

03 November 2017

COAG Energy Council Secretariat
GPO Box 787
Canberra ACT 2601

Consumer participation in revenue determinations and associated regulatory processes - Consultation Paper on Consumer Resourcing

Dear Secretariat,

Energy Networks Australia welcomes the opportunity to provide a response to the COAG Energy Council's Consultation Paper on Consumer Resourcing in relation to Consumer participation in revenue determinations and associated regulatory processes.

Energy Networks Australia is the national industry body representing businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

The energy network sector has strongly promoted the benefit of improved consumer engagement to policy makers and regulators, both for regulatory network determination processes and to embed consumer engagement in the culture of network businesses to ensure networks deliver the services that consumers value.

Since 2012, a number of steps have been taken to improve consumer representation in the energy market. The key reforms have included a more coherent model for consumer engagement in regulatory determinations and the establishment of a national representative body – Energy Consumers Australia (ECA).

In addition, network businesses have invested in capacity building across the sector. The recent Electricity Network Transformation Roadmap (Roadmap) highlighted key actions to share engagement practice and industry wide evaluation. The [Customer Engagement Handbook](#) highlighted a range of customer engagement techniques to enable businesses to make choices that genuinely reflect the needs of their customers.

During the Roadmap process, networks agreed to a shared commitment to embed consumer engagement as a core feature of their business model, rather than a regulatory compliance process. While assessments of the effectiveness of consumer engagement for regulatory proposals has been controversial at times since 2012, some recent processes have seen strong consensus. They provide signposts that demonstrate the ability to align customers and businesses requirements that also gains the support of the Australian Energy Regulator (AER).

In addition, the AER, Energy Networks Australia and ECA have recently announced a collaborative project to develop an alternative path for network businesses to take in building their regulatory proposals, and for the AER in approving those proposals. This initiative aims to explore ways to improve sector engagement and to identify opportunities for regulatory innovation. The goal is to undertake a trial in the

development of one or more network businesses' revenue proposals in the near future, and consider further reform opportunities. This process may identify reform opportunities, including possible changes to the *National Electricity Rules* and *National Gas Rules*.¹

In this context, Energy Networks Australia supports further investigation by the COAG Energy Council of options to improve resourcing available to consumer groups. Recent reforms have seen positive results in encouraging greater consumer participation in energy policy and regulatory processes, however we recognise this places subsequent pressure on consumer advocate resourcing and their ability to participate in the increasing number of processes being pursued, both by regulatory institutions and by network businesses.

Consumer groups represent diverse interests. These include large industrial users, household consumers with a mix of preferences, in addition to low income and vulnerable consumers. Many consumer advocates are limited in their resources, and also undertake work on a range of issues outside the energy sector. The mixed characteristics and preferences of consumers make it a challenging engagement task due to varied customer needs and perspectives on desired outcomes - as well as the need to account for the interests of future consumers.

Determining an appropriate level of funding is a matter that deserves full and open consideration, as is a model to ensure that it is used effectively. While consumer groups are best placed to identify preferred models of funding to support the services and engagement they undertake, Energy Networks Australia is keen to engage with this process and work collaboratively with consumer advocates, particularly where detailed models are proposed by parties.

While funding is important, a full range of other factors needs to be considered in driving effective engagement. Addressing consumer education is vital. Better understanding of the regulatory framework, revenue determinations and network operations will boost the effectiveness of consumer engagement and lead to better outcomes.

This is essential for network businesses to continue to work with consumer advocates to innovate and trial a range of engagement approaches. Energy network businesses are currently proactively undertaking a range of consumer engagement activities. As summarised in the figure below, this is evident in the use of consultation forums and customer councils, structured and informal engagement in infrastructure decisions and pricing frameworks, social media engagement, web portals and cost/service trade off research.

¹ <https://www.aer.gov.au/communication/working-together-to-improve-engagement-on-network-revenue-proposals>

Figure 1 Network Use of Consumer Engagement methods (November 2017)

Survey of consumer engagement methods used by Australian energy networks

November 2017

An update on the catalogue of energy network business engagement tools by the AER's Consumer Challenge Panel (2014).

Method	ActewAGL	ATCO Gas Australia	Ausgrid	AusNet Services	Australian Gas Networks	CityPower	ElectraNet	Endeavour Energy	Essential Energy	Energex	Ergon Energy	Horizon Power	Jemena	Multinet Gas	Powercor	Powerlink Queensland	SA Power Networks	Tasgas	TaskNetworks	Transgrid	United Energy	Western Power
Online survey	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Telephone surveys	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Directions & priorities paper	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Consultation paper	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Customer Council meetings	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Listening sessions	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Consumer workshops	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Customer discussion groups	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Focus groups	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Stakeholder meetings	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Targeted strategic workshops	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Pricing methodology/tariff structure	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Website	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Facebook campaign	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Customer commitments/charter	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Customer engagement strategy	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Media releases	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Stakeholder letters	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Research	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Willingness to pay research	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Cost trade off research	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Media analysis	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Online monitoring	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Broad social media campaign	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Advertising	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Customer segmentation	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Industry and university seminars	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Local community initiatives	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Peer review	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Advisory panel	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Online engagement	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Leveraging existing forums	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Landholder engagement	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Webinar	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Deliberative forums	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Choice modelling	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲

These initiatives will promote knowledge sharing, innovation, tailored approaches and experimentation. However, the breadth and number of initiatives being undertaken will require well-resourced advocates to partner with networks to improve consumer engagement over time.

Should you have any additional queries, please contact Garth Crawford, Executive Director Regulation, on (02) 6272 1555 or gcrawford@energynetworks.com.au.

Yours sincerely,



Andrew Dillon
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