

Meeting record

Date: 19 August 2021

Time: 11.30 am to 1.00 pm

Purpose: Workshop to brief stakeholders on the development of the Statement of Expectations for Networks

Meeting notes

Agenda item 1

- The meeting was attended by representatives from 32 organisations including network businesses, consumer groups, the AER Consumer Challenge Panel, the Australian Energy Market Commission, State and Federal energy departments and industry groups.
- Kris Funston (KF), Executive General Manager – Network Regulation at the AER, opened the workshop.
- KF outlined the purpose of the workshop was to brief stakeholders on the development of the Statement of Expectations for Networks (SOEN), and take questions.
- KF stated that a summary note of the workshop would be published on the AER website. The summary note would include key questions asked but would only disclose the broad affiliation of the speaker (such as consumer or network representative) and would not identify them personally or the organisation they represent.

Agenda item 2

- KF handed over to Clare Savage (CS), AER Chair, to make opening comments. CS stated:
 - the AER is developing the SOEN to improve the efficiency of the regulatory process and promote strong customer engagement. This would result in high quality regulatory proposals which better reflect customer preferences.
 - the benefits of this are better consumer outcomes, more efficient processes and procedural and reputational benefits for businesses
 - consumers are an integral part of the process and it is critical their voices are heard in a changing energy market.

Questions/comments from the floor

- A consumer representative asked about transition periods for business to comply with the SOEN. Will the NSW, ACT, NT and Tas regulatory proposals due in January 2023 benefit from the approach outlined in the SOEN despite the fact it won't be 'implemented' until they are well underway with their engagement processes?
 - AER staff clarified that there is no requirement for business to comply with the SOEN as it brings together information already published by AER in various decisions

- A consumer representative asked about whether the SOEN would outline processes for consumer/community engagement?
 - AER staff confirmed the SOEN will be about the quality of engagement and not about the processes. Everyone, including businesses need to consider how they engage with consumers/community, given the current restrictions as a result of the pandemic.
- A consumer representative asked what is the relationship between SOEN and other AER work e.g. work on vulnerable customers and DER
 - Other work will interface in context of the AER's proposed consumer vulnerability strategy. AER work will continue on under other processes but it will not drive the SOEN work.

Agenda item 3

- KF presented an overview of the SOEN.

Questions/comments from the floor

- A network representative asked whether the SOEN would outline the commitments the AER would undertake to support network businesses going through the new process.
 - AER staff responded that the level of support the AER can provide pre-lodgement is an area which we are still considering, and this is an area we would be interested in stakeholder feedback on.
- A network representative asked how to balance between providing a shorter proposal which is easier for consumers to get across, and a proposal which includes the level of detail requested by AER staff.
 - AER staff responded that the SOEN should help streamline the information required to be provided in a proposal by clarifying the AER's expectations on a number of topic areas.
 - Additionally, AER staff noted as part of SOEN pre-lodgement engagement we would likely provide feedback on the proposal as it developed including modelling and expenditure forecasts.
- A network representative questioned whether the reset RIN requirements will be simplified in light of the SOEN expectations.
 - AER staff noted we would keep this in mind but noted RIN requirements was being reviewed separately.
- A consumer representative noted a consistent theme of consumer engagement undertaken by networks is that a small number of consumers tend to be the most vocal and drown out other consumer views. Could the AER offer practical advice on how a business balances the vocal views of a minority against broader consumer interests?
 - AER staff responded that we would not be providing guidance on how such issues are addressed as we focus on outcomes and not the process. However, the framework we applied in the recent electricity distribution resets in Victoria to assess engagement looks at both the breadth and depth of consumer engagement, and this would include how the business accounted for the diversity of consumer views. Additionally, it was noted this consumer engagement framework is linked to the IAP2's best practice principles.
 - Another consumer representative added it is important to foster a culture of learning to ensure networks learn from each other and continue to try new forms of engagement.

- A network representative asked whether the SOEN would change how the AER's Consumer Challenge Panel (CCP) functions? AER staff confirmed while this will not change the function of the CCP, it does mean they will assess the not only the regulatory proposal but also the quality of engagement.
 - The network representative responded that the networks will want access to CCP members earlier than previously, especially if they have to commence engagement processes earlier.
 - A network representative commented they considered the reputational incentives offered by the SOEN would be powerful. To maximise the impact of the reputational incentive, they added it was important for the AER to communicate clearly how network businesses perform under the SOEN.

Agenda item 4

- Arek Gulbenkogu, General Manager Consumers, gave a presentation on the proposed new regulatory proposal assessment process in the SOEN.

Questions/comments from the floor

- A number of network and consumer representatives noted there would be value in the AER being involved in pre-lodgement. This includes participating in engagement processes and providing an indication of its views during pre-lodgement.
- A network representative asked whether network businesses would be required to provide more than one independent report if they undertake engagement with multiple consumer groups.
 - AER staff noted the intention of the independent report is to help the AER determine what confidence it can place on the consumer engagement process undertaken by a network business and the outcomes of that process. AER staff stated they would give further consideration as to whether this needed to be a single report.
- A consumer representative asked whether the independent consumer report needed to comment on technical issues. While consumers are able to comment on technical issues, they are often not in a position to endorse it as they have not done the technical assessment.
 - AER staff advised the consumer report could include both an assessment of the engagement process as well as views on the technical issues with any caveats as needed. AER staff added that consumer views on technical issues, even if caveated, could assist in determining the level of scrutiny to place on a proposal.
- A network representative noted it would be useful for the SOEN to outline what will happen if there is a change in circumstances after a proposal has been submitted which requires a proposal to be updated.
- A network representative stated it may be useful to have a memorandum of understanding (MoU) between the AER, a network business and CCP at the start of the process to set shared expectations.
 - AER staff responded that they would give further consideration to a MoU and note the AER would welcome further stakeholder views on this.
- A consumer representative queried what the role of the Framework & Approach (F&A) paper. AER staff noted that the F&A paper could be turned into a more informative document over time, but cautioned that the AER involvement in pre-lodgement engagement could be limited by resource constraints.

Agenda item 5

- KF asked for any further questions from stakeholders.
- A network representative asked whether a 'targeted and proportionate' review could still apply even if a proposal only met some of the expectations in the SOEN?
 - AER staff responded that under a targeted and proportionate review the AER may still target areas of concern with a more detailed review proportionate to the level of concerns. Ultimately the AER needs to be satisfied that a regulatory proposal meets the requirements in the Rules.
- KF outlined the next steps in the AER's development of the SOEN. KF also encouraged stakeholders to provide written feedback on the issues discussed in the workshop.

Agenda item 6

- CS thanked attendees for coming to the workshop and closed the meeting.

Written stakeholder views received after the 19 August workshop

After the workshop we received written feedback from four network businesses and one industry group. While the written submissions all expressed support for the SOEN, key issues they raised were:

- it is important for the AER to provide even earlier signals in the pre-lodgement phase, and
- it would be worthwhile to explore ways to streamline the regulatory process, including both before and after lodgement of the regulatory proposal.