



NEW REG: TOWARDS CONSUMER-CENTRIC ENERGY NETWORK REGULATION

Newsletter, June 2018

In June 2017, the Australian Energy Regulator (AER), Energy Networks Australia (ENA) and Energy Consumers Australia (ECA) launched a joint initiative to explore ways to improve sector engagement, and identify opportunities for regulatory innovation. The goal of this initiative is to ensure that customers' preferences drive energy network businesses proposals and regulatory outcomes.

In March we launched a 'live engagement' process for NewReg, the name we have given to this enhanced, more open approach to electricity network regulation. At the same time the Victorian distribution network AusNet Services announced it would trial the process of negotiating its revenue proposal with a Customer Forum as proposed in NewReg.

In this first Newsletter we:

- Recap the New Reg project objectives
- Discuss the Directions Paper we released in March 2018
- Discuss the trial of the New Reg process being undertaken by AusNet Services and the monitoring and evaluation work being undertaken
- Explain the live engagement we are undertaking
- Note our interest in discussing further trials

New Reg project objectives

The overall vision for the NewReg project is that energy consumers' priorities should drive energy network business proposals and regulatory outcomes.

We believe there are opportunities to better incorporate consumer preferences in revenue determination processes, and to improve consumer trust and confidence in network regulation. Further, there is scope to improve the efficiency and effectiveness of the regulatory process.

The proposed new dialogue and process is intended to align interests so that revenue proposals and AER determinations reflect the interests of consumers, and provide confidence that consumers are paying no more than necessary for their electricity. Other regulatory processes, such as tariff structures, can also benefit from an innovative approach to consultation.

The main idea of the New Reg Process is that consumers, through a 'Consumer Forum' and the network business can come to an agreement that the revenue proposal reflects consumer perspectives and preferences. The Consumer Forum is created to become 'counterparty' to the business in reaching these agreements.

NewReg represents an exciting alternative approach to network regulation, at a time when energy affordability is a key concern for consumers.

It involves the AER much earlier in the development of regulatory proposals and shifts the focus towards understanding and incorporating consumer priorities well in advance of considering network revenue requests.

Paula Conboy, Chair, Australian Energy Regulator

Directions Paper

A [Directions Paper](#) was published in March 2018. This sets out the key concepts for the ‘New Reg Process’. An accompanying [Approach Paper](#) provides an overview of the project, project governance and an explanation of how we are proceeding. These papers are available on the [AER website](#).

AusNet Services Trial

In March 2018 AusNet Services announced that they would be the first network business to commit to a trial of the New Reg process.¹

On 11 May 2018 the AER accepted AusNet Services’ [Early Engagement Plan](#) which explains in detail how AusNet Services intends to implement the New Reg process. Presentations and materials presented during the customer forum meetings are available on the AusNet Services [website](#). On 8 June 2018, the AER, AusNet Services, and the Chair of the Customer Forum, finalised the [Early Engagement Memorandum of Understanding](#) that sets out the respective roles of the parties.

Network costs make up about half of household and small business electricity bills. With the significant increase in electricity prices over the past decade, it is critical to ensure network services are planned to meet consumers’ needs, as they see them.

Consumers are in the best position to decide how they want to balance the need to reduce costs with reliability and new, innovative approaches to network management.

NewReg is an important step toward putting consumers at the centre of decision making about managing the network and making sure the fridge stays cold at lowest possible cost.

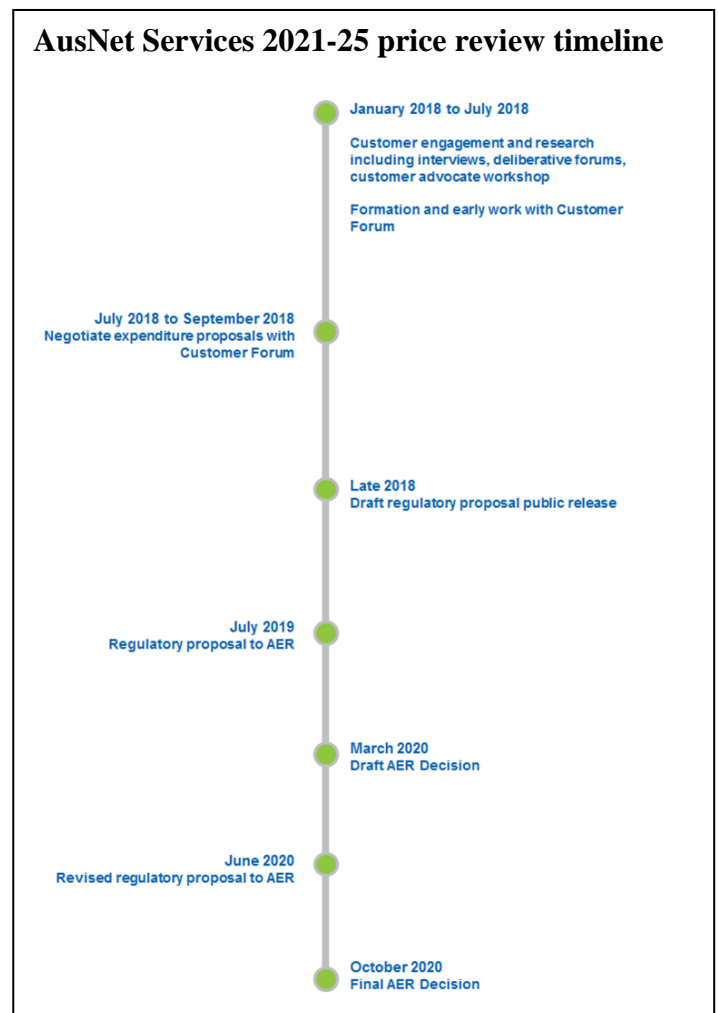
Rosemary Sinclair, CEO, Energy Consumers Australia

Monitoring and evaluation of the AusNet Services Trial

Monitoring and evaluation of the AusNet Services trial will be a key focus through to the completion of the AusNet Services price determination in October 2020.

We will be collecting and reporting information and stakeholder views about the trial. We will also undertake an evaluation of the trial and draw lessons for the future.

AusNet Services 2021-25 price review timeline



¹ <https://www.ausnetservices.com.au/Misc-Pages/Links/About-Us/Charges-and-revenues/Electricity-distribution-network/Customer-Forum>

New Reg is about working with customers to make sure networks deliver the services they value. This trial reflects the next step in transparent engagement with customers about the best ways to deliver what they want from the evolving grid.

Andrew Dillon, CEO, Energy Networks Australia

Live engagement

We are some way from making New Reg part of the status quo regulatory regime. The AusNet Services trial, (and potentially other trials) must run its course and be evaluated. The NewReg project will run a ‘live’ public engagement process where consultation on the approach will happen in parallel with the trial to enable stakeholders to contribute to the further development of the approach in real time.

This newsletter which we aim to issue monthly is part of that process.

Our engagement will take several forms and deliver on our objectives of:

- Ensuring all stakeholders feel involved in ongoing development of New Reg
- Improving the New Reg process
- Promoting further trialing of New Reg, and ultimately if trialing proves successful, its broader adoption
- Providing opportunities for developing knowledge and expertise to apply New Reg
- Ensuring relevant knowledge about the project is accessible.

Through this engagement we will iterate relevant aspects of the Directions Paper by publishing periodic insights reports.

Triggers for iterations will likely include:

- Lessons learned at trial milestones
- Any development required to be ready for another trial proponent, including if that proponent is from a different network sector
- On the basis of stakeholder submissions.

Interested in being a trialist?

We are interested in discussing further opportunities for trialing of the New Reg process including in different regulated energy sectors like gas distribution or electricity transmission. Our experience tells us that it is best to start these discussions early.

Regulatory Innovation enquiries? Email Mark McLeish RegulatoryInnovation@aer.gov.au

AusNet Services price review enquires? AusNet Services is providing opportunities to join the conversation on its 2021-25 electricity distribution price review. Please email AusNet Services at: 202125EDPR@ausnetservices.com.au

Upcoming forums

The enhanced role of consumers in driving energy network business proposals prior to submission is being discussed across Australia in a range of forums.

Recent and upcoming forums where you can keep up with this important broader dialogue and hear from key thought leaders include:

- ECA will shortly be arranging a teleconference for advocates on related issues arising from the AEMC’s annual review of economic regulation and the COAG Energy Market Transformation Project Team consideration of Optimising Network Incentives.
- On 25 July the [Power of Collaboration 2018](#) Energy Networks regulation seminar will hear from the chair of the AusNet Services Customer Forum, Tony Robinson, and have a plenary panel on New Reg.
- On 26-27 July the ACCC and AER [2018 regulatory conference](#) will consider expanding the role of consumers in regulatory determinations with speakers: Professor Stephen Littlechild; Iain Walker, Executive Director, newDemocracy Foundation; Pat McCafferty, Managing Director, Yarra Valley Water; Rosemary Sinclair, CEO, Energy Consumers Australia.