



NEW REG: TOWARDS CONSUMER-CENTRIC ENERGY NETWORK REGULATION

Newsletter, March 2019

Good progress continues to be made with New Reg, the joint Australian Energy Regulator (AER), Energy Networks Australia (ENA) and Energy Consumers Australia (ECA) initiative to explore ways to improve consumer engagement, and identify opportunities for regulatory innovation.

We have reached a key milestone in the New Reg trial and more generally we are seeing noteworthy advancements in customer participation in other economic regulatory regimes.

In this Newsletter we:

- Recap the first milestone of the trial of the New Reg process being undertaken by AusNet Services and the monitoring and evaluation work we've published
- Discuss the current trial activities
- Explore some other general advancements in customer participation
- Note upcoming events

Trial stage one - Sharing findings of the monitoring and evaluation processes

An important part of our Live Engagement for the New Reg process is reporting back to stakeholders at different stages of the process. In late 2018 we:

- Established a trial [evaluation framework](#) with input from our reference group

- Completed and published our stage one [trial monitoring report](#) on the trial establishment and early operation
- Completed and published our stage one [insights report](#) from our independent trial evaluator.

In November our trial evaluation and monitoring consultants presented the evaluation framework and stage one reports to our reference group. Following this, we sought further engagement with interested parties about stage one outcomes and feedback, including through:

- a session with the AER and consumer representatives
- the joint team publishing a set of [Q&As](#) on matters raised by the reference group
- ECA establishing regular consumer updates on the New Reg project and AusNet Services trial.

Trial update – scope agreement and initial negotiation

AusNet Services' trial of the New Reg model reached the stage two milestone in early February 2019.

- The Customer Forum's released its [Interim Engagement Report](#)
- AusNet Services' released its [Draft Electricity Distribution Regulatory Proposal](#).

During this stage the AER also published nine [guidance notes](#) to inform the Customer Forum during the negotiation.

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For the topics discussed within the negotiation, the [Interim Engagement Report](#) is structured to answer the questions:

- What was proposed?
- What does the evidence say about customer needs and expectations?
- Does the proposal adequately recognise needs and expectations of customers?
- What is the customer benefit and is it tangible?
- Does the Customer Forum believe the proposal represents overall value for money?

An important outcome of the initial negotiations and draft plan was AusNet Services' commitments to improve customer experience within the current regulatory period.

The Customer Forum believes customer preferences could not be adequately captured in a revenue determination by the "building block" formula employed by the AER. While the traditional elements of the formula allow for recognition of some measure of what customers are seeking, such as price, it fails to adequately capture customer needs and expectations. Negotiations around customer experience allowed the Customer Forum and AusNet Services to identify and discuss a range of complementary measures and better meet customer expectations. The Customer Forum stressed new and improved customer focused services should be developed at the earliest opportunity and not have to wait until 2021. AusNet Services subsequently advised elements would be delivered progressively from late-2018, at no additional cost to customers.

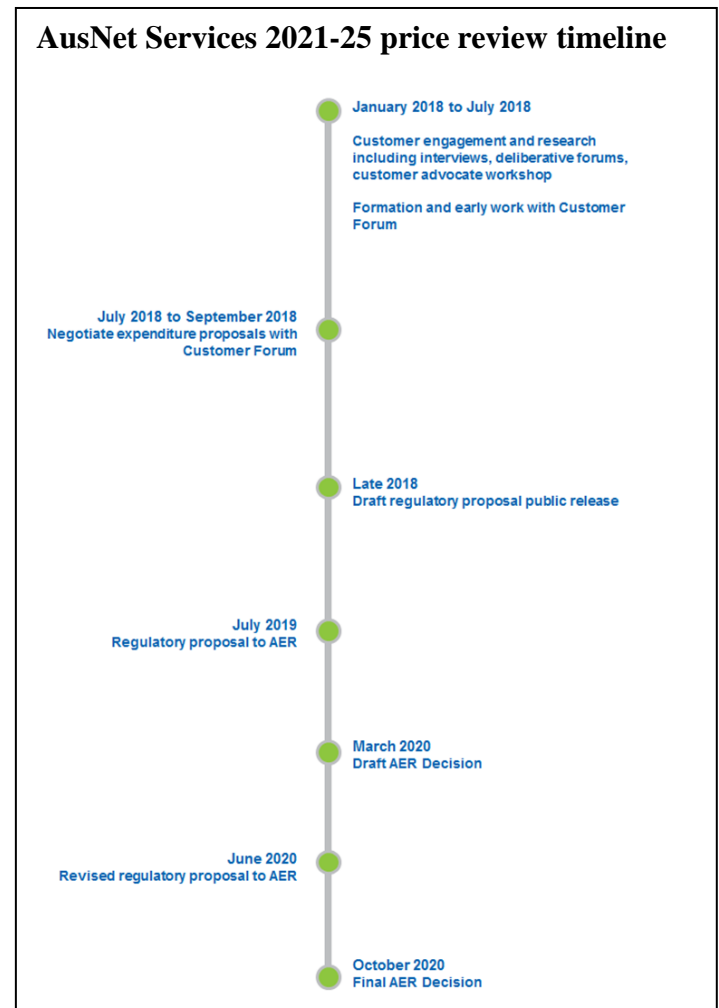
Customer Forum

AusNet Services' customers and their representatives are encouraged to provide feedback on these draft reports and proposals by 31 March 2019. These parties can also participate in a range of deep dive forums, the dates of which are available on AusNet's [website](#).

The Live Engagement, monitoring and evaluation of the AusNet Services trial will remain a key focus through to the completion of the AusNet Services price determination process (currently expected in October 2020).

The project team's consultants have started work on the next round of monitoring and evaluation reports covering stage two.

AusNet Services 2021-25 price review timeline



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How others are bringing customer perspectives into economic regulation

The project team has observed with interest the advancement in customer engagement being pursued not only by other energy networks in the NEM, but also by regulators and utilities across Australia. Some recent noteworthy water examples include the Victorian PREMO approach and South Australia's Consumer Experts Panel.

The 2018 decisions by the Victorian Essential Services Commission for the 16 water businesses were made under its new '[PREMO](#)' regulatory approach. This variant of the building block model (applied by the AER) provided an equity return incentive reward based on the ambition of the businesses regulatory proposal. Ambition is assessed against each of the five PREMO elements: Performance, Risk, Engagement, Management and Outcomes that give rise to the model's name.

The Commission and stakeholders have noted a scale shift in the level of customer engagement under this model, with businesses trialing various customer engagement and research techniques including a citizen's jury, deliberative forums, conjoint modelling and customer challenge and customer advisory panels.

The Essential Services Commission of South Australia's [framework and approach](#) for SA Water's 2020 determination includes a Consumer Experts Panel. This panel will provide a more structured approach for consumer representatives and advocates to provide input to the process, challenge SA Water and reflect consumer views. It will bring together members of the Commission's Consumer Advisory Committee and SA Water's Customer Advisory Groups.

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.

There are upcoming forums where you can keep up with this important broader dialogue and hear from key thought leaders. This includes a public consultation hosted by the joint AER, ECA and ENA New Reg project team to coincide with release of the stage two monitoring and evaluation reports for the AusNet Services trial. More information will be provided at a later date.

You can also register for future ECA updates on the New Reg project and AusNet trial by contacting David Havyatt at david.havyatt@energyconsumersaustralia.com.au.

Regulatory Innovation enquiries?

Email the AER New Reg Team at:
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: 2021-25EDPR@ausnetservices.com.au