

Our Ref: 50496

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Dear Stakeholder

**AER Stakeholder Engagement Framework**

The Australian Energy Regulator (AER) has today published its Stakeholder Engagement Framework (Framework). This follows a consultation process with stakeholders in which we sought feedback and input to inform the development of the final Framework.

We recognise that the decisions we make and the actions we take in performing our regulatory roles and other activities affect a wide range of individuals, businesses and organisations. The Framework affirms our commitment to improving the quality of our engagement.

Our vision is for our stakeholders to have the opportunity to engage with us across the full range of our functions. To achieve this, we recognise that our stakeholders need to trust that their input will be valued and, importantly, that the regulatory process can deliver outcomes that reflect their needs and interests. The Framework works towards this vision by providing a structure that allows us in a transparent way to meaningfully and consistently consider stakeholders' needs and interests in our processes and decisions.

The Framework is a public document that articulates the principles that guide our engagement approach. It recognises that different levels of engagement are appropriate, depending on the issue, and clearly establishes what our stakeholders can expect when they engage with us. It covers our interactions with energy consumers, energy businesses, policy bodies, regulators and groups with a stake in our activities and decisions.

**Consultation process**

The AER’s Customer Consultative Group (CCG) discussed the development of the Framework at their April 2013 meeting, and provided early input and feedback. The CCG also discussed our approach to the development of a consumer engagement guideline for network service providers, which forms part of our Better Regulation reform program.[[1]](#footnote-1)

The AER published the draft Framework on 18 July 2013 and subsequently held a stakeholder forum on 7 August 2013 with participants from Queensland, New South Wales, Victoria, South Australia, Tasmania and the Australian Capital Territory. As part of these processes we sought views on a range of issues, including:

* Does the Framework cover the appropriate range of AER activities and stakeholders affected by the AER's activities and decisions?
* Are the proposed principles relevant and appropriate to the AER's activities, in particular given the considerable complexity of many of the regulatory and economic issues that make up the AER's work? Are there additional or alternative principles that should be included?
* Are the commitments included under each principle relevant and appropriate? Are there additional actions we could take that would assist us to embody the principles in our engagement activities?
* Are there additional engagement 'tools' we could include in the engagement spectrum?
* We propose to review the Framework after three years. Is this an appropriate timeframe?
* What measures could the AER use to evaluate our engagement?
* What other issues should we consider?

The consultation period closed on 30 August 2013. Fourteen stakeholders provided written submissions to the draft Framework. We also received two informal submissions. Appendix A provides a list of the submissions received. Our consideration of the views and issues put forward as part of this consultation process is outlined in Appendix B, along with an explanation of how these have informed the final Framework.

We are now undertaking a range of activities to implement and embed the Framework within our processes and practices across the organisation. We appreciate the interest and contributions from our stakeholders in this process.

Yours sincerely

Andrew Reeves

Chair

**Appendix A: Submissions received to draft Framework**

The AER received written submissions from the following organisations:

* Australian Council of Social Service
* Conservation Council of South Australia
* Consumer Action Law Centre
* Consumer Utilities Advocacy Centre
* Energy & Water Ombudsman NSW
* EnergyAustralia
* Ergon Energy
* Major Energy Users Inc
* New South Wales Irrigators' Council
* Public Interest Advocacy Centre
* South Australian Council of Social Service
* Total Environment Centre

We also received verbal submissions from two individuals (Ms Madeleine Kingston and Mr John Sligar) and an informal submission from Lumo Energy advising it considered the Framework to be reasonable.

Additionally, the Council of Small Business Australia's (COSBOA) submission on the AER's draft Consumer Engagement Guideline for Network Service Providers, referred to the draft Stakeholder Engagement Framework and this has been considered in developing the final Framework.

Copies of the submissions received are available on the AER’s website: <http://www.aer.gov.au/node/21247>.

**Appendix B: AER consideration of issues raised in submissions on the draft Framework**

AER Stakeholder Engagement Strategy —Explanatory Statement

1. **Overview**

The submissions we received were overwhelmingly supportive of us introducing this Framework to improve the quality of our stakeholder engagement.

Many of the groups that participated in the draft Framework consultation had engaged with us in the past, and provided comments based on their experiences.

In addition to suggestions to improve the Framework, a number of stakeholders made comments and suggestions about how we should apply the Framework in our work. These included issues such as staff training, coordinating our engagement activities, and using particular engagement or communication tools. Our consideration of these broader issues is discussed in section 2.

Section 3 discusses comments that relate directly to the Framework document itself—that is, the purpose, scope, principles and review—and how we have responded to these.

1. **Comments about the AER’s broader engagement with consumers**

Many of the submissions raised issues and suggestions relevant to our broader engagement with stakeholders, but that we have not addressed directly within the Framework document.

In general, this is because these:

* were engagement-specific issues that will be considered as part of the planning process for each project or decision’s engagement activities, or
* related to broader actions we will take as an organisation to implement the Framework in our work.

**Engagement planning**

Several submissions suggested specific methods or actions we should take to communicate and engage with stakeholders.

Comments in this category included:

* Major Energy Users Inc had positive experiences of forums where stakeholders could exchange ideas, rather than one-way presentations, and suggested we use this engagement tool more regularly.
* Total Environment Centre suggested we should provide consumer advocates access to specialist economic advice.
* Consumer Action Law Centre suggested we should adopt a ‘super complaints’-style process of prioritising consumer complaints raised by members of our Consumer Consultative Group.
* The New South Wales Irrigators’ Council suggested our engagement processes follow a particular staged structure.
* Several submissions talked about the need to include diverse stakeholders.
* Public Interest Advocacy Centre proposed developing processes to be rolled out to ‘up skill’ stakeholders.

These suggestions are issues that are relevant to our work. However, as the scope of our work is so wide, the most appropriate processes, stakeholders and particular mechanisms for engagement will vary between different projects, decisions and activities.

The Framework’s aim is to state the high-level principles that will guide our engagement activities. Issues such as those mentioned above will be considered by project staff during the planning phase for each project or decision’s engagement activities.

In practice, project staff will consider the purpose and scope of the project to identify relevant stakeholders and work with them to:

* identify any issues or constraints that might prevent the stakeholders engaging effectively, and addressing these
* identify the engagement level and tools that are appropriate to the objective of the engagement, and
* establish measurable criteria to evaluate the success of the engagement and how each principle has been applied.

In line with the transparency principle, stakeholders should have visibility of, and the opportunity to provide feedback on, the engagement process and tools used.

**Implementation of the Framework**

Several submissions raised issues that were outside the scope of the Framework, but were relevant to our engagement with stakeholders more generally. For example:

* Major Energy Users Inc suggested our staff should receive training in engaging with stakeholders.
* South Australian Council of Social Service suggested our staff and Board attend a yearly workshop on the Framework.
* A number of submissions suggested we consider ways to coordinate our engagement activities, such as developing an engagement calendar.

We are developing and discussing a range of actions to implement the Framework across our organisation. These discussions are ongoing, but early action has included providing stakeholder engagement training for a significant number of our staff. We are also considering what changes to our processes could help embed the Framework and good engagement practices in our work.

We recognise that our stakeholders will not have a high level of visibility of these discussions, but we commit to reporting publicly on these implementation activities in 2014 as part of our Annual Report.

1. **Comments about the Framework document**

**Introduction**

The Framework’s introduction discusses our vision and core objectives. While this section attracted few comments, EnergyAustralia suggested adding a core objective of ‘gaining the trust of all stakeholders’.

EnergyAustralia cited the Productivity Commission’s recent Electricity Network Regulatory Frameworks Inquiry report,[[2]](#footnote-2) which highlighted that having stakeholder trust and confidence were key elements of good governance for a regulator.

Additionally, some other stakeholders felt ‘trust’ and ‘integrity’ should be included as engagement principles.

While the draft Framework broadly acknowledged the importance of stakeholder trust, we have amended the Framework’s introduction to clearly state that developing stakeholder trust is a core objective.

**Scope of the Framework**

The consultation paper for the Framework sought views about whether the Framework covered an appropriate range of AER activities and stakeholders.

Most participants felt that the scope of the Framework was appropriate.

However, a number of stakeholders submitted that the AER had overlooked particular stakeholder groups in some of its engagement activities, and that the Framework should be amended to recognise a range of groups not explicitly mentioned in the draft. For example:

* Consumer Utilities Advocacy Centre noted research that found a range of stakeholder groups felt overlooked in utilities sector consultation processes, including Indigenous people, older Australians and people from culturally and linguistically diverse backgrounds.
* Conservation Council of South Australia stated that there had not been adequate pathways for GreenPower and renewable energy customers to engage with the AER, and that the Framework should specifically acknowledge these as AER stakeholders.

The list of broad stakeholder groups in the ‘Who are our Stakeholders?’ section of draft Framework is not intended to be exhaustive or to exclude particular groups. We consider that the term ‘residential consumers’ adequately encompasses the groups identified in the submissions above without explicitly listing all of the different stakeholder groups who may be interested in or affected by our decisions or activities. We have made a minor amendment to the Framework to note that ‘residential consumers’ includes general energy consumers, as well as those with particular needs and interests.

Additionally, the Framework provides a mechanism—under Principle 2 ‘Accessible and inclusive’—for our staff to proactively identify relevant stakeholders during the engagement planning phase, and to consider the most effective way to reach and engage with these stakeholders.

**Principles**

Our consultation paper sought comment on whether the Framework’s proposed principles were relevant and appropriate to our activities, and whether additional principles or actions should be included.

There was wide support for the draft Framework’s principles based approach. A number of submissions stated this was appropriate and relevant to the AER’s activities, as were the four principles themselves.

Submitters made a range of comments about the application of the principles.

***Principle 1—Clear, accurate and timely communication***

Many submissions raised the importance of timely and clear communication in our engagement with stakeholders, and suggested ways we could improve this.

For example, EnergyAustralia stated that while our reports about network determinations were of a high quality, there were a number of actions we could take to improve the usefulness of our communication to stakeholders. EnergyAustralia’s suggestions included laying out documents in a more reader friendly format, providing clearer summaries of decisions and impacts, and enhancing the usability of our website.

Discussions in our information session also highlighted the critical importance many consumer advocates place on timely access to our data about energy businesses’ performance and compliance in identifying emerging consumer issues in the industry.

We considered that the draft Framework’s wording and ‘actions’ for this principle adequately addressed these issues, and that it was not necessary to amend this section.

We received a number of comments about specific communications methods that we should use in our engagement activities. These will be considered as part the planning for each engagement process, and will be informed by our engagement objectives and the particular needs of stakeholders.

***Principle 2—Accessible and inclusive***

Stakeholders’ resources

A theme raised by many stakeholders was the financial, time and resource constraints facing stakeholders, and our need to take these into account when engaging with them.[[3]](#footnote-3)

Suggestions to minimise the impact of our engagement activities included holding meetings at mutually convenient times and locations, coordinating our engagement activities where possible, providing adequate time to respond, and being more flexible in the way we receive submissions.

We recognise that limited time and resources are genuine issues for many stakeholders. The draft Framework addressed this by committing us to ‘understand the interests and concerns’ of stakeholders. In practice, this work will be undertaken as part of the planning for each process, and will depend on the issue, the stakeholders and their particular circumstances.

However, in light of the comments on this issue, we consider that it would provide greater clarity and guidance for our staff and our stakeholders if the Framework included a more detailed list of actions we can take to understand stakeholders’ interests and concerns. We have amended this section of the Framework to include these.

Some of the issues raised are relevant to the actions we take as an organisation to implement the Framework and principles in our work—for example, how we coordinate the engagement activities of different areas within the AER to minimise the resource impact on stakeholders.

We are considering implementation issues as part a broader, ongoing plan to embed the Framework and good engagement practices in our work.

Facilitating stakeholders’ engagement

Another theme relating to the principle of accessibility and inclusivity was how we assist stakeholders to engage with us, particularly given the complex nature of much of our work.

For example, Public Interest Advocacy Centre submitted the Framework should include an additional principle of being ‘proactive’, and that we should have in place plans and procedures for ‘up-skilling’ stakeholder groups unfamiliar with our processes or the regulatory framework.

Total Environment Centre submitted that we should provide consumer advocates with specialised economic and other analysis that would enable advocates to identify the best outcomes for consumers.

The draft Framework addressed this issue by including an action that we would ‘assist stakeholders to engage with us’ where necessary and appropriate. We have made a minor amendment to this section to clarify this intention.

In practice, project staff will work with stakeholders to determine what assistance may be necessary in the planning phase of each engagement. For some processes, this may involve facilitating the involvement of our subject matter experts.

In terms of identifying stakeholders for each engagement, we have amended this section to make clear that this process will also include consideration of the most effective means to communicate and engage with stakeholders.

In relation to Public Interest Advocacy Centre’s suggestion of having ready-made plans and procedures, we envisage that the process of reviewing and evaluating each engagement process will allow us to continue to build our understanding of how to effectively ‘up skill’ stakeholders.

***Principle 3—Transparent***

Comments relating to transparency focused on the need for us to clarify how we would provide feedback on how stakeholders’ input has been considered and how it has influenced a decision or outcome, and to provide transparency around our processes.

The draft Framework addressed these issues with the inclusion of an action to ‘provide feedback to stakeholders about their input’. We have slightly amended this section to clarify that this includes feedback on how their input influenced the outcome of an activity.

We have not taken up Public Interest Advocacy Centre’s suggestion that we provide written feedback for every process. This is because the Framework is intended to apply to a range of our engagement processes, including less formal engagement or where we are seeking only to ‘inform’ our stakeholders, where providing written feedback may be unnecessary. For major, formal or complex engagements, our intention is to provide written feedback as part of our decisions. This feedback will explain how stakeholder input has been considered and informed our approach or the outcome.

***Principle 4—Measurable***

Some submissions felt this principle was less developed in comparison to the other principles, despite its importance to the AER improving our engagement activities over time, and proposed options to strengthen it.

For example, Consumer Utilities Advocacy Centre suggested the Framework state that we will use surveys, interviews and external reviews to evaluate the effectiveness of a particular engagement process.

Total Environment Centre submitted that we should develop performance indicators for each principle, and publicly report against these.

These comments are consistent with our intention for implementing the Framework. We recognise that to demonstrate that we have applied the principles in any engagement process, criteria will need to be established to measure successful achievement.

The particular assessment or measurement criteria will depend on the issue, our objective and the relevant stakeholders, and will be developed as part of the engagement planning phase.

We have amended this section to provide further detail about how we will demonstrate measurability, including using surveys and interviews to measure participants’ satisfaction with the engagement where appropriate. We will also publicly report on our engagement and implementation activities in 2014 as part of our Annual Report.

**Stakeholder Engagement Spectrum**

While we received no substantive stakeholder comments relating to the Engagement Spectrum, we have added extra information to explain the key characteristics of each level of engagement in order to increase the Spectrum’s usefulness to our staff and stakeholders.

We have also added wording to this section to explain that most of our engagement will occur at the ‘Inform’, ‘Consult’ and ‘Involve’ end of the spectrum—in many cases because our regulatory responsibilities do not permit us to share or delegate decision making.

**Reviewing the Framework**

Most submitters felt the three year period for review was reasonable, but a number said we should consider how to monitor and assess the operation of the Framework over that time.

We envisage the Framework as a flexible ‘living’ document that is able to be adapted over time where the need is identified. We have amended the text of this section to clarify that the intention is for informal assessment of the Framework’s performance to be ongoing, via the evaluation of particular proposals and engagement processes.

1. For more information, please see: <http://www.aer.gov.au/node/18894>. [↑](#footnote-ref-1)
2. Productivity Commission, Electricity Network Regulatory Frameworks, Inquiry Report, June 2013, p 765. [↑](#footnote-ref-2)
3. Groups that raised these issues included Council of Small Business Australia, NSW Irrigators’ Council and Australian Council of Social Service. The issue was also raised by business and consumer representatives during our information session. [↑](#footnote-ref-3)