



**ENA**

**CONSUMER ENGAGEMENT IN THE ENERGY NETWORK SECTOR  
SACOSS CONSUMER ENGAGEMENT CONFERENCE**

**18 AUGUST 2015**

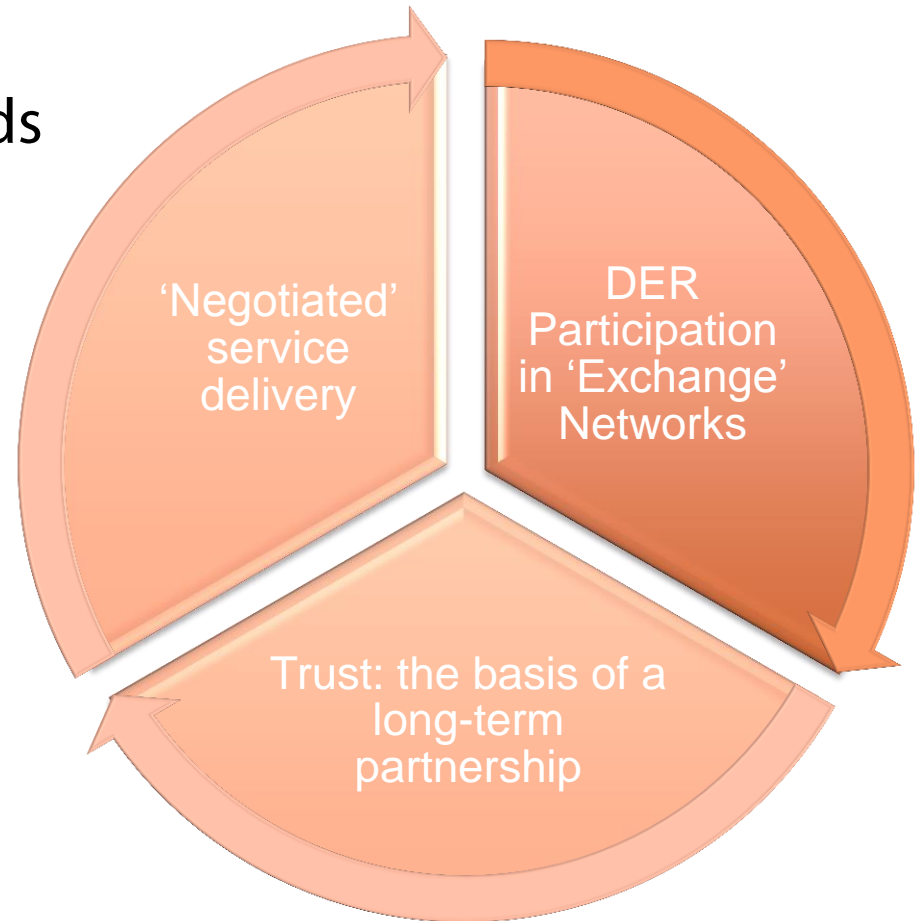
## ENA's national perspective

- ENA supports the **flexibility** of the AER Guideline...
- Engagement should be **accessible**, **meaningful** and **transparent** about what can be influenced, and how views were considered.
- Engagement requirements should **not be duplicative** and should recognise time commitments of consumers.
- Energy network businesses are **responsible** for their customer relationship, not a regulatory intermediary, retailer or other service provider.
- Regulatory frameworks should not inhibit the ability of networks to **meet changing consumer needs**



## Statements of the 'new' Obvious

- Energy networks exist to serve their customer needs
- A Transforming Relationship :



## Statements of the 'new' Obvious

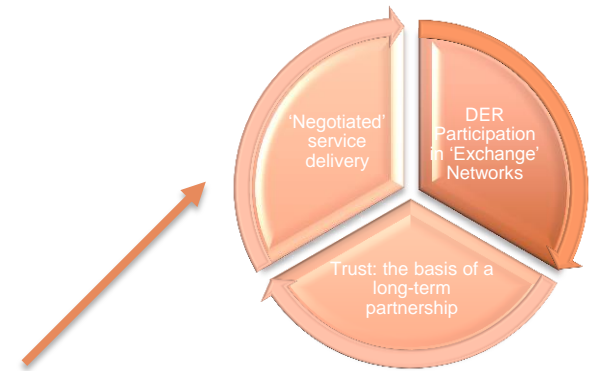
- Energy networks exist to serve their customer needs
- A Transforming Relationship :

Five year  
business  
plans

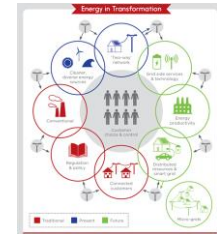
Infrastructure  
Planning

Design of  
Products and  
Services

Reliability  
Investment



# TWO WAY NETWORKS....



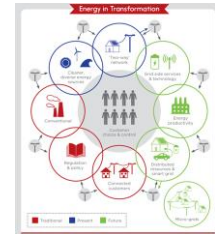
1. Structured engagement processes in development of regulatory proposals, pricing, infrastructure planning and reliability investment.



## TWO WAY NETWORKS....

### 2. Interactive customer websites –

- “Connecting with you” (Energex),
- “Talking Power” (SA Power Networks),
- “Your power, your say” (Networks NSW) and
- “Talking electricity” (CitiPower and Powercor Australia),
- “Energy Easy” (United Energy).

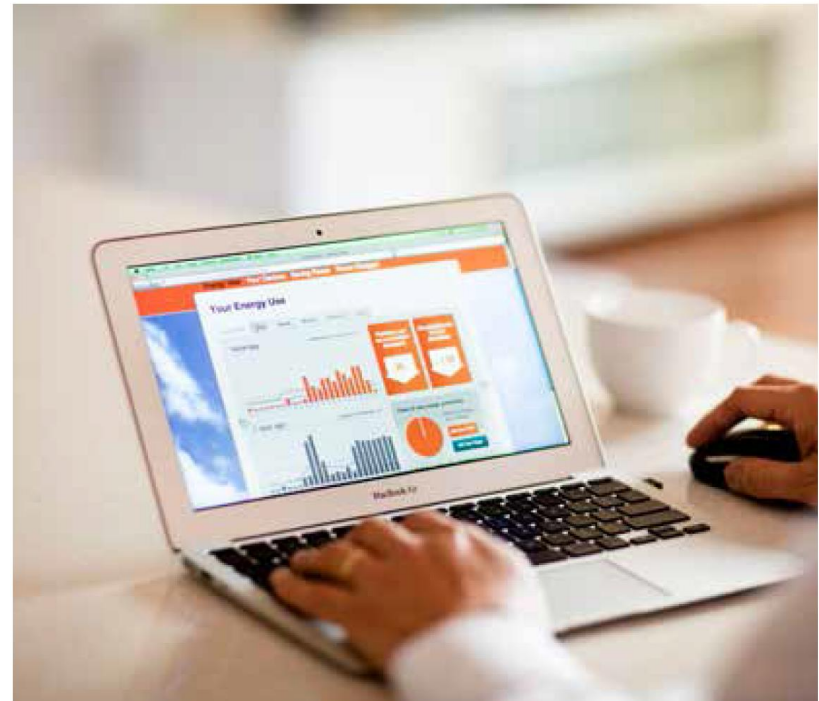
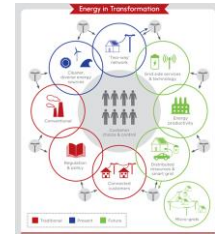


## TWO WAY NETWORKS....

3. Revitalising existing network business customer advisory groups.

4. Enhanced portals, platforms & social media provide:

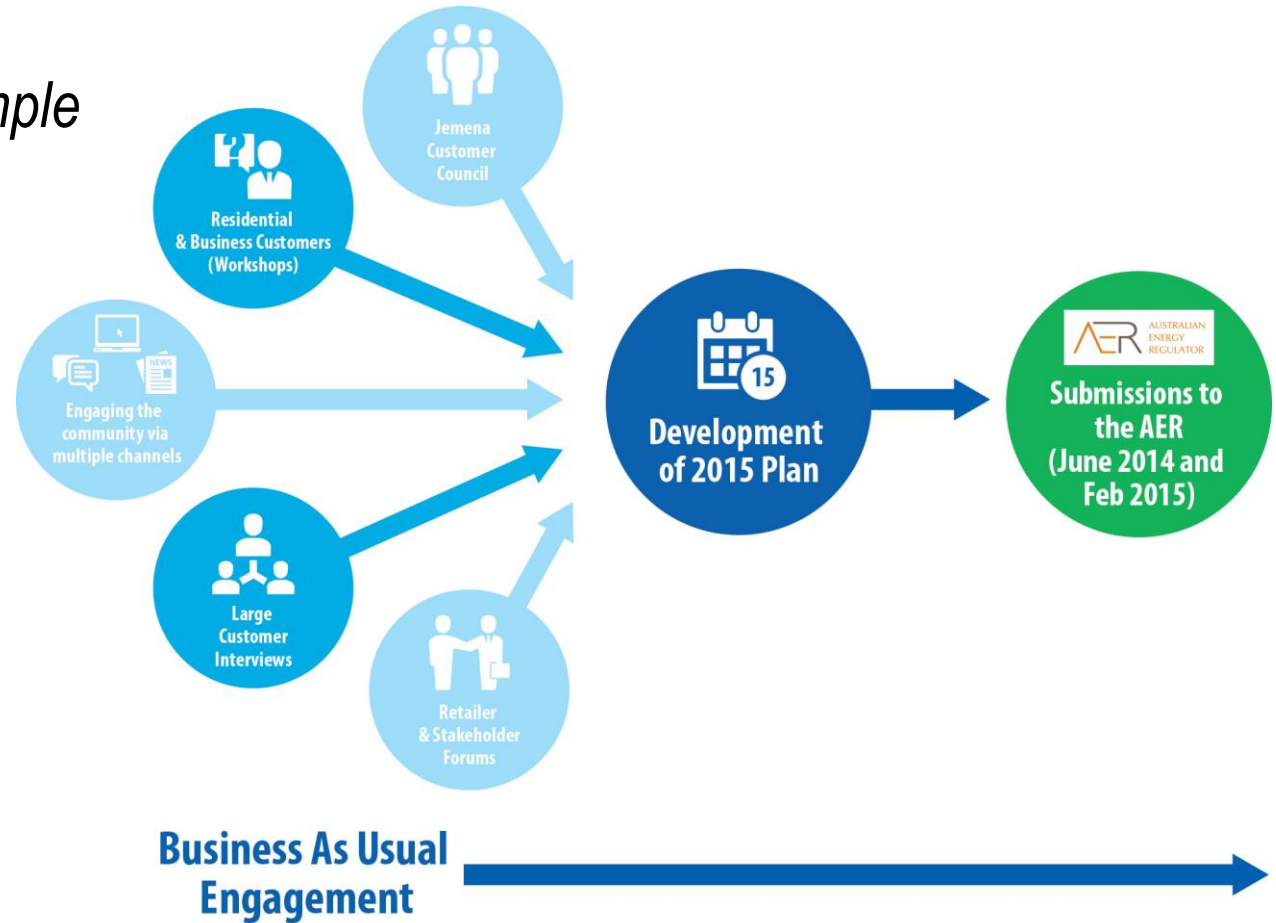
- opportunities to take control of energy use
- real time customer information on network performance.





# REGULATORY ENGAGEMENT

*A Jemena Gas Example*

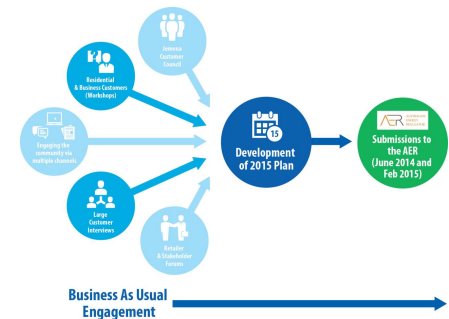




# REGULATORY ENGAGEMENT

Customers engaged on key issues...

- Current levels of safety and service and whether Jemena should invest in a universal level of service;
- proposed investments to manage expected changes to Australia's gas markets;
- whether and to what extent Jemena should focus on attracting new customers, including by network extensions;
- options for the profile of cost recovery and pricing structures.

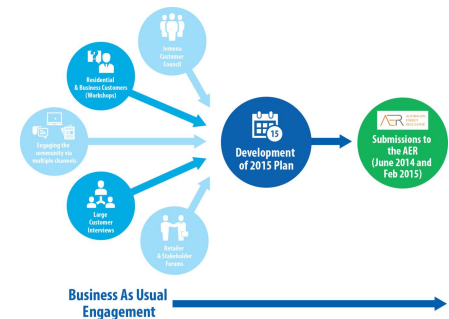


# REGULATORY ENGAGEMENT

Well received in regulatory process...

## AER found:

- *identified and understood the relevant 'end user' or consumer cohorts.*
- *tailored engagement strategies to meet the needs of differing consumer groups.*
- *build consumer's ability to participate.*
- *clearly explained the role of consumers and how their input will influence decisions.*
- *developed and published a range of key performance indicators.*
- *provided strong internal engagement by having senior managers present at all meetings.*
- *clearly articulated the outcomes of their consumer engagement process.*



# SIGNIFICANT RESOURCES CAN BE INVESTED...

eg. SAPN Consumer Engagement Program

*Stage 1: Research (since 2012):*

- *Preliminary Stakeholder Perception surveys*
- *Stakeholder and Industry Consumer Workshops*
- *An Online Consumer Consultation Survey*
- *Bilateral Engagement with Key Stakeholders*

*Stage 2: Strategy – which included:*

- *Targeted Strategic Workshops*
  - *Another round of Stakeholder and Consumer Workshops*
  - *Further Bilateral Engagement with Key Stakeholders*
  - *A Targeted Willingness to Pay Survey*
  - *Development of a set of Directions & Priorities based on the information gained from Stage 1 and the activities above in Stage 2*
  - *Conduct of a set of Directions & Priorities briefings and a formal Directions & Priorities Consultation process*
  - *The development and conduct of a Service-Price Research survey with input from the Directions & Priorities consultation process*
  - *Development of the SAPN Regulatory Proposal, which was submitted to the AER in October 2014.*
- *Stage 3: Regulatory –submittal of the Regulatory Proposal*

# SIGNIFICANT RESOURCES CAN BE INVESTED...

## eg. SAPN Regulatory Proposal – Chapter 6

*ORC International: SAPN Customer Management Model Study – regulatory summary, February 2013 (attachment 6.1)*

*Deloitte: SAPN Stage 1 Stakeholder & Consumer Workshop Report, July 2013 (attachment 6.3)*

*Deloitte: SAPN Stage 1 Online Consumer Survey Report, July 2013 (attachment 6.5)*

*Deloitte, SAPN Stage 2 Stakeholder & Consumer Workshop Report, December 2013 (attachment 6.7)*

*The NTF Group: SA Power Networks Targeted Willingness to Pay Research Findings, July 2014 (attachment 6.8)*

*The NTF Group: Estimating Community Willingness to Pay – February 2009 (supporting document 6.12)*

*SAPN: Discussion Paper – Directions for vegetation management, SAPN's long –term plan for managing trees near power lines, March 2014 (attachment 6.9)*

*Local Government Association of South Australia: Submission – Directions for vegetation management, June 2014 (supporting document 15.1)*

*SAPN: The South Australian Distribution Network, Directions and Priorities 2015 to 2020, May 2014 (attachment 6.10)*

*SAPN: Directions and Priorities 2015 to 2020 consultation – submissions, June 2014 (supporting document 6.11)*

*The NTF Group: Service-Price Research Findings, October 2014 (attachment 17.3)*

*The supporting materials listed in Attachment B were:*

*SAPN RE: AER SAPN 031 – Consumer Engagement, March 2015*

*The NTF Group Service-Price Research Questionnaire, October 2014*

*The NTG Group Targeted Willingness to Pay Survey Instrument, undated*

*Deloitte, Stage 1 Online Consumer Survey Questionnaire, 2013*

## FOR A DISPUTED RESULT...

AER's Oakley Greenwood review :

- Recognised Robust statistical method, sample size etc
- Recognised SAPN had confirmed WTP on the questions asked
- Queried whether sufficiently broad testing of other priorities
- Queried whether other rankings were possible?

Raises challenging issues about the capacity of the regulatory process to second-guess the outcome of engagement:

- Alternative approaches to determining majority view – should majority rule?
- Questions raised premised on surprise at consumer response:
  - Did consumers really know what they were responding to ?
  - What if it it doesn't align with AEMO's VCR?

# DETERMINING THE ‘REAL’ VOICE OF THE CONSUMER...?

**Our conclusion:** it is difficult for the AER to conclude, from any AER engagement with customer representatives, that our proposal does not reflect a service and price offering that promotes our customers’ long-term interests.

Activity	Target customer cohorts	JGN		AER	
		Engagement level	Outcomes	Engagement level	Outcome
JGN CC	Vulnerable, residential, small business, large customers, retailers	<p>Meetings with our CC were a primary means of engagement across issues that affect our entire customer base. Therefore, we engaged the CC on a broad range of issues related to our safety and services levels, our forecast costs and our proposed prices. Some of these specific issues were:</p> <ul style="list-style-type: none"> <li>how we should engage with our customers and on what issues (<i>involve</i>)</li> <li>how our distribution gas prices are determined, including the regulatory framework and the role of the AER, and the role of other market participants in the gas supply chain, including retailers, and IPART (<i>inform</i>)</li> <li>how we should accommodate changes that are occurring in the gas market, and what aspects of the ‘customer experience’ we</li> </ul>	<p>Taking into account CC feedback we have:</p> <ul style="list-style-type: none"> <li>conducted the deliberative forums discussed in Section 2 to engage directly with a representative sample of our customers</li> <li>committed to maintaining safety levels as our non-negotiable top priority</li> <li>proposed maintaining current service levels for most of our customers</li> <li>proposed improving service levels where necessary to provide a universal level of service</li> <li>considered our prices in the context of the total cost of gas and likely end-retail prices over the 2015 period</li> <li>proposed placing downward pressure on end-retail prices, particularly in later years of the</li> </ul>	<p>AER staff attended two out of JGN’s various CC meetings:</p> <ul style="list-style-type: none"> <li>As an observer at a meeting of JGN’s customer council and site inspection when the CCP met with our CC to ask questions about JGN’s engagement (<i>observe</i>)</li> <li>As a presenter to inform JGN’s CC of the draft decision. (<i>inform</i>)</li> </ul>	<p>Unclear how feedback from the CC has influenced the draft decision.</p>

## DETERMINING THE ‘REAL’ VOICE OF THE CONSUMER...?

### NNSW:

- AER Draft decision made tradeoff proposals without engagement:
  - reduce replacement expenditure and accept greater risk and higher rates of asset failure
  - more efficient to have more local service interruptions at local level with customer compensation
- Statistically robust IPSOS Modelling using DCE rejected due to framing of question;
- Yet Ausgrid experts concluded 7.3% increase in SAIFI and a 25% increase in SAIDI by 2020.

### ENERGEX:

- AER Draft Decision instituted upfront meter charges without consultation.

*“Energex did not propose in its original proposal to charge upfront for new or upgraded metering installations but will apply the AER’s preliminary decision to charge upfront. **This represents a significant change to Energex’s original proposal for which there has been very little consultation or engagement.** Energex has continued reservations regarding customer impacts, noting that charging upfront may potentially reduce the take-up of solar PV and controlled load tariffs.”*

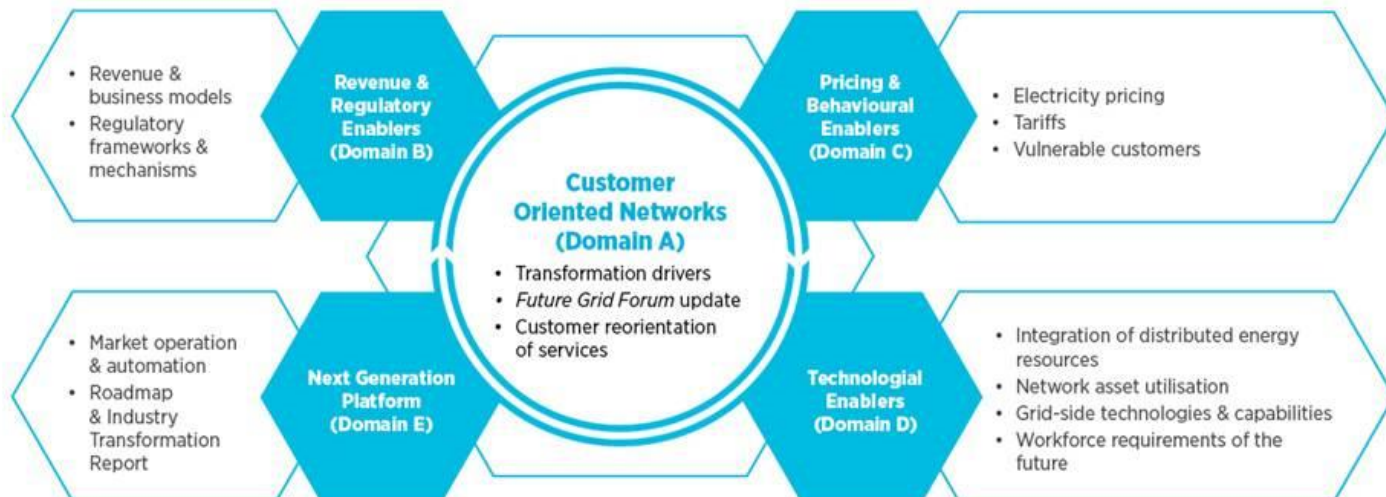


# **BUILDING CAPACITY FOR NETWORK ENGAGEMENT**

# NETWORK TRANSFORMATION ROADMAPING PROJECT

## > Three key Elements

- Reorienting services to the Consumer
- Industry Guideline for Network Tariff Reform
- Consumer Engagement Best Practice Guidance

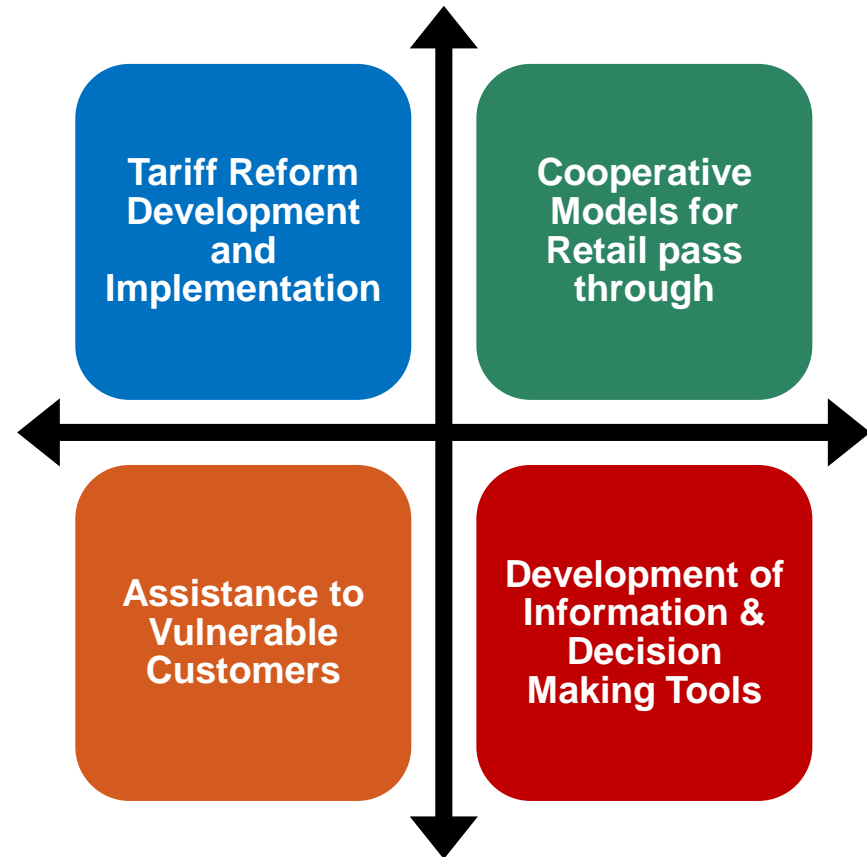


## CONSUMER ENGAGEMENT BEST PRACTICE GUIDANCE

- > **Consumer Engagement Handbook** will be developed to provide best practice guidance to energy network businesses for engaging with their customers.
- > Goals of the handbook are:
  - Provide best practice guidance to energy networks for engaging with customers
  - To identify meaningful performance measures, to promote consistency and allow tracking of engagement over time
  - Provide a foundation for the evolution of engagement ongoing information sharing and continuous improvement
  - complement the existing AER Consumer Engagement Guideline for Network Service Providers, rather than replicate its content

## AN INDUSTRY GUIDELINE FOR NETWORK TARIFF REFORM

- > During 2015, electricity networks will work with stakeholders to identify good practice in key aspects of tariff reform, through case study and consultation.
- > Consultation underway on **Options to Support Vulnerable Customers**
  - Support for a National Review of Government Assistance
  - Network Tariff Design Options
  - Supporting Tools and Measures



# More information

