

16 August 2013

Mr Andrew Reeves
Chairman
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Dear Mr Reeves

The NSW DNSP's Response to the Draft Consumer Engagement Guideline for Network Service Providers

The NSW Distribution Network Service Providers, Ausgrid, Endeavour Energy and Essential Energy (NSW DNSPs) welcome the opportunity to provide this joint response to the Draft Consumer Engagement Guideline for Network Service Providers (Draft Guideline).

The NSW DNSPs welcome and support the intent of the Draft Guideline to foster greater engagement between network operators and their consumers so that the long term interests of consumers are better protected.

We note the Draft Guideline proposes a principle-based approach and while non-binding, is intended to encourage formalised engagement processes between network businesses and consumers and drive a culture of continuous improvement in service delivery and decision making.

While the Draft Guideline has been prepared in the context of a recent rule change (November 2012 Rule Change), we note the AER's wish that network businesses develop and embed consumer engagement structures as part of normal business activities (rather than as a process specifically undertaken for regulatory submission development).

The NSW DNSPs are committed to building customer value and are therefore supportive of this approach.

Existing legislated consumer engagement frameworks

The NSW DNSPs are currently required to undertake formalised engagement with consumers and stakeholders under state legislation.

The *Electricity Supply Act 1995 (NSW)* requires network businesses to establish and formally engage with a customer consultative group, whose members represent key customer segments, including:

- (a) consumer groups,
- (b) low-income households,
- (c) persons living in rural and remote areas,
- (d) domestic customers, and
- (e) industrial and commercial customers¹.

¹ *Electricity Supply Act 1995 (NSW)* s90

These groups must be consulted on business changes that impact customers, and may provide advice on how a business can improve services to benefit customers².

The NSW DNSPs are also subject to the requirements of the *State Owned Corporations Act 1989 (NSW)*, including section 20E(b) that requires network businesses to:

“to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.”³

As major infrastructure owners and builders, the NSW DNSPs regularly undertake customer and stakeholder engagement as required by the *Environmental Planning and Assessment Act 1979 (NSW)*. This involves formal engagement with impacted consumers and stakeholders as part of the planning approval process.

These legislative frameworks for consumer engagement are in addition to many other existing engagement activities that we currently undertake simply because they are good business practice, and improve the effectiveness and efficiency of our services.

Therefore, active engagement with consumers on issues of relevance, and accountability to consumers and stakeholders, has been a longstanding requirement of network businesses in NSW. In this broader context, we note the Draft Guideline is complementary to many existing engagement practices.

Impact on Building Block Proposals

An important effect of the November 2012 rule change is that the extent to which expenditure forecasts address the concerns raised during consumer engagement is now a factor that the AER may take into account when assessing the expenditure forecasts.

In meetings to date with AER representatives, we have been reassured that no revenue would be at-risk as a result of the rule changes and new requirements for greater consumer engagement and linkage to regulatory submissions.

For clarity on this point, and to add weight to the verbal advice already provided by AER representatives, the NSW DNSPs would appreciate inclusion in the Guideline of text providing comfort that revenue will not be at-risk as the AER considers consumer engagement in the context of building block proposals in the 2014 submissions.

NSW DNSPs' 2014 Submission Process

The preparation of the NSW DNSP proposals for the 2014 submission process is well advanced, both for the transitional year, and submission-proper. Unfortunately timing for preparation of the 2014 submissions and development and implementation of the AER's consumer engagement guideline has not aligned.

During much of the submission development period, we have not had the benefit of the Guideline (or Draft Guideline) to understand AER expectations with regard to consumer engagement. In response to the November 2012 rule changes, we have implemented new consumer engagement activities to

² *Electricity Supply Act 1995 (NSW)* s91

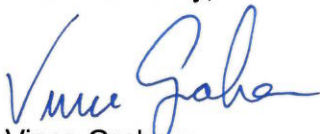
³ *State Owned Corporations Act 1989 (NSW)* s20E(b)

ensure proposals are based on best practice principles set out by the AER. These are processes that will continue to evolve, and will be further enhanced as a result of the publication of the Guideline.

In discussions with AER representatives on this issue, we have been advised our consumer engagement activities will not be measured strongly against the Guideline, given these timing issues, provided progress can be demonstrated in developing a strong business focus on consumer engagement. For reassurance on this issue, we would appreciate the Guideline confirming the AER's approach for the 2014 submission process.

Thank you for the opportunity to provide comment on the *Draft Consumer Engagement Guideline for Network Service Providers*. If you wish to discuss any aspect of our submission further please contact Michael Martinson, Networks NSW Group Manager Regulation, on 02 9249 3120 or via email at michael.martinson@endeavourenergy.com.au.

Yours sincerely,



Vince Graham

Chief Executive Officer

Ausgrid, Endeavour Energy and Essential Energy

