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13 December 2018

Ross Womersley
Chief Executive Officer
South Australian Council of Social Service
47 King William Rd
UNLEY SA 5061

Dear Mr Womersley

Re: SACOSS submission on New Reg

Thank you for your submission of 16 November 2018 on New Reg. This submission raised a number of recommendations and requests for clarification and our response to these is below.

I also direct your attention to the attached note from the New Reg project team, setting out a response to key issues raised in the 7 November Reference Group meeting. This note addresses some of the issues that you have raised in your submission.

Response to recommendations and requests for clarification

- SACOSS request for clarification: Where is the evidence that consumer advocacy organisations were consulted during the preparation of the Directions and Approach papers, or after their release?

The Project Team's note sets out the consultation undertaken in the development of the Directions and Approach papers, which included consumer advocacy organisations.

- What will be the role for consumer advocates once the Customer Forum has ceased its role?

The AER's usual processes for consultation on the regulatory proposal will apply - there have not been any changes to the National Electricity Rules to facilitate the trial. Interested parties will be invited to engage with the CCP, attend public forums, and make submissions on AusNet's proposal, the AER's issues paper and the AER's draft determination and AusNet's revised proposal.

- What does the AER see as the role for consumer advocates in regulatory determinations in a New Reg context?

The New Reg process is aimed at encouraging NSPs to negotiate with the Customer Forum in advance of formal lodgement of the regulatory proposal with the AER. Under the New Reg process, consumer advocates play an important role in engaging with the Customer Forum to make the views and preferences of the consumers that they represent known so that these can be brought to bear by the Forum in negotiations with the NSP.

- SACOSS believes there should be regular meetings, timely minutes is important and a Terms of Reference for the Reference Committee.

We acknowledge that reference group meetings – of which we have held four over 2017 and 2018 – are proving too infrequent to keep stakeholders informed of the process of the first New Reg trial and the evolving New Reg work program. We are currently considering our approach to engagement on the New Reg process itself, with a view to having more frequent updates. The minutes of the reference group meeting on 7 November will be published shortly.

- SACOSS recommends that the AER undertake formal engagement on each key element of New Reg, including the Evaluation Framework and monitoring reports.

We have consulted with the reference group on the New Reg process, and monitoring and evaluating the trial. A timeline of the key engagement steps is set out in the attached note from the team.

- SACOSS recommends that an important part of the Trial is to consider how New Reg compares against existing models, including in cost terms, and strongly recommends that the Project Team provide the Reference Committee with a proposal of how this task will be undertaken.

We have engaged with the reference group on this issue. CEPA's evaluation will cover the costs of the trial but will not include a comparison of New Reg against existing models. As CEPA notes, the New Reg trial is not simply a consumer engagement process (or, in and of itself, a substitute for consumer engagement). Rather, it is proposed as a settlement process.¹ Further, CEPA does not think that the outcome of the AusNet trial could be meaningfully compared to other current processes being conducted by other businesses. Different network companies face different circumstances, and their customers may have different expectations.²

- SACOSS believes that it is critical for the trial assessment to consider the role of consumer advocacy organisations. Important questions for evaluation of consumer representative experiences include:
 - Did these representatives understand their roles and responsibilities?
 - What did these representatives think of the process and content outcome?
 - Did these representatives have adequate funding to participate as they wanted to?

We shared CEPA's assessment factors for its evaluation of the AusNet New Reg trial with the reference group for comment on 27 August 2018. CEPA finalised the assessment factors

¹ CEPA, New Reg Trial Evaluation Framework, November 2018, p. 29.

² CEPA, New Reg Trial Evaluation Framework, November 2018, p. 9.

with regards to the feedback received. We have also provided CEPA with a copy of your submission for further consideration.

In particular, one of the assessment factors for the trial asks: "did the Forum adequately and appropriately represent customers' perspectives and preferences during the negotiations?" We consider that this will capture whether customer advocacy organisations were appropriately engaged in the trial.

- SACOSS also believes that the assessment needs to consider the question of how the diversity of views amongst consumers was balanced by the Customer Forum.

We note that CEPA's evaluation will cover this, by asking "Has the Forum identified tensions between the interests of different groups of customers (business versus domestic, current versus future)? If so how did it resolve these in reaching its negotiating position?"³

- If SACOSS were a jurisdictional party engaged in the AusNet determination, SACOSS would seek to further explore the Customer Forum focus on reliability and seek to ensure that this did not lead to imprudent expenditure on reliability.

Stakeholders will have a number of opportunities to do this including making submissions on the Customer Forums' draft and final engagement report.

- SACOSS seeks clarification on what the CCP role would be on the out of scope negotiation issues and during 2019.

The CCP will have its usual role in assessing out of scope issues. We set out the CCP's role in the AusNet trial on our website, here: <https://www.aer.gov.au/node/60961/draft>.

- SACOSS believes that the New Reg objective needs to be provided publicly with sufficient clarity. SACOSS recommends formal engagement on the objective for any future trials.

We agree that clarity of objective is key, and included the objectives of the New Reg process in the Directions and Approach papers published in March.

I look forward to future consultation with you on the New Reg Trial.

Kind regards



Sarah Proudfoot
General Manager
Consumers and Markets

Sent by email on: 13.12.2018

³ CEPA, New Reg Trial Evaluation Framework, November 2018, p. 20.

