

## **Meeting record**

**Date:** 6 October 2021

**Time:** 3.00 pm to 5.00 pm

**Purpose:** Forum to brief stakeholders on the draft Better Resets Handbook – Towards consumer-centric network proposals (the Handbook) and hear stakeholder feedback.

### **Meeting notes**

The stakeholder forum was attended by over 90 participants from a range of organisations, including network businesses, consumer groups, Energy Networks Australia (ENA) and the AER's Consumer Challenge Panel (CCP).

The forum included presentations from the AER, ENA and the CCP.

#### *Session one*

Kris Funston (Executive General Manager, Network Regulation, AER) opened the forum and outlined its purpose. Kris stated that a summary note of the workshop, including presentations would be published on the AER website.

Eric Groom (AER Board member) made opening comments providing context for the development of the Handbook and the aims of this workshop:

- The Handbook builds on previous initiatives by the AER, network businesses and consumer groups. It is an important marker on a journey to improve consumer outcomes.
- Reiterated the benefits of the Handbook which ultimately advance the long-term interest of consumers.
- Noted the AER is interested in stakeholder views on the draft Handbook :
  - whether it achieves the desired benefits,
  - whether the incentives are sufficient to achieve the aims of draft Handbook,
  - the expectations outlined in the draft Handbook, and
  - the proposed approach to 'trailing' the Handbook with a limited number of network businesses in first instance.
- The aim is to finalise the Handbook by the end of year to provide clarity for future resets.

Andrew Dillion (Chief Executive Officer, ENA) provided some initial network perspectives on the draft Handbook.

- Supported the Handbook and its objectives.
- Noted the draft Handbook sets out AER's expectations and illustrates these expectations instead of detailing the steps a network business must follow.
- Noted three matters for further consideration:
  - maintaining expectations and accommodating new approaches/learnings over time,
  - the importance of AER's involvement in pre-lodgement in ensuring the Handbook is fit for purpose for network businesses,
  - opportunities to explore further efficiencies/improvements in the reset process.

CCP members provided their observations on the draft Handbook, expectations on consumer engagement and the role they play.

- The draft Handbook should outline the benefits to consumers and network businesses of the process.
- CCP members highlighted a number of features of good consumer engagement, including:
  - engagement being a partnership between the business and its consumers
  - engagement involves a commitment from a network business CEO/Board to participate in the activities
  - engagement is sincere and involves multiple engagement channels as not all consumers are the same (e.g. vulnerable, Indigenous and culturally and linguistically diverse)
  - network business should provide impartial support to consumers to engage on issues.
- Noted that the Handbook needs to allow scope for soft signals between consumers, the AER and the network business as parties may be hesitant to make the first call regarding the proposal's being capable of acceptance.

#### **Questions/comments from participants**

- CCP commented that consumer engagement should not equate to big consultant spending to achieve the outcomes in the Handbook.
- Industry and consumer representatives sought clarification on the role of the CCP in the context of a network business' customer panel and engagement on proposals that takes place in advance of a draft proposal.
  - Recent CCP members advised they play an audit role and make a formal submission to the AER confirming whether a business has done what it said it would.
  - Consumer representatives noted that CCP members play different roles for different resets and a flexible approach should be taken.
  - Network businesses present at the forum also acknowledged the benefit and experience of CCP members.
  - A consumer representative clarified that consumers would be counterparties only where they were working towards agreement.
  - The AER clarified it focuses CCP resources on certain resets depending on value/benefit of engaging the CCP.
- A consumer representative emphasised the importance of having both 'direct engagement' (going back to grassroots) and 'indirect engagement' (advocates provide perspectives) for best practice consumer engagement.
  - The AER agreed there is a role for both direct and indirect engagement in good consumer engagement.
- A network business sought clarification on a 'targeted review'.
  - The AER noted a 'targeted review' is independent of a network business being subject to the targeted review stream process (outlined in the Handbook). The latter involves providing the network business an early signal on the proposal at the Issues Paper stage.

- A consumer representative, sought clarification on the role of customer panels and their ability to challenge 'ambit claims'.
  - AER confirmed the Handbook operates within the current regulatory framework and that the AER is required to assess the building blocks and make the decisions under the Rules. Where a network business meets the expectations stated in the Handbook, the AER will take a 'targeted review' approach to its assessment against the Rules.
- A consumer representative commented about the static nature of the draft Handbook (outlines the process of delivering a proposal and does not specify the outcomes) and the limited incentives it provides for businesses. Further a network business can have excellent consumer engagement, but the proposal could deliver bad outcomes.
  - The AER noted the Handbook operates within the current regulatory framework and as such cannot offer financial incentives. A review period will be considered (in line with ENA's feedback) to ensure the Handbook evolves with time and learning. The AER also added that consumer engagement processes are often focussed on the outputs of a network business, e.g. quality of services.
  - Some consumer representatives noted examples where customer outcomes have been front and centre for network businesses. Some businesses have incorporated feedback loops to gauge customer satisfaction, improve customer experience and deliver outcomes.

#### *Session two*

Arek Gulbenkoglou (Acting General Manager Consumers, AER) provided a summary of the AER's expectations set out in the draft Handbook.

- Reiterated Consumer engagement is based on the recent Victoria reset decisions and emphasised the principles which are outcomes focussed.
- Reiterated the Handbook outlines the key factors for capex, opex, regulatory depreciation, and tariff structure statements that would allow a targeted review of a proposal.

CCP members provided their observations on the expectations set out in the draft Handbook.

- Noted the draft Handbook provides network businesses and consumers with shared objectives and measures of success and the expectations relate to meeting the needs of the wider community.
- Queried whether the draft Handbook provides sufficient guidance for transmission businesses.
- Noted some challenges with depreciation, particularly where the technical life differs to the economic life, which impacts intergenerational equity.
- Considered that the expectations on tariff structure statements could go further and also apply to gas and transmission businesses.

Noting the time remaining, Ausgrid and AGIG choose not to present in order to allow more time for questions and comments from participants.

## Questions/comments from participants

- A consumer representative clarified AER's role in pre-lodgement, in particular if the AER will raise 'red flags' or confirm that a network business is heading in the right direction.
  - AER staff confirmed the AER Board's role as decision-makers cannot be fettered. AER staff will be part of pre-lodgement process to assist consumers and call out 'red flags' where the proposal is not likely to be meeting the expectations set out in the Handbook. The decision to undertake a targeted review will ultimately be a decision for the AER Board to make once the regulatory proposal is submitted.
- A network business commented that when developing a proposal, a network business needs to consider not just the individual building blocks, but consumers' acceptance/happiness with the overall proposal.
  - The AER clarified that while the overall proposal is a consideration, the individual building blocks are also a consideration.
  - Industry representatives agreed that the regulatory framework needs to be complied with.
- A network business commented the draft Handbook hits the right balance in terms of outlining expectations and noted that it relies on goodwill among consumers, network businesses and the AER.
  - A consumer representative noted the draft Handbook sets out a process which is similar to the AER's NewReg process.
- A consumer representative raised concerns about consumer engagement taking into account present and future consumers – consumers often do take into account long term interests.
  - The AER confirmed that network businesses should seek to engage customers via an intergenerational and intertemporal lens.
  - Participants discussed the recent gas resets (AusNet and Evoenergy) where intergenerational equity was put forward by consumers.
  - A network business suggested that the Handbook included a reference to network businesses, the AER and consumers considering the perspectives of future consumers.

Eric Groom made closing comments and stated the AER is committed to making the Handbook work and that it would be an iterative process. Keys to making the Handbook a success are:

- a commitment to the long term interests of consumers
- greater trust between the AER, networks and consumers
- goodwill between parties so we are working together instead of against each other
- be open to working flexibly within the current regulatory.

Kris Funston closed the forum thanking participants and highlighted the key next steps of the Handbook project.

- Submissions close 20 October 2021 and the AER hopes to finalise the Handbook by the end of the year.
- Stakeholders were invited to contact the AER if they have any questions or would like to further discuss the draft Handbook.