

15 August 2013

Mr Warwick Anderson
General Manager – Network Regulation
Australian Energy Regulator
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Via email: consumerengagement@aer.gov.au

Dear Warwick

Draft Consumer Engagement Guidelines for Network Service Providers

1. Introduction

Grid Australia welcomes this opportunity to comment on the Australian Energy Regulator (AER)'s Draft Consumer Engagement Guidelines. Grid Australia notes that the purpose of the guideline is to set out best practice principles, and a framework for electricity and gas network service providers (NSPs) to better engage with their consumers.

The AER has developed these guidelines following recent Rule changes which recognised the importance of effective consumer engagement in the regulatory process. Grid Australia concurs with the Australian Energy Market Commission (AEMC) and the AER that there is an opportunity to improve the current level of consumer engagement, and thereby promote the achievement of the National Electricity Objective.

Grid Australia also shares the AER's view that understanding consumer preferences is an important factor in shaping and informing NSPs' expenditure proposals and that these can only be properly understood if NSPs establish effective consumer engagement strategies.

Grid Australia notes that in developing the draft guidelines, the AER has consulted widely with consumer groups and NSPs. In particular, the AER explains that it has:

- spoken to most service providers to conduct a high level survey of their current consumer engagement activities;
- held four forums with 24 consumer groups to discuss consumer engagement and options for how the guideline might look;
- workshopped a range of issues with the AER's Consumer Reference Group;

- issued an open invitation via the Energy Networks Association for any service providers to provide suggestions, comments and input;
- conducted research of other regulated businesses, both domestic and international;
- reviewed literature on consumer engagement; and
- held informal discussions with interested parties.

Grid Australia supports the AER's draft guidelines. The following points identify some possible areas where further clarification may assist NSPs and other stakeholders.

2. Differences between transmission and distribution

Grid Australia notes that what is considered to be a reasonable approach to consumer engagement may differ significantly between the transmission and distribution sectors. In contrast to DNSPs, TNSPs do not have a direct service relationship with domestic consumers, but are engaged directly with DNSPs, large industrial consumers and generators. Grid Australia therefore considers that the guidelines should explicitly recognise the differences between transmission and distribution.

In particular, Grid Australia suggests that the guidelines should recognise that:

- There are differences between transmission and distribution including different customer bases, capital expenditure profiles, pricing, and reliability standards.
- The scope and content of consumer engagement will differ markedly between DNSPs and TNSPs. For example, TNSPs may be particularly interested in understanding consumers' attitudes to high impact low probability outage events.
- While TNSPs may consult with end consumers in relation to some matters, this consultation may be conducted with the assistance of DNSPs.
- The priorities and topics for consumer engagement will change over time and will vary across NSPs.

3. Community engagement for land use planning purposes

The guidelines should clarify that they relate specifically to consumer engagement in the economic regulation of electricity networks, and not community engagement with respect to a particular network consultation or community-specific issue. NSPs already have well-developed processes for community engagement for land use planning purposes, and must also comply with the local planning authority's consultation requirements. While the guidelines do not formally apply to local planning issues, Grid Australia acknowledges that the best practice principles will be useful for all types of consumer engagement.

4. Expression of best practice principles

Grid Australia has reviewed the AER's workshop material on best practice principles and considers that it would be appropriate to:

- amend 'inclusive' to 'collaborative approach'; and
- include 'integrity' as an additional best practice principle.

Integrity is an important principle that was noted during the AER's consultation workshops that is not mentioned in the draft guidelines.

Both of these changes convey the important message that effective consumer engagement relies on consumer representatives and NSPs to work together in good faith to achieve better outcomes. Grid Australia is concerned that the draft guidelines focus on placing obligations on NSPs, with comparatively few expectations or responsibilities placed on consumer representatives.

To address this concern, Grid Australia considers that the guidelines should acknowledge that:

- Consumer representatives have a shared responsibility for achieving improvements in the engagement process and consumer outcomes.
- Effective consumer engagement is a two-way process that relies on NSPs and consumer groups to work collaboratively.
- The effectiveness of consumer engagement is therefore not entirely within the NSP's control.

Integrity as a best practice principle requires engagement to be conducted in a manner that fosters mutual respect and trust. The guidelines should recognise that the principle of integrity requires NSPs and consumer representatives to work together to ensure that:

- consumer engagement is timely;
- the scope and purpose of the engagement is appropriate;
- feedback is provided during the consultation process in accordance with the agreed scope and purpose; and
- feedback is provided on the engagement process itself as well as the subject of the engagement.

While Grid Australia appreciates that the guidelines are focused primarily on NSPs' conduct, the guideline should also recognise that consumer representatives have an important role in ensuring that the engagement process has integrity and is effective. This includes in relation to the role of the Consumer Challenge Panel.

5. Minor drafting issues

In addition to the points noted above, Grid Australia has identified the following minor drafting issues:

- On page 5, it may be helpful if the Authority section of the guidelines included a reference to clauses 6.2.8(a)(2) and 6A.2.3(a)(2) of the Rules, which allow the AER to make and publish guidelines on any matters that are relevant to Chapter 6 and Chapter 6A.

- On page 9, in the fourth dot point which states “This would be likely to include the conditional release of confidential information.” Grid Australia suggests this point should be amended with “This may at the discretion of the NSP include the conditional release of confidential information.”
- On page 9, section 3.1.2, in the second dot point which states “...That is, clearly communicate what is negotiable” the use of the word negotiable could be confused with “negotiated” which, in the NER, describes a particular category of transmission service. Grid Australia suggests changing ‘negotiable’ to ‘flexible’ or ‘discretionary’ to avoid confusion.
- On page 10, in the second dot point which states “create opportunities to share expertise and information. Raw data and independent research commissioned by the service provider should be sufficiently open to scrutiny by consumer cohorts.” Grid Australia suggests that this point be qualified with “subject to reasonable claims of confidentiality” to preserve protection for confidential information as appropriate.
- On page 11, in the second last dot point – documentation of consumer views, attendance rates and key themes, and reporting on how that information will be used. It may be better to amend the words “how that information will be used” to “how those consumer views will be used”. This minor change will avoid raising any privacy concerns that attendance information might be used by NSPs.
- On page 12, in the third last dot point, which states “...when they deliver their engagement strategy.” This wording may raise the question “delivered to whom?” Grid Australia suggests that this should passage should be redrafted to say “...when they implement their engagement strategy”.

6. Closing remarks

Grid Australia intends the suggestions outlined above to provide a constructive contribution to the further development of the AER’s guidelines. As already noted, Grid Australia supports the overall direction and content of the AER’s guidelines.

Therefore, Grid Australia’s suggestions for improvement primarily seek to provide incremental improvements to the AER’s draft guidelines.

Grid Australia would be pleased to address any queries you may have in relation to this submission. Please do not hesitate to contact Anh Mai on (03) 9695 6627 or alternatively me on (08) 8404 7983 if you wish to discuss any aspect of this submission.

Yours sincerely



Rainer Korte
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