



# FINAL DECISION

## Stakeholder Engagement Framework

September 2017

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# 1 Introduction

The AER recognises that the decisions we make and the actions we take in performing our regulatory roles and other activities affect a wide range of individuals, businesses and organisations. Effective and meaningful engagement with stakeholders across all our functions is essential to fulfilling our role, and it provides stakeholders with an opportunity to inform and influence what we do. It helps us to make better decisions, enhances the transparency and predictability of our regulatory activities and processes and builds stakeholders' trust and confidence in the regulatory regime.

We introduced a Stakeholder Engagement Framework (the "Framework") in 2013. It aims to improve the quality of our engagement, embed a consistency around how we communicate and engage with stakeholders, and enable flexibility to tailor our approach to the circumstances. The results of our latest stakeholder survey indicate much greater stakeholder satisfaction with our consultation and engagement since the Framework was put in place.

We are committed to continually improving the quality of our engagement. As part of this commitment, we have reviewed the Framework to make sure it remains relevant and effective.

We commenced the review of the Framework in October 2016 by inviting preliminary views from stakeholders on the Framework and how we could better meet stakeholders' expectations. We then undertook extensive follow-up engagement with stakeholders, both together and individually.

We published our draft Framework in June 2017 which set out our proposed changes to the Framework and provided an opportunity for stakeholders to give us further feedback. We explained how the feedback received had influenced the draft revised Framework and our proposed steps to implement it.

We received seven submissions on the new draft - from consumers and consumer bodies, regulated businesses and an ombudsman - which we have published on our [website](#).

These submissions reflected the wider support for a principles-based approach. Some submissions did however propose amendments to the principles, while others proposed additional principles.

Stakeholders also welcomed the inclusion of clear and specific actions which illustrate how we intend to implement these principles in our engagement. Some submissions proposed more collaboration between AER and stakeholders, with others making suggestions about the AER's communications more broadly. Some stakeholders reinforced the value of feedback about how submissions have influenced AER decisions.

This paper explains our reasoning behind the new version of the Framework, and how we have taken submissions into account in finalising it. It also explains how we apply

the principles in the Revised Framework to help improve the effectiveness of our engagement.

The new Framework is included at Attachment A. We will seek to apply this framework with immediate effect. We will continue to welcome feedback on an ongoing basis about our engagement.

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## 2 How feedback has informed the revised Framework

In reviewing the Framework, we have sought to take account of the views of all stakeholders. We received several submissions from stakeholders on the draft Framework which have again influenced and informed the revised Framework. We received submissions on:

- Principles
- Engagement approaches and objectives
- How we will use feedback from stakeholders to improve the effectiveness of our engagement

These are discussed in more detail below.

### 2.1 Principles

The AER has a variety of roles and functions, and we engage with stakeholders in various different processes and forums. We have therefore sought to make the Framework principles-based to allow flexibility to tailor engagement to the needs of these different roles and functions. Each of the four principles helps clarify the purpose of the AER's engagement with stakeholders and guide how that engagement occurs.

Stakeholders generally considered that a principles-based approach is appropriate to support effective engagement, allowing the AER sufficient flexibility to use different approaches for different projects and processes. Most stakeholders were supportive of the principles of engagement that we proposed in our draft revised framework. There was general support for a small targeted number of principles, rather than a longer list. We have therefore maintained this approach.

In our consultation document on the draft Framework (consultation document) we indicated we would welcome stakeholder views on the principles proposed in consultation or any other additional principles not already covered in the draft Framework. In response, some stakeholders suggested amendments to the existing principles, while others proposed new principles. We do not support adding new principles, which we consider would diminish their overall impact and make them less easy to use, but we do think that the suggestions about content are helpful and so we have decided to make some changes to the current principles. The proposed changes and where we have made amendments are discussed below.

#### *Principle 1 – Communicating in a clear, accurate and timely way*

This principle refers to our commitment to using plain language and providing communication in a way that will help stakeholders understand the issues. The benefit is to allow all stakeholders to participate in our processes and make informed contributions within a reasonable time.

Stakeholders indicated that they were generally satisfied with this principle and the way that the AER expressed it. We did not receive any specific comments which proposed amendments to this principle. We did, however, receive several comments about how we might implement this principle. These submissions are considered in detail at section 2.3 below which discusses implementing the principles.

*Principle 2 – Being accessible, proactive and inclusive*

Some stakeholder groups need assistance to understand the issues and their impact, and to participate in our processes. We will be flexible and consider tailored engagement approaches. We will be proactive and inclusive to encourage participation and seek to assist building the capacity of stakeholders to allow them to make effective contribution.

One stakeholder suggested that the AER include a proactive consumer engagement principle. They considered that as the AER does engage proactively with consumer groups, this would better reflect the AER's approach.

Effective consumer engagement is an important part of how we work, and in the consultation document we committed to taking a proactive approach, for example tailoring our communication to meet particular needs and building consumer organisation capacity where necessary.

We have therefore decided to amend Principle 2 to 'Being accessible, proactive and inclusive'. This change is reflected in our final revised Framework.

*Principle 3 – Transparent and Accountable*

One stakeholder suggested that the heading for Principle 3 should be changed from 'Transparent' to 'Transparent and Accountable'. The stakeholder considered that accountability is a more demanding standard than transparency and reflects a desire to want customers and stakeholders to understand what is going on and actively guide them.

Our explanation of how we will implement these principles includes that we will:

- Report on how stakeholder input was considered and how it informed our decision or process
- Report on our engagement activities, and their effectiveness, on our website and in our annual report.

By reporting on and evaluating our engagement activity, we are showing that we intend to be accountable for our stakeholder engagement.

We therefore consider it is appropriate to adopt the heading, 'Transparent and Accountable', for Principle 3. This change is reflected in our final revised Framework.

#### *Principle 4 – Measuring and evaluating the effectiveness of our engagement*

This principle captures that we need to be able to evaluate and review our engagement activities. We will encourage stakeholders to provide us with feedback so that we can continuously improve our engagement.

One stakeholder suggested that Principle 4 should be changed from 'Measure' to 'Feedback and Evaluation'. The stakeholder considered that the AER is actually providing continuous informal feedback, formal qualitative engagement, and structured quantitative research and evaluation.

Another submission suggested that the AER measures the effectiveness of its targeted communication to facilitate 'accessible and inclusive' consultation, with particular reference to consumer advocates and community welfare organisations.

We agree that the revised Framework contemplates that we will do more than just 'measure' engagement. Further, we should evaluate the effectiveness of our targeted communication to work towards more accessible and inclusive consultation. We will seek feedback on our engagement activities and use this information to improve continuously.

We therefore consider it is appropriate to incorporate this into the heading for Principle 4. We have amended the heading to 'Measuring and evaluating the effectiveness of our engagement'. This change is reflected in our final revised Framework.

## **2.2 Engagement approaches and objectives**

In our draft revised Framework, we proposed descriptions of four approaches to engagement we may use depending on our role and responsibilities, the issue or decision being considered and what we are trying to achieve. These approaches are to:

- provide information to build understanding and keep stakeholders informed
- seek stakeholder views and provide feedback on how stakeholder input informed our decision
- work with stakeholders to reflect their views in the options, solutions and approaches developed and provide feedback on how this influenced our decision
- partner with stakeholders for advice and innovation in developing solutions and recommendations and incorporate this into the decision.

Most stakeholders commented positively on the draft Revised Framework engagement approaches. Some submissions proposed amendments to our engagement approaches or proposed additional actions.

Stakeholders also welcomed the Framework outlining clear and specific actions which illustrate how the AER intends to implement these principles in its engagement.



### *Reconsider 'Empower'*

One stakeholder suggested that the AER reconsiders whether it should include 'empower' consumers as an approach.

The 2013 Framework used a Stakeholder Engagement Spectrum based on the International Association for Public Participation's (IAP2) public participation spectrum ([www.iap2.org.au](http://www.iap2.org.au)) to indicate the different levels of engagement we may use. This spectrum has five levels: 'Inform', 'Consult', 'Involve', 'Collaborate' and 'Empower'.

In the consultation document we noted that the IAP2 public participation spectrum is a valuable tool in engagement. However, we decided to rework the spectrum in the revised Framework so that we could be clear about the potential engagement options open to us for most of our work.

We noted that while we aim to 'empower' consumers to make effective energy choices, we are generally not able to hand over our regulatory decision-making role, which is the definition of 'empower' in the spectrum. Therefore we did not refer specifically to empowerment in our engagement approaches and objectives in the draft revised Framework.

Having reflected on this further, we still think that it would be best not to include 'empower' at this point, as this would potentially mislead stakeholders about what we are likely to be able to do. We will of course continue to strive to empower individual consumers to make effective energy choices through our retail market work, and consumers are to an extent empowered through our provision of information about business and market performance.

We are also looking for ways to empower consumers more in regulatory decision-making, alongside existing mechanisms such as our Consumer Challenge Panel. We are for example currently doing some collaborative work with Energy Consumers Australia and the Energy Networks Association to develop an 'alternative path' for network businesses to take in building their regulatory proposals, which will involve greater consumer engagement.

Although we have decided not to make a change to include 'empower' in our engagement approaches and objectives at this point, we will keep this under review as the regulatory regime develops.

### *More collaboration between AER and stakeholders*

Stakeholders commented positively on the AER's approach, that we will work with stakeholders to reflect their views in the options, solutions and approaches developed and provide feedback on how this influenced our decision

Several stakeholders commented that there is an opportunity for businesses and the AER to work together to provide helpful and relevant information to stakeholders to continue to build their knowledge base of the regulatory regime and energy industry more broadly. Another commented that with the likely removal of the Limited Merits

Regime, the industry needs to consider more collaborative and innovative ways of working together, as well as with stakeholders

Stakeholders agreed with the AER's intention in the draft Framework that we tailor our engagement and include more engagement at the staff level with stakeholders. Such engagement may be either in place of or as a supplement to formal engagement (such as written submissions)—for example holding meetings between AER and NSP staff and other stakeholders as appropriate to explore a specific issue in a deeper, more deliberative manner.

We will continue to explore opportunities to work more collaboratively with all stakeholders. Where possible we will use staff-level engagement as a tool to assist stakeholders. This can be a good way of gaining a deeper understanding of issues and exploring alternative approaches to issues. We note that we will only make regulatory decisions after we have consulted on and provided opportunity for all stakeholders to put forward their views.

## **2.3 How we will use feedback from stakeholders to improve the effectiveness of our engagement**

Stakeholders welcomed the Framework outlining clear and specific actions which illustrate how the AER intends to implement these principles in its engagement. Several submissions commented on things the AER currently does well. Some made suggestions for improving the effectiveness of engagement. These comments were around how the AER communicates its message and how the AER provides feedback to stakeholders which demonstrates how they have influenced the AER's decision-making process.

### *Communication*

Stakeholders commented that the subject matter of much of the material in its publications is necessarily complex and, as noted above. Stakeholders therefore welcomed the inclusion of a principle which focusses on improving communications. Stakeholders also generally welcomed the AER's efforts to promote better understanding through clear communication.

Stakeholders generally agreed that the AER could do more targeted communication to encourage informed feedback from different types of stakeholders. One stakeholder suggested that the AER could use more fact sheets, infographics and webinars to help make complex material more accessible to a wider audience. Another suggestion was that the AER consider making some of this material available in languages other than English.

We agree that we need to use a range of tools to help us to engage effectively. Over the next few months we will be investing in additional communications resources and developing new communications strategies, and we will consider these points as we do so.

Stakeholders submitted that, where possible, the AER coordinate its processes and related engagement with the other energy market institutions in order to make engagement more accessible for stakeholders. Stakeholders supported our aim, expressed in the draft Framework, of using the Energy Consumers Australia's 'Advocates Calendar', but encouraged us to ensure that changes to review timelines are communicated directly with key stakeholders. We agree with this view.

We will be working more closely with the market bodies as part of the Energy Security Board, which may provide opportunities for further coordination. We are conscious though that our timeframes are dictated to a large extent by the energy rules which do not allow for much flexibility or for us to amend timeframes.

*Provide feedback on how this influenced our decision*

Several stakeholders supported the AER looking at ways to set out clearly how stakeholder input has influenced decisions, in particular, indicating in decisions how our views have changed in response to stakeholder feedback.

Stakeholders also supported the AER's commitment to improved clarity on which areas of its network price reset decisions are able to be influenced through consultation and how consumer insights will be used. This includes whether there is more, less or equal importance placed on feedback from stakeholder groups such as consumers, advocates, the Consumer Challenge Panel and the Customer Consultative Group.

We will continue to provide guidance to stakeholders about how they can make a contribution to our regulatory processes. We will be clear about those aspects where we are looking for stakeholder input and the timeframes available.

We will always provide a clear rationale for our decisions which are based on the evidence and the merits of arguments in front of us at the time. We will always take the views of all stakeholders into account when making decisions, including the CCP and the CCG. We will give due weight and consideration to the views that they provide, based on the nature of their input.

# **A Final revised Stakeholder Engagement Framework**

# Revised stakeholder engagement framework

**Our purpose:** we work to make Australians better off, now and in the future, through independent, effective regulation and monitoring of energy markets and networks.

The decisions we make and the actions we take affect a wide range of individuals, businesses and organisations. Engaging with those affected by our work helps us make better decisions, provides greater transparency and predictability, and builds trust and confidence in the regulatory regime.

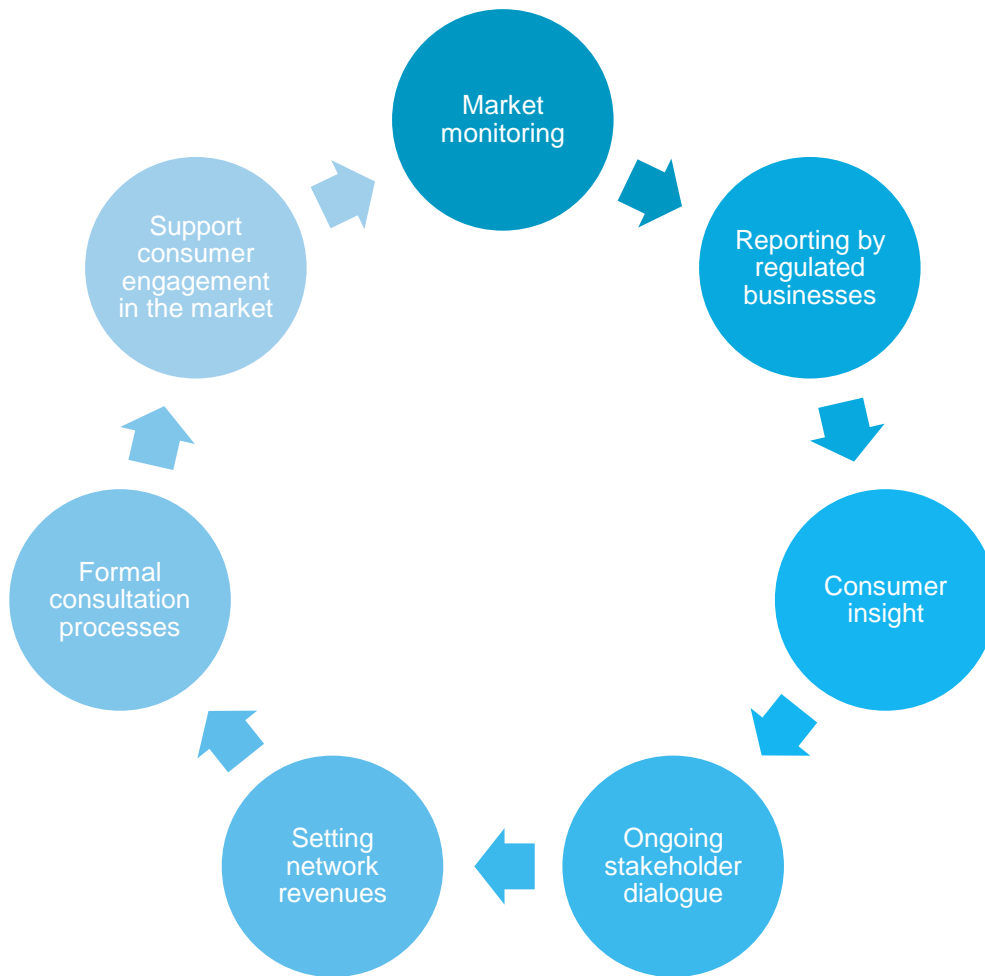
## **Stakeholder engagement helps us:**

- Sharpen our purpose
- Shape our strategic priorities, so we focus in the right areas
- Identify emerging issues in the market
- Improve our insight into businesses' and consumers' behaviour and needs
- Develop, refine and implement our interventions, so that they deliver the best outcomes for consumers
- Make best use of our resources
- Embrace the spirit of better regulation, including evaluating our own performance
- Learn from others' experiences
- Communicate effectively with both consumers and regulated businesses

## **How stakeholder engagement fits in:**

Stakeholder engagement forms a vital part of a wider regulatory approach involving reporting and monitoring, consumer insight and engagement, and formal consultation and decision-making processes as depicted in Figure 1 below.

**Figure 1 How stakeholder engagement fits in**



This Framework helps us consistently, transparently and meaningfully consider stakeholder input across our work.

**Our principles-based approach:**

- To communicate in a clear, accurate and timely way, we will:
  - Use plain language to assist stakeholders to understand issues and make informed contributions
  - Have clear and realistic timeframes for input
  - Engage through the whole lifecycle, from planning to consultation and closure, including seeking views as early as possible.
- To be accessible, proactive and inclusive, we will:
  - Be flexible and tailor our engagement and communication to meet different stakeholder needs and our various decisions, activities and processes
  - Take steps where needed to build knowledge and capacity to help stakeholders to engage.

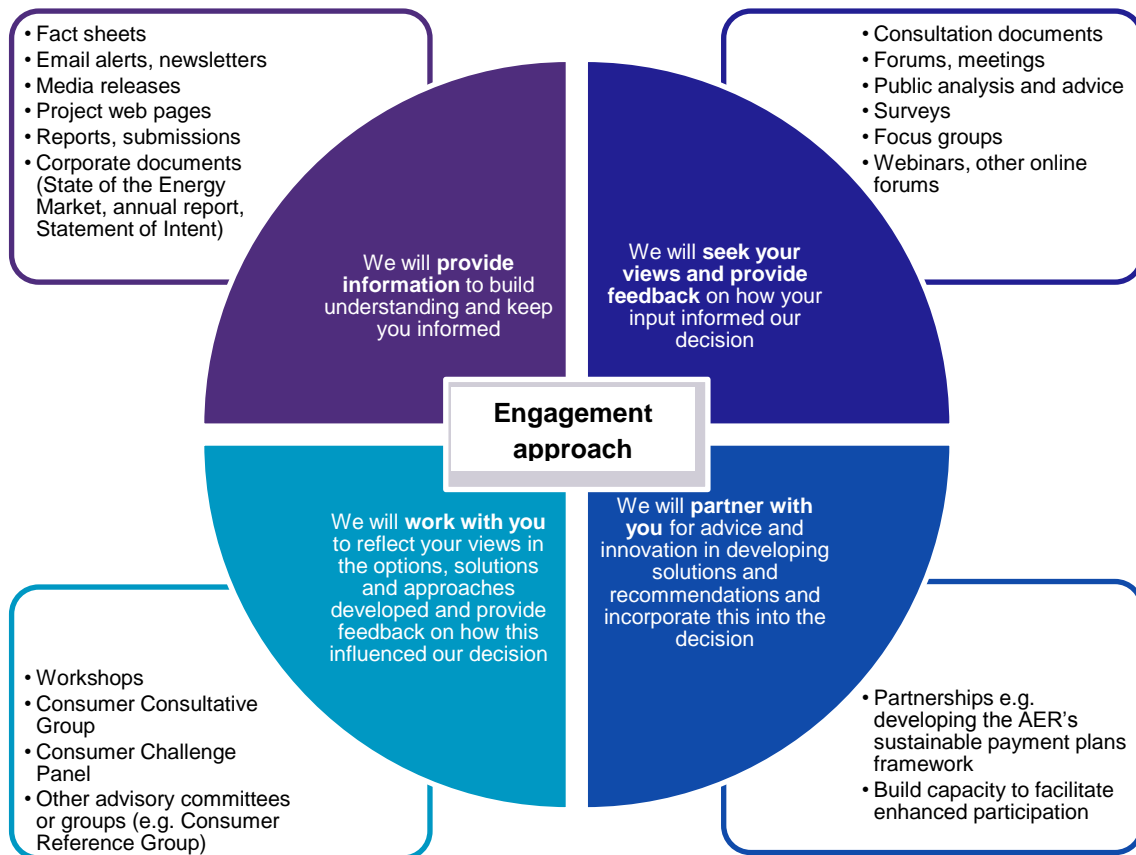
- Consider the time and resources needed by stakeholders to engage effectively, and where possible:
  - hold meetings at mutually convenient times and locations and coordinate engagement activities
  - allow at least 4 weeks for stakeholders to provide submissions
  - accept submissions in a range of formats, including written submissions, oral or emailed comments etc.
- To be transparent and accountable, we will:
  - Explain the purpose of our engagement, our objectives, and where it fits in our approach
  - Report on how stakeholder input was considered and how it informed our decision or process
  - Report on our engagement activities, and their effectiveness, on our website and in our annual report.
- To measure and evaluate the effectiveness of our engagement , we will:
  - Seek feedback on our engagement activities, using a range of methods, to evaluate their effectiveness and use this information to improve continuously
  - Monitor our progress through our stakeholder survey.

Our engagement approach: shows the different types of engagement we may use depending on the particular project or decision, and the different methods that may accompany each approach.

The engagement approach will be determined by our role and responsibilities, the issue or decision being considered, and what we are trying to achieve.

Each engagement approach involves a clear objective and promise to our stakeholders. Figure 2 sets out our commitments, with some illustrations of how we will apply these.

**Figure 2 Engagement approach**

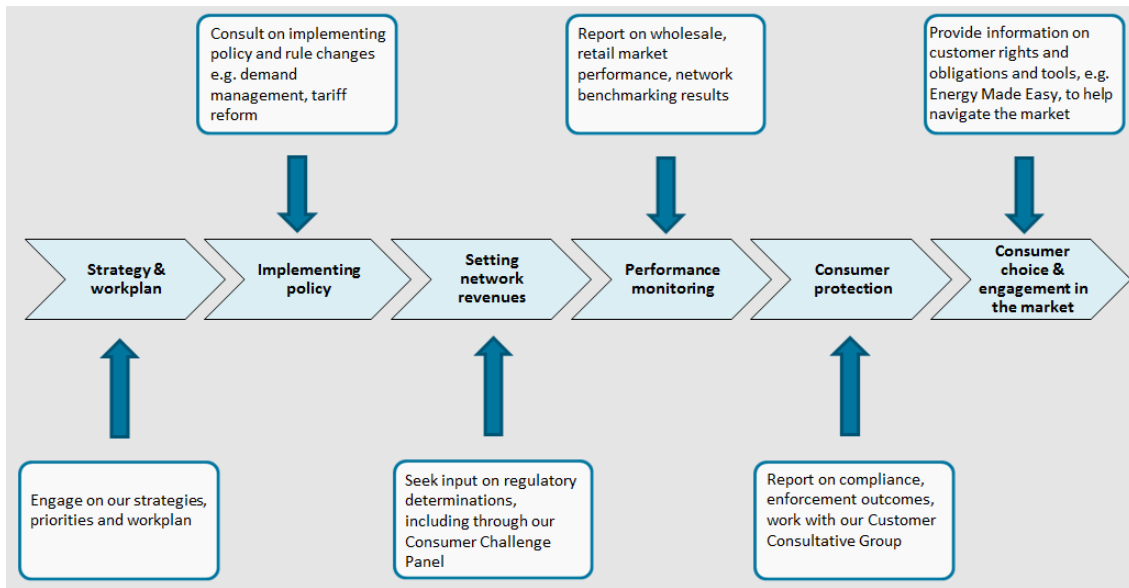


How we will engage:

Stakeholder engagement can make a positive contribution at every stage of what we do, from strategic planning to how we support individual consumers. While much of it will often be project-based, we aim to have an ongoing dialogue with our stakeholders too. Figure 3 illustrates some key points for engagement. We recognise that not every stakeholder may want or will be able to input at each point.



**Figure 3 Key points of engagement**



**Improving and learning**

We are committed to improving the effectiveness of our engagement with stakeholders over time and will monitor and measure our progress. We will periodically review this Framework, and we will always welcome input about how we can engage better and lessons we can learn from other bodies.