

# NEW REG: TOWARDS CONSUMER-CENTRIC ENERGY NETWORK REGULATION

## Newsletter, May 2020

While we all adjust to our new ways of living, working, and interacting with each other amid the current global pandemic, our joint quest for customer responsive and innovative economic regulation is marching on.

The Australian Energy Regulator (AER), Energy Networks Australia (ENA) and Energy Consumers Australia (ECA) are continuing progress on our New Reg joint initiative to explore ways to improve sector engagement, and identify opportunities for regulatory innovation.

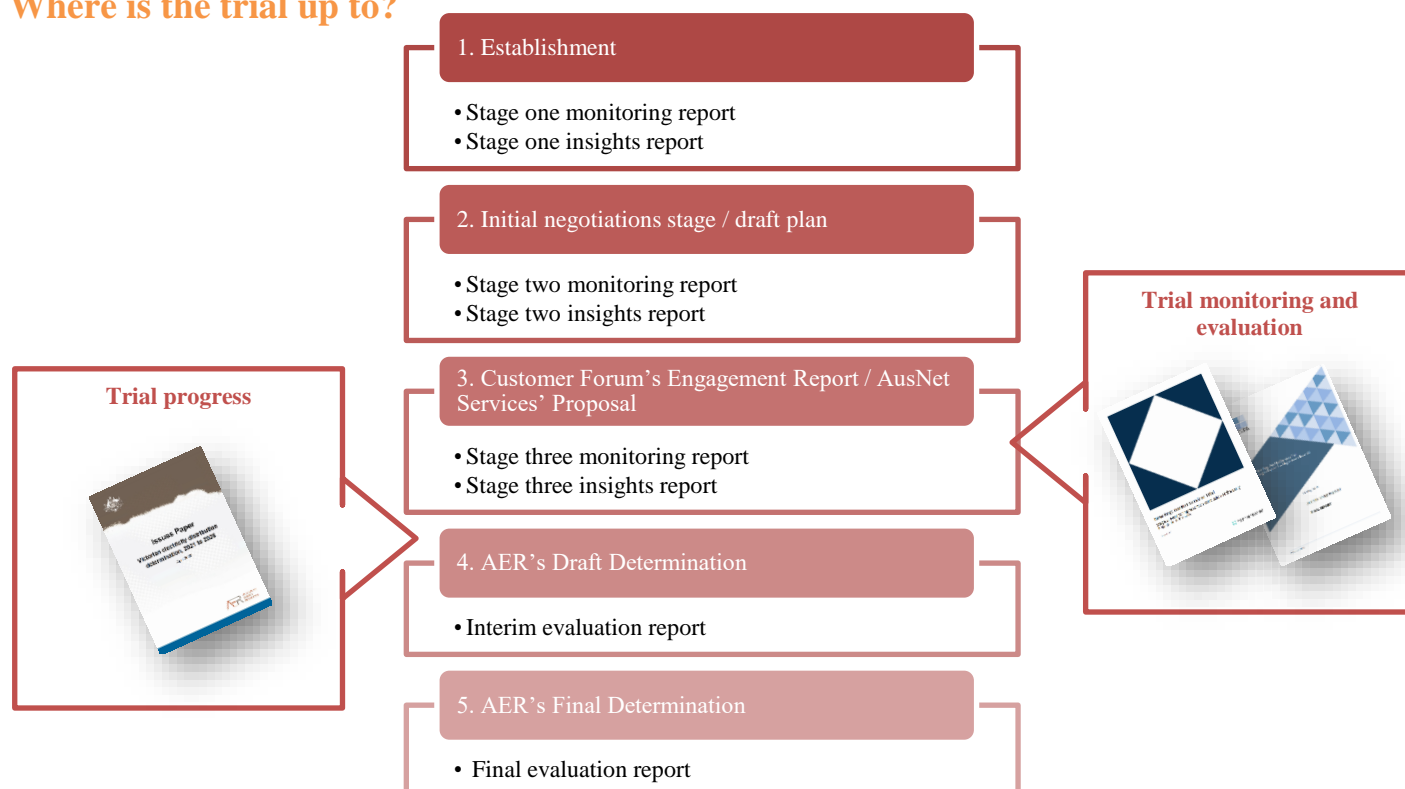
Our first [trial](#) of the [proposed New Reg process](#) is now in its final half of the trail with the AER currently considering AusNet Services' 2022-26 Distribution [Regulatory Proposal](#) to the AER and the [Engagement Report](#) that informed it.

In this newsletter we:

- update on the New Reg trial's progress
- note the recent output of our monitoring and evaluation
- list upcoming events.

## Trial update

### Where is the trial up to?



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### What does this stage involve?

Submission of the Customer Forum's [Engagement Report](#) and AusNet Services' 2022-26 Distribution [Regulatory Proposal](#) on 31 January 2020 triggered the stage of the process where the AER reviews AusNet Services' regulatory proposal. This work corresponds with steps 9 to 11 of our [proposed New Reg process](#), as shown on the right.

### Where is the AER's review up to?

On 7 April 2020 the AER released an [issues paper](#) on the Victorian Distributors' (AusNet Services, CitiPower, Powercor, Jemena and United Energy) regulatory proposals. The paper sets out the AER's initial impressions of all the distributors' proposals, including what it thinks will be some of the key issues for its assessment and areas of particular interest for stakeholder feedback.

In a mark of the times, the normal public forum process that would follow this issues paper was adapted to an online format. The public forum was facilitated by uploading presentations developed by stakeholders on 22 April 2020, with an additional opportunity to submit questions. On the [AER website](#) you can now find:

- the presentations from the AER, customer challenge panel 17, the ECA, Victorian distribution networks, the Energy Users Association of Australia, and the Brotherhood of St Laurence with input from Victorian Council of Social Service and Renew
- responses to questions raised in response to these presentations.

Due to the implications of COVID-19, the date for submissions on the Victorian proposals has been extended to 3 June 2020. You can email submissions to [VIC2021-26@aer.gov.au](mailto:VIC2021-26@aer.gov.au).

### What happens next?

The AER will continue to review AusNet Services' regulatory proposal in accordance with the requirements of the National Electricity Rules. These rules cover the decisions the AER must make, matters it must have regard to and be satisfied of, and the process it must follow, including for public consultation.

The next major milestone will involve the AER publishing a draft decision later this year. You can follow the process on the AER [website](#).

#### New Reg process steps for this stage of the trial

9. If the network business and its Customer Forum can reach agreement on some or all aspects of the regulatory proposal, there is an expectation that the Engagement Report would evidence how the agreement reflected consumers' preferences, citing relevant customer research and results of consumer engagement. Provided the Engagement Report accompanies or is included in the network business' revenue proposal the AER must have regard to it.
10. While the AER would continue to undertake its current assessment process, it would now be able to have regard to the Engagement Report in forming a view about the regulatory proposal. There may be exceptions. For example, the AER may consider the proposed agreement materially disadvantages parties that were not actively represented in the Early Engagement Process (such as future consumers, which should be part of the Customer Forum's consideration).
  - a. The AER is expected to start its assessment of the regulatory proposal by identifying agreed outcomes and unresolved issues. For the latter, it will be important for the AER to take into account the business and Customer Forum's consideration of those aspects of the proposal.
  - b. Although a matter may be unresolved, areas of disagreement should have been identified and explored (see step 8), forming a strong evidentiary basis for the AER's consideration of the matter. It may be, for example, the disagreement between the business and Customer Forum is a question of different, equally credible methodologies. The AER, in those cases, would have the option of choosing between these alternatives, or selecting an alternative approach consistent with the regulatory framework.
11. If a business successfully undertakes an Early Engagement Process, and reflects the outcomes of this process in its regulatory proposal, the AER may, if it considers appropriate, expedite and/or streamline the revenue determination process. For the purposes of a trial, the AER may expedite its regulatory process only after the draft decision stage to allow for consultation on the outcomes of the Early Engagement Process (among other practical considerations).

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### Trial monitoring and evaluation

The New Reg project team<sup>1</sup> has completed the next stage of trial monitoring and evaluation. This week we published our:

- stage three [trial monitoring report](#) on the final negotiations and their presentation in the Customer Forum's Engagement Report and AusNet Services' Proposal
- stage three [insights report](#) drawing on the information contained in the monitoring report to provide initial learnings from our independent trial evaluator.

We will be holding a workshop on these reports in the form of a webinar. This will include presentations from the consultancies responsible for the monitoring and insights reports, as well as a chance for stakeholders to provide comments on these reports. Sandra Gamble, the independent member of the NewReg program board will chair.

The [Directions Paper](#) commits the NewReg Project Team to exploring learnings for the current framework, in addition to trialling alternative approaches.

This workshop will provide the Project Team with its first opportunity to share the learnings identified through AusNet's trial of the NewReg process, as well as wider developments in consumer engagement as identified through the Consumer Engagement Stocktake late last year.

We will dedicate time to exploring whether the issues identified suggest we should begin to consider changes to regulatory practice and the relevant Law and Rules to better enable weight to be given to identified and tested customer preferences.

### Register to attend

The workshop will be held via WebEx on Thursday 25 June 2020.

We will send out the WebEx details to those who have contacted [RegulatoryInnovation@aer.gov.au](mailto:RegulatoryInnovation@aer.gov.au) to register to attend the workshop.

The presentations and a summary of this workshop will be published on the [NewReg Consultation Updates webpage](#) after the event.

#### Regulatory Innovation enquiries?

Email Mark McLeish [RegulatoryInnovation@aer.gov.au](mailto:RegulatoryInnovation@aer.gov.au)

#### AusNet Services price review enquires?

AusNet Services is providing opportunities to join the conversation on its electricity distribution price review. Please email AusNet Services at: [2021-25EDPR@ausnetservices.com.au](mailto:2021-25EDPR@ausnetservices.com.au)

### ECA Teleconferences

ECA has been holding teleconferences for consumer advocates on the New Reg process. ECA is keen to maximise consumer participation in the workshop planned for the end of June. A further teleconference for consumer advocates will be considered after that workshop.

Any consumer advocate interested in an additional briefing prior to the workshop should email David Havyatt at [david.havyatt@energyconsumersaustralia.com.au](mailto:david.havyatt@energyconsumersaustralia.com.au).

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<sup>1</sup> working level staff from the ECA, ENA, AER and ACCC