



AUSTRALIAN  
ENERGY  
REGULATOR

# ANNUAL REPORT 2015–16



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**PART 2**  
**STAKEHOLDER SURVEY 2016**

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Stakeholder surveys are a useful tool to seek feedback on our performance. They assist us in identifying what we do well and areas we can improve. The ratings empirically measure how we met some key performance indicators. Surveying a broad range of stakeholders and publishing the results promotes transparency and good governance.

## The 2016 survey

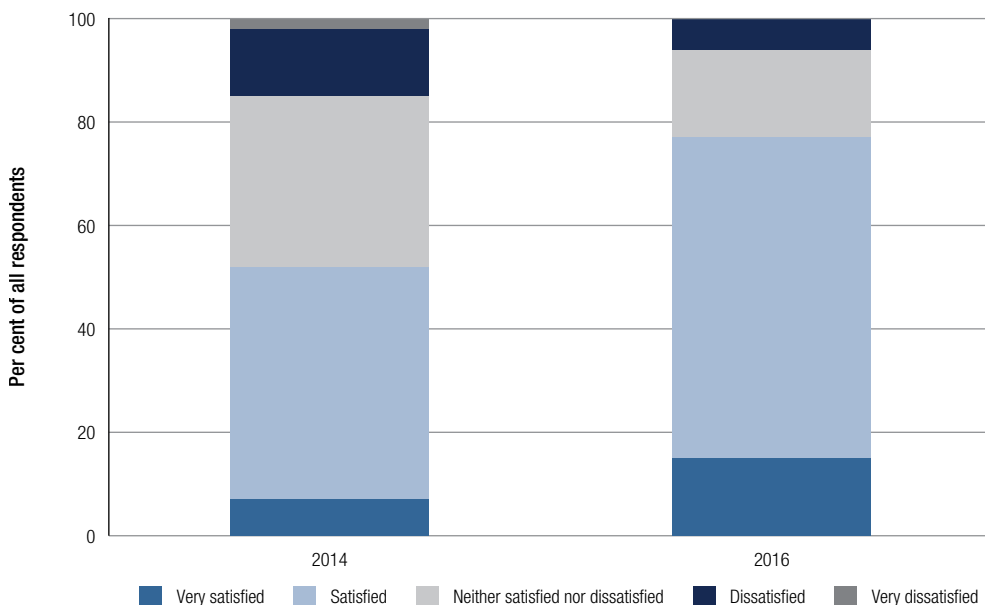
The AER recently completed its fourth stakeholder survey, inviting feedback on our performance from a broad range of stakeholders with high levels of involvement in our work. The survey, conducted by an independent research agency in April and May 2016, is an important tool in assessing stakeholders' perceptions of our performance, assisting us in identifying what we do well and where to focus our efforts to improve the way we operate. In particular, it is an important tool to assess the quality of our engagement. We recognise that good engagement is critical to our work. Our stakeholders need to trust that their input will be valued and, importantly, that the regulatory process can deliver outcomes that reflect their interests and needs.

The 2016 stakeholder survey followed a period of unprecedented workload for the AER, and came at a time of change in our operating environment, with energy market conditions creating new challenges for how we undertake our role. It was also the first opportunity to assess perceptions of our performance since the implementation of our 'better regulation' reforms in 2014. Central to these reforms was a greater focus on meaningful engagement with all stakeholders, including industry, consumers and government.

## SURVEY FINDINGS AND OUTCOMES

Overall the 2016 survey results show significant improvement, with 77 per cent of stakeholders satisfied with how effectively we perform our functions as a regulator, compared with 52 per cent in 2014 (figure 2).

**Figure 2 Overall satisfaction with AER performance of its functions as a regulator**



Source: ORIMA Research, 2016.

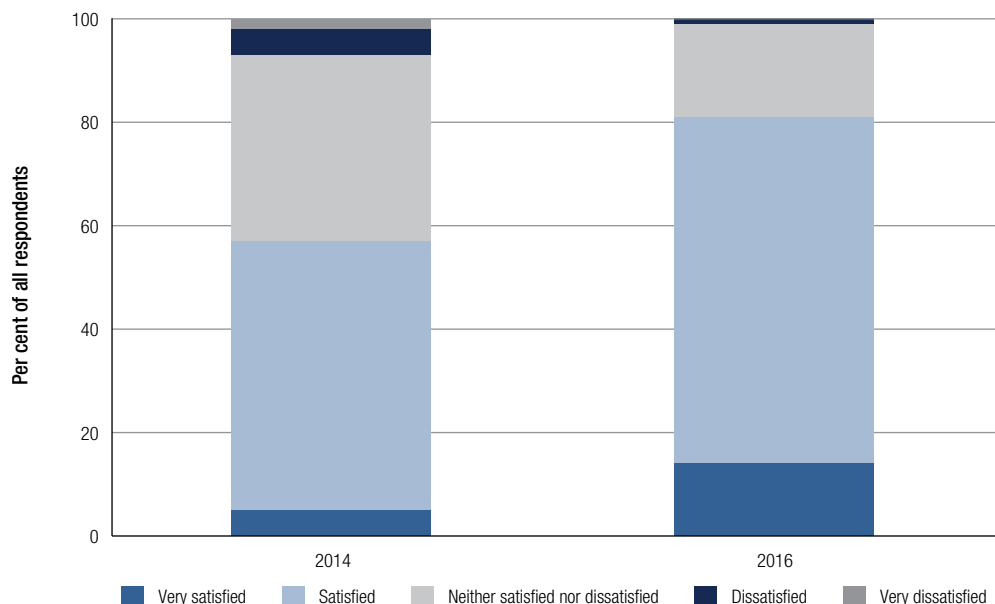
Many stakeholders acknowledged that factors outside the AER's control impact on its ability to perform its regulatory functions. They mentioned:

- lack of resourcing and funding for the AER, given our workload
- restrictions in relation to the regulatory framework in which the AER operates
- impacts of the AER's relationship with the ACCC.



Stakeholders generally perceived their interactions with the AER favourably, with 85 per cent indicating a positive working relationship between their organisation and the AER. Perceptions of our communication were also generally favourable, with 81 per cent satisfied overall (figure 3).

**Figure 3 Overall satisfaction with the AER's communication**



Source: ORIMA Research, 2016.

These results reflect ongoing initiatives to make our communications simpler and more user-friendly. We:

- published easy-to read fact sheets and overviews summarising key points in our draft and final network revenue decision documents to enable stakeholders to obtain key information without having to read the lengthy full decisions
- developed new videos that raise awareness of how consumers can manage and reduce their energy costs, and on assisting customers with payment difficulties
- launched three popular factsheets about the retail market to improve access for customers with reading difficulties and simplified the language in other consumer factsheets. We translated one factsheet into several languages to support consumers with low proficiency in English
- periodically publish short compliance checks for energy businesses that highlight their legal obligations and emphasise the need for effective compliance processes and systems
- upgraded the AER website in September 2015 to improve interactive functionality, the navigation menu and search engine

Perceptions of our consultation and engagement were generally favourable, with 70 per cent satisfied overall in this area and 87 per cent feeling that there had been good opportunity for stakeholder input where appropriate.

Since implementing our 'better regulation' reforms we have worked to continually improve our engagement across the range of our stakeholders. We:

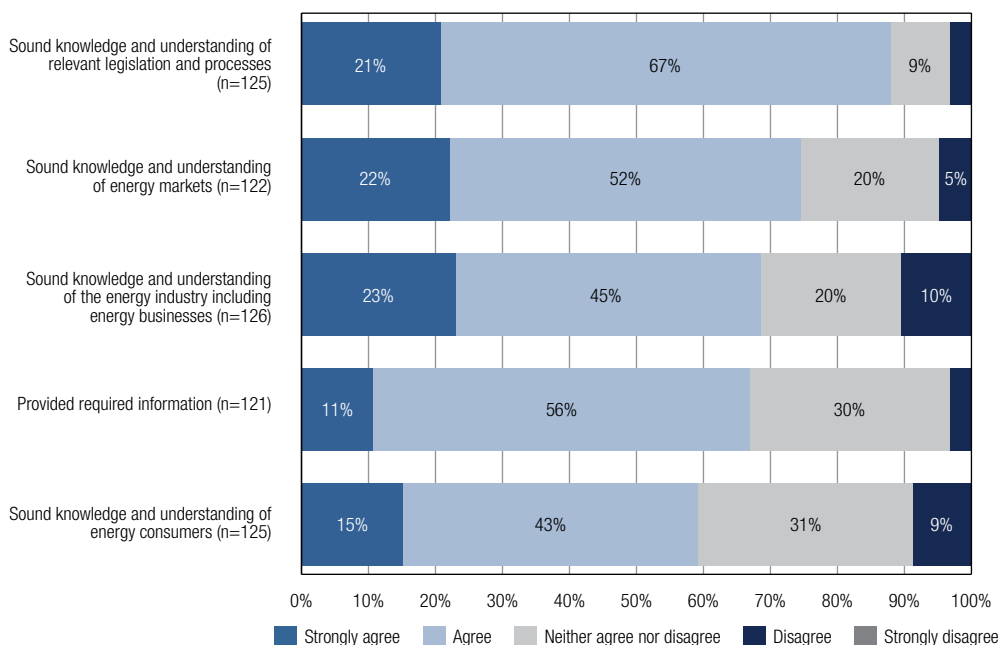
- launched a Stakeholder Engagement Framework and various tools and processes to better embed stakeholder participation across our work
- initiated consultation on our complex regulatory determination processes that go beyond what is specified in the rules, so that all stakeholders have opportunities to provide input. For example, we published a consumer guide on one process and our assessment framework; offered a training session on network regulation to consumer representatives; met with network businesses and

other stakeholders on elements of regulatory proposals; and sought further information from network businesses about their regulatory proposals when questions arose

- relied on our Consumer Challenge Panel to gain consumer insight and perspective into our regulatory determinations to better balance the range of views considered; we also reviewed this approach to make ongoing improvements
- created jurisdictional consumer reference groups for some determinations to make it easier for consumer representatives to contribute. We held meetings with the groups throughout our processes to align with key milestones and explain the key issues and our approach to assessing them. The meetings also provided a forum to raise questions and engage with our Consumer Challenge Panel.

Stakeholder perceptions of the AER, based on their recent interactions, were mostly positive (figure 4). The AER was perceived as demonstrating sound knowledge and understanding of legislation and processes (88 per cent), energy markets (75 per cent) and the energy industry and businesses (68 per cent). But we were less likely to be seen as displaying such understanding in relation to the challenges facing energy consumers (58 per cent either agreed or strongly agreed that we display this understanding, but 10 per cent disagreed). We will explore this result with stakeholders, particularly Energy Consumers Australia, to see how we can better demonstrate our understanding of energy consumers in our work.

**Figure 4** Perceptions based on recent interactions with the AER

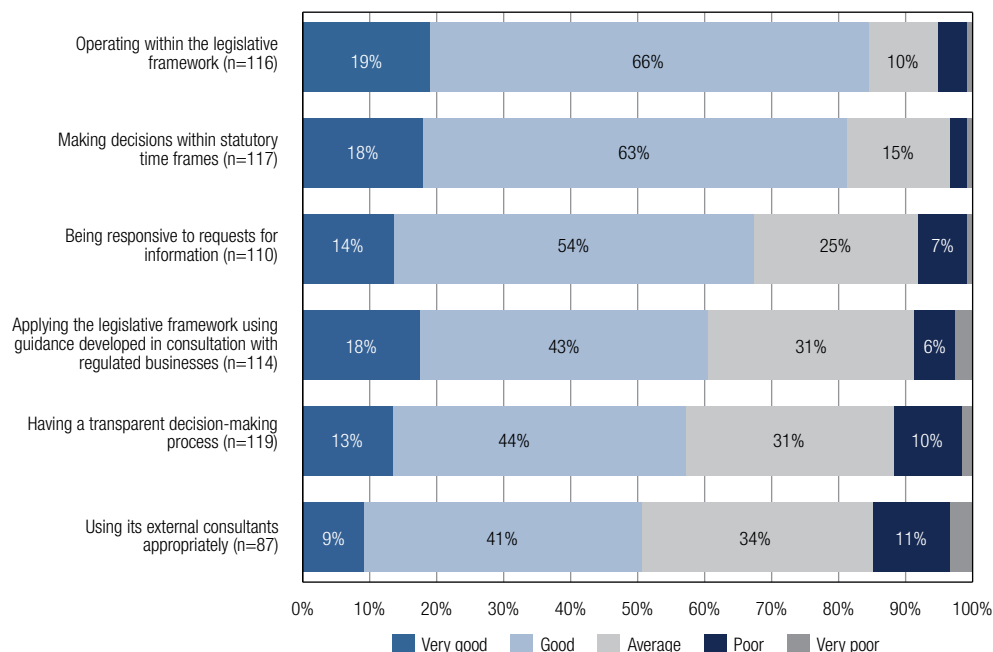


Note: Respondents who had dealings with the AER in the past 12 months, n=number of respondents.

Source: ORIMA Research, 2016.

Perceptions of our decision-making processes were mixed (figure 5). A large majority of stakeholders rated the AER positively in relation to operating within the legislation (84 per cent) and making decisions within statutory timeframes (81 per cent). But stakeholders were less positive in relation to the transparency of decision-making processes (57 per cent). Further, stakeholders were divided on their perceptions of the AER as a 'coherent' organisation, and around 50 per cent considered there is some duplication of process within the AER. We will seek to better understand the drivers behind these views and how we might avoid unnecessary duplication in our processes.

Figure 5 Perceptions of the AER's processes



Note: Respondents who had dealings with the AER in the past 12 months, n=number of respondents.

Source: ORIMA Research, 2016.

The survey results highlighted opportunities for improvement on setting clear and realistic timeframes for stakeholder input, fostering productive relationships with stakeholders and in particular, communicating how stakeholder input was considered and how it informs our decisions.

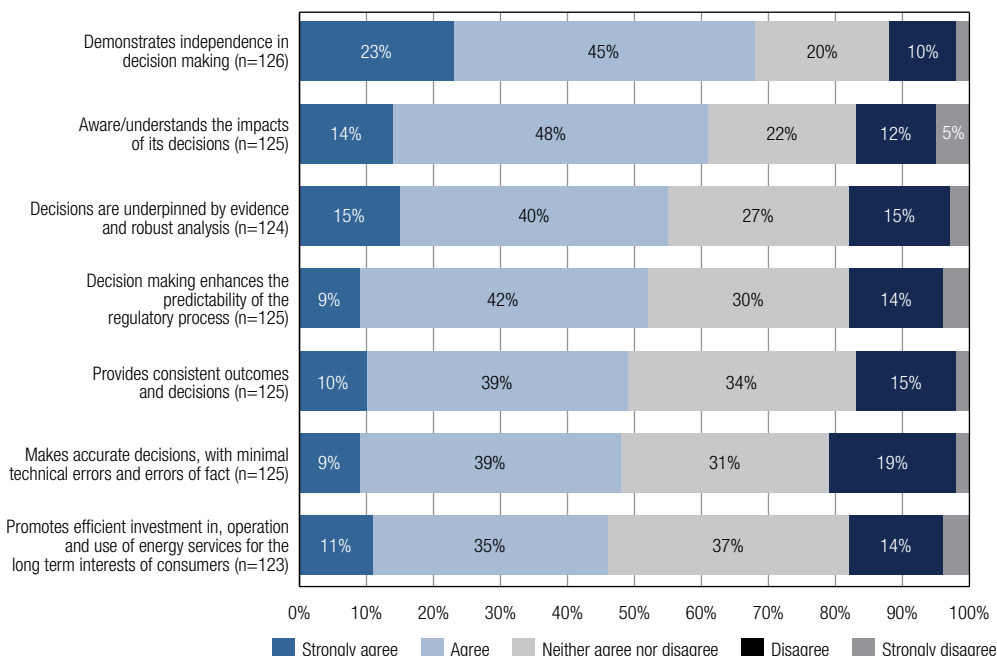
In response to this feedback, we will consult with stakeholders when reviewing our Stakeholder Engagement Framework in 2016–17 on how we can improve our engagement processes, including better communicating our consideration of stakeholder input. We will also continue discussions with industry groups and network businesses on other options or modes for effective engagement, such as more proactive and informal engagement earlier in regulatory review processes.

Perceptions of the AER's outcomes and decisions were also mixed (figure 6). A majority accepted the AER as an independent evidence-based decision maker that understands the implications of its decisions. More than half considered the AER's decisions are underpinned by evidence and robust analysis. But confidence in the predictability, consistency, and accuracy of outcomes and decisions was muted (around 50 per cent of stakeholders agreed). This is an area we will actively work to address.

Just over 50 per cent of respondents expressed doubt or uncertainty relating to the AER's impact in supporting the long-term interests of consumers. We will explore how we can build more consensus and shared understanding amongst our stakeholders of how the long term interests of consumers can best be achieved.



Figure 6 Perceptions of the AER's outcomes and decisions



Note: Respondents who had dealings with the AER in the past 12 months, n=number of respondents.

Source: ORIMA Research, 2016.

A majority of stakeholders who had used information communication tools provided by the AER held positive opinions about these overall, with 84 per cent agreeing that the information disseminated was accessible. But only 55 percent of respondents felt that communication was tailored to meet the needs of the target audience (and 12 percent considered it was not tailored to those needs). We will look at how to better tailor our communications in response to this feedback.

A majority of those who visited the AER website since the September 2015 upgrade found it useful, with stakeholders on average finding it more useful than in the past. Further opportunities for website improvement were identified, including changes to information structure and archiving of old or redundant website content to improve search results and allow web pages with more targeted and succinct content, while retaining breadth and detail. We will explore opportunities to improve these and other aspects of our website, to make it easier to find information.

Stakeholder perceptions of us varied depending on their role or sector. Network business stakeholders rated us less favourably across a range of measures than other stakeholders (for example, those in government or from the wholesale or retail market sectors). While there was some improvement since 2014, less than 50 per cent of network businesses held positive views about providing information to the AER or about the AER's outcomes and decisions. Those in policy development or CEO roles rated us more favourably than those in compliance and monitoring roles.

## Focus areas for 2016–17

In conclusion, the survey results indicate that we have made significant improvements and are performing well overall, with stakeholder satisfaction rising in most areas. But the results also highlight areas where further improvement is required. The areas requiring particular focus include:

- building consensus and a shared understanding of how the long term interests of consumers can best be achieved
- exploring new options for engagement (for example, engagement which is less formal and more proactive)
- greater tailoring of communications to meet the needs of different stakeholders
- better explaining how stakeholder input was considered in our decision-making
- more clearly setting out the evidence behind our analysis, our understanding of consumers and the impact of our decisions.
- better demonstrating leadership in pursuing and promoting priority issues in the energy sector
- continued website improvements
- addressing concerns about coherence and duplications of processes within AER.

We strive for continuous improvement and will work with our stakeholders to understand, consider and address the survey feedback, including by consulting on our Stakeholder Engagement Framework during 2016–17.