



## Better regulation

# Assessment of the Consumer Reference Group

March 2014

*“Without the CRG, many members would not have participated in the Better regulation process.”*

CRG member evaluation survey

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## Shortened forms

Shortened term	Full title
AER	Australian Energy Regulator
AEMC	Australian Energy Market Commission
CRG	Consumer Reference Group
NEL	National Electricity Law
NEO	National Electricity Objective
NER	National Electricity Rules
NGO	National Gas Objective

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# 1 Executive summary

The Australian Energy Regulator (AER) is the independent national energy market regulator. Our role is to promote the national electricity objective (NEO) and the national gas objective (NGO), which focus on promoting efficiency in electricity and gas services in the long term interests of consumers.

In 2012 the Australian Energy Market Commission (AEMC) introduced important changes to the *National Electricity Rules (NER)*.<sup>1</sup> We initiated the Better regulation program in response to these changes. Under Better regulation we undertook the development of seven new guidelines that detail our approach to regulation under the new rules. In developing the guidelines we engaged with various stakeholders through public forums and meetings, a submission process and a dedicated forum for consumer representatives, the Consumer Reference Group (CRG).

Consumer engagement is about working openly and collaboratively with consumers and providing opportunities for their views and preferences to be heard and to influence the regulatory process. Stronger consumer engagement can raise alternative views on matters such as service priorities, capital expenditure proposals and price structures.

The CRG was a forum for consumer representatives to provide input into the Better regulation consultative process. We established a dedicated forum for consumer groups to reflect our commitment to strengthening consumer engagement in regulatory processes.<sup>2</sup>

The purpose of this paper is to provide information and assess the operation of the CRG. The CRG was a new approach to consumer engagement which aimed to make consultation on the Better regulation guidelines more accessible to consumer groups and generate informed advice for us.

In assessing the CRG, we conducted an evaluation with CRG members and the key staff members involved in the CRG. The feedback indicates that the CRG was broadly successful in achieving its purpose to:

- facilitate consumer input into the Better regulation process
- create a forum to educate, collaborate and seek discussion of consumer views
- assist in focusing the limited resources of consumer groups.

The evaluation also identified areas for improvement. Members highlighted the resource intensity and technical nature of the content as a difficulty in participating in the CRG. Directors noted that CRG meetings were sometimes process rather than content driven, resulted in a doubling up of information from members and the varied level of expertise of CRG members had an impact on discussion of technical issues.

Despite these areas for improvement, CRG members reported a very positive experience of the CRG and staff identified useful content generated by CRG members. CRG members valued the program and encouraged the AER to continue to engage consumers in its regulatory work. We appreciate the participation of CRG members and would like to build on the relationships with consumers and knowledge developed through the program. We will continue to refine our approach to consumer engagement with lessons learnt from the CRG.

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<sup>1</sup> <http://www.aemc.gov.au/electricity/rule-changes/completed/economic-regulation-of-network-service-providers-.html>

<sup>2</sup> <http://www.aer.gov.au/sites/default/files/ACCC%20and%20AER%20Corporate%20Plan%202013-14.pdf>

## 2 Introduction

As the AER, we regulate network businesses and apply the national electricity and gas laws and rules. In regulating network businesses we aim to promote efficient investment and operation of services in the long term interests of consumers.

In 2012 the AEMC introduced important changes to the *National Electricity Rules (NER)*.<sup>3</sup> The AEMC rule changes were in response to a proposal we submitted to address weaknesses in the regulatory framework that limited our ability to reject high expenditure forecasts. The rule changes set out a new framework which allows for a balanced assessment between the need for efficient investment by energy networks to provide reliable energy supply, with the need to minimise costs to consumers.

An important aspect of the rule changes was an increased emphasis on consumer engagement to address the lack of focus on consumer participation in the energy industry.<sup>4</sup> The new rules require network service providers to indicate the extent of their consumer engagement in their regulatory proposals and require us, when making revenue determinations, to take into account the extent of the network service providers' consumer engagement.<sup>5</sup>

We initiated the Better regulation program to draw together these reforms and feed them into our regulatory processes. The Better regulation program involved:

1. Extensive consultation on seven new guidelines that outline our approach to assessing network businesses' expenditure proposals and determining electricity network revenues.
2. Establishing a Consumer Reference Group for our guideline development work, to help consumers engage across the broad spectrum of issues considered.
3. Establishing a Consumer Challenge Panel (appointed 1 July 2013) to advise us on whether network business' proposals are justified in the services to be delivered to customers.
4. Improving our internal technical expertise, systems, and engagement with stakeholders.

The CRG was established to be a dedicated forum for consumer groups to have input into the Better regulation guideline development. We established the CRG to reflect our commitment to strengthen consumer engagement in energy markets and regulatory processes. The CRG was intended to provide valuable information to consumer groups and incorporate consumer input into guideline work.

This paper provides information on how the CRG was established, operated and assesses the CRG as a program for consumer engagement. The assessment is informed by:

- a written survey conducted with AER Directors involved in the CRG
- feedback from staff involved in the CRG
- analysis of minutes from CRG meetings
- written and oral submissions received from CRG members
- written survey conducted with CRG members and follow up feedback sessions conducted via phone to discuss answers to the survey.

<sup>3</sup> <http://www.aemc.gov.au/electricity/rule-changes/completed/economic-regulation-of-network-service-providers-.html>

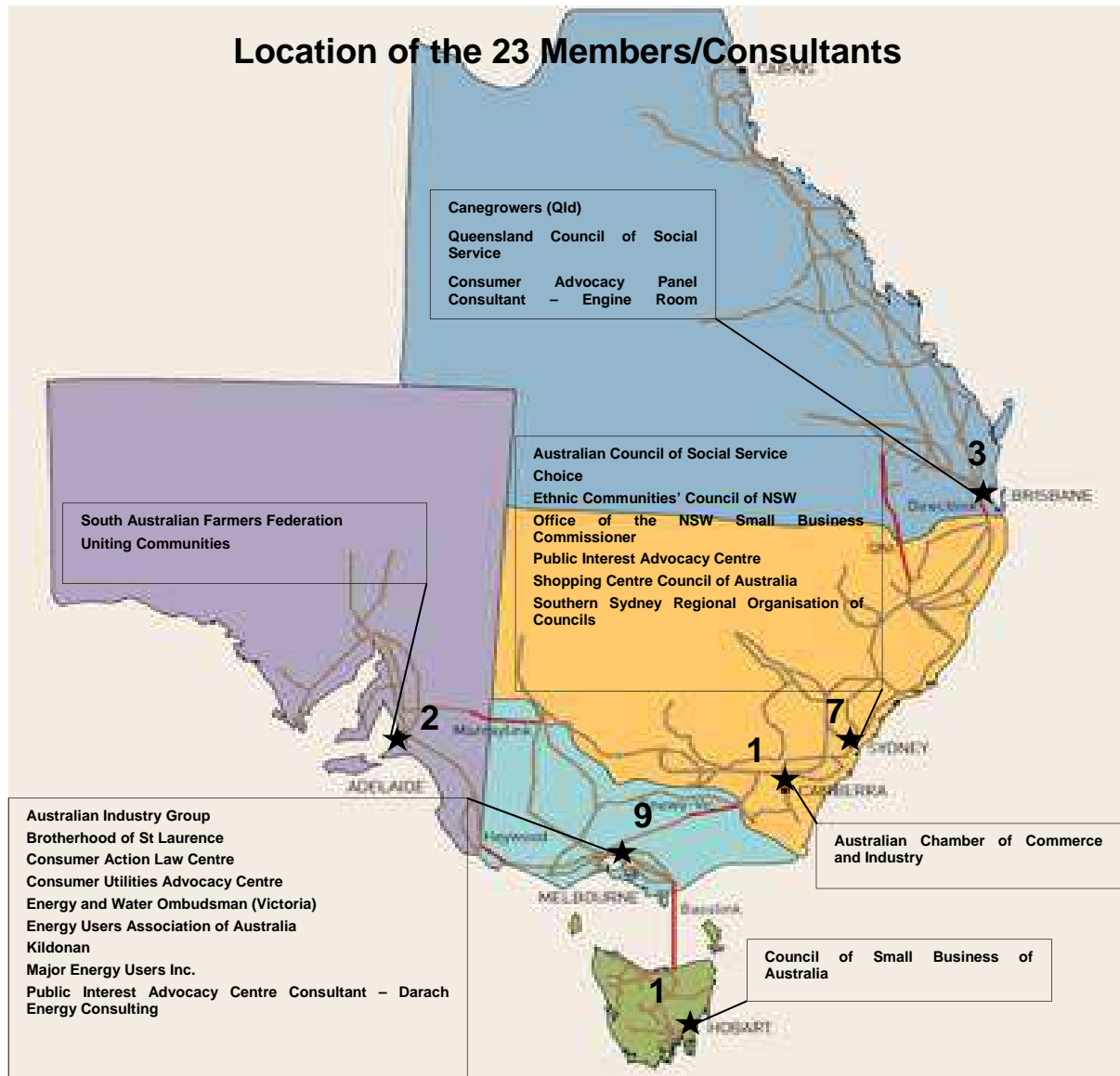
<sup>4</sup> <http://www.aemc.gov.au/media/docs/Final-Rule-Determination-4c10cf40-03a0-4359-8fe9-3e95a446579d-0.pdf>

<sup>5</sup> <http://www.aemc.gov.au/media/docs/Final-Rule-Determination-4c10cf40-03a0-4359-8fe9-3e95a446579d-0.pdf>

### 3 The Consumer Reference Group

The CRG was established in January 2013 following a call for expressions of interest from organisations. We selected members based on type of consumer represented, location and technical knowledge of network service providers. CRG members represent a variety of consumer groups including small business, welfare, consumer and residential advocacy bodies, large user associations and specific interest bodies. The 21 members of the CRG are set out by location at Figure 1 and listed in Attachment A.

Figure 1: CRG members by location



#### Purpose

The CRG's purpose was to make consultation under Better regulation accessible to a wide range of interested parties, recognising the time and resource commitment needed to engage. CRG meetings provided a forum for consumer groups to share ideas without having to make written submissions.

Through the CRG we sought to:

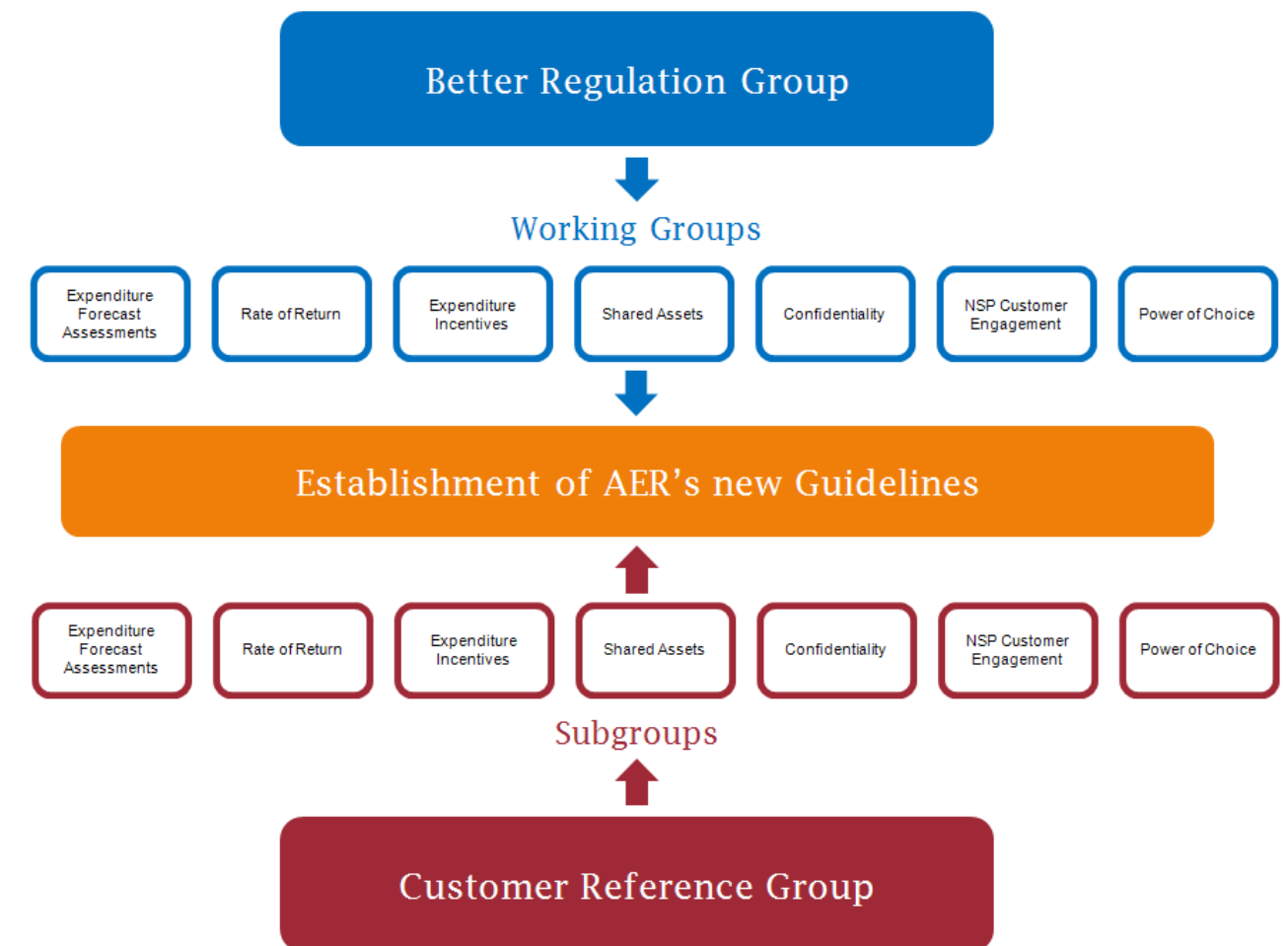
- Purpose 1: facilitate consumer input into the Better regulation process
- Purpose 2: create a forum to educate, collaborate and seek discussion of consumer views
- Purpose 3: focus the limited resources of consumer groups.

## CRG Structure

We adopted a two-pronged approach to the CRG, breaking meetings, firstly, into all participants of CRG and, secondly, into sub-groups. The CRG included seven sub-groups to correspond to each Better regulation workstream. Sub-groups attended separate meetings with the Director/s responsible for a workstream and nominated a CRG member to be spokesperson for the group at CRG meetings. For a description of each workstream see Attachment B.

CRG meetings were chaired by AER Chairman, Andrew Reeves, who attended all CRG meetings. Other attendees included General Managers, Directors and other staff who attended based on the issues discussed at a particular meeting. The CRG was supported by several AER staff members. These AER staff provided the secretariat role for the CRG. The secretariat role included coordinating CRG meetings, liaising with CRG members and preparing documents for meetings.

**Figure 2: Better regulation program:**





## CRG Meetings

In total we held seven CRG meetings and 15 CRG sub-group meetings. The purpose of CRG meetings was to provide a general overview on the guideline development in each workstream. The purpose of CRG sub-group meetings was to provide sub-group members with in-depth, technical discussion on each workstream. For further details of CRG meetings see Attachment D.

### **Videoconference/Teleconference Meetings**

CRG meetings were held primarily by videoconferencing in each AER/ACCC office around Australia. CRG sub-group meetings were held primarily by teleconferences so that members did not need to visit an AER office. The CRG meetings ran for approximately 4 hours and the sub-group meetings ran for approximately 2 hours, depending on the issues addressed.

### **Face-to-Face Meetings**

At the first CRG meeting in February 2013, CRG members suggested holding face-to-face meetings.

- The first face-to-face meeting of CRG members was held on 23 May 2013 in Melbourne. This meeting provided an opportunity for CRG members to provide final oral submissions to the draft guidelines.
- The second face-to-face meeting was held on 22 August 2013 in Sydney. This meeting provided an opportunity for staff to explain the direction taken in each guideline and seek initial feedback.

## Training

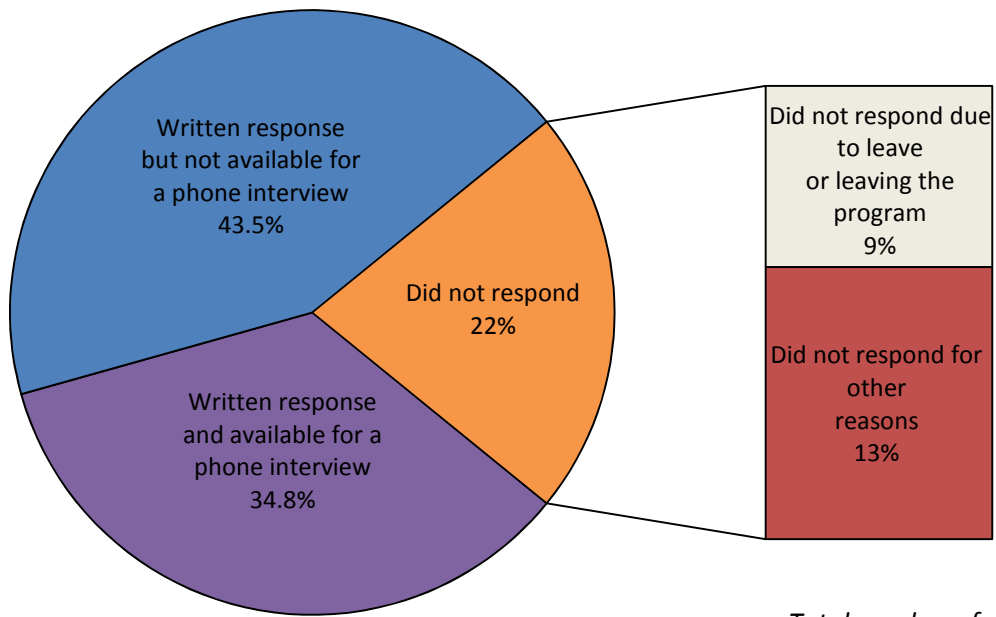
We provided CRG members with an introductory training session on network regulation. See Attachment B for details.

## CRG Evaluation

We conducted an evaluation with CRG members and AER Directors.

18 CRG members out of 25 (including consultants appointed to participate in the CRG) provided written responses to the evaluation survey. Of those members that did respond, eight members chose to provide comments via a phone interview to discuss and explain their answers.

### CRG/Consultant Response



*Total number of contacts: 23*

## 4 Assessment of the CRG

We sought the views of AER staff and CRG members to assess the implementation of the CRG and to discuss whether the CRG was successful in meeting its purpose.

In assessing the CRG we compared it against the purposes for which the CRG was created:

- Purpose 1: facilitate consumer input into the Better regulation process
- Purpose 2: create a forum to educate, collaborate and seek discussion of consumer views
- Purpose 3: assist focusing the limited resources of consumer groups.

We compiled a series of questions which helped us to assess the CRG against these purposes. We received both quantitative and qualitative responses to these questions. We have provided summaries of these responses as well as our analysis to determine whether the CRG achieved its intended purposes. This assessment is set out under the relevant headings below.

### Purpose 1: facilitate consumer input into Better regulation

To facilitate consumer input into the Better regulation consultation process the CRG sought to make consultation more accessible to consumer groups.

#### Meetings

CRG meetings were held regularly to give CRG members consistent updates on the progress of guideline development and opportunity to contribute at all key stages of Better regulation. Monthly meetings were held at first to assist members in understanding how our reasoning was developing and provide input into our direction. In the later stages of the CRG input occurred on a more ad hoc basis through sub-group meetings and informal contact between CRG members and staff.

#### Sub-groups

Sub-groups were formed to provide access to those members who wanted in-depth and technical information on a work-stream. Sub-group meetings involved close and focussed discussion between CRG members (usually three to six members) and the relevant Directors and General Manager.

#### Public Forums

CRG members attended the various public stakeholder forums and meetings held by each workstream. At forums CRG members put their views to us and other stakeholders, including network business representatives. The CRG enabled members to take learning gained from the CRG and feed this into public forums, particularly by providing views directly to network businesses.

#### Face-to-face meetings

In making consultation accessible, we wanted the CRG process to be collaborative. As CRG members recommended face-to-face meetings, we held two face-to-face meetings to give members the free exchange of information they wanted at critical stages in guideline development. The face-to-face sessions were held at key points in the Better regulation program where robust conversation between consumers and the AER was critical. Face-to-face meetings are costly; however, AER staff undertook a significant amount of preparation to ensure that consumers received maximum benefit from these sessions. On balance, holding two face-to-face meetings seemed to strike the right balance between encouraging dialogue against the cost of holding such forums.

## Timeframes

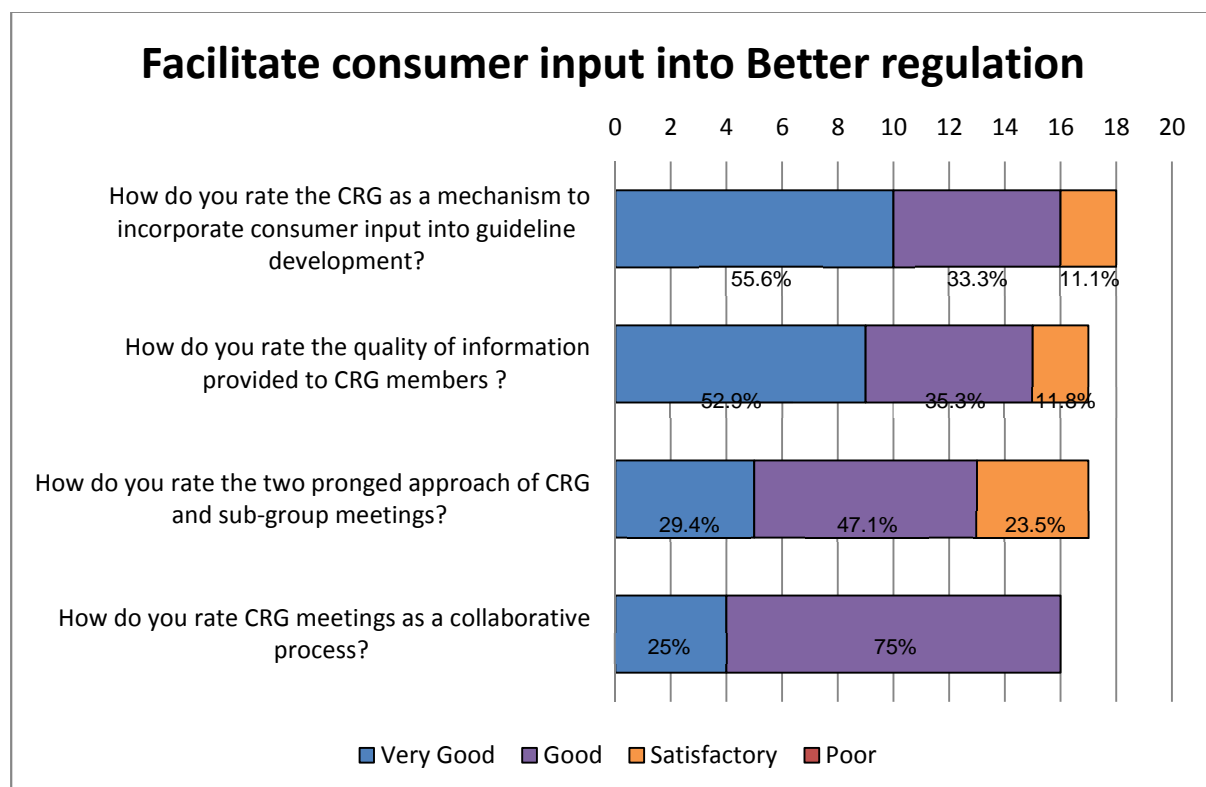
Members provided feedback that clear timelines about the CRG and Better regulation would be beneficial. We distributed a comprehensive time-map of CRG and sub-group meetings, submission due dates and proposed release dates for draft and final guidelines. We also established a Better regulation [calendar](#) and alerted members to the Better regulation newsletter.

## Verbal Submissions

A key strategy we used to increase accessibility of consultation was to take comments made by CRG members at meetings as verbal submissions. This was effective in giving CRG members the flexibility of contributing to the guideline development without having to write a submission.

## CRG member feedback

CRG members were asked to rate and provide comment on how well the CRG facilitated consumer input into Better regulation. The following section is a summary of the feedback provided in the survey and draws out the key points common to feedback from members.



### The CRG as a mechanism to incorporate consumer input into guideline development

The feedback highlighted that the CRG was a reasonably effective mechanism to incorporate consumer views into guideline development and noted the commitment of both the Chair and staff to engaging with CRG members. The CRG:

- allowed a wide range of consumer groups to have input
- created a constructive forum to interact and hear views from

“The CRG consistently highlighted the important issues in guideline development”

CRG member

colleagues

- allowed greater engagement with AER staff
- provided the ability to make verbal submissions.

Members highlighted that the difficulty in participating more effectively related to the resource intensity of the CRG and technical nature of the work. Members had to engage with CRG meetings, sub-group meetings and briefing documents for all the workstreams. This was compounded by the technical nature of the work, which made it difficult for less experienced members to engage in discussion of detailed issues.

A member commented that not all the issues raised by consumers were adequately addressed in the final Better regulation guidelines.

### **The quality of information provided to CRG members**

The CRG member feedback indicated that the quality of information provided was very strong. Staff were prepared and presented well. The briefing documents were useful, accessible and highlighted key issues. Additionally, the introductory training session assisted members with less expertise to understand some complexity and technical aspects of the work streams.

Member comments also said the CRG assisted in interacting with network businesses. It empowered consumers to debate with businesses and gave the AER access to better understanding of the impact of network businesses' proposed approaches to consumers by hearing this debate.

While the quality of information provided was strong, members identified areas for improvement:

- at times there was too much information which was difficult to prioritise
- it was difficult in the initial stages to determine our positions and direction guidelines were heading
- outlining the main areas of contention between consumers and businesses would have been beneficial
- more training would have been useful
- some issues were persistently raised but not all this advice from consumer groups was acted upon by the AER.

“The CRG empowered consumers to debate with businesses and gave the AER access to a better understanding of the impact of network businesses' proposed approaches to consumers.”

CRG member

The CRG was resource intensive for the AER to provide high quality information but the responses indicate that this was appreciated by members and contributed to the overall effectiveness of the process.

Members did however comment that information became more targeted and concise over the CRG.

## **The two pronged approach of CRG and sub-group meetings**

We adopted a two-pronged approach to the CRG, breaking meetings, firstly, into all participants of CRG and, secondly, into sub-groups. The feedback highlighted that the two pronged approach has pros and cons. The benefits were:

- sub-groups allowed debate on technical issues
- key sub-group discussion points were communicated back to the CRG
- the two pronged approach allowed learning to occur at a level relevant to needs.

The disadvantages of the two-pronged approach were:

- resulted in too much content
- lost the distinction between the CRG general meeting and the sub-group specific meetings resulting in repetition
- difficult to integrate all the content from sub-groups back to the CRG.

Overall there was a sense that the two-pronged approach created a big time commitment from members and too much content. CRG members acknowledged that given all the workstreams and content within Better regulation it was necessary to have the two-pronged approach but it needed to be further refined.

## **CRG meetings as a collaborative process**

Comments indicated that members found the process collaborative and staff flexible and open to suggestions. The CRG secretariat, provided by the AER, was also good at following up issues from meetings.

## **Purpose 2: a forum for education, collaboration and discussion of consumer views**

### **Education and discussion**

We held frequent meetings to enable CRG members to build their knowledge. The first two CRG meetings were led by AER staff presentations, to educate members on the key issues. Later CRG meetings were led by members, to facilitate discussion on key consumer concerns.

The CRG assisted in creating relationships between members and staff that allowed discussion to occur outside the CRG. Through emails or meetings with Directors, members followed up issues, clarified material and tested their ideas.

### **Collaboration**

The CRG provided multiple opportunities for members to collaborate. This occurred through:

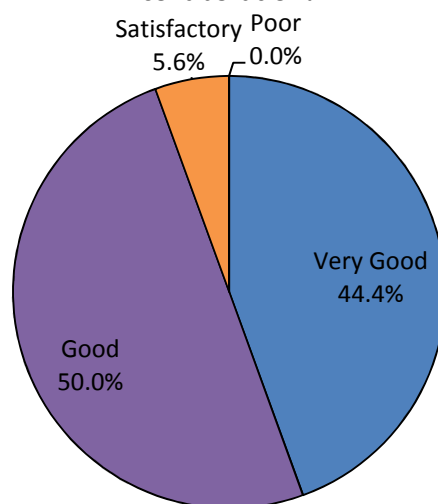
- discussion at meetings
- informal exchanges before and after meetings
- other consumer events, such as public forums.

Members also attended separate meetings organised by the Consumer Advocacy Panel’s consultant Luke Berry. Luke Berry was engaged to facilitate CRG input into Better regulation. Staff are aware of several meetings with CRG members independent of the AER which were generally held prior to CRG meetings to discuss positions. Members also circulated emails and documents to each other summarising issues and discussion at meetings. Staff benefitted from collaboration between members as it meant consistent or divergent views were highlighted in meetings.

### CRG member feedback

CRG members were asked to rate and provide comment on the CRG as a forum for discussion, education and collaboration. The following section is a summary of the feedback provided in the survey and draws out the key points common to feedback from members.

**How do you rate the CRG as a forum for discussion, education and collaboration?**



### The CRG as a forum for discussion, education and collaboration

Members rated the CRG as a forum for education and discussion highly. We also found it beneficial and note that CRG members highlighted the following. The CRG:

- enabled members to share perspectives with each other
- developed members’ knowledge of the energy sector and regulation
- enabled less experienced members to benefit from the knowledge of others.

Members also commented that the CRG promoted collaboration between members both at meetings

“The CRG promoted collaboration between members. Without a continuous forum like the CRG this level of collaboration would not occur.”

CRG member  
CRG member

(particularly face-to-face) and informally. Without a continuous forum like the CRG this level of collaboration would not occur. Members noted Luke Berry's role in assisting members to collaborate.

CRG members also identified areas for improvement:

- difficult to collaborate and identify speakers over teleconference
- difficult to collaborate between those with varying levels of expertise
- engaging with all the material left less time to collaborate with members.

### **Level of engagement with staff outside CRG meetings**

Members commented that staff were approachable, prompt, responsive and willing to partake in discussion. Members commonly sought information to clarify issues or understand complex areas.

### **Purpose 3: focus the limited resources of consumer groups**

A key purpose of the CRG was to guide consumer groups on where consumer input would be most valuable.

### **Briefing documents**

We published a number of briefing documents distributed to CRG members. All documents were written to be accessible, using simple language and consumer focussed. Two key documents were prepared for the face-to-face meetings to promote discourse.

- Melbourne face-to-face — the workshop overview and issues document outlined the key issues in each workstream and what we are intending to do to address the issue.
- Sydney face-to-face — the discussion document outlined our reasons for the proposed approach to regulation contained in the draft guidelines for each workstream.

See Attachment C for details of CRG briefing documents.

The aim of all CRG briefing documents was to focus members on the key areas for consumer input and allow members to prepare their views and questions in advance of meetings.

### **Presentations**

During presentations, staff aimed to highlight important issues for discussion and identified for members the areas where written submissions from CRG members would be beneficial.

### **Meetings**

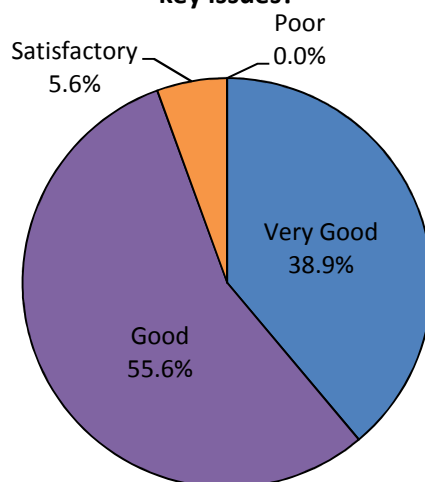
We held continuous meetings to enable members to focus on different issues at each stage in guideline development. For example at the commencement of the CRG we wanted members to focus on the different directions a guideline could take. Following release of the draft guidelines, we drew members' focus to parts of the draft guideline where consumer submissions would be of benefit.



## CRG Member Feedback

CRG members were asked to rate and provide comment on how well the CRG assisted to focus consumer thinking. The following section is a summary of the feedback provided in the survey and draws out the key points common to feedback from members.

### How do you rate the CRG as a tool to assist and focus consumer thinking on key issues?



### The CRG as a tool to assist and focus consumer thinking on key issues

The feedback indicated that the CRG:

- consistently highlighted the important issues in guideline development and provided access to expertise and views of other members
- guided members' thinking
- provided access to a range of stakeholder perspectives to clarify thought
- provided clear and focussed briefing documents
- provided insights into the AER's rationale
- increase the relevance of submissions
- assisted in understanding the complex factors of regulation under the NER.

It was also noted that Directors alerted members to issues of importance and provided guidance on how to focus submissions on these issues.

The CRG could have further assisted members' focus by:

- lessening the amount of material and staff presentations at meetings
- collaborating with members on meeting agendas
- including less summaries of documents and Better regulation updates in meetings

- emphasising areas for consumer input earlier in the process
- limiting technical discussion at meetings.

### **Involvement in written submissions and how the CRG assisted**

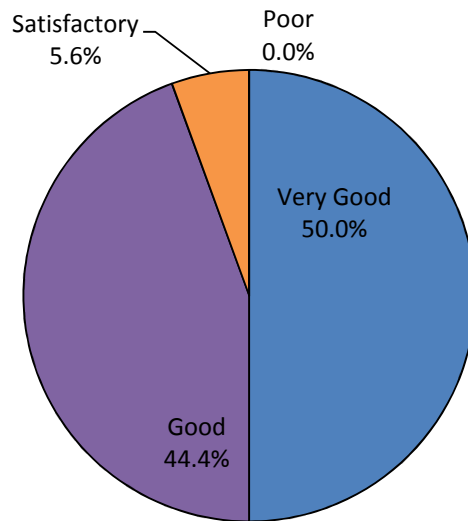
Of the 21 CRG member organisations, 14 provided written submissions to a Better regulation workstream (see Appendix A). Overwhelmingly members commented that the CRG assisted in written submissions, with some members indicating that without the CRG written submissions would not have been provided.

Members with expertise in the energy sector did not find the CRG as beneficial in assisting written submissions and some comments indicated that the large amount of material to engage with lessened the ability of the CRG to assist.

### **Additional comments**

We also sought comments from members on how the CRG was facilitated and consumer engagement in general.

### **How do you rate the CRG facilitation, including mode of meetings, structure and timelines?**



### **How the CRG was facilitated, including the mode of meetings, structure and timelines.**

Feedback indicated that CRG meetings were well organised, utilised the different methods of holding meetings appropriately and broke up the face-to-face meetings well. Members’ rated face-to-face meetings highly, while agreeing that videoconferencing enabled discussion while minimising travel. It was also useful to have the CRG secretariat as the central point of contact.

CRG members identified the following areas for improvement:

- holding meetings too close to submission deadlines
- not always having access to consultant’s reports before submission deadlines

- difficulty communicating over teleconference
- allowing member input into agendas.

### General comments on the CRG and consumer engagement

Final comments indicated that the CRG:

- was a valued process that should be developed and continued
- could be used as the basis for a model of consumer engagement generally
- was a knowledge and capacity building exercise
- was useful to develop ideas and collaborate

Members appreciated the willingness of the AER to try a new approach to consumer engagement and recognised our openness to hearing consumer views. It was noted that without the CRG, many members would not have participated in the Better regulation process.

“Without the CRG, many members would not have participated in the Better regulation process.”

CRG member

The following areas for improvement were identified:

- more notice of the CRG to allocate time and resources
- more information about timelines as they change
- minimising technical discussion or further education of the group
- creating a framework for contributions

More generally, members commented that the most effort should be made at the start of an engagement process to provide information and hear views as this will likely be the point where consumers have most opportunity to influence.

Lastly, it was noted that future consumer engagement would benefit from consumer groups building trust and coalitions to work together, in order for groups to divide content and help each another engage with complex/voluminous material.

### Rural CRG Membership

The South Australian Farmers Federation (SAFF)<sup>6</sup> was appointed to the CRG. Their experience of CRG membership was unique and should be noted. The SAFF representative commented on the difficulties of contributing to the CRG as a rural member. Travelling to an AER office to attend videoconference meetings took up to 5 hours and teleconference attendance depended on whether the mobile network was accessible. Participating required a financial burden which we could not assist with. More generally, operational hours of working on a farm clashed with meeting times and there was a sense that participating as a rural representative conflicted with the operation of the CRG.

On the other hand, SAFF reported benefits of participating in the CRG. The high quality of information received allowed this to be fed back to other regional representatives and it is now expected that

<sup>6</sup> Since the inception of the CRG, SAFF has now been dissolved and operates as Primary Producers SA.

other regional bodies will have greater participation in the energy sector. Additionally, as the CRG gave members the scope to work together, the SAFF representative reported receiving information from other members when unable to attend meetings and similarly asking for comments to be passed on in meetings. SAFF was also able to piggy back on other written submission to include content without writing their own.

While attempt was made to accommodate SAFF's membership, for instance by providing one night accommodation for attendance at a face-to-face meeting, these points have been noted and will be assessed. Future consumer engagement will aim to make participation more accessible for a rural participant, based on learning from the CRG.

## 5 Director feedback

We conducted a survey with AER Directors. Directors were the key staff members involved in the CRG; they prepared written material, presented at meetings and had the technical expertise in relation to a Better Regulation guideline.

The survey asked Directors to provide comments on time taken to contribute to the CRG, the quality of input received and how well the CRG process operated. The following section summarises the key points from Director feedback, highlighting a number of strengths of the CRG and areas for improvements.

### 5.1.1 Time commitment

The CRG required a substantial time commitment from AER Directors. Feedback from Directors indicates that each CRG/sub-group meeting required between 3 hours to multiple days of preparation. Time varied depending on what needed to be prepared. For example, preparing a briefing document could take up to one and a half days, while preparing presentations for meetings required a few hours. Where work required coordination of staff and clearance, preparing a document for the CRG could take up to a week. For a total summary of Director hours see Appendix C.

Each CRG meeting ran for approximately four hours and each sub-group meeting ran for approximately two hours.

Directors also put in time communicating with CRG members outside meetings through emails, phone calls and additional meetings.

The CRG secretariat required the following resources:

- Director – Part Time Equivalent (January – October 2013)
- Senior project officer – Full Time Equivalent (January – July 2013) Part Time Equivalent (August-October 2013)
- Graduate – Part Time Equivalent (February – October 2013)
- Ad hoc assistance from other staff where needed.

### 5.1.2 Strengths of the CRG

The feedback from Directors highlighted the following positive aspects of the CRG.

The written submissions received from CRG members were generally useful and comprehensive. CRG meetings guided the content in written submissions resulting in higher quality written submissions from consumer representatives that were more targeted and meaningful. At times, written submissions provided useful support for our positions or provided alternative positions for us to consider.

All Directors reported strong engagement with CRG members outside meetings. Many CRG members showed an interest in communicating outside meetings to follow up issues, clarify points or test ideas. An additional strength of the CRG was members' attendance at public forums and ability to provide counter points to network businesses.

The CRG provided strong exchange of information between staff and members and provided the opportunity for CRG members to clarify and formulate their views. Meetings were also useful in

confirming that substantive issues we identified were important to consumers and highlighting the areas where our positions had consumer support.

### 5.1.3 Areas for improvement

AER Directors identified the following areas in which the operation of the CRG could be improved. At times, there was a lack of purpose driving the CRG meetings. While it was identified that the objective of the CRG was to facilitate consumer input, it was necessary to have clearer delineation of what we should be providing to CRG members and what CRG members should be providing to us. Sometimes meetings were scheduled before staff identified substantive issues to be discussed. Meetings should have been driven by content, rather than process.

The way the CRG operated resulted in doubling up of information. By holding both CRG meetings and sub-group meetings, the same points would be raised a number of times. At the later CRG meetings there was a sense that staff and CRG were revisiting the same discussions and content as previous meetings.

Directors also identified the varying levels of expertise of CRG members. This had the following effects:

- not all members could engage on the technical aspects within guideline development
- at times members sought information on wider regulatory framework issues that weren't guideline specific
- some input reflected a lack of understanding of the NER and our role as an independent regulator
- meetings could become dominated by experienced members.

## 6 Lessons learnt from the CRG

The responses of both CRG members and AER staff provide a number of insights into the operation of the CRG.

### Resource Intensity

Member feedback identified that the CRG was resource intensive in both the number of meetings that took place and materials to engage with. AER staff tried to limit the burden on CRG members by providing tools to help along the way, for example AER staff provided the Better regulation calendar, time maps, briefing documents.

Feedback indicated that the briefing documents were well appreciated by members. We will keep working toward consumer engagement programs which adequately outline the consultation process and assist members in prioritising materials. However, the technical nature of the AER's work may make this challenging.

### Technical Discussion

CRG members noted the difficulty in participating in the CRG when discussion became too technical. Both members and Directors also noted that meetings became dominated by experts within the group. The two-pronged approach to the CRG was established to minimise these effects but technical discussion from sub-group meetings sometimes continued into CRG meetings. Strict adherence to the sub-group model would be helpful and clear delineation to members of the level of discussion that will occur at meetings. This will inform attendance and participation. Implementing the two-pronged approach this way would also limit the doubling up of information identified by Directors and in some of the member feedback.

### Communicating objectives

Director feedback indicated that the CRG would have benefitted from clearer communication of the purpose of the program to both CRG members and staff. The core objective of the CRG was to facilitate consumer input into the Better regulation reform program. This was achieved as evidenced by the high number of written and oral submissions from members and the positive feedback received.

AER Directors identified two challenges:

- consumers' ability to engage on all technical issues
- members seeking information on wider energy sector issues.

Directors identified a difficulty where CRG members revisited some issues and discussions. For example, early in the process members' challenging our views and providing input on the direction of the guidelines was beneficial. However, after the release of the draft guidelines we needed members to engage on the positions taken in the guideline and provide input on how the positions could be improved, rather than advocate for a completely new approach or revisit previous discussions. We could have better outlined what we needed from members at each stage of program. A framework for CRG input could have outlined what we needed from members at each stage of the program.

Our role in facilitating input requires working through these areas with members.

A further broader goal of the CRG was capacity building and building relationships with stakeholders. An outcome of the CRG is that members now have a more informed understanding of energy regulation and our work as regulator. This in turn should enable members to participate in further energy sector engagement, including our future engagement activities.

Furthermore, we could have emphasised our role as an independent economic regulator, rather than consumer advocate, to assist CRG members in understanding why we do not always adopt positions most advantageous to consumers.

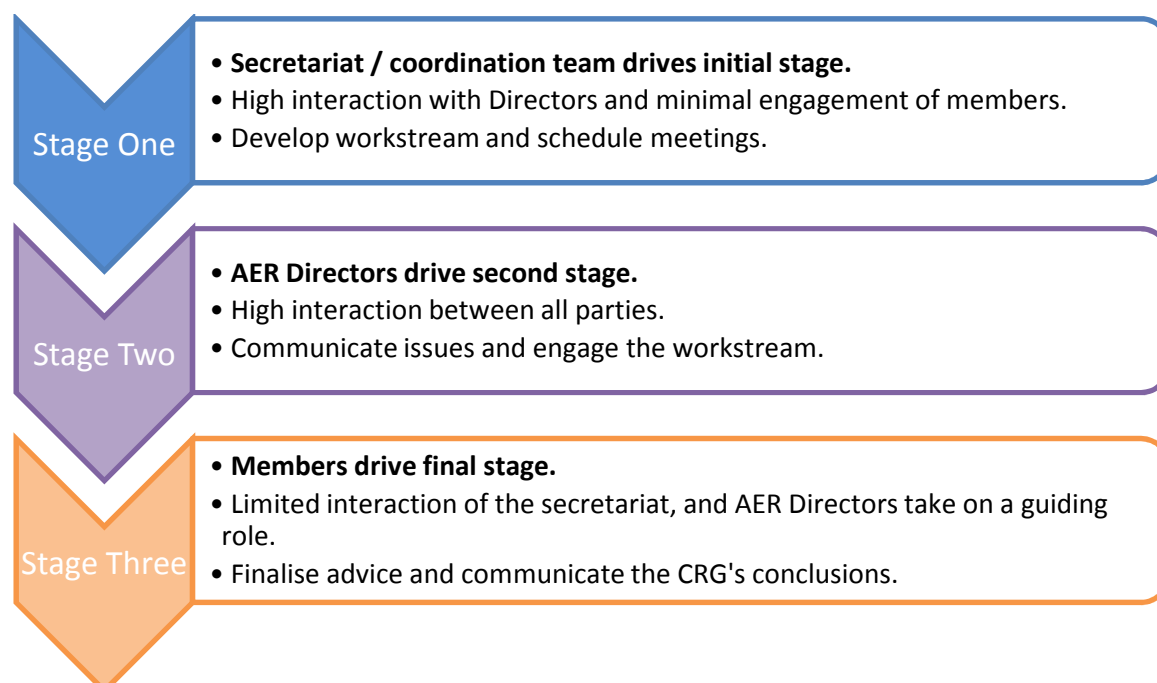
### Leading meetings

An important insight gained from AER Directors is that there was a natural progression in who drove CRG meetings:

- Initially meetings were driven by the CRG secretariat.
- When AER Directors became familiar with the CRG process they began driving when the meetings would occur.
- When CRG members had a strong understanding of each workstream and understood the process they began to drive the meetings themselves.

Following this model for future consumer engagement work would be effective as it allows a third party (such as the secretariat) to facilitate the process to get it underway and then step back and allow those directly involved to lead meetings when the parties understand the direction to be taken.

*Proposed consumer engagement model:*



In the feedback, AER Directors noted that sometimes CRG meetings felt more about process over substance. More interaction between the secretariat and Directors at the initial stage may have alleviated this concern and relieved the time commitment needed of CRG members and preparation needed of Directors.



## **Consumer collaboration**

An interesting point raised in the member feedback was that consumer consultation processes would benefit from consumer groups working together to tackle different aspects of consultation. The CRG member feedback highlights that the CRG was successful in creating a forum for members to collaborate with one another, informally exchange views and have access to different consumer perspectives. This creates a foundation. The next step is for consumers to build groups to work together and relieve pressure in tackling substantial amounts of material in future engagement programs.

Finding common ground among consumers will allow more efficient allocation of scarce resources. It will make consumers more effective in contributing to regulatory processes.

## 7 Conclusion

The CRG marked a new phase in our consumer engagement initiatives. The CRG was the first time we had engaged in consumer engagement on this scale with a continuous forum for consumers to provide input to our work.

The CRG operated well and achieved strong outcomes in facilitating consumer engagement into Better regulation. As reflected in the member feedback, the CRG educated consumers, created an accessible format for member input and provided guidance to members on where to focus thinking in relation to the complex and technical issues associated with guideline development. A successful outcome of the CRG was the high number of written submissions received from members and AER Directors' feedback that consumer submissions were more targeted and informative. We are encouraged that CRG members recommend this model for future engagement and would like to see the CRG continued in some form and recommend the CRG as a model for consumer engagement.

We have identified several areas for improvement, for example, being cognisant of resource intensity, working to make technical discussions accessible and highlight the importance of finding common ground. That said this is the first time we have implemented a program of this nature and feedback suggests broadly it was a success. While areas for improvement have been identified, the fact that members report a positive experience of the CRG when this is the first time we have implemented a program of this nature is a strong indication of its success.

The CRG was an important program reflecting our continued commitment to consumer engagement. We will take our findings from the CRG and incorporate it into our future consumer engagement work.

As a result of the CRG we consider that we have been able to develop guidelines that have a clear focus on the 'long-term interests of consumers' consistent with the NEO and NGO. The extensive CRG process was made possible through a 12-month guideline development process where the AER had few regulatory determinations in train. The extent of consumer engagement in the guideline process is difficult to replicate during regulatory determinations. Therefore, we consider that the guidelines (and the CRG involvement in their development) should be given a high priority in the AER's forthcoming determinations.

## Attachment A – CRG Members

Table 3 Members of the Consumer Reference Group

CRG Member	CRG member representative	Location	Nominated Workstream(s)
<a href="#">Australian Chamber of Commerce and Industry</a>	Dr Si Wei Goo	Canberra	Expenditure Incentives, NSP Customer Engagement
<a href="#">Australian Council of Social Services</a>	Ro Evans Chris Dodds	Sydney	NSP Customer Engagement, Power of Choice
<a href="#">Australian Industry Group</a>	Tennant Reed	Melbourne	Power of Choice, Expenditure Forecast, Shared Assets
<a href="#">Brotherhood of St Laurence</a>	Damian Sullivan	Melbourne	Power of Choice
<a href="#">Canegrowers (Qld)</a>	Jonathan Pavetto	Brisbane	Expenditure Forecast, Rate of Return, Expenditure Incentives, NSP Customer Engagement
<a href="#">Choice</a>	Katrina Lee	Sydney	Power of Choice
<a href="#">Consumer Action Law Centre</a>	Janine Rayner	Melbourne	Expenditure Forecast, Rate of Return,
<a href="#">Consumer Utilities Advocacy Centre</a>	Deanna Foong, Martin Jones, Loren Days	Melbourne	NSP Customer Engagement, Confidentiality, Power of Choice
<a href="#">Council of Small Business of Australia</a>	Robert Mallet Peter Strong	Hobart	General contribution
<a href="#">Energy and Water Ombudsman of Victoria</a>	Belinda Crivelli, Matt Helme	Melbourne	NSP Customer Engagement, Power of Choice
<a href="#">Energy Users Association of Australia</a>	Bruce Mountain	Melbourne	All workstreams
<a href="#">Ethnic Communities' Council of NSW</a>	Helen Scott	Sydney	Power of Choice
<a href="#">Kildonan</a>	Sue Fraser	Melbourne	NSP customer engagement
Major Energy Users Inc.	David Headberry	Melbourne	All workstreams
<a href="#">Office of the NSW Small Business Commissioner</a>	John Hin, Alexandra Geddes	Sydney	NSP customer engagement
<a href="#">Public Interest Advocacy Centre</a>	Carolyn Hodge	Sydney	NSP customer engagement
<a href="#">Queensland Council of Social Services</a>	Carly Allen	Brisbane	NSP customer engagement, Power of Choice
<a href="#">Shopping Centre Council of Australia</a>	Angus Nardi	Sydney	Expenditure Forecast, NSP Customer Engagement

<a href="#">South Australian Farmers Federation</a>	Heather I'Anson	Adelaide	Power of Choice, Shared Assets, Expenditure Incentives, NSP Customer Engagement, Confidentiality
<a href="#">Southern Sydney Regional Organisation of Councils</a>	Graham Mawer	Sydney	Confidentiality
<a href="#">Uniting Communities</a>	Mark Henley	Adelaide	All workstreams

Table 4 Other Participants

Other participant organisation	Representative	Location	Nominated Workstream(s)
Public Interest Advocacy Centre Consultant - Darach Energy Consulting	Bev Hughson	Melbourne	Participated in NSP customer engagement and Rate of Return on behalf of Public Interest Advocacy Council
<a href="#">Consumer Advocacy Panel Consultant - Engine Room Consulting</a>	<a href="#">Luke Berry</a>	<a href="#">Brisbane</a>	<a href="#">Assisted with program management on behalf of consumers and participated in all workstreams.</a>

## Attachment B – CRG sub-groups and training

### Description of CRG work-streams

- **Expenditure forecast assessment** — assessing expenditure proposals from businesses.
- **Rate of return** — determining the allowed rate of return businesses earn on their investments.
- **Expenditure incentive** — creating the right incentives to encourage efficient spending by businesses.
- **Shared assets** — sharing the revenue networks earn from shared assets with consumers.
- **Confidentiality** — managing confidential information for an effective regulatory determination process.
- **Consumer engagement** — a guide to the consumer engagement that the AER expects NSPs to undertake.
- **Power of Choice** — determining that network companies are innovating and exploring demand management solutions.

### CRG Training

On 4 April 2013 we provided CRG members with an introductory training session on network regulation. This training was conducted to provide all members a basic understanding of the key issues which impact network regulation and our decision-making process during electricity determinations. Staff wanted their work to be accessible to CRG members recognising that the issues addressed under the guidelines are complex.

The training session covered the following topics:

1. Overview of the AER and our role
2. Capital and operating expenditure and the interaction with prices
3. Introduction to incentives in monopoly price regulation
4. Rate of return

# Attachment C – Reference Documents

## CRG Introduction

- [CRG final statement of objectives](#)
- [CRG sub-group guide](#)

## Briefing documents

- [Issues Paper February 2013](#)
- [Workshop Overviews and Issues Document May 2013](#)
- [Reasons for decision discussion document \(expenditure forecast assessment, expenditure incentives, shared assets, confidentiality\) August 2013](#)
- [Reasons for decision discussion document \(rate of return\) September 2013](#)

## Minutes

- [7 February](#)
- [14 March](#)
- [24 April](#)
- [23 May](#)
- [27 June](#)
- [22 August](#)
- [17 October](#)

## Verbal Submissions tables

- [Draft Capital Expenditure Incentive Guideline Explanatory Statement](#) (including summary of written and verbal submissions)
- [Draft Expenditure Forecast Assessment Guideline Explanatory Statement](#) (including summary of written and verbal CRG submissions)
- [Draft Rate of Return Guideline Explanatory Statement](#) (including summary of written and verbal CRG submissions)
- [Draft Confidentiality Guideline Explanatory Statement](#) (including summary of written and verbal CRG submissions)

## Attachment D – CRG Meetings

**Table 1 Chronology of CRG meetings**

Date - 2013	Meeting Held	Minutes
7 February	Videoconference	<a href="#">7 February Minutes</a>
14 March	Videoconference	<a href="#">14 March Minutes</a>
24 April	Videoconference	<a href="#">24 April Minutes</a>
23 May	Face-to-face	<a href="#">23 May 4 Minutes</a>
27 June	Videoconference	<a href="#">27 June 5 Minutes</a>
22 August	Face-to-face	<a href="#">22 August minutes</a>
17 October	Videoconference	<a href="#">17 October minutes</a>

**Table 2 Chronology of CRG sub-group meetings**

Sub-group meeting stream	Date 2013	Meeting Held
Expenditure Assessment Forecast	18 March	Teleconference
	6 May	Teleconference
Rate of Return	27 February	Teleconference
	21 March	Teleconference
	26 April	Teleconference
	19 July	Teleconference
	19 September	Videoconference
	25 September	Teleconference
Expenditure Incentives	10 April	Teleconference
	29 July	Teleconference
Shared Asset	6 August	Teleconference
Confidentiality	6 May	Teleconference
Consumer Engagement	6 August	Teleconference
Power of Choice	12 April	Teleconference
	8 May	Teleconference