder workshops. In particular, Rosemary Sinclair of Energy Consumers Australia is acknowledged for employing the market curve device to graphically represent customer segments (adapted with permission).

## Engagement environment

Fundamentally, **network businesses conduct engagement because it delivers better outcomes for customers and supports the success of the business**. Effective engagement leads to improvements in business practice, which in turn result in better outcomes for both customers and network businesses. In the context of rapid change and an evolving relationship between customers and the energy industry, direct engagement with end users has become even more important.

End-user engagement is part of the responsibility of network businesses under the AER's guideline, but networks recognise that for engagement to be effective, it cannot be viewed as merely a compliance exercise, but rather is an essential component of a sustainable business.

The diversity and evolving needs of energy customers and the complexity of the Australian energy system together create a multifaceted landscape in which network businesses operate. This landscape includes multiple stakeholders, including individual customers, SMEs, consumer advocacy and other stakeholder groups, new service providers, energy retailers (as the main customer interface for the sector), the AER and its Consumer Challenge Panel, and other network businesses.

It is to be expected therefore, that with such diversity of needs and priorities, engagement between network businesses and customers is complicated and can be challenging. A number of other specific features are worthy of note in this context:

*Firstly*, total energy consumption, and patterns of consumption over time, is not very amenable to conscious choice or deliberate change. The number and type of installed appliances, and the habitual usage patterns of individual customers, households and businesses, are together a much stronger driver of their energy consumption than are deliberate choices to "consume energy". Thus, the relatively infrequent decisions households or businesses make when purchasing or replacing appliances often have much larger consequences for their energy consumption than the day-to-day decisions they make when turning appliances on or off.

*Secondly*, the relative contribution of energy costs to overall budget of a household or the running costs of a business can vary dramatically, from a very minor component through to a primary concern.

*Thirdly*, there is diversity in market structures and energy access across different geographical regions in Australia. Potential engagement topics of concern to stakeholders in one location may be completely divergent from topics of interest in another location.

*Finally*, feedback about energy usage is typically provided only infrequently and with little detail (for example via quarterly bills), but some end-users have access to, and vested interests in, much more detailed and precise information about their usage and its associated costs.

As a consequence of these features, and the different segments of end-users identified in the previous section, there is a very wide diversity in knowledge of, and interest in, the nature and details of energy, energy consumption, and the energy sector generally amongst end users.

This diversity presents specific challenges in terms of customer engagement in this domain: not everyone who might be engaged is starting at the same baseline, and many different groups need to be involved for engagement to be representative and hence effective.

It is important to note that this complexity is the reason that customer engagement is so important for energy network businesses. It is not safe for network businesses to simply assume that they understand the priorities and needs of all these stakeholders without comprehensive and ongoing engagement.

# CASE STUDY 1

The development of the Tariff Structure Statement required Distributors to engage with customers and to consider customer impacts; however these obligations were aligned with Distributor X's core values and provided an opportunity to test engagement practices within a meaningful program.

Throughout the development phase of tariffs up to 2020, Distributor X worked to create open, transparent and meaningful relationships with customers, representative groups and other stakeholders, such as retailers and government, as part of the tariff reform program.

Initially the engagement process was documented in a detailed engagement plan with key activities aligned to relevant IAP2 levels of engagement. Various stages of engagement were outlined in the plan and the plan was approved by the relevant internal subject matter experts to gain internal buy-in and to provide subject matter oversight.

Stage one aimed to deliver a program that met the 'inform' and 'consult' levels of the IAP2 framework through the publication of a discussion paper and the hosting of a four customer workshops.

The discussion paper provided information on demand based tariffs to prepare customers for the workshops. The workshops were open to all customers, with the aim to gain customer feedback on the tariff principles and achieve customer consensus on the proposed design.

At workshop two the engagement process struggled as competing stakeholder interests surfaced, causing some participants to express disengagement in the process and as a result outcomes weren't met.

From this experience it became apparent that not all participants were of the same understanding of the need for tariff reform. This suggested that the process had moved too quickly into the 'consult' step within the IAP2 framework and insufficient time had been spent explaining a complex concept. The structured approach of the workshops also limited options for the subject matter experts and led to internal expectations not being met.

It was apparent that:

- » Engagement wasn't effectively addressing customers' needs, concerns or expectations, even though it aligned to the IAP2 framework.
- » The feedback collected through the engagement wasn't meeting the needs or expectations of internal subject matter experts
- » The goal of customer consensus was unrealistic and wasn't best practice engagement
- » Running 'all-in' workshops might be easier from an organising perspective as it is less resource intensive, but it wasn't providing an opportunity for divergent views to be appropriately discussed and considered. Therefore, it wasn't appropriate to have all customer types and stakeholders in the same workshop
- » The majority of time at workshops was spent informing customers with little time to consult or collaborate with customers.

From a customer perspective, feedback was received that:

- » The workshops were wasting customers' time
- » The interests of different stakeholders weren't being discussed and there was a perception that 'whoever shouts the loudest wins'
- » There were concerns that the decision on why demand tariffs were chosen was not clearly explained and that any attempt to begin discussing the design of the tariffs was an attempt to cover up the decision
- » Transparency was becoming an issue as there wasn't trust between stakeholders and the Distributor

Prior to workshop three, out of session engagement occurred, key stakeholders were approached and the issues from the previous workshops were raised. This provided Stakeholders with an opportunity to provide frank feedback on the engagement process outside of the workshop environment and a commitment was given that the feedback would be used to design the remaining workshops.

From this feedback it was decided that workshop three would be spent providing the necessary background information for tariff decisions and a comprehensive yet simple education program on demand tariffs and existing tariffs. Participants were strongly encouraged to attend the remaining two workshops for continuity. The aims of the workshop were communicated to all who had participated in previous workshops so that there were realistic expectations of what the workshop would deliver.

Following Workshop Three, participants were contacted to discuss the outcomes of the workshop and whether they felt concerns regarding the engagement process were being addressed. In these informal discussions participants expressed more confidence in the process and an eagerness to continue engaging with Distributor X.

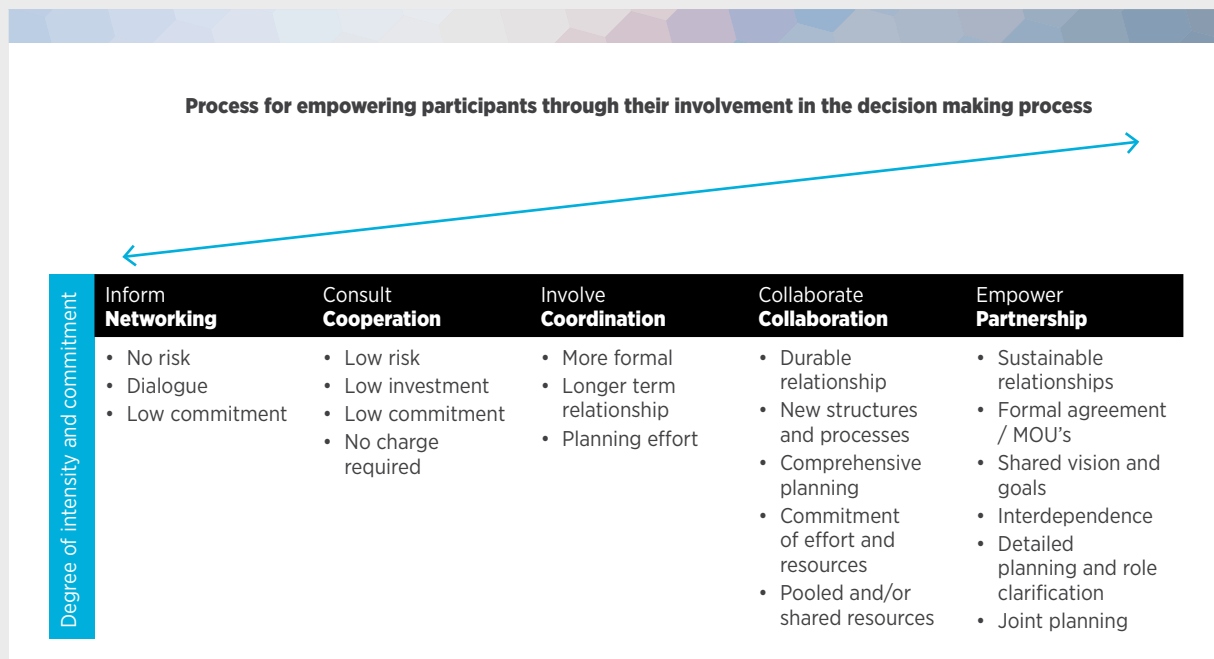
To meet stakeholder expectations around collaboration, workshop four introduced the concept of customer co-design. The facilitation style was changed from previous workshops to a style that promoted collaboration and supported creativity amongst participants. This resulted in quality customer and stakeholder input into the design of the residential and small business demand tariffs and demonstrated our commitment to working with customers and stakeholders to deliver reform.

## Key engagement lessons

Many customers and stakeholders felt that the individual needs of their constituents or groups weren't able to be addressed using what was perceived to be a 'one size fits all' approach to engagement. Internally it was felt that the IAP2 framework whilst a good guide to engagement, did limit the adaptability and responsiveness of engagement approaches. Subject matter experts wanted to consider the results of customer engagement processes but the initial approach did not provide quality feedback and left subject matter experts with little useable information to consider.

Using the IAP2 public participation spectrum and the AER's Consumer Engagement Guideline for Network Service Providers as a framework/guide, the engagement practice was modified to a more tailored approach to engagement that emphasised partnerships. To support the establishment and furthering of productive partnerships the Victorian Health Partnership model Partnership Practice Guide from the Victorian Council of Social Service was combined with the IAP2 framework. This allowed flexibility in approach rather than adherence at any given point in time to the discrete steps within the IAP2 framework.

**Figure 5:** Continuum of Joint Effort<sup>2</sup> and the IAP2 Spectrum



<sup>2</sup> Partnership Practice Guide, Victorian Council of Social Service, available at: <http://vcoss.org.au/strong-sector/partnerships-decd/>

Another limitation of the initial process was the ability to reach all customers. For previous engagement processes, surveys were used to reach the mass market of residential and business customers and insights were used to inform key decisions. Feedback was received from customer advocacy groups that surveys were being relied on too heavily for engagement and that good practice engagement requires Distributors working more with advocacy groups and relying on advocate networks for broader engagement.

Considerable time was spent analysing the results of the workshops and the feedback on tariffs received as part of the process to redesign the tariffs. The Customer Engagement Team focused on understanding what worked and what didn't work from Phase One to ensure improvement in engagement practice.

## Tailored engagement

Ongoing engagement focused on understanding and meeting the needs and expectations of stakeholders. One-on-one meetings with customer advocacy groups were organised, with the engagement team calling a few days ahead to clarify the purpose of the meeting and to ascertain if any specific information was required. This meant that subject matter experts were able to tailor the information to the needs of the stakeholders, leading to informed discussions. There were other key elements of this engagement that enabled a tailored approach;

- » Meetings were offered at the stakeholders' location
- » Subject matter experts were included in the meetings to hear and discuss first-hand the issues raised
- » Presentations were provided before meetings wherever possible
- » Meetings were followed up with phone calls and emails to ascertain if further information/clarification was required.

These meetings provided stakeholders with opportunities to ask questions specific to their representative group and constituents, and also allowed the testing of ideas with specific groups before broadly consulting on those ideas.

## Results from engagement process

The changes to the engagement process resulted in widespread understanding amongst customer advocacy groups of why tariff reform was required, support for the majority of tariff elements and a mutual acceptance that there was agreement to disagree.

The benefits for the internal subject matter experts were:

- » The development of tariffs that addressed the needs of customers.
- » Greater understanding of the remaining concerns of customer advocacy groups
- » Confidence from key decision makers and regulators that tariff decisions had been informed by customers
- » A better product that considered market factors not just tariffs

A clear benefit for the organisation was the establishment of relationships with customer groups based on trust which benefitted both Distributor X and the customer groups. These relationships have continued beyond the tariff development program and are being utilised to develop joint work in community benefit programs such as vulnerable customers and to devise strategic initiatives. It's hoped that by continuing to approach engagement within the modified framework of IAP2 and the Partnerships Continuum that these relationships will continue to grow and deliver beneficial outcomes for customers into the future.

# IMPLEMENTING CUSTOMER ENGAGEMENT

Engagement can be defined as “a set of planned activities with the specific purpose of working with identified groups of people, usually customers, to address issues affecting their relationship with the company”.<sup>3</sup>

One useful set of **principles** for engagement in the electrical utility domain has been published by the World Business Council on Sustainable Development. They outline five principles that they argue are key for meaningful and successful engagement with stakeholders:

- » **Transparency:** clear and comprehensive disclosure of information about company decisions that impact stakeholders and the public.
- » **Responsiveness:** respect to stakeholder views and acceptance of appropriate scrutiny and the duty to respond to it.
- » **Inclusiveness:** the will to engage, both with the general public and with affected and interested groups.

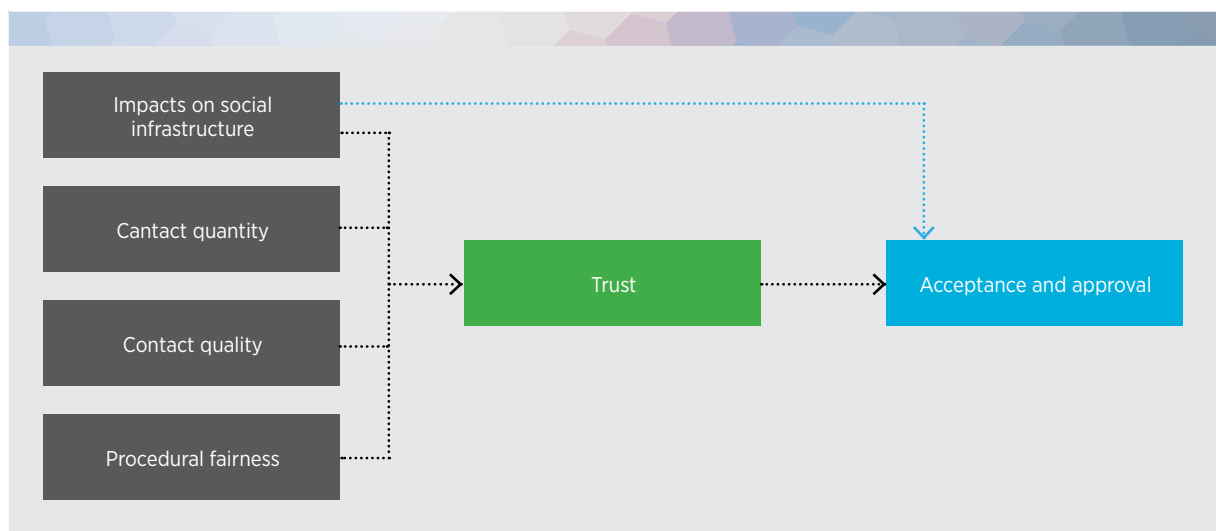
- » **Materiality:** assess and prioritise the importance of issues that can influence a company’s decisions and those of its stakeholders.
- » **Measurement:** documenting the engagement process, its output and assessment.

Other guiding principles in the context of engagement have been identified (e.g. the AER guidelines cited earlier in this handbook), and network businesses have already identified their own principles for their work in this area. Rather than try to contrast these approaches, or combine them into a single set of principles, this Handbook instead describes the **common features** that have been linked to effective engagement.

## 1. Effective customer engagement aims to build mutual trust

The purpose of effective engagement is to develop a mutually beneficial working relationship between an energy network business and its customers. It is not only about developing satisfied customers, but also about fostering the community’s trust in the decisions of the business and sense of legitimacy in the business more broadly.

**Figure 6:** A model of Social Licence to Operate (from Moffat & Zhang, 2014).



<sup>3</sup> Adapted from the Victorian Department of Sustainability and the Environment community engagement handbook.

This trust and legitimacy can be an important part of a business' or sector's 'Social Licence to Operate' at the local level. This concept refers to the tacit acceptance and approval of customers, stakeholders, citizens, and regulatory agencies, for mining companies to operate in a community or a region. Empirical research has been conducted into the mining sector's *Social Licence to Operate*, and has found that trust is fundamental to social licence, and that trust in turn is influenced by the quantity and quality of contact that customers and communities have with the company, and their perceptions on whether the company treats them fairly (Moffat & Zhang, 2014).

Engagement between energy customers and network businesses is an important aspect in creating and developing the Social Licence to Operate of energy network businesses. Other important benefits from such engagement include:

- ✓ Energy network businesses can better understand customer priorities, informing future demand for services, and improved customer and business outcomes.
- ✓ It allows customers to understand and contribute their views to an energy network business.
- ✓ It is an important factor in the regulatory determination process where network businesses submit their revenue proposals for the forthcoming five-year period, and in other formal regulatory and rule making processes.

An effective customer engagement process is a vital component of an energy network business' relationship with its customers, its reputation, the ease with which it operates in a community and, overall, the confidence the community can have in network decision making processes.

**Best practice engagement** involves senior management, the CEO and ideally the Board as core sponsors of the engagement process. Such involvement signals the importance that the business places on engagement, and demonstrates that the engagement is integral to the business's strategy and operations, rather than "bolted on". Relatedly, engagement efforts must be sufficiently resourced.

## 2. Effective customer engagement is purposive and planned

Effective customer engagement is not conducted only in an ad hoc or reactive way. To be effective customer engagement **must** be treated as vital to the broader strategy and ongoing operations of an energy network business. This is not to say that specific engagement processes cannot be conducted in response to a particular unexpected event; it may well be appropriate for engagement "outside the plan" to be done in such circumstances.

There is no single best way to undertake customer engagement, and effective engagement must be tailored to the specific needs and characteristics of the energy network business, their customer base (which is often comprised of different customer segments) and the local, environmental, and regional issues facing them.

Businesses should develop their own **customer engagement strategy** that sets clear goals for the engagement process, the methods and techniques for achieving these goals, and – importantly – ways of evaluating the success of achieving these goals, identifying potential opportunities for improving engagement strategies.

A customer engagement plan should include:

- ✓ **Clear links to the energy network business' broader strategic and/or operation objectives** (both long-term and short-term) which require customer engagement for success. This is the overriding purpose of the engagement.
- ✓ **Goals for customer engagement.** These are the specific outcomes desired outcome from the engagement – They might include the degree of participation desired (e.g. information, consultation, collaboration, empowerment), or the desired result of engagement (e.g. increased awareness of energy supply issues, incorporation of community concerns into planning, etc.).
- ✓ **A clear scope for the engagement:**
  - **What is it about?** – Are you engaging on governance, policies, strategies, practices and/or performance?
  - **Who is involved** – What type of customer is being targeted? Does it apply to a defined geographical area? A customer engagement plan would benefit mapping key stakeholder and customer groups of the energy network business for engagement (all customers generally or segments of customers, e.g. solar customers, urban or rural customers).



- **Time frames** - The success of some activities, especially those requiring deeper engagement, might depend on the performance and/or success of prior activities.
  - ✓ **Transparency around the elements that are negotiable** What is the business's capacity to respond to engagement outcomes? Specifying what the business is able to adjust, and what the business is not able to adjust, is important for both internal and external stakeholders' understanding of where and to what extent engagement can influence the business.
  - ✓ **Methods and regularity of engagement** (e.g. market research, communication material, community consultation)
  - ✓ **Clear responsibility** for engagement activities
  - ✓ **Strategies for evaluating the success of engagement**, namely the **key performance indicators** and metrics that will be used to evaluate engagement activities and outcomes.
  - ✓ **Consideration of the risks of engaging** (and of not engaging), and formalised risk mitigation strategies.
  - ✓ **Strategies for sharing the outcomes of engagement** (with those who participated, all end users, company staff, and perhaps other companies).
  - ✓ **Provisions for the review and refinement of the customer engagement strategy** - the strategy should be subject to regular review and improvements where appropriate.
- » **Combine engagement efforts with other groups** who are attempting to engage the same customers and/or advocates - combining engagement processes with (for example) energy retailers and local councils can save time and produce better outcomes. Note that the extra co-ordination required here can add substantial logistical complexity to this approach.
  - » **Consider starting engagement efforts from within existing community groups.** It can be time consuming to identify and recruit individuals for engagement from scratch - in some situations it may be possible to identify an existing group within the community to use as a springboard into a larger engagement process. This approach also allows for and advances shared learning among those conducting engagement.
  - » **Engage directly with other relevant businesses** (in the energy domain, and other utilities) to both learn from their engagement efforts, and to help generate consistent language and expectations across different businesses' engagement efforts.
  - » **Recognise that different engagement goals will progress over different time periods,** and with different frequency of contact. Some engagement can be successful with only a few brief periods of contact in a narrow period of time. Other engagement may require longer contact, and/or more repeated contact, in order to generate the shared understanding required to find a solution to a particularly complex issue. In such cases, very infrequent engagement is counter-productive; long delays between contacts will reduce momentum, and will provoke inefficient repetition to ensure everyone is up to speed with the issues involved.

In **best practice engagement**, the engagement plan itself will be generated in consultation with stakeholders, to ensure that stakeholder concerns, interests and values are embedded in it and subsequent engagement processes.

## Planning Engagement

Some specific features of engagement planning that can help promote better outcomes are listed below:

- » **Start planning earlier** so that engagement isn't rushed, and there is enough time to meet internal and external deadlines. A forward plan is also important to maximise participation by allowing for more effective recruitment.

**Best practice engagement** is planned with reference to an overall organizational strategy, informed by clearly articulated engagement principles, and repeatedly adjusted and updated as individual processes are conducted, as more is learned, and as the context changes over time.

### 3. Effective engagement is a dialogue

As a dialogue, engagement needs to explicitly consider a two-way flow of information and learning. Good engagement is a mechanism that provides new information to both the energy business and the people with whom it engages.

For the network business, a key aim of engagement is to help them to understand end-user's points of view, attitudes, preferences and concerns. It is vital that network businesses do not presume to know what their end-users know, prefer or consider important – the change in these factors over time, and the diversity of background knowledge amongst different groups of stakeholders, mean that energy businesses should be continually checking and updating their understanding of their end-users concerns.

In turn, engagement provides an opportunity for customers and other stakeholders to learn more about the energy sector and the concerns of the network business which:

- » Ensures that a minimum level of knowledge about the network business or specific engagement topic is held by all participants. This process provides context, which is required for people to understand why and how their contribution impacts the network business.
- » Expands the current pool of stakeholders who have the capacity to provide an informed view on specific engagement issues. With a larger pool of such stakeholders, the network business can more easily conduct subsequent engagement which is both representative and effective.

Engagement does not always require agreement, nor should agreement be treated as an indicator of success. Like any dialogue between parties with different concerns and goals, there are multiple possible outcomes – a compromise position may be found, more work to identify new options might be required, or the parties might “agree to disagree”.

**The need to engage isn't ever finished.** Once a relationship is established the engagement dialogue will wax and wane over time in response to changing needs and concerns of all participants; some people will withdraw, other new stakeholders will become involved. But the fundamental principles of engagement, and especially the drivers for the network business to pursue engagement, are likely to remain in place well into the foreseeable future.

**Engagement isn't ever “perfect”.** Although a specific engagement process might have many features that are considered “best practice”, there is no such thing as completely flawless engagement; this is just as impossible as a “perfect conversation”. Remembering that engagement is an ongoing dialogue helps to emphasise that all processes can be improved, and all outcomes (both positive and negative) have a role to play in improving subsequent efforts.

**Best practice engagement** involves the interplay between three elements: capacity building (among both the network business and stakeholders), relationship development, and decision-making. The degree to which each of these is addressed by any specific process will likely differ, but over time, all elements will be incorporated.

#### Identifying Stakeholders for Engagement

As noted earlier, there is a large diversity in the segments or types of energy customers, and network businesses need to commit to ensure that they **identify and attempt to include views from all relevant stakeholders**, including hard-to-reach groups. More specifically, engagement efforts should:

1. Include more end-user customers in engagement rather than only working with customer advocates. Note that this approach requires more initial efforts in capacity building, but helps promote more representative outcomes.
2. Don't rely on just one group of stakeholders - make an effort to understand the views of representatives that couldn't attend or weren't invited to specific engagement processes. Secondary sources of data or engagement outcomes from other businesses might support these efforts.
3. Make efforts to ensure that the stakeholders who are engaged are representative of the entire community, including the elderly, younger customers, indigenous groups, low income customers, people from culturally and linguistically diverse backgrounds, rural customers, people with a disability, and so on. Specialist assistance and/or additional resourcing might be required to help design recruitment and engagement methods that suit these diverse groups because of language or accessibility issues, and/or where sourcing representatives from some cohorts is particularly difficult.

4. Accept that some people being engaged will have strong views. Acknowledging these and giving time and attention to their concerns is as much a part of representative engagement as is involving people with different backgrounds or usage patterns.
5. Consider whether other specific types of end-users need to be deliberately engaged, for example: large customers, renters versus owners, customers of exempt/embedded networks, community organisations, solar PV customers, single- versus dual-income households, new customers, local councils, and early adopters of emerging technology. Some of these groups will have formal representatives that can be identified and engaged, while other groups will be better accessed through targeted recruitment for specific engagement activities.
6. Accept that different types of customers and other stakeholders will prefer (or indeed require) different types of engagement processes.

### Guidance for engaging with specific groups of stakeholders:

Ethnic Communities Council of NSW. (2015). Cultural Connections - Engaging CALD energy consumers. Available at: [www.eccnsw.org.au/What-we-do/Advocacy/Guidelines.aspx](http://www.eccnsw.org.au/What-we-do/Advocacy/Guidelines.aspx)

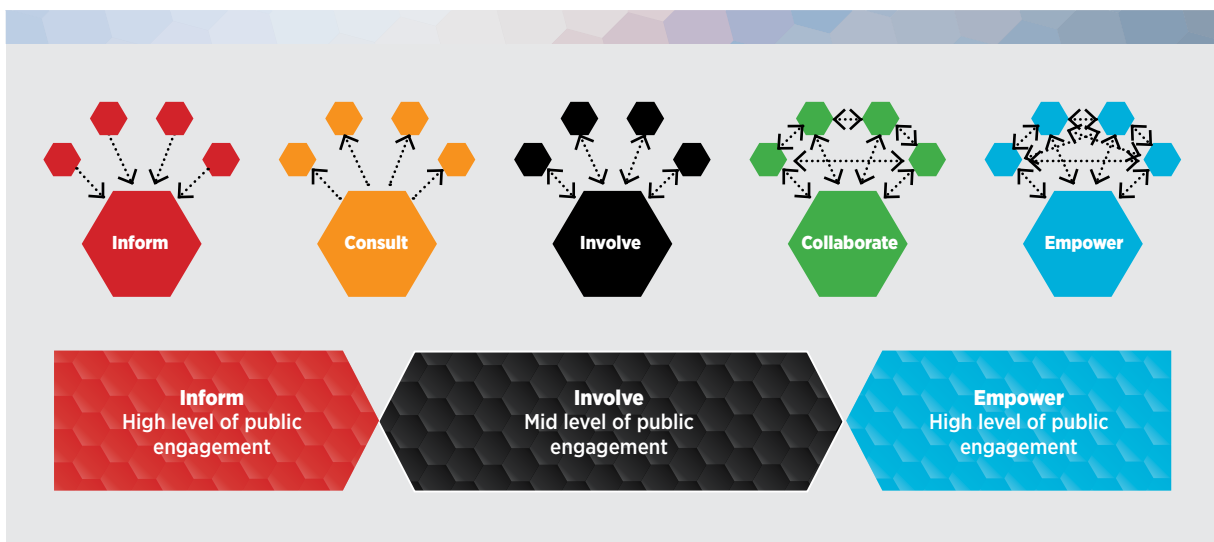
Brackertz, N, & Meredyth, D. (2008). Social inclusion of the hard to reach: community consultation and the hard to reach: local government, social profiling and civic infrastructure: final report. Swinburne Institute for Social Research. Available at: <http://researchbank.swinburne.edu.au/vital/access/manager/Repository/swin:9858>

**Best practice engagement** involves making specific and repeated efforts to ensure that all relevant stakeholders, including those that are hard to reach or hard to engage, are included. Further, stakeholder representativeness will be reassessed over time, to keep track of changes in stakeholder populations.

## 4. Effective customer engagement recognises a scale of participation

The 'Public Participation Spectrum' developed by the IAP2 identifies five different levels of community engagement that can exist in any customer engagement program. Customer engagement activities can range from *informing* customers, which involves a one-way communication flow between the business and the public to *empowering* customers in decision making regarding business processes. Levels in between (*consult*, *involve*, and *collaborate*) range in increasing interaction and involvement in business processes. Importantly, the spectrum encourages practitioners to identify the **most appropriate level** of engagement for the issue.

**Figure 7:** The IAP2 Public Participation Spectrum



While the best customer engagement strategies will be specific to business and community needs, customer engagement strategies should acknowledge that the building of mutual trust between energy network business and customers will likely involve objectives beyond simply informing or consulting customers. Conversely, more empowered forms of engagement are not suitable for every topic or context.

According to the IAP2, an important part of this spectrum of activities relates to the “promise” that is implicitly (or explicitly) made to the engagement participants. For each level of the spectrum, this promise can be expressed as:

- » **Inform:** We will keep you informed.
- » **Consult:** We will keep you informed, listen to and acknowledge your concerns and aspirations, and provide feedback on how public input influenced the decision. We will seek your feedback on drafts and proposals.
- » **Involve:** 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.
- » **Collaborate:** We will work together with you to formulate solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.
- » **Empower:** We will implement what you decide.

In deciding the appropriate place on the spectrum for a given engagement process, it is important that all participants are aware of what sort of promise is being made by the network business. While end users and other stakeholders might prefer that they are given more control and empowerment, not every business decision can be cast as an opportunity for empowerment. Arguably, it may be better for a network business to be ambitious but not unrealistic rather than to lead stakeholders to expect a certain level of involvement, and then fail to live up to this expectation. Such an outcome would clearly damage trust, which (as noted earlier) is a central requirement of effective engagement relationships.

**Best practice engagement** will incorporate the input of stakeholders into choosing the form of engagement used for specific issues or contexts.

Other spectrums or matrixes are available to assist in considering the level of engagement appropriate, including the spectrum detailed in the AA1000 Stakeholder Engagement Standard, which provides a framework for assessing, designing, implementing and communicating stakeholder engagement.<sup>4</sup>

## 5. Effective customer engagement is conducted responsibly

One of the key components of building positive relationships and social licence for a business to operate is fostering trust and a sense of a business’ legitimacy in the community. Effective customer engagement demonstrates commitment to building relationships, and acting with sensitivity and responsibility when engaging with customers is a fundamental part of this.

- » Values and incorporates customer feedback
- » Uses suitable avenues to report back to the community about engagement processes and outcomes.
- » Adheres to ethical principles of privacy, confidentiality, respect for persons, and diligence (see below)

### Conducting responsible engagement

Across the engagement methods, prevailing regulatory frameworks will affect collection of data from people. If there is a chance that data collected during engagement may be analysed and published as a research report, approval must be sought from a relevant human research ethics committee (this is not required for activities done as part of in-house management). There is also a national code of conduct that governs all research. National privacy laws may apply too. Transparent and consistent application of these frameworks is always recommended, and is particularly important in an environment of distrust or suspicion.

- » The National Statement on Ethical Conduct in Human Research
- » The Australian Code for the Responsible Conduct of Research
- » Australian Privacy Principles Guidelines

4 [www.accountability.org/standards/aa1000ses.html](http://www.accountability.org/standards/aa1000ses.html)

# CASE STUDY 2

## Purpose

To outline the key lessons from the Powerline Project X and how these continue to influence the Distributor's community and stakeholder engagement approach and the business' drive for continuous improvement.

## Context

In late 2011 the Distributor experienced a protracted period of community backlash to the initial consultation phase on the Powerline Project X, which aimed to inform the community about the selection of a line route corridor between Point A and Point B. Although four line routes were generated for internal consideration, only line route four was taken to the community as the preferred line route. This triggered a series of events:

- » After two contentious public meetings and extensive coverage in the local media, the local Member Parliament (MP) intervened to sponsor a Community Reference Group (CRG) charged with recommending a line route that would have the least impact on the community. The recruitment of CRG members was completed by an independent consultant (Consultant) nominated by the local MP.
- » The CRG commenced its meetings in July 2012, with the Consultant as the facilitator, and 12 community members, including several members of an Activist Group that had formed to oppose both the specific line route and the project in general.
- » The CRG met fortnightly and deliberated for over a year before recommending a line route. During this period the CRG members were thorough in first ascertaining the actual need for the line and then in selecting a line route that they assessed as having the least potential for impact on the community.

- » The Distributor's regional/senior managers gave significant time to the process, attending all CRG meetings, answering questions extensively, and openly sharing project planning reports and other documentation.
- » The final recommendation of the CRG was a 2km wide route which required further investigation by the Distributor to determine the exact route within the identified area. This was dependent on technical investigations and more engagement with landowners.
- » Following the final outcome from the CRG changes were made to the Distributor's security planning criteria that led to the proposed powerline project the project being deferred indefinitely in 2014.
- » Despite the project not going ahead, the process of undertaking an open and transparent line selection, involving internal and external stakeholders, has delivered key lessons for the Distributor and proved invaluable in guiding engagement best practice.
- » Following the conclusion of the CRG process, a review was undertaken with internal and external stakeholders: Key objectives of the project review were to:
  - Identify what was done initially that raised community concerns, and explore what the Distributor did differently during the CRG process and if the creation of a reactive CRG (and the associated community angst) could be avoided in the future.
  - Define the key principles underpinning the CRG process to identify the key lessons and how they could be applied to major projects and other areas of the business in the future.

The review identified key lessons and provided a range of specific recommendations.

## Key Lessons

- » **Process:** The CRG process demonstrated the importance of being transparent and building trust with the community. This experience has supported the development of the Distributor's community engagement approach today, including the process outlined in their Community Engagement Framework developed with the state government and other electricity entities. The Framework provides guidance on key stages of engagement and the consultation strategies to be employed depending upon the context of the project.
- » **Open to genuine engagement:** Although more work remains to be done to ensure community/stakeholder engagement is firmly embedded in business-as-usual, this project has raised significant awareness about the benefits of early and genuine engagement:
  - Within the Distributor there is an increased focus on engaging and working with the business's engagement specialists, to assess and determine at an early project planning stage the most appropriate engagement approach.
  - Depending upon the nature and complexity of a project, the learnings from the CRG emphasise the benefits of approaching the community with a 'problem' to collaboratively resolve, rather than just advising and informing them of the solution the Distributor has already decided upon.
  - Since this experience, the business has also increased its ability to partner effectively with local communities and other stakeholders to look for alternate non-network solutions such as demand management, load shifting and the use of renewable sources.
  - The Distributor has also reenergised its regional stakeholder engagement strategy through which the Distributor's 'local faces' – the operational managers accountable for building relationships with key regional stakeholders.
- » **Sharing of information and project planning reports:** Learnings from the CRG show that sharing information and being transparent with the community builds trust. Any information gaps in our communication with the community, as was initially evident with the project, is now recognised to lead to speculation and the spread of inaccurate and reputation-damaging misinformation.
- » **Principles underlying the CRG Process are replicable:** The key principles identified during the project review were *trust, transparency, clear consistent and understandable communication and early engagement*. These are all seen as transferable and are being adopted for other projects across the Distributor's operations.

We recognise that various groups and individuals are impacted by our infrastructure and other projects and that it is important to assess any potential impact and engage appropriately. For our projects an early community impact assessment is required and an engagement strategy tailored.

In doing so we consider the [IAP2 Core Values and Code of Ethics for Public Participation Practitioners](#), and the [IAP2's Public Participation Spectrum](#).

This is also aligned with the [AER's Consumer Engagement Guideline for Network Service Providers 2013](#) that encourages continuous improvement.

# METHODS FOR ENGAGEMENT

Customer engagement is a **complex process** and can be represented by a range of activities and experiences, from calling an energy network business' call centre or accessing a website to the energy network business hosting a community forum or establishing a citizen's jury.

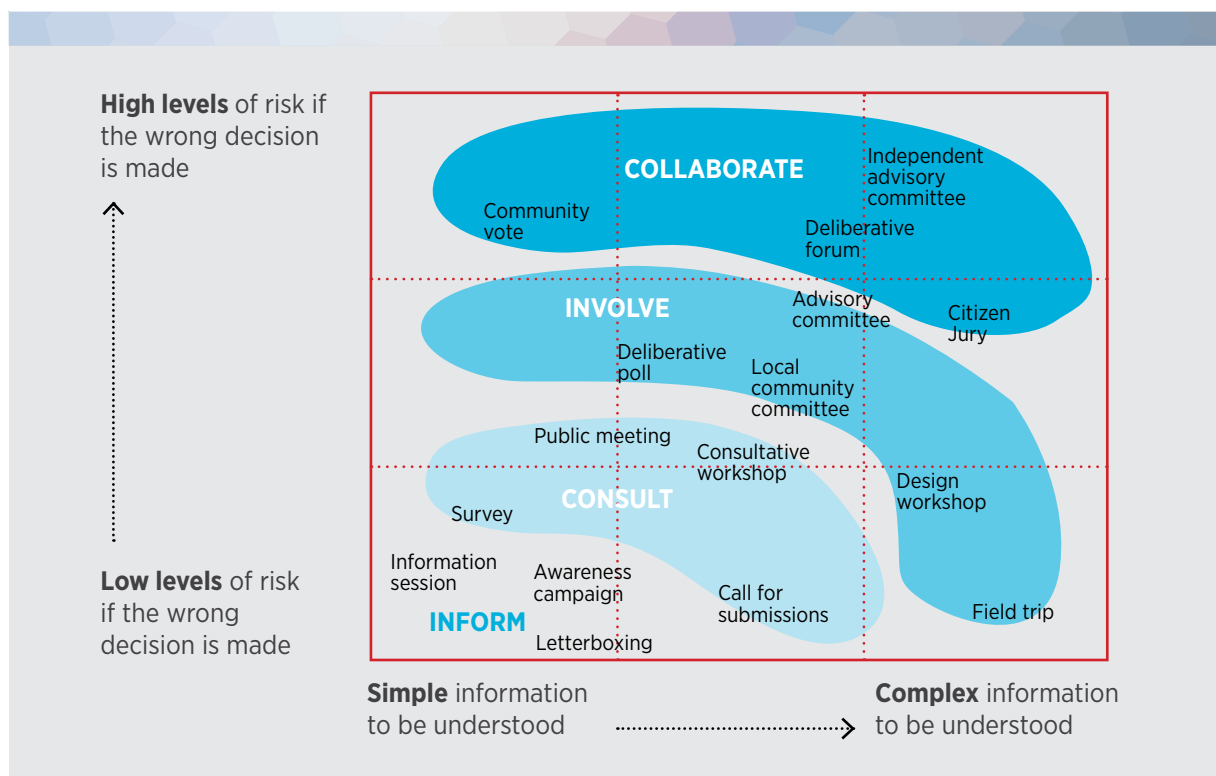
There are **no standard rules** for choosing the methods that a company uses to engage with customers. However, companies must ensure that methods selected are suitable for engaging the target group and achieving the engagement goals desired, and are conducted in accordance with ethical principles such as privacy and respect for individuals.

When designing a customer engagement strategy, energy network businesses have a **suite of methods available** to them with which to build relationships with end users. A combination of these may be drawn upon in order to ensure that they achieve customer participation, as appropriate, across the possible spectrum of engagement levels.

It is important to note that no one method is "best", and the **method chosen needs to be fit for purpose**: information sharing methods are inappropriate if the issue is complex and requires substantial input from end-users to resolve, and empowerment methods are inappropriate when the business is not able to adjust its behaviour in response to stakeholder feedback.

Methods towards the **"inform"** end of the IAP2 spectrum may be more appropriate when capacity needs to be built, and for topics where there is no room for negotiation, and for issues that do not have substantial price impacts (e.g. legal obligations, safety standards). Conversely, methods moving further towards "collaborate" may be more appropriate where networks have more options, longer time horizons for decisions to be made, and for issues that have substantial or variable community impacts.

**Figure 8:** Participation matrix with some techniques (adapted from Robinson, 2003).



In addition, many methods will have applications across any spectrum or matrix of participation levels – **they may not fit neatly into one category or another.** For example, a community forum could be held to simultaneously share information, consult, collaborate or, depending on how it is designed, to empower customers. Other methods (like direct mail) are more limited in their range of application, but remain valuable in specific contexts. Which method is best will depend on specific needs, including the existing level of knowledge among end-users about the issue, the complexity of the information to be imparted, and the level of risk inherent in the specific engagement issue. See Figure 8.

The key implication here is that choosing one position on the spectrum, just like choosing one specific engagement method, for all engagement activity is not sensible. **Different engagement topics and contexts will require different levels of engagement and different methods.** Clearly indicating the specific nature of each engagement activity is an important component of ensuring that participants have accurate expectations about how their participation will be used and responded to by the business.

**Best practice engagement** involves careful work to set clear expectations at the outset of each engagement process. Some specific tips for expectation setting include:

1. For every piece of engagement, show the business's overall engagement plan and show where this specific piece fits.
2. Be clear about what the goals of engagement are, and what the performance measures are, and where on the spectrum of levels the specific process lies.
3. Be clear about the flexibility on an issue before you start engaging – if there are limits to what the business response to the engagement outcomes can be, these need to be clear up front.
4. Ask customers what topics **they** are interested in and what **they** want to understand.
5. For engagement that is particularly complex or diverse, it is important to conduct some early engagement to build capacity amongst end-users for subsequent engagement.

6. Be brave about sharing specific business-based information with customers.
7. Don't start engagement with the regulatory proposal.
8. Use case studies to explain how people might be affected by proposed changes.

### Feedback on Engagement Topics

As part of the development of this handbook, stakeholders suggested that network businesses should conduct:

**More engagement** on tariff reform, price versus reliability trade-offs, future plans, customer service options/channels, new/emerging technology, base level understanding of what energy networks service providers do (capacity building).

**Less engagement** with the general public on aesthetics, vegetation and undergrounding; the financial underpinnings of the Weighted Average Cost of Capital; the “nitty gritty” of CAPEX/OPEX; highly technical issues that require advanced knowledge; and service performance improvements.

The following sections outline some common techniques used in customer engagement. However, this list is **by no means exhaustive.** Useful and comprehensive ‘toolboxes’ of community engagement methods – including instructions, tips and the strengths and weakness of each technique – are publicly available. A variety of excellent resources are outlined in the box below.



## Engagement toolboxes and guides

The **Victorian Department of Sustainability and Environment** has produced an excellent compendium of 68 different engagement tools, relates each to the IAP2 participation spectrum, and summarises for each the objectives and outcomes, the uses and weaknesses, the resources required (including personnel), the time required, the cost, a step-by-step summary of the method, and some further references.

This guide is available online at: [www.dse.vic.gov.au/\\_\\_data/assets/pdf\\_file/0003/105825/Book\\_3\\_-\\_The\\_Engagement\\_Toolkit.pdf](http://www.dse.vic.gov.au/__data/assets/pdf_file/0003/105825/Book_3_-_The_Engagement_Toolkit.pdf)

The **Queensland Department of Communities** has also produced a valuable and comprehensive guide to community engagement methods and techniques.

This guide is available online at: [www.qld.gov.au/web/community-engagement/guides-factsheets/documents/engaging-queenslanders-methods-and-techniques.pdf](http://www.qld.gov.au/web/community-engagement/guides-factsheets/documents/engaging-queenslanders-methods-and-techniques.pdf)

### **Other sources of engagement guidance/tools:**

International Association for Public Participation (2015). Quality assurance standard in community and stakeholder engagement. Available at: [www.iap2.org.au/resources/quality-assurance-standard](http://www.iap2.org.au/resources/quality-assurance-standard)

US Environmental Protection Agency. Public participation guide: Foundational skills, knowledge, and behaviors. Available at: [www2.epa.gov/international-cooperation/public-participation-guide-foundational-skills-knowledge-and-behaviors](http://www2.epa.gov/international-cooperation/public-participation-guide-foundational-skills-knowledge-and-behaviors)

US Government Public Participation Playbook: Available at <https://participation.usa.gov/>

Wilson, E, Best, S, Blackmore, E and Ospanova, S (2016). Meaningful community engagement in the extractive industries: Stakeholder perspectives and research priorities. International Institute for Environment and Development, London. Available at: <http://pubs.iied.org/16047IIED.html>



World Business Council for Sustainable Development. (2012). Electric utilities: Empowering consumers. Conches-Geneva, Switzerland. Available at: <http://www.wbcsd.org/Pages/EDocument/EDocumentDetails.aspx?ID=15260&NoSearchContextKey=true>

## Provide information

Information sharing strategies will underpin any community engagement activity. Effective information provision helps individuals to understand the issue and to decide whether they want to participate in a consultation or a more active participation activity. Energy network businesses may seek to simply provide information to community members (i.e. information provision) or to provide information to the community whilst also being open to receiving feedback from the community (i.e. information sharing).

Before initiating either information provision or sharing, it is important to be clear on its purpose and message, the target group, the importance and implications of the information to the target group.

The benefits of information provision strategies are that they can quickly inform the community of a specific topic, or alerting them of action required. Further, information sessions may be part of a broader engagement process, rather than a stand-alone process. There is an almost inexhaustible number of ways to share information with people. Three common methods that will form part of a business' engagement strategy are outlined below.

<p><b>Direct mail</b></p> 	<p>Direct mail is a method of communication for relatively small amounts of simple information. Mail outs can take the form of fact sheets, letters, newsletters, leaflets, brochures etc., but can also be conducted electronically through e-newsletters, emails or via SMS.</p> <p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>» cost effective and straight-forward</li> <li>» can be targeted to subgroups of customers (residential or SME, high-users or low-users)</li> </ul> <p><b>Limitations</b></p> <ul style="list-style-type: none"> <li>» Only suitable for small amounts of relatively simple information</li> <li>» Has limited engagement applications.</li> </ul> <p><b>Tips</b></p> <ul style="list-style-type: none"> <li>» Use mail-outs in combination with other engagement activities.</li> </ul>
<p><b>Websites</b></p> 	<p>Websites are now a channel for providing information to customers and key stakeholders. Website can be business sites, or can be designed collaboratively around a specific process or issue.</p> <p>Websites can be important for providing information to support the range of community engagement activity as well as providing greater transparency. They are also increasingly being used to support an online community, referred to in the following section for higher levels of participation.</p> <p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>» Cost effective</li> <li>» Can reach a large number of people</li> <li>» Can contain a great deal of information that is easily updated</li> <li>» The interface can be designed to target specific interest groups, and material can be translated to languages other than English</li> <li>» Data regarding number of visits can be collected for analysis</li> </ul> <p><b>Limitations</b></p> <ul style="list-style-type: none"> <li>» May exclude some customers with no or limited access and/or digital literacy</li> </ul> <p><b>Tips</b></p> <ul style="list-style-type: none"> <li>» Good website design is important for optimal engagement outcomes.</li> <li>» Provision should be made for customers to make contact with the business, and for timely response.</li> <li>» Monitor this contact for evaluation purposes.</li> </ul>

## Social media



Social media refers to digital channels that allow the creation, sharing, or exchange of user-generated information, ideas, and pictures/videos with online communities or social networks. These social media applications may include Facebook, Twitter, Instagram and Pinterest, and Snapchat. More specific forms include YouTube, LinkedIn and ResearchGate.

### Strengths

- » Highly interactive platforms allow businesses to create, discuss, and modify content.
- » Cost effective and efficient for communicating with some customers
- » Allows immediate and real time interaction on issues as they happen, i.e. power interruptions.
- » Clear data measurement and analytics built in to social media platforms

### Limitations

- » Some types of social media may be more suited to information provision (for example alerts about service interruptions, reminders, etc.)
- » Requires investment in resources to respond in real time to customer comments and questions
- » Can lack the authority and responsiveness of more personal, face-to-face engagement with customers which may be necessary for more complex engagement
- » May exclude some customers with no or limited access and/or digital literacy

### Tips

- » Social media should be included as a package of communication methods to ensure customers with no or limited access and/or digital literacy are still engaged
- » Ensure that there are resources available to support your social media engagement
- » Tailor your social media strategy to suit the platform used.

## Consult and involve

Consultation provides important opportunities to develop two-way relationships between businesses and customers, and may run parallel with information and collaboration-based strategies. There are a variety of social research methods that allow businesses to engage with customers and understand their opinions and needs better, and these have been included in this section.

Various consultative mechanisms are usually required to explore and consolidate a range of viewpoints and opinions, and a variety of consultation techniques are available. It may be appropriate to use a number of these techniques within an engagement strategy either in sequence, or in parallel - for example, surveys and focus groups complemented by an online survey.

Five common methods are outlined below.

### Interviews



Interviews are one-on-one discussions between a researcher and a subject, to get richer, more personal insight into an issue.

In an interview, questions can range from highly structured (questions designed to illicit quantitative or yes/no responses upon specific issues), semi-structured (a mix of questions some of which allow participants the ability to answer in their own words) or unstructured (conversational or open-ended questions such as “Tell me what you think about X?”).

Interviews can be done on the telephone or face-to-face.

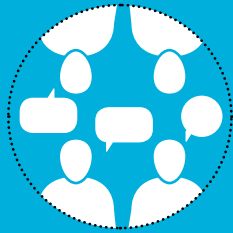
Interviews typically result in great deal of qualitative data – whereby people have described their experiences, opinions and feelings. This data is then analysed to identify key themes.

**Strengths** » Interviews allow for rich, in-depth information to be collected from participants. When done well, trust and rapport is built between interviewer and participant, which can lead to a positive experience for the participant.

**Limitations** » Like surveys, poorly designed interviews can fail to gain the necessary data or insights.  
» Interview data can be difficult and time-consuming to analyse. The form and depth of analyses depends on what sort of research questions are being asked.  
» Care and sensitivity must be exercised by interviewers  
» Interview data can be costly to collect, mostly because of the labour involved in talking with people individually on in households, the travel time to interview sites, and the data analysis

**Tips** » Interviews should be designed, conducted and analysed by someone with experience in social and market research, and trained in interview techniques.  
» The design of interviews must consider the selection of who is interviewed, and the phrasing of questions to ensure they are not leading or misleading.  
» Audio-record interviews for record keeping, and transcribe if necessary. If the interview is not being recorded, a note-taker alongside the interviewer can be invaluable.

## Focus groups



A focus group usually involves convening 8-12 people in a room for 1-2 hours. A convenor engages the group in a discussion about a topic using several open ended questions to guide them. Focus group discussions typically start broad and progressively focus of the discussion on to a single question or point. Focus groups are usually recorded via audio or visual equipment.

### Strengths

- » The data that can be obtained from the group discussion can be extremely rich, and is one of the most valuable aspects of focus groups. Focus groups can offer deeper insights into complex issues than interviews might, because individuals are exposed to a variety of views rather than just recounting their own.
- » Focus groups can provide insight into customer decision making and problem solving. The group can be guided to collectively evaluate the costs and benefits of particular business actions, providing insights into the likely reactions of the community to business decisions, and the thought processes and values that a community draws on when assessing these decisions.
- » The possibilities for focus groups are multi-faceted, because they can be tailored for a number of purposes.

### Limitations

- » Because of the relatively small size of focus groups, the benefit of focus groups is depth, not breadth, of opinion and viewpoints. They may not be representative of a broader segment of customers.

### Tips

- » Use an experienced and skilled focus group facilitator otherwise discussions may be diverted or yield few insights, or be hijacked by vocal and dominant participants.
- » Run several focus groups rather than just one. Ideally, the saturation principle should be followed, with groups run until the investigator is hearing no new information (i.e., the issues are fully canvassed).
- » Use focus groups in conjunction with other research forms e.g. conducting a broader survey prior to running focus groups provide an important way to delve deeper into issues identified in the surveys. This can also run in reverse order: the extent of opinions or issues identified in focus groups can then be investigated across a broader range using surveys.
- » Take care in selecting who is invited to attend a focus group – the same issues about sample bias that afflict surveys and interviews can also limit insights from focus groups. For some issues it may be appropriate to convene groups comprised of specific customer segments

## Surveys



Surveying is a data collection tool, whereby participants are asked to self-report their experiences or opinions via a questionnaire. A survey can collect factual information about customer (e.g. household energy consumption, yearly income), but also information about the knowledge of participants (e.g. levels of awareness about a company) or the feelings and opinions of customer (e.g. levels of acceptance of the energy).

A survey questionnaire can be mailed-out, completed over the telephone, or, increasingly, completed on the internet. This can be in the form of an open online community, with an open conversation through a web page.

Surveys more often collect quantitative data but can also collect qualitative data

### Strengths

- » Gathers valuable information from a broad population.
- » Can help businesses explore the extent of issues across their customer base.
- » If done regularly, they can monitor trends in customers' views over time
- » Internet-based surveys, which have become the most common form of surveying large numbers of people, are convenient and cost-effective.

### Limitations

- » Require expertise in their design and the analysis.
- » Poor design may result in biases and erroneous results.
- » customer response to surveys (i.e. the proportion of surveys completed and returned) is typically extremely low – a good response is unlikely to exceed 20% or 30% of the surveys administered.
- » Surveys may exclude some vulnerable customer groups, and are thus unlikely to generate completely representative samples.

### Tips

- » Consult with an experienced social or market researcher when designing surveys.
- » Approaches to sampling participants (i.e. how to choose the section of the community who answers the survey) are vital. A random sample is advised in most cases.
- » Telephone surveys, while typically more expensive than other surveys (because of the resources required to administer the survey individually to customers) usually provide better response rates and offer the chance to clarify questions for respondents.
- » Pilot-test questionnaires for comprehension before administering them in a survey.
- » Boost response rates by providing incentives (e.g. by offering money, or participation in a competition, for completed responses) or issuing reminders to complete them.
- » Make the most of existing data available to the company (e.g. internal data plus publicly available data from the ABS) to assess differences between responders and non-responders.

## Randomized control trials, choice modelling, and willingness to pay studies



This category of engagement methods refers to conducting realistic experiments, usually with customers, to evaluate things like customers' willingness to pay for new energy arrangements, to assess how they trade-off different energy choices and the effectiveness of interventions designed to affect energy behaviours. They are not traditionally referred to as engagement per se, but the design and/or results of these methods can be invaluable to informing business decisions, and even other engagement methods and activities.

### Strengths

- » Because these methods are carefully designed and controlled, they are ideal for drawing confident causal conclusions about what affects customers, and about how customers can be expected to behave in response to specific situations.

### Limitations

- » Extensive background knowledge (often from previous market research and/or engagement activities) about the specific situation or choice of interest is needed before these methods can be useful.
- » Findings can still be limited in their application, if the customers selected to participate in the experiments do not adequately represent all customers, or if the operationalisation of experimental interventions is not designed carefully and pilot-tested.
- » When people express a “willingness to pay” in response to a hypothetical scenario, this is not necessarily the same as what they will *actually* pay in a real situation. But the *relative difference* in how much people are willing to pay for different options is useful information about their real preferences.

### Tips

- » Use people with expertise in these methods (internal staff or often specialist external consultants) to ensure that they are applied correctly.
- » Designing experiments effectively requires careful trade-offs between a) making the situation as realistic as possible, so that the findings will apply to the real world, and b) tightly controlling the context, so that alternative influences on the findings are reduced or removed.

## Community forums



Community forums are usually one-off or occasional meetings involving both customers and representatives from the business. They are typically used to consult with the local community on a new project or issue. To conduct a community forum, you will need a venue to bring people together with business representatives and experts in the field.

### Strengths

- » An efficient way of developing rapport and engaging quickly with a diverse customer base with large numbers of interested people.
- » Allows two-way communication, so that communities of customers can communicate their concerns and hear the company's perspective in the same sitting.
- » Internal decision makers and subject matter experts can hear feedback directly from the relevant stakeholders.

### Limitations

- » These processes can be time- and resource-intensive, for all parties involved.
- » Community group events can be heavily influenced or distracted by a small number of vocal attendees who do not necessarily represent views of wider customer segments or groups.

### Tips

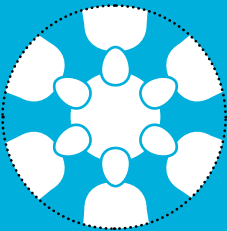
- » A facilitator can keep the discussion on track
- » Build and/or maintain trust through the use of impartial and respected experts in the field.
- » Use senior company representatives when the issues are sensitive so that they can speak authoritatively and honestly.
- » Make clear that two-way communication is the goal. Depending on the reason for holding the community forum, it is often useful to collect written responses to a few brief questions about community participants' views.
- » Agree on actions for the business to take as a result of the communication and act on them. Provide feedback to attendees.



## Collaborate and empower

There are international trends towards increasing inclusiveness of citizen opinions and values in business and public governance, so that engagement moves beyond information sharing and consultation to more actively involve customers and communities in planning and decision-making processes. These methods are most useful when there is a specific issue to be addressed which is complex or contested, and/or when the business and customers are both willing for the customer to have greater empowerment in influencing business outcomes.

A range of active participation techniques are available, and these should be implemented in conjunction with effective information and consultation programs. The methods below are only a small sample – for a more comprehensive set of active participation tools see the Victorian and Queensland government engagement toolkits in the Resources section.

<p><b>Consumer panels</b></p> 	<p>This method for customer engagement is ideally suited for empowerment engagement activities, but can be used more broadly too.</p> <p>Consumer panels identify groups of customer who become key informants. Members are usually invited to participate because they have special expertise or interest in a topic, and they may become representative experts about that topic. Consumer panels can be relatively small but have also been convened with numbers up to 100 and above.</p>
	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>» Access is open to a wide range of people including minority groups</li> <li>» A timely and economical way to test new ideas and plans</li> <li>» Views can be tracked and measured over time, although care needs to be taken with interpreting results given panel membership changes over time</li> <li>» Because panels are convened over the long term (in contrast to focus groups for example) members have time to develop a sound understanding of issues and there is potential for rapport to build between participants and businesses.</li> </ul>
	<p><b>Limitations</b></p> <ul style="list-style-type: none"> <li>» Sustaining the interest and availability of panel members over the long term can be difficult, and members can pull out of the panels before their term expires</li> <li>» Resource intensive to establish, and requires ongoing commitment from all parties involved</li> <li>» There is a risk that as some representatives become more informed they become less representative of the community.</li> </ul>
	<p><b>Tips</b></p> <ul style="list-style-type: none"> <li>» More work up front in ensuring a diversity of views and backgrounds amongst panel members has many positive benefits over the life of the panel.</li> <li>» It is important to focus on the aim of the panel as being to provide alternative views, not necessarily to reach consensus.</li> </ul>

## Action research



Action research refers to a set of research methods that enables public officials, community members and others to explore issues, difficulties and experiences in a collaborative and participative way and to identify and test solutions.

Action research can be defined as 'learning by doing' and involves a cyclical process which includes identifying a problem, planning, taking action, reflecting on outcomes and amending action based on evolving understanding. The primary difference between action research and other research is that it deliberately seeks to engage stakeholders as active participants in the research and learning process. It also differs from traditional models of research due to its iterative orientation and because it is usually led internally by staff and stakeholders rather than by an external expert. For action research to be effective, practitioners need to sensitively engage with community members, either one-on-one or in groups, and build trusting relationships within which experiences and needs can be explored. Interviews, surveys, focus groups and informal meetings can be used to support the research process. There is a high emphasis on collecting and analysing qualitative, rather than quantitative data.

### Strengths

- » Is highly inclusive – it can be used with any stakeholder group and is also appropriate for socially excluded groups
- » Is flexible and responsive – gives businesses and customers the ability to develop/reformulate the research agenda in parallel with the project work
- » Supports iterative learning, problem solving and solution testing.

### Limitations

- » Because this approach is highly driven by customers, it can lose focus unless the research question is tightly defined
- » Qualitative data generated via action research processes requires expertise to interpret.

### Tips

- » Action research programs are best designed with input from experienced experts in participatory research.

## Sharing engagement outputs

Sharing the results and outputs of engagement fosters transparency between business and customers and is important for building trusting relationships, and a business' social license. It is vital that sharing outputs and providing **feedback to customers and other stakeholders** be built into customer engagement strategies in the planning and design stages.

Participants are often interested in receiving a summary of the range of information generated via an engagement process and how this is being considered, not simply a summary of their own ideas. Sharing summary materials across groups is often an effective way of raising awareness, and can lay the foundations for relationship and consensus building.

Providing feedback benefits customers who have participated in an engagement process, by allowing them to see how their views have been accurately incorporated into decision making. Without feedback, customers and other stakeholders may assume businesses are not listening and may not know whether their contribution has made a difference. Both situations are likely to result in a reluctance to participate in future engagement processes, and a loss of trust (and therefore social licence) in a business and an industry.

Simultaneously, sharing the outcomes of engagement with other stakeholders (within and outside the network business) strengthens and supports the industry more broadly by enabling shared learning and collective improvement. The range of feedback loops that relate to sharing engagement outcomes are illustrated below.

**Table 1**

Feedback from .....→	Feedback to:	Information/Purpose
Engagement staff within the network business	Engagement participants	<ol style="list-style-type: none"> <li>1. Background information about engagement plans and purpose</li> <li>2. Feedback about what the business has changed in response to engagement</li> </ol>
Engagement participants	Engagement staff within the network business	<ol style="list-style-type: none"> <li>1. Content from the engagement – addresses the goal of the engagement activity</li> <li>2. Evaluation of the engagement <b>process</b> – addresses the development of current and future engagement efforts</li> </ol>
Engagement staff within the network business	Network business as a whole	<ol style="list-style-type: none"> <li>1. Content from the engagement – passes on information from engagement to influence rest of the business</li> <li>2. Future engagement plans – to co-ordinate businesses responses</li> </ol>
Network business as a whole	Engagement staff within the network business	<ol style="list-style-type: none"> <li>1. Responses to engagement – information about what the business change can and will change</li> <li>2. Requests for specific engagement – what future engagement is required</li> </ol>
Engagement staff within the network business	Engagement staff in other network businesses	<ol style="list-style-type: none"> <li>1. Sharing results of engagement and plans for future engagement</li> <li>2. Discussing engagement processes.</li> </ol>
Network business as a whole	The regulator, other governmental agencies	<ol style="list-style-type: none"> <li>1. Regulatory proposals, sectoral reform, policy planning</li> </ol>
The regulator	Network business as a whole	<ol style="list-style-type: none"> <li>1. Feedback from regulatory proposals</li> <li>2. Other more general feedback (e.g. engagement guidelines)</li> </ol>

## When should feedback and follow-up occur?

It is important to establish a protocol during the planning and design phase of an engagement process that outlines when and how feedback will be provided, and also what information will be shared with whom.

Depending on the nature of the engagement, feedback might be offered at regular intervals, and/or within a pre-determined period after each engagement activity and further opportunities to be involved. Feedback and follow-up should generally be incorporated throughout the engagement process.

## How should feedback be given?

A range of feedback techniques should be employed to reach a variety of participants. Depending on the group you are seeking to provide feedback to, it may be important to use both written and verbal feedback methods. It is usually important to provide people with information, but also to create opportunities for them to ask questions or to seek additional information if required. In this way, the provision of feedback about engagement itself becomes an opportunity for engagement.

Some techniques for disseminating feedback to engagement participants include:

- » letters to all participants – via mail or email
- » developing a dedicated online community via social media
- » disseminating summary reports of meetings/workshops
- » acknowledging written submissions (including how these were responded to)
- » providing information via telephone hotlines
- » holding presentations to customer groups to relay findings, outcomes, progress (or including this in the agenda at consecutive forums)
- » publishing newsletters, charts and posters
- » establishing a specific website for community engagement issues and online reports
- » issuing media releases and updates
- » more informal communications

Other more customised techniques (e.g. specialised meetings, fact sheets, regular updates) are more suitable for feedback to and from other stakeholders like the larger network business and other network businesses.

**Best practice engagement** will use the forms and channels of feedback that stakeholders themselves prefer, in order to provide feedback about engagement process outcomes and subsequent business actions. Further, opportunities will be provided to stakeholders to engage further on the feedback, to discuss the outcomes and their implications, and to plan subsequent steps.

## Co-ordination of Engagement Feedback

Workshop participants that we engaged as part of the development of this handbook were very supportive of **better co-ordination of engagement feedback and discussion** that could involve multiple network businesses and multiple advocacy and representative groups. Although outside the scope of the handbook itself, this idea of co-ordination among and collaboration between multiple network businesses and their stakeholders is obviously an important issue that deserves further exploration.

# CASE STUDY 3

## Background

As a recently formed entity, Distributor Y faced a number of challenges as it aimed to balance the need to maintain a safe, reliable network with customer expectations in regard to service, electricity prices and shareholder expectations.

As the cornerstone of the customer service strategy, The 'Voice of the Customer' (VoC) Program was established to ensure the perspective and 'voice' of our customers were considered in our business' activities and decisions. Its aim was to establish a platform from which the customer engagement framework, service improvement, customer culture and satisfaction measurement would evolve.

## Goal of Engagement

The VoC Program aligned with Distributor Y's business excellence program and focus on continuous improvement of processes, tools & systems. This element of the strategy is aimed at delivering consistent, repeatable and exceptional customer service and first contact resolution. A key initiative to deliver on this strategy was an in depth review of the customer connections process to identify service gaps and make improvements to Distributor Y's services where necessary.

## What Processes Were Used

In December 2014, in conjunction with an external consulting firm, we undertook internal workshops with key stakeholders involved in the end to end customer connection process. The objective of these workshops was to take a customer's view of the connection process, assess whether their needs were being met and agree as a business on the actions needed to meet these needs.

Some of the key messages to come from this exercise were:

- » 'Information is confusing'
- » 'I was not advised of all of the information up front'
- » 'I get incorrect verbal advise'
- » 'I don't trust the information provided'
- » 'the process is too complex and takes too long'
- » 'I want proactive issue resolution'
- » " I want to speak with someone who knows my history and understands my problem"

To better understand the requirements of our customers, we mapped the customer's journey through our connection process, using feedback from our stakeholders. This included shareholder ministers, key industry bodies, major property developers and service providers. Through this activity we identified our customers' needs and pain points and assessed our current performance in meeting each of these needs.

## Outcomes of Engagement

A product from the review of the customer connections process was the development of two Customer Journey Maps; one for basic connections and one for complex connections. Both maps were further dissected down to identify key customer pain points, and ultimately resulted in over 120 process improvements and initiatives being recognised.

## How Were Outcomes Implemented in the Wider Business

The initial register of improvements was further rationalised and grouped into five key themes or streams of work as follows:

- » Simplifying connection information: correspondence, website and brochures.
- » Early collaboration with customers and their agents to clarify expectations upfront: A formal forum focused on early engagement was implemented in July 2015. This forum allows our complex connection customers to discuss their approach to their developments at an early stage so that there are no surprises in relation to costs of services and the exploration of options that are available. Developers have advised that the process was enlightening and better than they had expected. This forum can also be used by builders and electricians for basic connections.
- » Providing a single point of contact within Developer Y for each connection: the name and contact details of the connection's case manager are now provided on the letter of offer and other correspondence.
- » End-to-end internal process improvement and simplification: Improvements identified through the customer journey mapping process included providing greater transparency of the connection process and associated fees, as well as providing the ability to be able to choose who undertakes the design and construction of new electrical infrastructure.
- » Provide visibility of the connection processes: this is being provided through the development of an online connection application portal.

These key initiatives were implemented through the endorsement by and strong support from senior management, using cross-business unit working groups.

## Learning

The benefits from the customer connections process review have been:

- » Early engagement with our customers;
- » Communication improvement and development;
  - across internal teams in the connection process
  - with customers throughout the process lifecycle
- » Increased collaboration;
  - with customers to understand expectations and responsibilities of all parties
  - with our staff to clarify what each team does in the process, their needs, expectations and responsibilities
- » Better visibility for customers and operational teams as required across the process journey; and
- » Introduction of the connection choice model
  - a mechanism to allow the choice of designer and constructor for defined scopes of work.

In February 2016, a customer connection road show was undertaken with key internal process owners and subject matter experts hosting both internal and external sessions in key locations around the state. These forums demonstrated to key stakeholders the initiatives that were undertaken in response to customer concerns and pain points.

Feedback from these stakeholders, as well as the business' shareholders, has been positive. Our stakeholders and shareholders are appreciative of the work being undertaken to improve connection processes including the introduction of the early engagement process and connection choice model.

# CASE STUDY 4

The development of Gas Access Arrangement (AA) information for 2016-21 provided an important opportunity for the Distributor to test the effectiveness of its recently developed Consumer Engagement Strategy. The Consumer Engagement Strategy established a framework within which the consumer engagement associated with the AA was delivered. This framework provided:

- » Access to the Distributor's energy consumer reference council (ECRC) which brings together a representative group of consumer advocacy organisations
- » Principles of engagement to guide the consumer program. These principles are
  - Clear, accurate and timely information
  - Accessible and inclusive
  - Transparency
  - Measurable
  - Long-term

## Engagement

The objectives of the consumer engagement program were defined with reference to the IAP2 Engagement Spectrum and were defined as:

- » *inform, consult* and *involve* gas consumers and other members of the community; and
- » *collaborate* with the ECRC in the development of the access arrangement proposal.

These objectives were achieved with varying levels of success.

With respect to gas consumers and other members of the community participants were certainly informed and consulted but engagement at the involved (meaningful discussion) level was limited. The number of participants across the engagement program was also low, thereby limiting the range of views and input.

With respect to the ECRC, collaboration was achieved in the sense that the ECRC became true partners in discussion of a number of decisions made prior to finalising the AA. However, due to the tight timeframe of the consultation, there were broader areas that were unable to be explored during the engagement process that may have benefited from the considered input of the members of the ECRC.

The key features of the AA Consumer Engagement program included:

- » Active presentation and discussion with the ECRC over 6 meetings
- » Issue of a consultation paper that outlined the broad AA objectives and principles supported by an addendum that provided further detail as a preferred price path and proposed tariff structures were developed
- » Business and community workshops
- » Online survey of customers attracting 200 participants
- » One-on-one meetings with major customers
- » Retailer discussions on an individual basis
- » Regular reporting and feedback to consumers through direct email and a targeted consumer engagement area of the website.
- » Publishing a final consultation report which outlined feedback from consumers and how the Distributor responded to that feedback.

The ECRC played two distinct roles in the consumer engagement program:

- » Input and guidance to the consumer engagement program itself, including reviewing draft consultation papers and distributing information to their constituents
- » Collaborating with the Distributor on key areas and priorities for the AA proposal.

Consumer engagement KPIs were established as part of the program development phase and monitored throughout implementation, including a KPI workshop with ECRC members as part of measuring success and identifying areas for improvement.

## Outcomes

In keeping with the objectives of the consumer engagement program more collaborative based discussions and feedback was received from the ECRC. Feedback from the ECRC related to a wide range of areas of the AA proposal including the price determination process; price path, tariff structures and services; operational expenditure; capital expenditure program; WACC; and consumer engagement.

General consumers and community members provided broader feedback on the AA information. Views of general consumers are broadly summarised as follows:

- » Confusion about the respective roles of distribution and retail businesses
- » Value safety and reliability
- » Want price stability and certainty
- » Want to support vulnerable customers
- » Are interested in what the long-term energy infrastructure looks like for the state; and
- » Are keen to be involved in future energy discussions.

One-on-one meetings with large customers and retailers provided direct feedback, particularly on services, the tariff structure and tariff-assignment processes.

The contribution of the ECRC to the quality and content of published materials and format of consumer engagement activities strengthened the consumer engagement program and ensured stakeholder groups were not overlooked.

The outcomes of the consumer engagement program helped to inform the AA proposal by providing a direct 'voice' into senior management meetings as the proposal was developed. This was then able to be further reflected through the proposal to the AER and the Consumer Challenge Panel.

Information provided back to all participants at the conclusion of the consumer engagement program included a table of feedback received with clear information on how the Distributor addressed each area of feedback.

## Lessons learned

There were a number of strengths to the consumer engagement program that will be adapted and built on further in future consumer engagement projects. These include:

- » Ensuring high level executive buy-in at the ECRC and other consumer forums. This allows senior members of the executive to listen directly to consumer stakeholders and understand the drivers behind consumer opinion.
- » An independent chairperson for the ECRC ensured a level of independence in the discussions by the group and allowed subject matter experts and representatives of the Distributor to focus on their roles and information, rather than facilitating the meeting. The independent chairperson was supported by a facilitator as required. The use of an independent chairperson was welcomed by the regulator.
- » The consultation paper provided a good resource to start the engagement conversations, but needed to be supported by presentations and discussions.
- » One-on-one sessions with key stakeholders such as large customers and retailers were well received and provided a good opportunity to explore specific issues and better understand the views of different stakeholder groups.
- » Engaging with the ECRC on the development of content and implementation of the consumer engagement program established buy-in which prompted members of the ECRC to encourage other groups and members to participate in the program.
- » Over the course of the engagement program the ECRC developed into a well-informed, robust contributor which will be a valuable resource for future regulatory consumer engagement programs.



Although the Distributor was able to demonstrate to the regulator a strong level of consumer engagement throughout the development of the AA proposal, there were a number of areas where better outcomes could have been achieved.

- » The ECRC provided strong advice that the consumer engagement program relied too heavily on PowerPoint presentations given at meetings, whereas pre-meeting papers may have helped members to be better prepared to contribute to discussion.
- » Although the consumer engagement program extended over six months, this timeframe was still too short in terms of the amount of information to be shared and complexity of issues to be discussed. A longer period of time to allow many conversations that build understanding across all participants would allow greater engagement on more complex issues.
- » There was considerable misunderstanding by all participants about the nature of the Distributor's business. This required an investment of time at all sessions to explain the energy distribution network and market.
- » Participation in the program by the general community was low and longer lead time to allow more promotion of consumer forums may have attracted greater attendance.
- » Demonstrating to the regulator how community input informed the development of the AA proposal.
- » Fostering an internal realisation that consumer engagement can benefit the organisation in a number of areas.

## Benefits to the Distributor

The consumer engagement program delivered clear benefits for the Distributor including:

- » Developing a robust AA and five-year plan for gas that reflects customers values and expectations
- » Adopting a price-path and tariff structure that addresses consumer needs for stability and certainty
- » Better understanding consumer expectations around the sustainability of gas infrastructure as emerging technologies deliver greater environmental outcomes
- » Demonstrating to our consumers a willingness to engage with and understand customer experiences and needs and creating a framework for continued conversations

# EVALUATING CUSTOMER ENGAGEMENT

Effective evaluation is paramount to effective customer engagement. **Customer engagement activities must be documented, and their outcomes and impacts evaluated.**

“We expect service providers to periodically evaluate and review the effectiveness of their consumer engagement processes” (AER, Consumer Engagement Guideline for Network Service Providers, 2013, p. 11).

“We expect service providers to articulate the outcomes of their consumer engagement processes and how they measure the success of those processes” (AER, Consumer Engagement Guideline for Network Service Providers, 2013, p. 11).

Effective evaluation requires reliable and valid measurement of key indicators. However, despite the importance of Customer engagement, and the value in continuous improvement, there are few standard measures to evaluate success. Evaluation, like engagement itself, must be tailored to the specific needs of the business.

This material focuses on formal criteria that might contribute to evaluation of Customer engagement; however, it is acknowledged that informal evaluation through ongoing interaction with key stakeholders can (and should) be used assist in ongoing improvement of the engagement processes.

## The difference between key performance indicators and metrics

Both Key Performance Indicators (KPI) and metrics are directly related to a business' **goals and objectives for engagement.**

Something becomes a **KPI** when it can be used to **indicate** how successful an energy network business has been in achieving a particular engagement objective.

Something is a **metric** when it can be used as a **quantifiable measure** for tracking, monitoring or assessing the success of engagement against a KPI.

### An example:

If an energy network business' **engagement goal** was to increase levels of customer awareness of the Energy Supply Chain:

- » A **KPI** might be the extent of knowledge of the supply chain technology in a target customer group, or the accuracy of this knowledge.
- » A **metric** might be the number of people within a specified customer group that has heard of the term “Energy Supply Chain”, or the number that can accurately define what is meant by the term.

## Key performance indicators

KPIs for evaluating the success of a customer engagement strategy should be developed as part of the planning process. Deciding on measures to use to indicate progress and success will depend on the specific purpose and goals that an energy network business has for its customer engagement activities. Choosing the right KPIs relies upon a thorough understanding of what the objectives of customer engagement are.

Performance indicators for customer engagement activities must be appropriate to the aims and methods of those activities. Activities should be designed as part of a long-term engagement strategy, and performance indicators should be planned similarly. It is the **body of evidence** collected from a suite of indicators applied **consistently over time** that leads to robust, confident conclusions about the effectiveness of engagement activities.

### The best performance indicators:

- ✓ **Line up with the objectives of the engagement activity.** KPIs need to be an actual indication of engagement progress!
- ✓ **Are fit for purpose, developed with consideration to the type of evaluation that is being conducted.** A **summative evaluation** typically involves assessing or “scoring” how well the engagement was done, while a **formative evaluation** is used to identify what should be changed for next time the same sort of engagement is conducted. Often, an evaluation will include both summative and formative measures.
- ✓ **Are not overly-complicated or over-engineered**
- ✓ **Are consistent over time and (where possible) consistent between different engagement methods**

- ✓ **Are developed with consideration for future consultation and engagement.** Consideration needs to be given to whether results will be made public and who will see them, and how the energy network business will report back to customers and stakeholders who participate in the evaluation.
- ✓ **Are appropriate to a specific time-frame.** Many engagement activities will have measureable effects that are short-lived. Other activities may have effects that will not be observable for some time. Indicators must address this temporality.
- ✓ **Have been developed with consideration as to how required data will be collected.** Some indicators might involve resource-intensive research (e.g. interviews or surveys) in order to measure them. Indirect, or naturally-occurring, indicators may be a less intensive addition to the range of indicators being included. Such indicators measured for purposes other than the assessment of engagement may have value as measures of engagement – a measure can be fit for purpose without having been designed for that purpose.
- ✓ **Allow internal monitoring and documentation by energy network businesses of what has changed because of the engagement.**

## Types of performance indicators

There are a number of potential indicators to measure customer engagement. When evaluating a customer engagement program, it may be useful to distinguish between input indicators, outcome indicators, and process indicators.

<b>Input indicators</b>	<p>Input indicators are measures that reflect something that an energy network business has done that can reasonably be expected to have an influence on an outcome of customer engagement. For example, an energy network business might track the number of people engaged over a year as a broad indicator of the extent of their engagement activity.</p>
	<p><b>Benefits</b> As input indicators typically involve the actions of energy network businesses rather than the outcomes of customer engagement, data on these types of indicators would likely be easier to collect.</p>
	<p><b>Drawbacks</b> Although they may be easy to measure, the difficulty lies in identifying input indicators that will allow for a conclusive link between the input and the desired engagement outcome. For example, one cannot be entirely sure that the number of people engaged will necessarily equate with better engagement.</p>
<b>Outcome indicators</b>	<p>Outcome indicators are measures of the result of a specific engagement action. For example, if an energy network business produced a range of customer information material with the goal of increasing customers' awareness of the energy network, an outcome indicator for this engagement action might be levels of awareness in the target audience regarding some aspect of the energy network.</p>
	<p><b>Benefits</b> Outcome indicators provide the most direct measure for whether or not the desired goal of customer engagement is being achieved in the target group.</p>
	<p><b>Drawbacks</b> It can be difficult to identify outcome indicators that can be clearly shown to be a "pure" or "direct" result of particular engagement activities, and not a result of additional factors. For example, increased levels of awareness regarding some aspect of the energy network may be a result of increased dissemination of information by an energy network business, but also may be the result of an increased profile of the industry in the media. Such alternative explanations can be reduced or removed by using pre- and post-measures or other experimental designs.</p>
<b>Process indicators</b>	<p>Process indicators are measures that reflect the operation or the engagement process itself: the processes via which input indicators are converted into outcomes. For example, the quality of an engagement process might itself be measured, with the presumption that higher quality engagement will result in better engagement outcomes.</p>
	<p><b>Benefits</b> Because process indicators have "cleaner" links to the engagement strategy, they are can be preferable to input or outcome indicators.</p>
	<p><b>Drawbacks</b> Process indicators are generally more difficult to identify and develop, and as a result are less commonly measured in existing data collection work. While a high-quality process indicator with a clear and logical link to the capital being assessed is the ideal situation, it will probably be rare in practice.</p>

## Potential engagement metrics

A primary consideration when developing metrics to assess engagement outcomes is that **people who are engaged should be able to identify where and how the business has taken their feedback into account**. Other methods for assessing engagement effectively include:

1. Ensure that feedback/outcomes/ explanations/conclusions are fed back to engagement participants. This is a vital important part of “closing the loop” in the engagement dialogue.
2. Compare engaged stakeholder demographics with customer base demographics to ensure engagement is representative.
3. Measure internal engagement or buy-in with the rest of the network business. Although measuring this buy-in across the whole of the network business may be unrealistic, it should at least be possible to keep track of the involvement of the CEO, senior management and Boards in engagement planning, processes and responses.
4. Assess and report on the proportion of business decisions that were the subject of visible public engagement processes.
5. Track the AER’s acceptance of proposals that incorporated engagement outputs.
6. Measure the quality of engagement processes (not just outcomes).
7. Assess whether stakeholders support the engagement outcome, or at the very least understand it. It can be difficult to measure this support or understanding unless it is built into the engagement plan in advance; getting back in touch with former engagement participants can be difficult unless they are forewarned.

## Metrics

What makes an effective metric?

Effective metrics....

### ✓ Are clearly linked to engagement goals and KPIs

Evaluation should be clearly linked to an energy network business’ overall engagement plan and/or a specific engagement plan with a clear and logical argument linking each metric to KPIs and the goals of customer engagement.

Different metrics are suited to different purposes. Simple, abstract metrics that allow for a rapid overview of level of customer engagement (e.g. an average “satisfaction rating” after engagement processes) may be useful for comparing between engagement outcomes for the whole network business from one year to the next. Such metrics, however, are not at all useful for identifying contextual issues (e.g. the nature of community concerns within a particular geographic area).

### ✓ Are consistent

To ensure that the relationship between energy network engagement practices and customer engagement is measured effectively, it is best to ensure that the same metrics are measured over time. In practice, consistency of measurement can come at the cost of sensitivity – the capacity of a measure to reflect small changes in capacity between different areas or over different times. Sensitivity of measurement generally requires specific data for small areas and narrow time windows, and these features make consistency of measurement very difficult to achieve. Sensitive measures of customer engagement for one particular community are unlikely to be consistent with other sensitive measures of human capital in a different sector. Making measures more “generic” so that they can be successfully compared between sectors will have the inevitable consequence of reducing their sensitivity. Thus, a measure can be designed with sensitivity or comparison between sectors in mind, but not both.

### ✓ Have a defined scale

The way a measure is defined involves several components. The most obvious of these is measurement scale, which refers to the nature of the score used to record levels of the measure. To give some examples, an indicator can measure a simple count (e.g. number of customers), a rate (number of complaints per year), a proportion (percentage of customers who have been engaged), or a score on some more abstract scale (quality of a focus group rated out of 5).

Both temporal and geographic scales of metrics are also important considerations. Temporal scale refers to the time period on which metrics are based. Monthly data, for example, is more sensitive to changes over time than data which are gathered only every year, but is obviously more difficult and costly to collect. Geographic or spatial scale refers to the physical area on which metrics are based. Data can be collected from individuals or households, or larger groupings like suburbs, or substations or other network-based measures.

### ✓ Allow for validation

Validation refers to a process of collecting evidence that a metric accurately reflects what it is intended to measure. As noted earlier, customer engagement can only ever be measured indirectly; there is no way to develop a single “perfect” metric of engagement. Instead, evidence needs to be gathered to support a claim that the metric is meaningfully linked to an engagement KPI (and therefore progress towards an engagement goal). If a metric cannot be validated, it needs to be adjusted or replaced with a metric that has stronger evidence for accurately reflecting the aspect of engagement being measured.

## Steps for developing metrics

### Step 1: Clearly articulate the goals and objectives for customer engagement.

The importance of clear goals and objectives is a key part of customer engagement and developing measures is no exception. Good metrics will be developed in close conjunction with KPIs and the overarching goals of engagement.

### Step 2: Identify the spatial and temporal scale of measurement

**Spatial scale:** How geographically precise can the assessment of the metric be? For example, can a metric be gathered for every individual person, only for each household, or only for each suburb or larger region?

**Temporal scale:** How often can the metric be assessed? Can data on the metric be gathered every single time an engagement process is conducted, every year, or only once every three years?

It would arguably be ideal if all metrics shared consistent and fine-grained temporal and spatial scales, because this avoids added complexity when combining metrics. However, this situation is unlikely to be achievable in practice.

### Step 3: Identify multiple potential metrics

Specific measures will vary in their quality, availability and usefulness, so it is not advisable to focus too quickly on a small number of preferred metrics. Rather, an iterative process is suggested, where multiple *potential* metrics are identified and assessed (this stage), and then this pool of metrics is reduced (the next stage).

Since no single metric is able to provide a comprehensive measure of engagement, it is necessary to “triangulate” by gathering multiple metrics. Since engagement involves several components, it is appropriate to aim to find one or more measures that correspond to each component. Using multiple metrics also helps to reduce the potential for error associated with any single metric. Conversely, using more metrics requires more time and resources.

## Step 4: Reduce the number of potential metrics

As noted above, potential metrics should be winnowed down to a subset of the most useful, by either removing those with the worst characteristics or selecting those with the best characteristics. A range of criteria for the inclusion and exclusion of measures are described in the table below.

## Step 5: Combine chosen metrics into summary measures (optional)

Combining multiple metrics together allows network businesses to report on and track a more global **summary measure** of engagement performance over time. This approach has advantages, but it cannot be used in every case with every metric. For example, individual customer satisfaction scores (measured after each customer workshop) cannot be directly combined with number of customer complaints (measured annually for the entire network business). Metrics can only be combined into a single summary measure when they can be expressed at the same temporal and spatial scale. Fundamentally, two approaches are available: **aggregating** data from fine-grained indicators to match a more coarsely-measured indicator, or **disaggregating** the data from coarsely-measured indicators.

Aggregating is a fairly straightforward process of averaging across (say) five consecutive annual measures to produce a single five-yearly measure. The same aggregation process can be used to combine spatially-specific data to produce a single measurement for a larger region. Clearly, this process results in a large loss of information, because variation within the more sensitive measure is no longer visible in the aggregated data.

Disaggregating involves generating or estimating more sensitive measurements from data that are measured at a coarse scale. This process can be achieved by interpolating annual values between two known measurements taken (say) five years apart, or by extrapolating a trend to estimate new values past the end of existing measurements. Such approaches need to be conducted and interpreted with caution, because they result in estimated rather than actual data. Other more complex methods are also available to “fill-in” gaps in the data, which depend on the nature of the available data, and the size of the gap.

Once metrics are expressed at the same scale, they can be combined using a variety of mathematically-based weighting methods, which determine the relative contribution of each measure to the final summary measure. Details of such weighting methods are outside the scope of this handbook.

**Table 2:** Prioritising metrics

Prioritising metrics	
<p><b>Criteria for inclusion:</b></p> <ol style="list-style-type: none"> <li>1. A clear conceptual link between the measure and the goal of engagement, which can be described in simple terms.</li> <li>2. A measure that reflects an engagement process rather than an input or outcome (although other sorts of measure also have value).</li> <li>3. Indirect evidence for the validity of the measure, based on a history of use in prior work on engagement in the network business.</li> <li>4. Direct evidence for validity of the measure, based on an empirical link with actual engagement outcomes.</li> <li>5. Substantial historical data are available and there is the expectation of continued collection of the data into the future</li> </ol>	<p><b>Criteria for exclusion:</b></p> <ol style="list-style-type: none"> <li>1. Similarity with other measures chosen to tap the same engagement goal in the same sector (multiple similar measures of engagement creates unnecessary redundancy).</li> <li>2. Similarity with other measures chosen to measure other aspects of engagement (overlap between the measures of two different constructs reduces the conceptual clarity and usefulness of both).</li> <li>3. Data for the measures are available only at very broad geographic or temporal scale. A measure that is only available for the country as a whole, for example, has no value for identifying specific regional areas of concern within a particular network area.</li> <li>4. Data are available only in a measurement scale that allows misinterpretation or lack of clarity. Note that additional work may allow the data to be converted to a more useful scale.</li> <li>5. Extensive gaps in the data. A moderate degree of missing data can be resolved via various estimation techniques. However, a measure that is otherwise excellent is of little value (and may be misleading) if substantial areas or time periods are missing from the record.</li> </ol>

## Examples of potential metrics

### Baseline measures of customer opinion

There is considerable merit in energy network businesses conducting regular surveys of customers and stakeholders to monitor how they and their engagement with their customers are seen. This could be done at least annually, using either a telephone or an internet survey, by an independent organisation. Surveys should be designed to include a sample of people who regularly participate and a new sample of people for each survey. Serious efforts must be made to ensure the survey is as inclusive of all customer and stakeholder groups as possible.

These surveys should contain a standard set of metrics to allow trends in responses to be monitored. Supplementary questions can be included as needed.

The variables from the Social Licence to Operate framework provide a useful general set of metrics for monitoring how well energy network business decisions are accepted by their respective communities of customers and stakeholders over time. These scales have all been found to be reliable in previous research<sup>5</sup>,

1. Contact quantity
2. Contact quality
3. Procedural fairness
4. Trust
5. Acceptance

#### 1. Contact quantity<sup>6</sup>

- a. How much contact have you had with people from <Company Name> in formal community meetings or events?
- b. How much contact have you had with people from <Company Name> informally in your local area?
- c. How much contact have you had with people from <Company Name> overall?

Participants are asked to respond on a 5-point scale (1 = none at all, 5 = a great deal). Scores from the three items are averaged, so that higher scores indicated more contact with the company.

#### 2. Contact quality<sup>7</sup>

- a. Generally, how pleasant has been your contact with <Company Name>? (1 = very unpleasant, 5 = very pleasant)
- b. Generally, how positive has been your contact with <Company Name>? (1 = very negative, 5 = very positive)

Scores from the two items are averaged, so that higher scores indicate a high quality of contact with the company.

#### 3. Procedural fairness<sup>8</sup>

Participants are asked to rate the extent to which they agree with each of 3 statements (1 = strongly disagree, 5 = strongly agree):

- a. People in their community have opportunities to participate in the decisions made by the <Company Name>.
- b. <Company Name> listens to and respects their opinions.
- c. <Company Name> is prepared to change its practices in response to community sentiment.

Scores are averaged across the three items, so that higher scores indicate higher perceived procedural fairness.

#### 4. Trust<sup>9</sup>

Participants are asked to rate each of 4 statements, from 1= *none at all* to 5 = *a great deal*.

- a. How much confidence do you have in <Company Name>?
- b. How much trust do you have in <Company Name>?
- c. How much goodwill do you have toward <Company Name>?
- d. How much do you trust <Company Name> to act responsibly?

Scores on these four items are averaged, so that higher scores indicate greater levels of trust.

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5 adapted from Moffat & Zhang (2014)

6 From Brown et al., 1999

7 From Brown et al., 1999

8 From Tyler, 2000

9 From Tam et al., 2009



## 5. Acceptance<sup>10</sup>

Participants are asked to rate 2 items, from 1= *none at all* to 5 = *a great deal*.

- a. How much do you accept <Company Name> operating in your neighbourhood?
  - b. How much do you approve of <Company Name> operating in your neighbourhood?
- Scores on these two items are averaged, so that higher scores indicate greater levels of acceptance.

### Measures for assessing overall engagement

The measures described in the previous section gather data from customers and stakeholders. Energy network businesses must also collect and monitor data about their own activities, as a kind of stock-take. The following points highlight some variables likely to be useful to all energy network businesses, but each energy network business may have others that will be relevant to their own purposes. The variables should be captured within a defined timeframe (e.g., a calendar year), and analysed for trends over time.

- » **Number of type of engagement activities** conducted. Reach of engagement activities across demographic and geographic boundaries should be recorded. Engagement activities should be categorised into the IAP2 framework (inform, consult, involve, collaborate, and empower) or another spectrum or decision matrix.
- » **Number and nature of complaints received through any channel.**
- » **Responsiveness** - Actions taken to address each complaint, and time taken for each action. This includes communications with complainants.
- » The **forms and frequency of feedback** to customers and stakeholders about the results of engagement activities.
- » **Total number of inquiries about engagement activities** (received by telephone, email, in writing, or on company websites).
- » **Digital data analytics** (e.g., number of visits to websites, unique and return; dwell time on pages; number and nature of comments on websites, and on other social media platforms, and replies to those comments).

- » **Number of participants and community organisations** attending engagement activities (relative to total number invited).
- » **Internal engagement with process** - Presentations of results from engagement activities to internal decision-making groups.
- » **Internal response to engagement** - Actions taken as a result of, or informed by, the results of engagement activities.

### Measures for specific engagement activities

Individual engagement activities, such as for regulatory processes, should be evaluated, generally using a consistent set of questions across activities to allow for comparison.

A set of possible questions that could be used for such evaluations is listed below. Responses could be on a 5-point scale, anchored appropriately for each question:

- » Was this engagement activity worthwhile?
- » Were you satisfied with the engagement process?
- » Did you feel your views and contributions were accepted?
- » Do you think the company will act on the outcomes of this engagement process?
- » Was the engagement process open and transparent?
- » Do you think the appropriate people have been included in this engagement process?

To reiterate the key point here, it is vital that metrics are first developed, consistently used, and repeatedly assessed and adjusted **with reference to the overall goals of engagement**. This approach ensures that metrics provide the best value to the business in helping track and improve engagement outcomes.

<sup>10</sup> From Moffat & Zhang, 2014

# CASE STUDY 5

## Background

Following changes to the electricity rules, the business is required to submit a Tariff Structure Statement (TSS) every 5 years. The current (and inaugural) TSS is for the period 2017-2020.

The rules for the development of network pricing systems (tariffs) have changed and whilst tariff reform will not increase the amount of revenue collected, it will change the way revenues are collected. The business is committed to the adoption of cost reflective tariffs and has been gradually introducing tariff reforms for larger customers since the turn of the century. In the local state, costs are dominated by the infrastructure capacity required to cater for the hottest days in summer and cost reflective tariffs are intended to signal these costs to customers. This approach will target customers 'peak demand' usage which should reduce the need to upgrade the network in the future.

The business is currently undertaking an engagement program with our stakeholders and customers on the TSS to help them understand cost reflective tariff structure options, contribute to the proposed changes and help consumers understand the impacts of these changes. The business lodged our initial TSS with the AER in December 2015. Prior to lodging our initial 2017-2020 TSS, we undertook six months of engagement with stakeholders and customers. The TSS proposed a range of demand-based tariffs for smaller customers and an implementation timeframe for the 2017-2020 period and beyond.

To build on the initial TSS, we committed to running a deliberative process with a broad cross-section of the community to refine a set of Customer Impact Principles that we can apply in making decisions around tariff design and implementation. Deliberative engagement is a relatively new process that involves customers and stakeholders actively engaging in a process aimed at developing shared solutions or outcomes. The business had used similar approaches in support of the 2015 revenue determination and the TSS engagement incorporated several enhancements to suit the nature of the problem at hand.

The draft principles submitted as part of our initial TSS acted as an input to this process. The refined principles developed as a result of this process will be submitted to the AER as part of the Revised TSS in September 2016.

## Engagement approach

### Electricity Advisory Panel

An Electricity Advisory Panel was established to develop the Customer Impact Principles. An independent consultant was engaged to set up the Panel and run the deliberative process. The Panel was recruited from a customer database and randomly selected to ensure that the final 20 customers broadly represented the state population in terms of gender, age group, quarterly electricity bill, location and employment.

The Panel also included 12 key representative stakeholders from the business sector, consumer advocacy groups, non-government organisations representing vulnerable communities, State Government representatives and primary producers. Many of these stakeholders had already been working with the business on the development of our initial 2017-2020 TSS and so have a good understanding of the TSS and the business.

## Engagement brief

The Advisory Panel was given the following brief:

- » The business believes that customer impacts should be considered alongside economic impacts of setting tariffs.
- » The mechanism they have chosen for doing this is through the application / use of Customer Impact Principles.
- » The Customer Impact Principles will complement existing Pricing Principles that the business works with that have an economic focus, and will be designed to ensure that customer impacts are given a similar focus.
- » These Principles (if approved by the Regulator as part of the broader Tariff Structure Statement) will be used by the business as a 'checklist', against which it will assess its proposed tariffs and associated policies.
- » They will assist the business in considering customer impacts in order to determine the most appropriate course of action when setting tariffs.
- » The Electricity Advisory Panel is being given the role of developing the Customer Impact Principles.
- » The Principles developed by the Panel will be provided to the Regulator as part of the final Tariff Structure Statement, to be submitted in September 2016.

## Deliberative workshops

The deliberative process involved four workshops with customers, community and stakeholders.

These included:

- » *Workshop 1* - background information for customer and community members (customer and community only workshop).
- » *Workshop 2* - background briefing session for stakeholders (stakeholder only workshop).
- » *Workshop 3* - first deliberative session with both customer and community members and stakeholders. The aim of this session was to develop a draft set of principles. The draft principles were then reviewed by a number of 'critical friends' (refer section below).

- » *Workshop 4* - second deliberative session with both customer and community members and stakeholders. In this session the principles were further refined and presented to key internal business staff.

Following completion of the four workshops, a draft report was developed by the engagement facilitators and a writing group comprised of volunteer Advisory Panel members was established to review and finalise the report. A final report was subsequently endorsed by the group and provided to the business.

## Critical friends

A number of key stakeholders who could not be involved in the deliberative process acted as critical friends to the Electricity Advisory Panel. The critical friends provided input after workshop 3, following the development of the draft customer impact principles. This feedback was fed back to the Electricity Advisory Panel in workshop 4 and was used to further refine and finalise the principles.

## Outcomes

The Electricity Advisory Panel was asked the following question: 'when we make decisions about network charges, what are the impacts on customers we need to consider'?

The Panel developed a set of Customer Impact Principles, which will complement the existing Pricing Principles, and have been designed to ensure that customer impacts are given a similar focus to economic considerations when establishing and determining tariffs.

The Principles will be used by the business as guidance or a 'checklist', against which it will assess its proposed tariffs and associated policies. They will assist us in ensuring customer impacts are factored into decision making processes related to tariff setting, in order to determine the most appropriate course of action.

The Principles developed are:

- » **Principle 1, *Empower the consumer*** - this Principle aims to ensure that the business makes decisions about network tariff setting that empower the consumer. This is based on the premise that the consumer should be allowed to see, understand and manage their own behaviour.
- » **Principle 2, *Fairness and equity*** - this Principle requires the system to recognise the diversity of consumers and that some households and businesses are particularly vulnerable to sudden changes. Education, sufficient lead-in times and the provision of complementary measures are seen as having key roles.
- » **Principle 3, *Simplicity (to inform decision making)*** - tariffs have to be understandable if people are going to respond to them. To be understandable, the Panel felt they needed to be simple and transparent. For consumers, this is important because if tariffs are understood, people will be able to make better decisions about their behaviour (usage) and their investments (for home or business).

### Key engagement learnings

The deliberative process provided a number of key benefits to the network business. The process:

- » Built understanding in the community of the trade-offs involved in different approaches to distributing costs between the various types of consumers and provided a way forward that is balanced and reasonable.
- » Played a role in building a more positive stakeholder profile and counter negative public perceptions.
- » Provided new ideas, innovations and new approaches to solving the problem and developing options.

Feedback from the Electricity Advisory Panel was overwhelmingly positive and as a result the business has developed some positive community sentiment through the process.

From an internal business perspective, it was the first time the deliberative approach, in this format, has been used in an engagement program and it was found to be valuable and rewarding in terms of delivering a balanced set of Customer Impact Principles. The Principles will help us consider customer impacts in setting tariffs and we have committed to their use as a checklist as we finalise our TSS. The deliberative process also provided some valuable insights into customer attitudes and perceptions and how people's views can change from the start to the end of the process (workshop 1 to 4) as a result of having to hear and balance different, and often conflicting, views and opinions.

# RESOURCE MATERIALS

## General engagement references and resources

- AA1000 Stakeholder Engagement Standard  
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- Australasian Evaluation Society [www.aes.asn.au](http://www.aes.asn.au)
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- US Government Public Participation Playbook. Available at: <https://participation.usa.gov/> Victorian Council of Social Services, *Partnership Practice Guide*. Available at: <http://vcoss.org.au/strong-sector/partnerships-decd>
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# APPENDIX A

## List of energy network businesses

### Electricity Networks

Actew AGL  
Ausgrid  
Ausnet Services  
CitiPower  
Powercor  
ElectraNet  
Endeavour Energy  
Energex  
Ergon Energy  
Essential Energy  
Horizon Power  
Jemena  
Power and Water  
Powerlink QLD  
SA Power Networks  
TasNetworks  
Transgrid  
United Energy  
Western Power

### Gas Networks

Actew AGL  
Ausnet Services  
Australian Gas Networks Ltd  
Atco Gas Australia  
Jemena  
Multinet Gas  
TasGas Networks

# APPENDIX B:

## List of stakeholder organisations contacted during handbook development

ACOSS  
ACTCOSS  
Alternative Technology Association  
Anglicare  
Australian Chamber of Commerce & Industry  
Australian Energy Regulator  
Australian Industry Group  
Australian Local Government Association  
Brotherhood of St Laurence  
Business Council of Australia  
Business SA  
Commonwealth Association of Legislative Counsel  
Canegrowers  
Centacare  
Choice  
Clean Energy Council  
Colony 47  
Consumers SA  
COTA  
COTA QLD  
COTA TAS  
COTA SA  
Consumer Utilities Advocacy Centre  
DCSI Affordable Living Programs  
Department of Economic Development, Jobs, Transport and Resources  
Department of Industry and Science  
Department of State Development  
Department of State Growth  
DEWS  
Economic Regulator  
Energy and Water Ombudsman  
Energy and Water Ombudsman SA  
Energy and Water Ombudsman Victoria  
Energy Consumers Australia  
Energy Consumers Coalition of South Australia  
Energy Ombudsman  
Energy Users Association of Australia  
Energy Retailers Association of Australia  
Essential Services Commission  
Ethnic Communities Council of Victoria  
Ethnic Communities Council of NSW  
Energy and Water Ombudsman NSW  
Good Shepherd  
Local Government Association of QLD  
Local Government Association SA  
Migrant Resource Centre  
Multicultural Communities Council SA  
NCOSS  
NSW Aboriginal Lands Council  
NSW Business Chamber  
NSW Farmers  
NSW Local Government Association  
Office of the Tasmanian Economic Regulator  
Primary Producers SA  
Property Council of Australia  
Property Council SA  
Public Interest Advocacy Centre  
QCOSS  
Queensland Farmers Federation  
QLD Chamber of Commerce and Industry  
QLD Resources Council  
QLD Consumers Association  
SA Chamber of Mines and Energy  
SACOSS  
Salvation Army  
South Australian Wine Industry Association  
St Vincent De Paul  
TasCOSS  
Tasmanian Farmers and Graziers Association  
The Energy Project  
Total Environment Centre  
Trade and Investment NSW  
Urban Development Institute of Australia QLD  
Uniting Care Australia  
Uniting Care South Australia  
VCOSS





ELECTRICITY NETWORK  
TRANSFORMATION ROADMAP

