



Stakeholder Research 2021

Report prepared for the
Australian Energy Regulator (AER)

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Disclaimer

In preparing this report we have presented and interpreted information that we believe to be relevant for completing the agreed task in a professional manner. It is important to understand that we have sought to ensure the accuracy of all the information incorporated into this report.

Where we have made assumptions as a part of interpreting the data in this report, we have sought to make those assumptions clear. Similarly, we have sought to make clear where we are expressing our professional opinion rather than reporting findings. Please ensure that you take these assumptions into account when using this report as the basis for any decision-making.

For the quantitative research results, the base (number and type of respondents asked each question) and the actual survey questions are shown at the bottom of each page. Results may not always total 100% due to rounding.

Weighted results are shown throughout the report, unless otherwise specified. The weighting approach is outlined in the methodology.

Qualitative research findings are based on a small number of participants. While they reflect a cross section of stakeholders, they are not statistically representative.

This project was conducted in accordance with as: ISO20252:2012 guidelines, to which Newgate Research is accredited.

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This research was undertaken in accordance with the Australian Polling Council quality mark standards.

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Executive summary

Overview of key findings, core reputation metrics and segment perspectives



EXECUTIVE SUMMARY

This report details the results of research undertaken with AER stakeholders in April – May 2021. It is based on 25 qualitative interviews with executive stakeholders and an online survey of 13 executive and 117 staff level stakeholders in three segments – Government, Industry and Consumer Advocacy.

Core reputation metrics

The AER has a strong reputation among its stakeholder base. Nearly three quarters (73%) of participants rated the AER’s reputation 7 or higher (out of 10). Almost half (48%) felt the AER’s reputation had improved in the past couple of years while very few (7%) thought it had declined in this time.

Executive level stakeholders and the consumer advocacy segment emerge as key advocates of the AER – they rate its reputation higher than other stakeholders and are most likely to speak well of the AER.

Drivers of reputation

Statistical modelling reveals the key drivers of the AER’s reputation. The strongest drivers centre around supporting energy consumers, stakeholder engagement and relationships, and acting in the long-term interests of Australia’s energy future.

Other key drivers include strong leadership and providing an authoritative and proactive voice to encourage innovation within the energy market and within the regulatory framework.

Strengths and positives

The report identifies areas of strength for the AER – where its performance is rated highly by stakeholders and lift its reputation up.

Those giving a higher reputation score referred to the quality of the AER’s staff (including its leadership), the technical expertise evident in its communications and reporting, the openness of relationships and willingness to engage with stakeholders, and a genuine commitment to energy consumers. They saw the AER as a well-intentioned regulator which takes a practical approach to its regulatory functions and upholds the rules in a professional manner.

Issues and opportunities

The report also highlights the areas of concern among stakeholders – where the AER’s performance was rated as weaker, and which pull its reputation down.

At the heart of this is the extent to which the AER is seen to be forward thinking in using its knowledge, its position in the sector and its relationships across stakeholder segments to ensure the regulatory framework keeps pace with the market transition and delivers good outcomes for consumers and stakeholders alike.

Those who gave a lower reputation rating would like to see the regulator take a more pragmatic approach in its reasoning, demonstrate a longer-term view of the market and be more proactive in pushing for evolution of the regulatory framework. They feel the AER could be more innovative and nimbler within the context of rapidly changing market dynamics.

Looking forward, stakeholders will judge the AER on the extent to which it manages to balance favourable pricing outcomes for energy consumers while also allowing scope for market participants to innovate by framing its decisions within an understanding of the long-term needs of the energy market.

STRATEGIC CONCLUSIONS

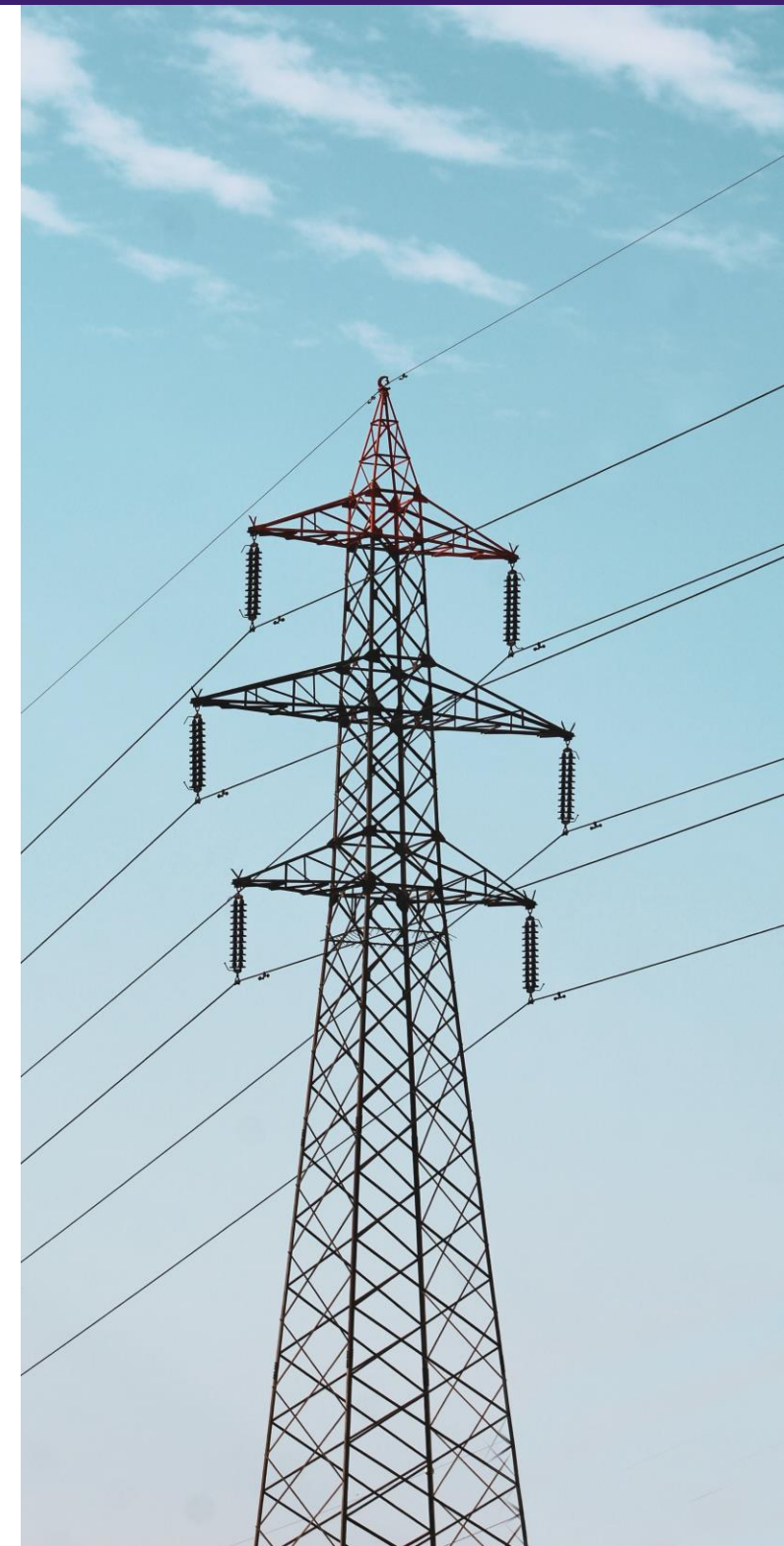
Reflections on the feedback provided by stakeholders throughout this research and what it means for the AER going forward

Overall, the AER is well regarded across government, industry and consumer groups in a complex regulatory space. By and large, there is strong alignment between the AER's most important drivers of reputation and strong performance on these measures as rated by stakeholders. Its key people are generally trusted, and the organisation seen as solid and capable in its core business of protecting consumers.

Australia's energy transition is, however, throwing up sharp regulatory challenges that many stakeholders believe require the AER to adopt a more 'over the horizon' outlook that ensures the nation's networks can accommodate new technology and innovation into their business models. While the new Chair is seen as delivering stronger leadership, stakeholders are wondering whether the AER will be able to keep up with the demands of the accelerating energy transition.

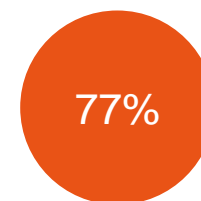
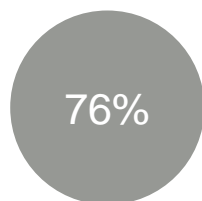
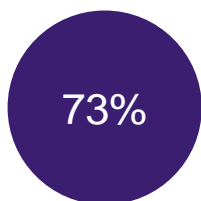
While stakeholders raised familiar grievances about regulatory frameworks and outcomes, the issue for the AER is to how to deliver balanced outcomes within its statutory obligation that provide for consumers on a range of levels including reliability and affordability, but also on the emerging issues of distributed energy connectivity, emissions reduction, and grid stability that may be delivered by new technology and innovation.

These issues will only intensify as transmission and network service providers push for the AER to examine these issues through a new lens. Industry engagement remains an area for ongoing effort to manage this process, building on strong results for the quality of AER's relationships with stakeholders.



DASHBOARD

The core reputation metrics paint a positive picture for the AER. It is held in high regard by its stakeholders and seen as moving in the right direction.



Reputation Score

Reputation is measured as the proportion of stakeholder participants who gave a rating of 7 or more out of 10 where 0 represents a 'very poor reputation' and 10 is 'an excellent reputation'. Participants were asked to base their score on their personal interactions with the AER as well as what they have seen, heard or read about it.

Government:	69
Industry:	72
Consumer advocates:	77

Reputation Trend

Reputation trend measures the perception among stakeholders of momentum in the AER's reputation – what direction the organisation is felt to be heading in. Participants were asked whether they felt the AER's reputation had improved, declined or stayed the same over the past couple of years (by a little or a lot). The result shown is the proportion of participants who felt the AER's reputation had improved – either by a little or by a lot.

Government:	55
Industry:	37
Consumer advocates:	52

Meeting Expectations

Meeting expectations is a measure of stakeholder satisfaction with the AER. Participants were asked whether the AER was meeting, exceeding or falling below their expectations of it (by a little or a lot). The result shown is the proportion who reported the AER was either meeting or exceeding their expectations (either by a little or a lot).

Government:	76
Industry:	71
Consumer advocates:	81

Net Advocacy Score

Advocacy, or likelihood to speak well of the AER if it comes up in a conversation with a peer or colleague, is considered the primary behavioural outcome of reputation for an organisation like the AER.

The Net Advocacy Score is presented as the proportion of Advocates (those who gave a rating of 9 or 10 out of 10) minus the proportion of 'Detractors' (those who gave ratings of 0-6).

Government:	0
Industry:	-15
Consumer advocates:	30

Trust

Trust is an emotional outcome of reputation and was measured as trust in the AER to do the right thing by consumers. The rating scale was 0 to 10 where 0 means 'don't trust at all' and 10 means 'trust completely'. The result is shown as the proportion who gave a rating of 7 or more out of 10.

Government:	78
Industry:	69
Consumer advocates:	86

SUMMARY BY SEGMENT

A snapshot of feedback provided by the three primary stakeholder segments.

Government / Market Bodies / Regulators

Core reputation metrics

This segment had the lowest overall reputation score (69%) but were most likely to say that the AER's reputation had improved over past couple of years.

A net advocacy score of 0 suggests mixed views within the segment with an equal proportion of advocates and detractors.

Strengths and positives

They rated the quality of their relationship and the AER being good to deal with very highly.

Issues and opportunities

Half (52%) of government stakeholders rated the AER strongly in terms of its contribution to the debate about Australia's energy future.

Some feel the AER is bound to rules that are not necessarily considered fit-for-purpose although they acknowledged the AER was in the early stages of a new phase with the new Chair and its compliance enforcement focus.

Industry / Market participants

Core reputation metrics

The reputation score from this segment was in line with the overall average, however, industry participants were least positive about the direction of the AER – 37% felt its reputation was improving.

The net advocacy score was the lowest of the three primary segments (-15).

Strengths and positives

Networks were generally more positive toward the AER than retailers. Networks felt the AER had improved in recent years especially in making balanced decisions.

Issues and opportunities

Key concerns for retailers are the extension of the Statement of Expectations and perceptions of heavy-handed and politically motivated compliance and enforcement actions.

They seek greater collaboration with the AER and better understanding of their business challenges particularly in relation to pricing decisions.

Consumer advocates

Core reputation metrics

This was the most positive segment on most core reputation metrics, including overall reputation, and the only segment with a positive net advocacy score.

Strengths and positives

As a relatively smaller and under-resourced segment consumer advocates rely heavily on the AER to promote the interests of consumers and place great value on its work.

They rate the AER significantly higher than other segments on being forward thinking, its senior leadership team, the technical capability of its people and timely release of reports.

Issues and opportunities

Consumer advocates felt the AER could improve its understanding of the needs of all energy consumers and be mindful of their own limited capacity when requesting involvement in AER forums.

Background and Methodology

Overview of the research context and objectives, the methodology used and details of the sample

BACKGROUND AND OBJECTIVES

Background to the research

As part of its monitoring and assessment of performance, the Australian Energy Regulator (AER) conducts stakeholder perceptions research every two to three years, with its most recent round of research having been conducted in 2018. This performance assessment forms part of the AER's annual report, which includes tracking of key performance indicators.

Over the last few years, the AER has undertaken several major organisational changes, including the appointment of a new Board and Chair in 2019. Following these changes, the AER sought to refine the stakeholder research approach for 2021 to maximise the utility of the research, better assess the organisation's performance in key areas, and identify priorities for improvement overall and by key stakeholder segment.

Newgate Research was commissioned to develop a refined model of performance assessment and undertake stakeholder research.

Objectives

The main objectives of this research were to:

- Determine the reputation model and key reputational drivers for the AER using Newgate's proprietary reputation evaluation program, NewREP®
- Explore perceptions and drivers of reputation by stakeholder segment
- Map existing KPIs against the refined model and track KPI performance over time
- Identify areas and opportunities for improvement for the AER

METHODOLOGY AND SAMPLE PROFILE

Methodology overview

The research program comprised a mixed methodology including qualitative in-depth interviews with executive stakeholders and a self-complete online survey with executive and staff-level stakeholders.

- 25 interviews with executive stakeholders[^]
- 13 online survey responses from executive stakeholders (representing different organisations from those who were interviewed)^{^^}
- 117 online survey responses from staff-level stakeholders

Interviews with executive stakeholders were conducted by senior Newgate researchers between 15 April – 28 May 2021 using videoconference. Each interview ran for 45-60 minutes on average.

Interview participants were asked the same rating questions as those who completed the online survey. Both sets of responses were combined for analysis.

The online survey was programmed and hosted by CanvasU and was open for responses between 27 April – 31 May 2021.

The AER provided Newgate Research with a list of stakeholders to be invited to the research and their contact details.

Stakeholders were first sent an email from the AER Chair requesting their participation in the research and introducing Newgate Research and CanvasU.

Sample

Stakeholders were grouped into one of three primary segments:

- Government / Market bodies / Regulators
- Industry / Market participants
- Consumer Advocates

Industry / Market participants were further split into sub-segments *Retailers*, *Networks* and *Other* in acknowledgement of their unique contexts and relationships with the AER.

Note, due to the small number of *Other* stakeholders, they have not been analysed as a separate sub-segment for this report.

The final data set was weighted by segment with each of the three primary stakeholder segments allocated an equal weight (one third each) reflecting their equal importance to the AER. Weighting was applied within each of the two stakeholder types (Executive and Staff). The weighting efficiency was 68% resulting in an effective sample size of n=104 for estimates based on the total sample of all stakeholders.

Segment	Executive (n)	Staff (n)	Total (n)
Government / Market bodies / Regulators	14	22	36
Industry / Market participants	21	79	100
Retailers	14	27	41
Networks	5	49	54
Other	2	3	5
Consumer Advocate	4	16	20
Total	39	117	156

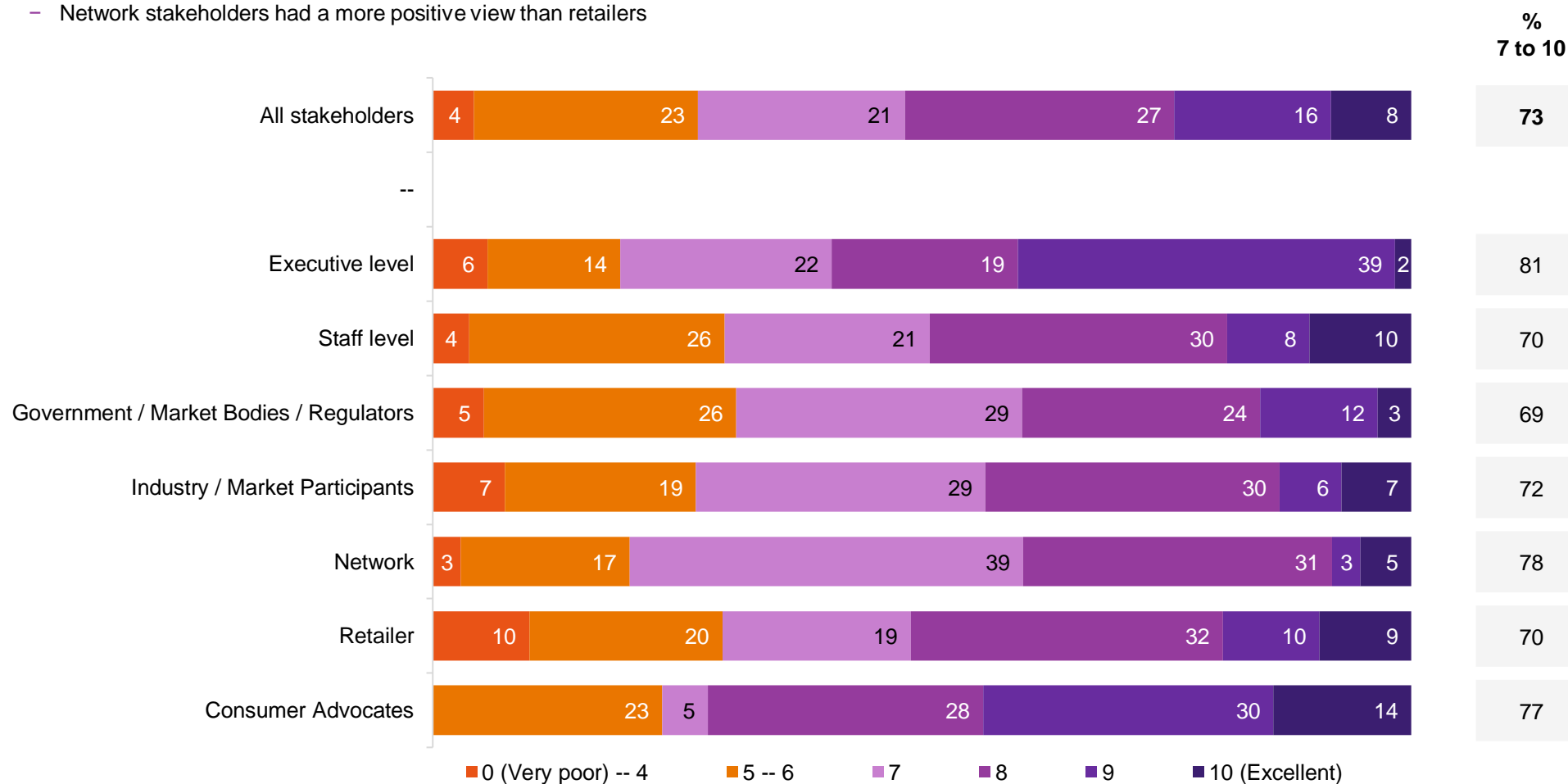
Core reputation metrics

Detailed analysis of reputation and associated outcomes

OVERALL REPUTATION

The AER has a strong positive reputation, with almost three quarters of all stakeholders rating it 7 or higher out of 10.

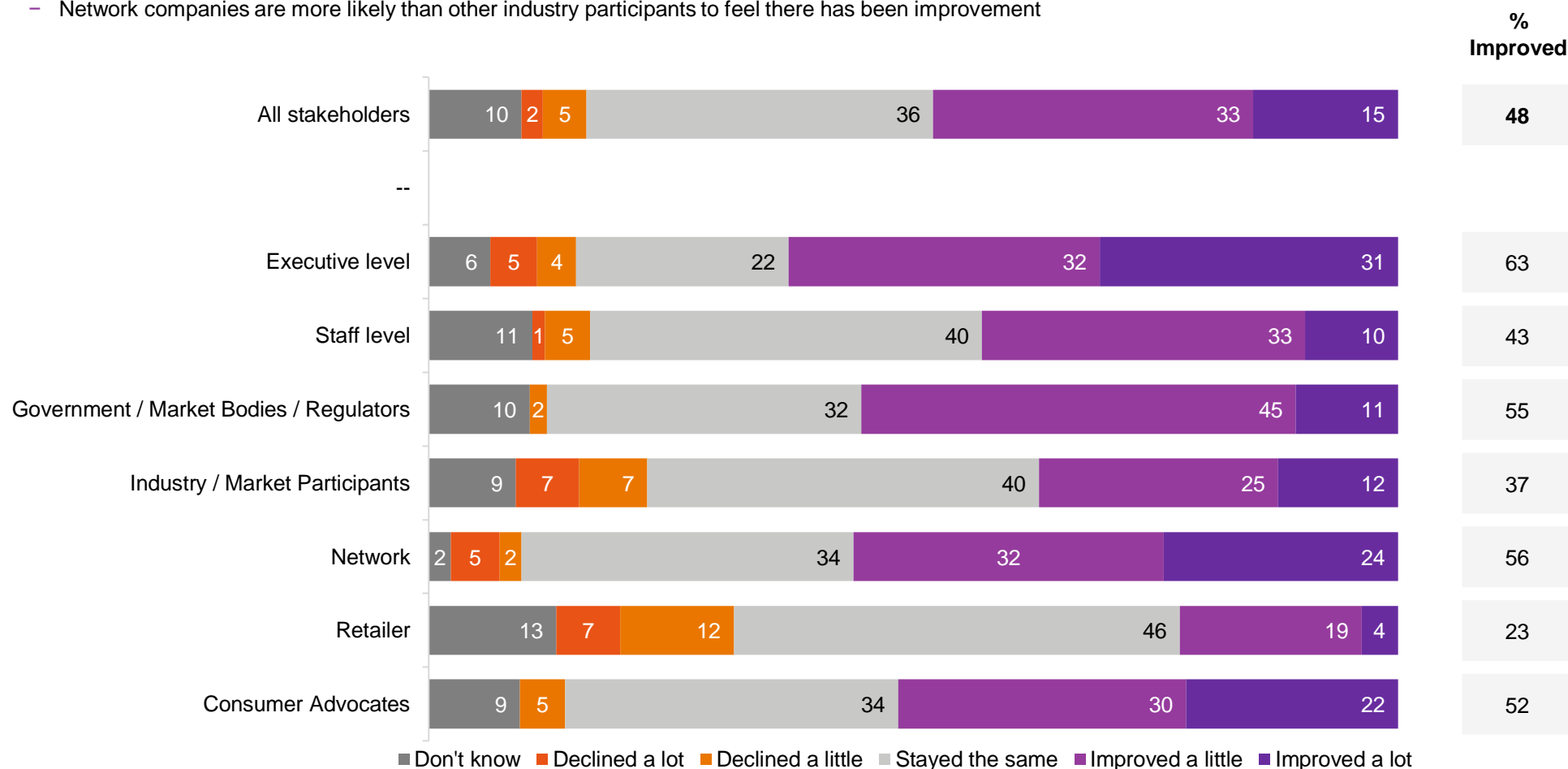
- Executive level stakeholders viewed the AER more positively than their staff level counterparts
- Consumer advocates were more positive than stakeholders from government and industry
- Network stakeholders had a more positive view than retailers



REPUTATION TREND

There is a fair degree of positive momentum around the AER, with almost half of all stakeholders feeling its reputation has improved over the past couple of years and only a very small proportion feeling it has declined.

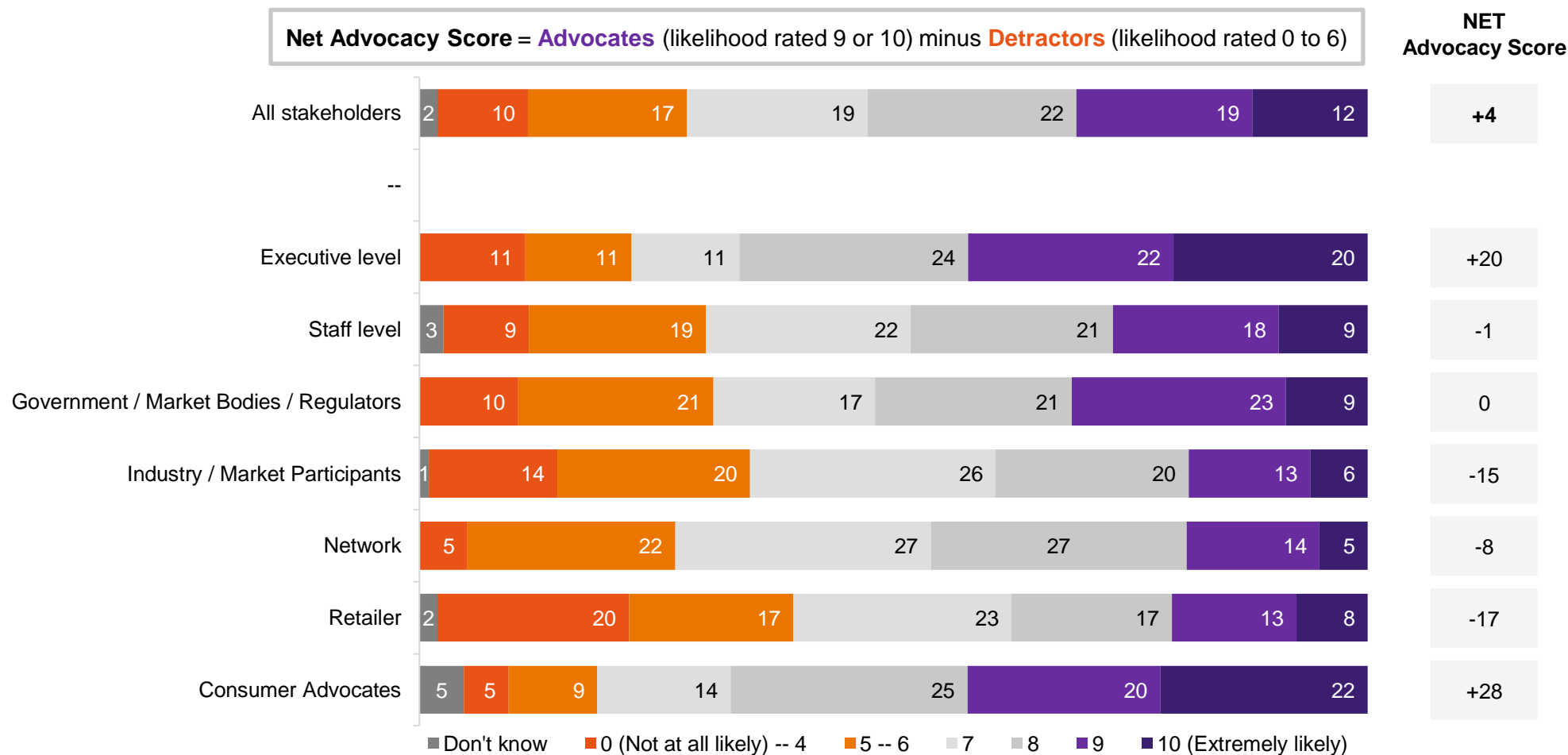
- Almost two-thirds of executive stakeholders feel the AER's reputation has improved (while less than half of staff level stakeholders think so)
- Network companies are more likely than other industry participants to feel there has been improvement



ADVOCACY

While most stakeholders indicated a propensity to speak well of the AER there is a significant minority of detractors.

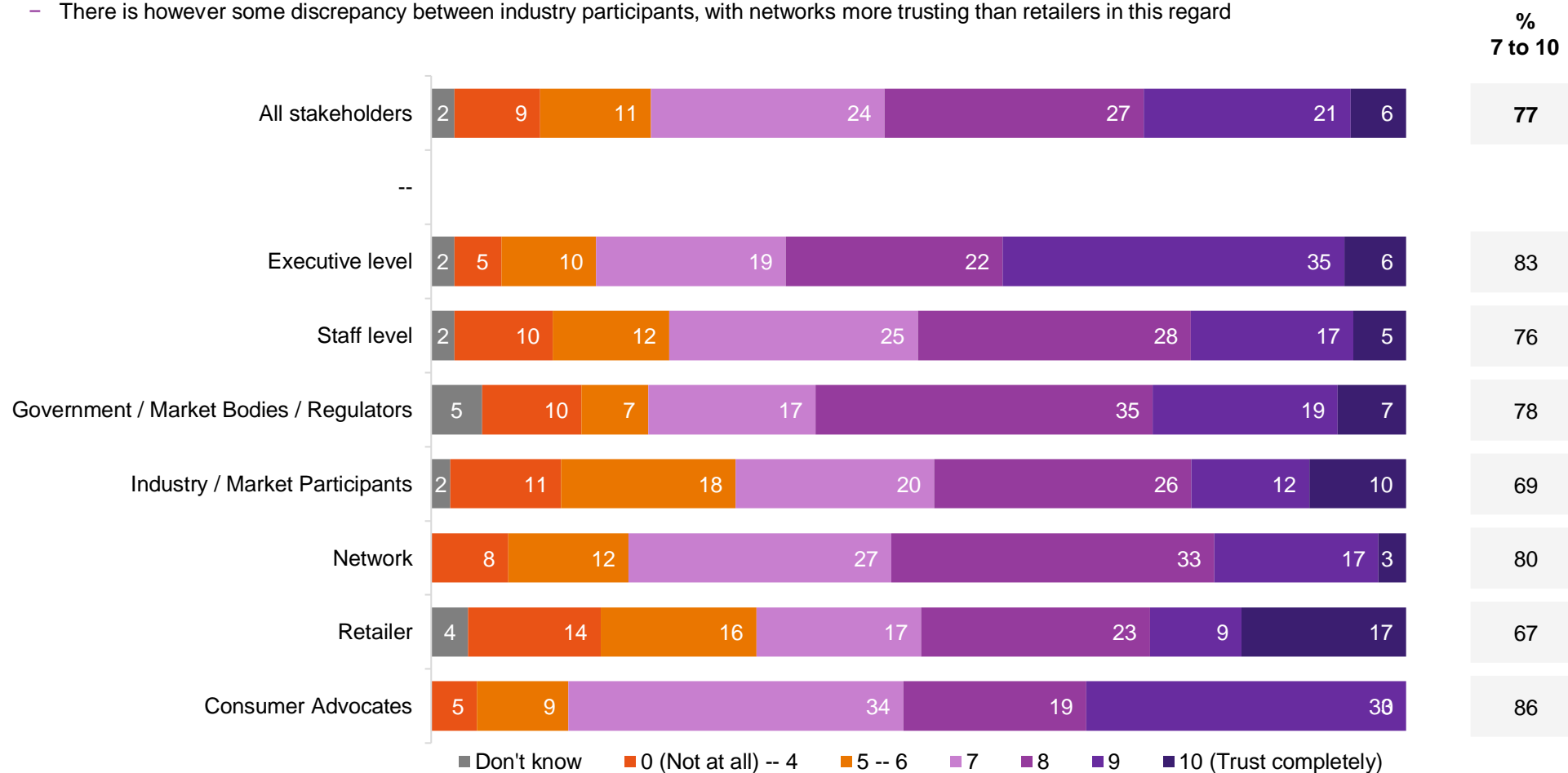
Consumer advocates are most likely to positively endorse the AER, followed by executive level stakeholders. Energy industry participants - particularly retailers - are more likely to speak negatively than positively about the AER.



TRUST

The AER is highly trusted to ensure good outcomes for energy consumers.

- Consumer advocates recognise the AER's commitment to support and protect energy consumers – and rate them higher on this than other segments
- Government stakeholders also trust the AER highly do the right thing by consumers
- There is however some discrepancy between industry participants, with networks more trusting than retailers in this regard



REASONS FOR HIGH REPUTATION RATING

This slide shows a thematic analysis of key reasons given for rating the AER’s reputation highly as well as why it is meeting expectations and why they are likely to speak well of it. These can be viewed as strengths of the AER – things that lift its reputation up.

<p>Strong themes</p>	<ul style="list-style-type: none"> • There was widespread praise for staff at all levels of the organisation from the Chair through to the various functional teams that stakeholders deal with on a day-to-basis. The AER is considered to attract highly capable people with deep, often unrivalled, sector knowledge. • Most stakeholders considered their engagement and interactions with the AER to have been amicable and constructive – an important foundation of the AER’s positive reputation. • Stakeholders value the openness, accessibility and transparency of their relationship with the AER. In particular, the way it keeps stakeholders informed and explains its decisions. • A common theme that emerged was the AER’s consumer focus – several stakeholders noted that this had increased in recent years. The AER is seen to bring the consumer voice forward, ensuring they are front of mind in decision making. The Statement of Expectations was the most tangible recent example of this focus in practice. 	<p><i>“The AER team are professional, provide balanced regulation and are responsive. Processes are clearly articulated, and timeframes adhered to as agreed.” (Retailer)</i></p> <p><i>“We might not always like the outcome, but the engagement is good – constructive and timely.” (Network)</i></p> <p><i>“We have a ‘no surprises’ relationship with the AER (Network).”</i></p> <p><i>“The Statement of Expectations demonstrated their genuine concern for protecting vulnerable energy consumers.” (Consumer advocate)</i></p>
<p>Mid-level themes</p>	<ul style="list-style-type: none"> • The AER’s willingness to consult stakeholders and listen to their perspective is seen as a positive trait (even if the eventual decision doesn’t always reflect what the stakeholder wanted). This collaborative approach to engaging stakeholders was felt to have improved in the past few years. • The AER is seen as a professional and practical regulator that performs its fundamental regulatory functions well. It is considered to have sound arguments and rationale for its decisions that are clearly and fully explained. • Stakeholders believe that the AER is well intentioned in its aims and strives to balance the interests of all parties in the energy market – an admittedly tough job! 	<p><i>“The AER has worked hard to boost its engagement mechanisms over the last couple of years. This has reassured advocates that their opinions are being listened to and acted upon.” (Consumer advocate)</i></p> <p><i>“They are not sitting in a regulatory ivory tower anymore; they are willing to meet people where they’re at.” (Consumer advocate)</i></p> <p><i>“I genuinely believe they are doing the right thing for consumers; they have that intent.” (Network)</i></p>
<p>Low-level themes</p>	<ul style="list-style-type: none"> • The new Chair was singled out for the positive impact made since starting in the role, especially in the AER’s willingness to get involved in multilateral conversations – bringing parties together to seek solutions – and the focus on energy consumers. On both fronts, it was acknowledged that the new Chair had built upon foundations laid by their predecessor and that the AER had continued to make progress under their stewardship. • The new Board structure and composition was considered a step in the right direction as it bolsters sector expertise while also bringing fresh perspectives. 	<p><i>“There is a cultural change happening at the AER and it is coming from the top down.” (Consumer Advocate)</i></p> <p><i>“The appointment of (the Chair), the new Board and new management make me feel more confident about benefits for customers long term.” (Network)</i></p>

REASONS FOR LOW REPUTATION RATING

This slide shows a thematic analysis of reasons given for low reputation ratings as well as why the AER is not meeting expectations and why they are unlikely to speak well of it. These things currently pull the AER's reputation down but should be seen as opportunities for improvement.

<p>Strong themes</p>	<ul style="list-style-type: none"> Perhaps the biggest frustration among stakeholders was the sense that the AER was too rigid and inflexible in its application of the regulatory framework. Several stakeholders commented that they felt the AER was 'rulebound' and expressed a desire for the regulator to be more pragmatic in its decision making. Many stakeholders who gave the AER a lower reputation rating lamented its short-term focus when making decisions (such as network pricing determinations). They felt this demonstrated a lack of future vision on the AER's part – that it failed to consider the transitional environment. While it was acknowledged by some that the AER faced challenges itself in this regard due to a lack of government policy, they urged the AER to be more proactive in pushing for rule changes and other regulatory reforms that were needed to keep pace with the changes taking place within the energy market. 	<p><i>"The AER can be overly cautious and can focus on meeting its functions and obligations over a broader view of the long-term interest of consumers." (Government)</i></p> <p><i>"I would like to see the AER 'lean in' more on thorny issues." (Government)</i></p> <p><i>"They could be more strident and forthright on issues such as how we recover costs and share risks for new infrastructure." (Consumer advocate)</i></p> <p><i>"The AER could do more to advocate for rule changes." (Network)</i></p>
<p>Mid-level themes</p>	<ul style="list-style-type: none"> Some stakeholders felt that the AER was too conservative in its thinking and decision making, which in turn meant it was not as supportive of innovation as they would like. This came to the fore in decisions related to investment in new technologies or infrastructure development and stakeholders said it ultimately forced energy companies to be risk averse. Some felt the AER was 'slow moving' – not as nimble as it needed to be to arrive at a position on fast-moving issues or to implement new regulatory processes. A few stakeholders expressed a view that the AER had a tendency to 'politicise' issues and make decisions for the purpose of point scoring. An example offered was the suggestion of 'headline grabbing' penalties for non-compliance. 	<p><i>"They seem to take a conservative legal interpretation of their responsibility – sometimes a more pragmatic decision could benefit both network and consumer." (Network)</i></p> <p><i>"Energy security requires fast action, but the regulatory process is not always timely enough." (Government)</i></p> <p><i>"It feels like its decisions are based on providing short term 'sugar' hits which feel good (to appease political and consumer advocates) but overall are not the best decisions for energy affordability and reliability." (Retailer)</i></p>
<p>Low-level themes</p>	<ul style="list-style-type: none"> The AER's compliance and enforcement actions detracted from its reputation for a small number of retailer stakeholders. They observed that the AER had stepped up its compliance and enforcement activity and that it was onerous on them when involved in an action. Some retailers characterised the AER as having an adversarial style in its dealings with them and felt the AER could be less hostile and more collaborative – including finding ways to better understand their business. 	<p><i>"The AER could be less emotional in how it takes on its prosecution role." (Retailer)</i></p> <p><i>"The compliance burden is growing – they are being more heavy-handed with fines and litigation." (Retailer)</i></p>

Drivers of reputation

NewREP[©] analysis to determine the AER's reputation model



ABOUT THE AER'S REPUTATION MODEL

Newgate's proprietary Reputation Evaluation Program (NewREP®) approach was used to develop the AER's reputation model – which can be thought of as a statistically verified 'map' of the AER's reputation and its main drivers. The aim was to identify what aspects of the AER's performance are driving the AER's overall reputation, and where resources should be most effectively focussed in terms of improving it further.

The process involved four steps:

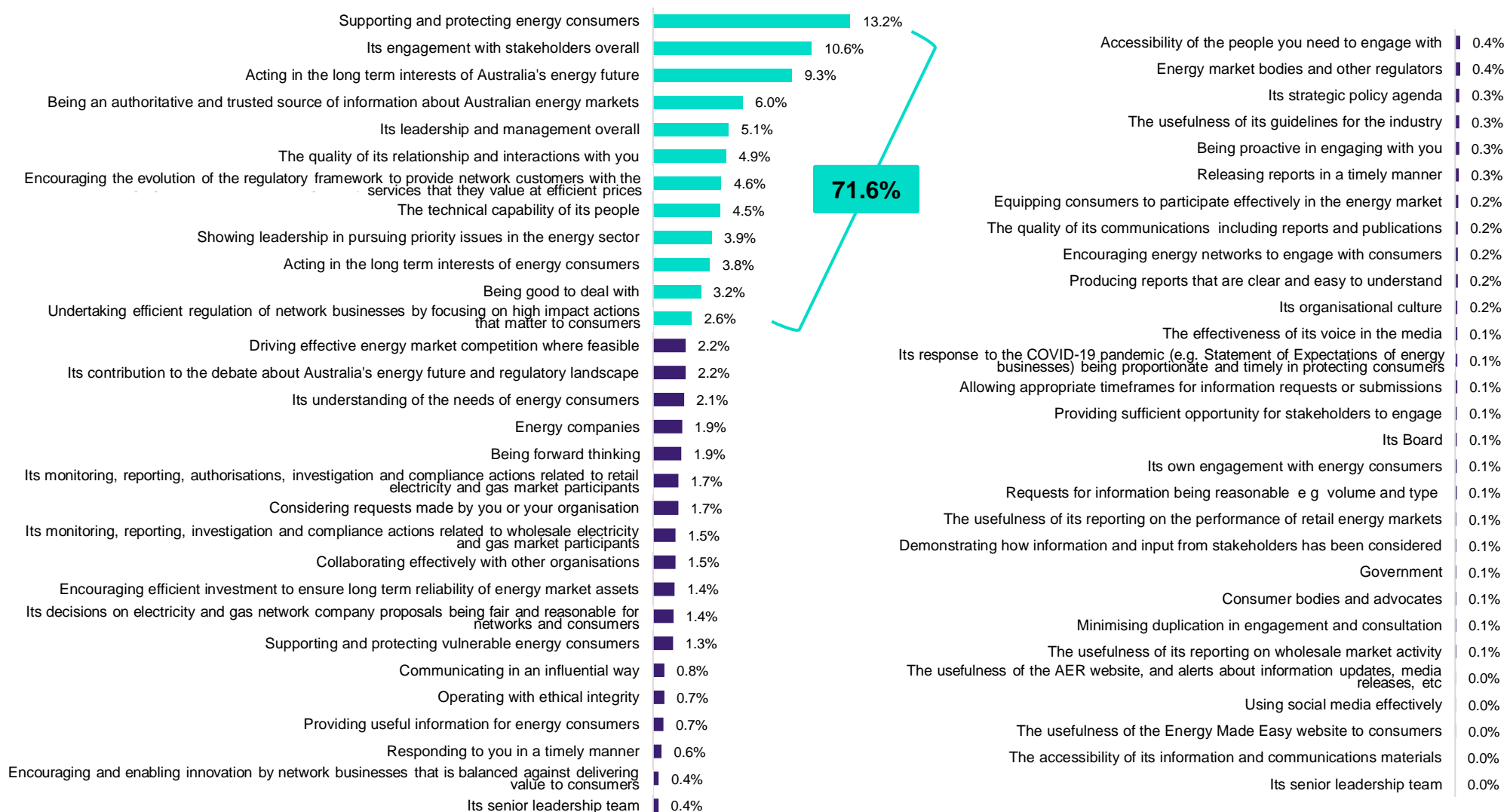
1. The starting point was the creation of a hypothetical model comprising seven 'pillars' and 52 sub-attributes - each pillar comprised a main, overarching attribute and a series of related sub-attributes. This was based on the AER's previous stakeholder research and Newgate's experience of undertaking similar research with other energy market bodies.
2. During the fieldwork stakeholders rated the AER's performance on each of these attributes using a 0-10 scale (where 0 = Very poor and 10 = Excellent).
3. Statistical modelling (using a machine learning based driver analysis technique) determined the extent to which each attribute (both main and sub attributes) impacts the AER's overall reputation rating, and the extent to which each sub-attribute impacts the main attributes for each pillar.
4. The resultant driver models were examined, and the reputation model 'map' was adjusted as follows:
 - Sub attributes which were found to have a relatively low impact on overall reputation and on the main attribute for all pillars were dropped
 - Two pillars were merged on the basis of sharing common key drivers - in other words the data showed that the two pillars were thematically very similar
 - Some sub attributes were moved to a different pillar as they were found to have a greater impact on a different main attribute to that which they were originally assigned
 - Some sub attributes were found to have a significant impact on more than one main attribute – these sub attributes were assigned to the pillar that felt like a closer fit in a qualitative sense

The final model comprises five pillars representing five distinct areas of the AER's reputation, and 36 attributes in total (5 main attributes and 31 sub attributes). These attributes include most (although not all) of the AER's existing and proposed KPIs.

The 12 attributes which have the greatest impact on overall reputation are highlighted as key reputation drivers.

ATTRIBUTES THAT HAVE THE MOST IMPACT ON THE AER'S REPUTATION

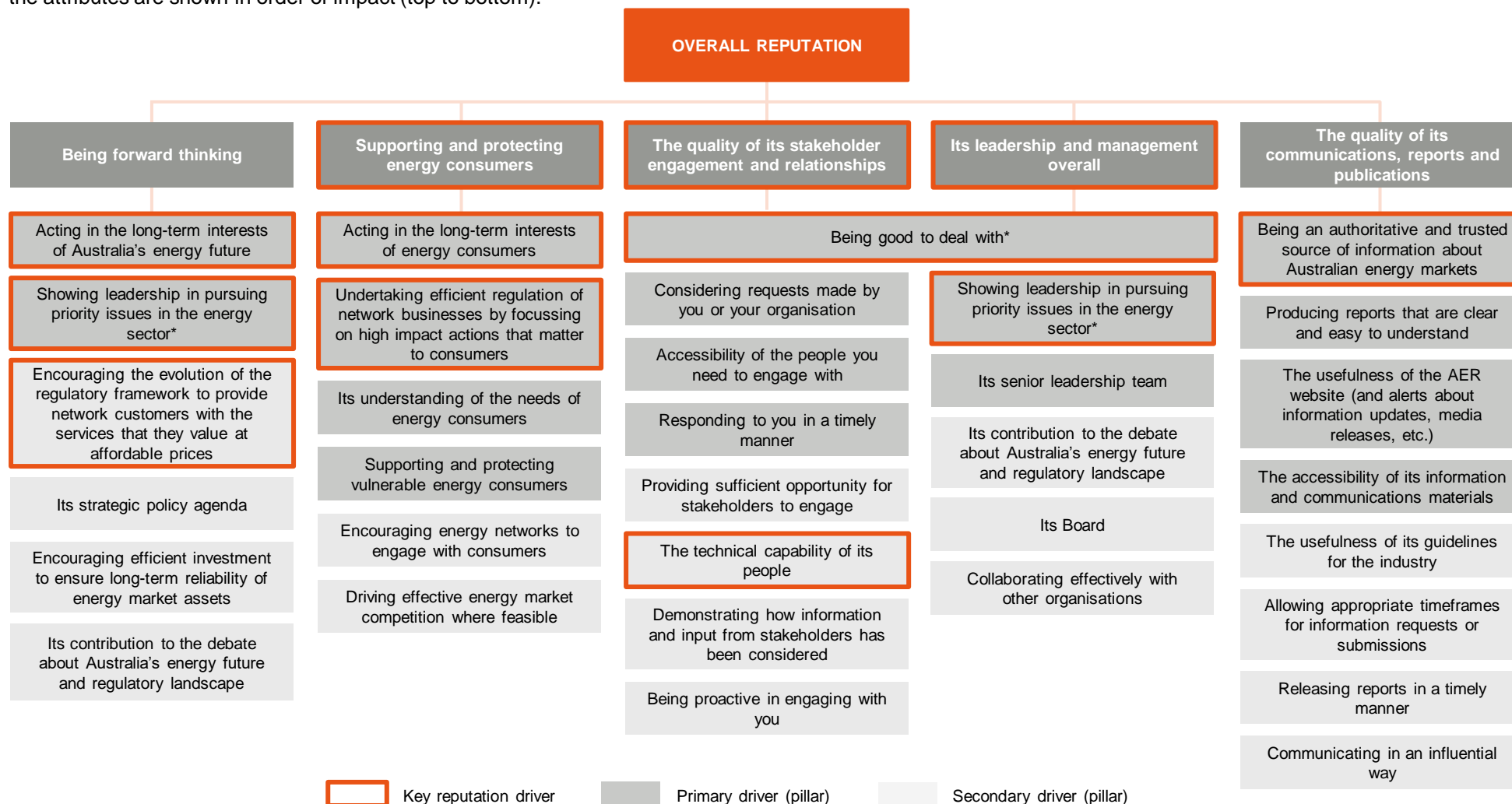
This chart shows the results of NewREP[®] modelling and sets out the contribution that each attribute has to the AER's overall reputation. It shows that 12 attributes account for over 70% of the variance in reputation ratings.



REPUTATION MODEL

The reputation model shows the final, statistically verified ‘map’ of attributes that drive the AER’s reputation.

The five pillars represent distinct themes, and each pillar has its own set of sub-attributes. The pillars are shown in order of impact (left to right) and within each pillar the attributes are shown in order of impact (top to bottom).

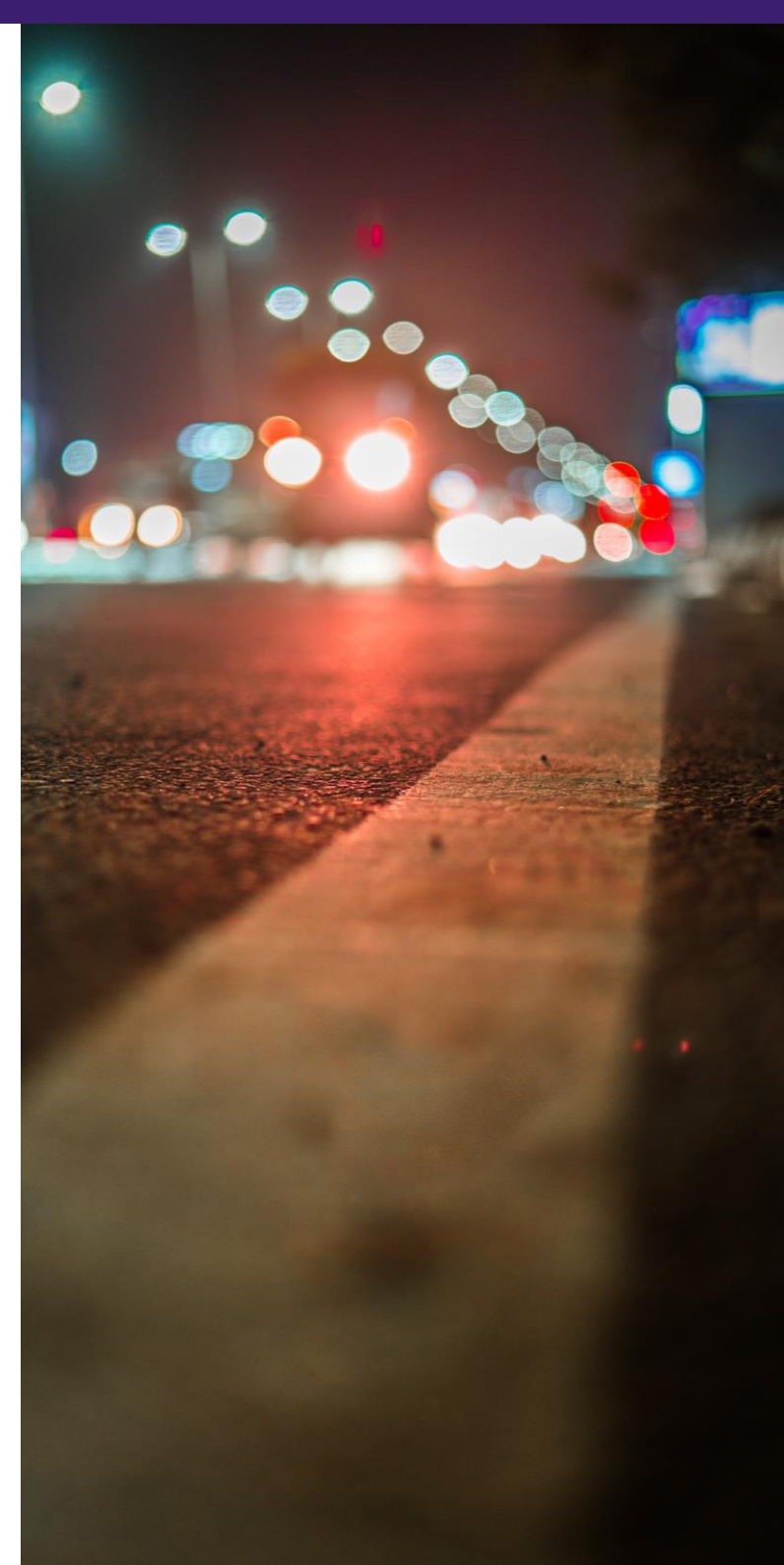


KEY DRIVERS OF REPUTATION

Summary of the 12 key reputation drivers

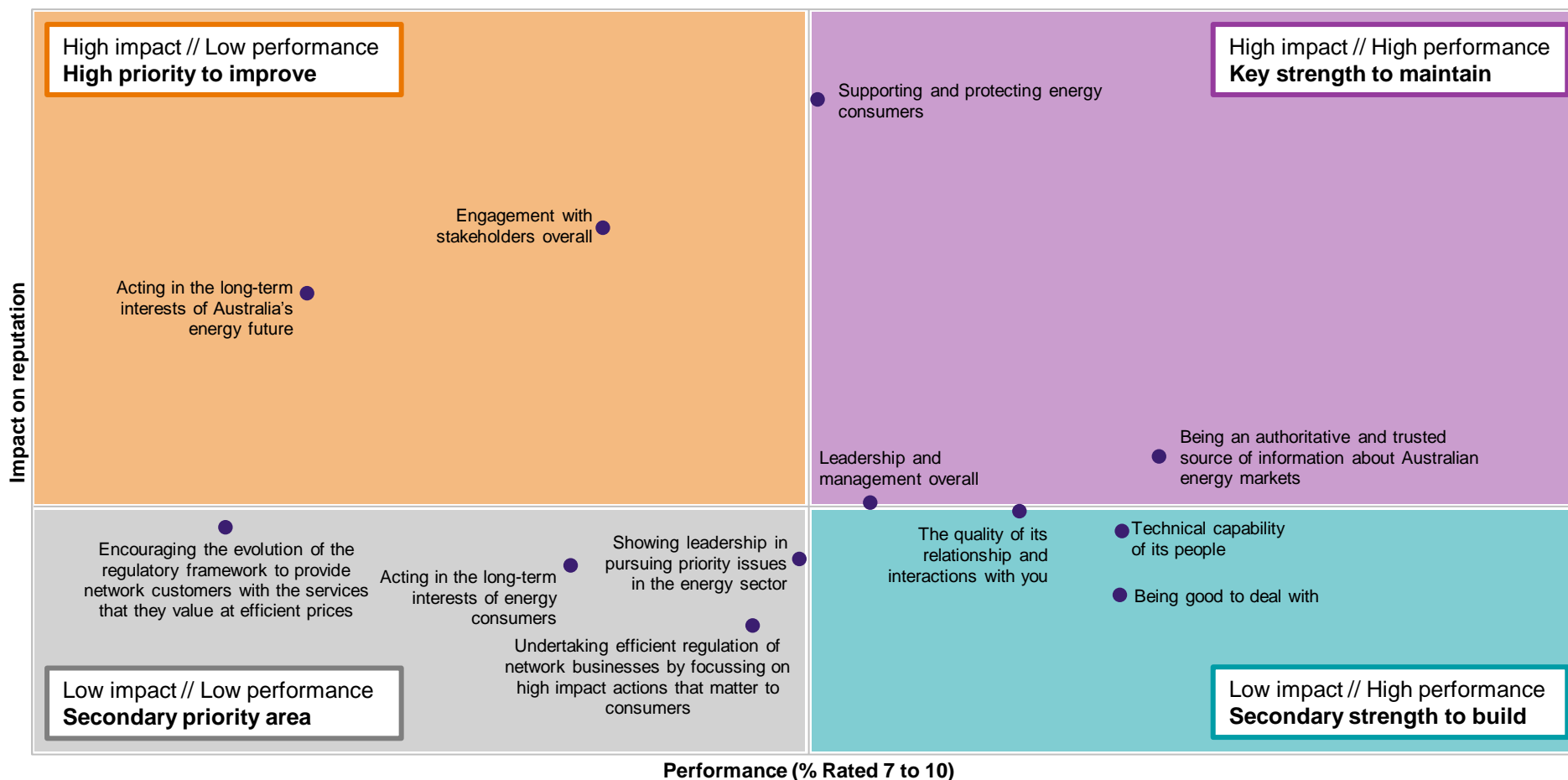
The table below lists the 12 attributes (including both key attributes and sub attributes) which were found to be most influential in determining the AER's reputation. It shows the relative impact that each attribute has on overall reputation ratings as well as the performance rating among all stakeholders. The biggest opportunity for the AER to improve its reputation comes from focussing on the attributes that have a high impact score but low performance score.

Attribute	Impact [^]	Performance [*]
Supporting and protecting energy consumers	13%	77
Its engagement with stakeholders overall	11%	71
Acting in the long-term interests of Australia's energy future	9%	62
Being an authoritative and trusted source of information about Australian energy markets	6%	87
Its leadership and management overall	5%	79
The quality of its relationship and interactions with you	5%	83
Encouraging the evolution of the regulatory framework to provide network customers with the services that they value at efficient prices	5%	60
The technical capability of its people	4%	86
Showing leadership in pursuing priority issues in the energy sector	4%	77
Acting in the long-term interests of energy consumers	4%	70
Being good to deal with	3%	86
Undertaking efficient regulation of network businesses by focussing on high impact actions that matter to consumers	3%	75



KEY REPUTATION DRIVERS – IMPACT VS PERFORMANCE

Mapping the key drivers by (derived) impact on the AER’s reputation and how participants rated its performance helps to identify which of the key reputation drivers are strengths of the AER and those that might be priorities for future focus.



Understanding the drivers of reputation

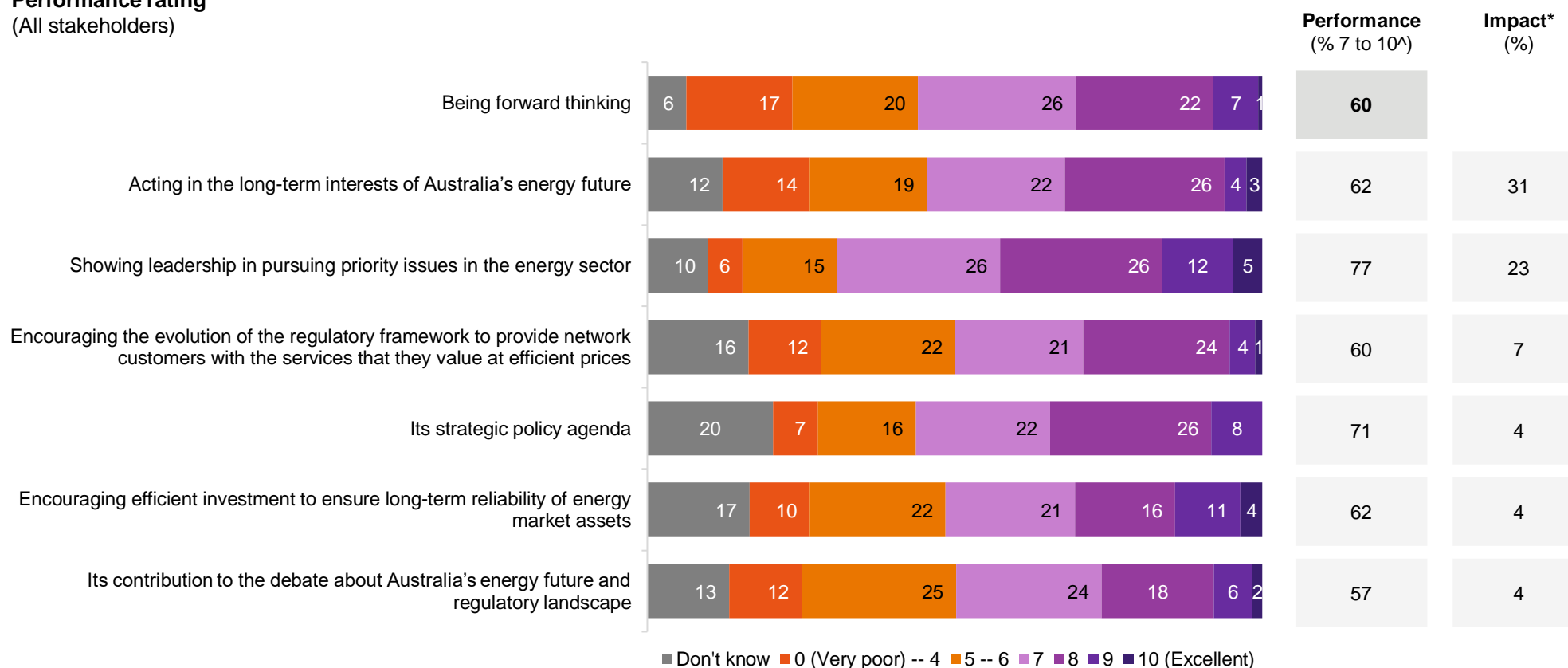
Detailed analysis of the five pillars of the AER's reputation model

#1 BEING FORWARD THINKING – PERFORMANCE

Not all stakeholders rated the AER strongly in terms of being forward thinking. The top three drivers in this pillar were also key drivers of overall reputation – highlighting the importance that stakeholders place on the AER showing thought leadership on sector issues and framing decisions within a view on the future of the energy market.

This chart shows performance ratings for all attributes associated with the pillar ‘Being forward thinking’ as well as the impact each attribute has on the overall rating for the key attribute ‘Being forward thinking’.

Performance rating
(All stakeholders)



#1 BEING FORWARD THINKING – PERFORMANCE BY SEGMENT

Consumer advocates were the segment most likely to rate the AER strongly in terms of being forward thinking. Executive level stakeholders were more positive about the AER in relation to promoting its strategic vision for the sector.

Performance rating – By segment (% 7 to 10[^])

	All stakeholders	Executive	Staff	Government / Market Bodies / Regulators	Industry / Market Participants	Network	Retailer	Consumer advocates
Being forward thinking	60	74	56	44	41	43	40	90
Acting in the long-term interests of Australia's energy future	62	73	59	66	49	49	51	72
Showing leadership in pursuing priority issues in the energy sector	77	87	74	70	67	73	62	90
Encouraging the evolution of the regulatory framework to provide network customers with the services that they value at efficient prices	60	81	54	50	51	54	51	74
Its strategic policy agenda	71	81	68	58	68	74	62	84
Encouraging efficient investment to ensure long-term reliability of energy market assets	62	69	60	55	47	46	50	79
Its contribution to the debate about Australia's energy future and regulatory landscape	57	82	50	52	52	49	54	67

  Statistically significant difference between segments (purple = higher / orange = lower)

#1 BEING FORWARD THINKING – ANALYSIS OF STAKEHOLDER COMMENTS

While the AER is seen to have evolved there is a persistent view that it is reactive and slow-moving on important issues

Stakeholders pointed to changes to the Board and senior leadership and the creation of its strategic plan as signs that the AER is evolving and planning for the future. In particular, they felt the new Chair brought a strong future thinking perspective, and that the AER would benefit from this.

There was however a sense that, at an organisational level, the AER often reacted rather than approaching energy transition proactively.

“(The Chair’s) work through the ESB is forward thinking, but the AER as an institution isn’t.” (Government)

“Finally developed a 3-year Strategy, even though the strategy has an unconscious bias against the industry, it is a good start.” (Retailer)

There was a broadly held view that the AER did not always focus on the right issues, was too reactive (or slow to react), and that it took a short-term view when making decisions. While noting that these sentiments are not uncommon in the energy regulatory sector, several examples were offered:

- One industry participant said they felt the AER could have pushed more strongly on tariff reforms
- Another industry participant noted the AER’s hefty penalties for non-compliance would not lead to materially better outcomes for consumers
- A consumer advocate spoke about cost recovery for major investments being an area that required foresight and that the AER could play a role in this
- Several network participants cited the AER’s position on ‘ring fencing’ as an indication of it not being forward thinking enough about the evolution of the energy market

“(The AER) can often be found trying to solve last year’s problem when issues/technology have moved on.” (Network)

Some stakeholders commented that the AER was limited in its ability to be forward thinking by its current rules and processes and suggested it could do more to push innovation in the form of rule changes to enable it to pursue a forward-thinking agenda.

One area where the AER was credited with being forward-thinking was its focus on supporting and protecting consumers. Several stakeholders noted the role played by the AER in leading the industry response to the COVID-19 pandemic and the creation of the Statement of Expectations as an indication of it being forward thinking.

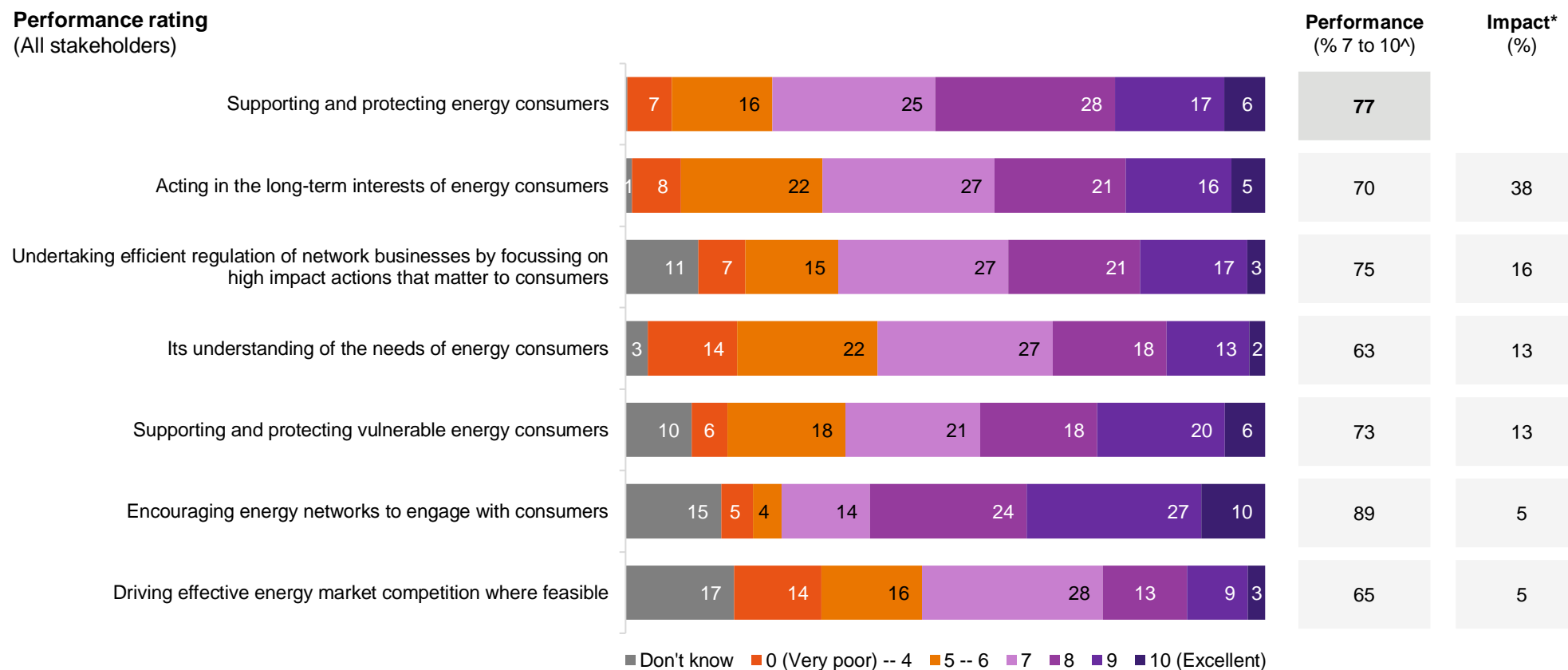
A small number of stakeholders questioned whether it was the role of the AER as a regulator to be forward thinking but they were in the minority. Most felt that the AER should and could be more forward thinking – seeing it as having an important role to play in ensuring the regulatory framework evolves as the market undergoes transition.

How stakeholders felt the AER could improve:

- Demonstrating a long-term focus by making “brave” decisions about the future of the network (e.g. enabling investment in new technologies such as battery storage and network expansion to accommodate new renewable generation)
- Using its voice to more strongly promote innovation within the sector
- Being quicker to innovate to ensure the regulatory framework evolves to keep up with the transitioning sector – pushing for rule changes to reflect changing dynamics or in anticipation of future changes
- Increasing its understanding of retailers’ businesses to underpin decision making and ensure good outcomes for consumers and industry alike

#2 SUPPORTING AND PROTECTING ENERGY CONSUMERS – PERFORMANCE

This is the main attribute with the most impact on the AER's overall reputation. The chart below shows which underlying sub-attributes help influence it. It shows that demonstrating a focus on the long-term interests of consumers will have most impact.



#2 SUPPORTING AND PROTECTING ENERGY CONSUMERS – PERFORMANCE BY SEGMENT

Consumer advocates rated the AER’s performance in supporting energy consumers more strongly than government and industry stakeholders. Networks were more positive than retailers about the AER’s performance in this area.

Performance rating – By segment
(% 7 to 10[^])

	All stakeholders	Executive	Staff	Government / Market Bodies / Regulators	Industry / Market Participants	Network	Retailer	Consumer advocates
Supporting and protecting energy consumers	77	87	75	73	72	87	64	86
Acting in the long-term interests of energy consumers	70	88	66	67	60	60	61	81
Undertaking efficient regulation of network businesses by focusing on high impact actions that matter to consumers	75	78	75	65	67	73	65	90
Its understanding of the needs of energy consumers	63	73	60	71	57	60	59	61
Supporting and protecting vulnerable energy consumers	73	93	68	69	78	83	77	72
Encouraging energy networks to engage with consumers	89	97	87	90	79	87	77	95
Driving effective energy market competition where feasible	65	81	61	67	51	53	51	76

 Statistically significant difference between segments (purple = higher / orange = lower)

#2 SUPPORTING AND PROTECTING ENERGY CONSUMERS – ANALYSIS OF STAKEHOLDER COMMENTS

Stakeholders admire the AER’s focus on energy consumers but industry participants also urge a balanced approach to ensure this is not to the detriment of the broader market

Stakeholders recognised that supporting and protecting energy consumers is a primary focus for the AER and most feel it performs well in this regard. As one put it, the AER “delivers on its promise”.

The Statement of Expectations issued by the AER during the COVID-19 pandemic was often mentioned as a defining example of the AER’s focus on supporting and protecting consumers – especially vulnerable consumers.

“The AER’s Statement of Expectations was a really important means of supporting and protecting energy consumers during COVID-19.” (Consumer advocate)

“What they did with the Statement of Expectations was quite ground-breaking.” (Government)

Many stakeholders also acknowledged that the AER achieves positive outcomes for consumers in relation to energy prices through the Default Market Offer (DMO) initiative. Note however that some retailers felt the singular focus on driving prices down for consumers was having a negative impact on smaller retailers and ultimately would serve to reduce competition, thereby undermining the intent to deliver better consumer outcomes.

“Supporting energy consumers is about more than short term solutions. Reducing the number of operators in the market is NOT protecting energy consumers. Reducing innovation, by making everything about price and discounts means there is no incentive or ability for anyone outside of the Tier 1 retailers to invest in innovation etc.” (Retailer)

Some stakeholders also expressed concern that the AER was too focused on short term pricing outcomes, to the detriment of the broader energy market over the longer term. For instance, there was a feeling that the AER was not factoring enough into its pricing decisions to address long term capacity growth and technological innovation.

“Is it in the interest of consumers to have lower power prices? But if you cut too much, you’ll affect reliability, and that’s before you get to emissions and environment. So, it’s always a balance.” (Government)

“They are going above and beyond in this space – to at least be seen to be doing this. The challenge though, is that the short-term focus on driving prices down may have a longer-term impact on networks.” (Network)

Many stakeholders praised the AER for its focus on vulnerable consumers, though some noted concern that initiatives aimed at protecting vulnerable customers could increase the costs for other consumers.

Some also felt that the AER could do more to understand the needs of *the everyday* energy consumer (as opposed to just vulnerable customers), including forming a view of what the average consumer will need in the future.

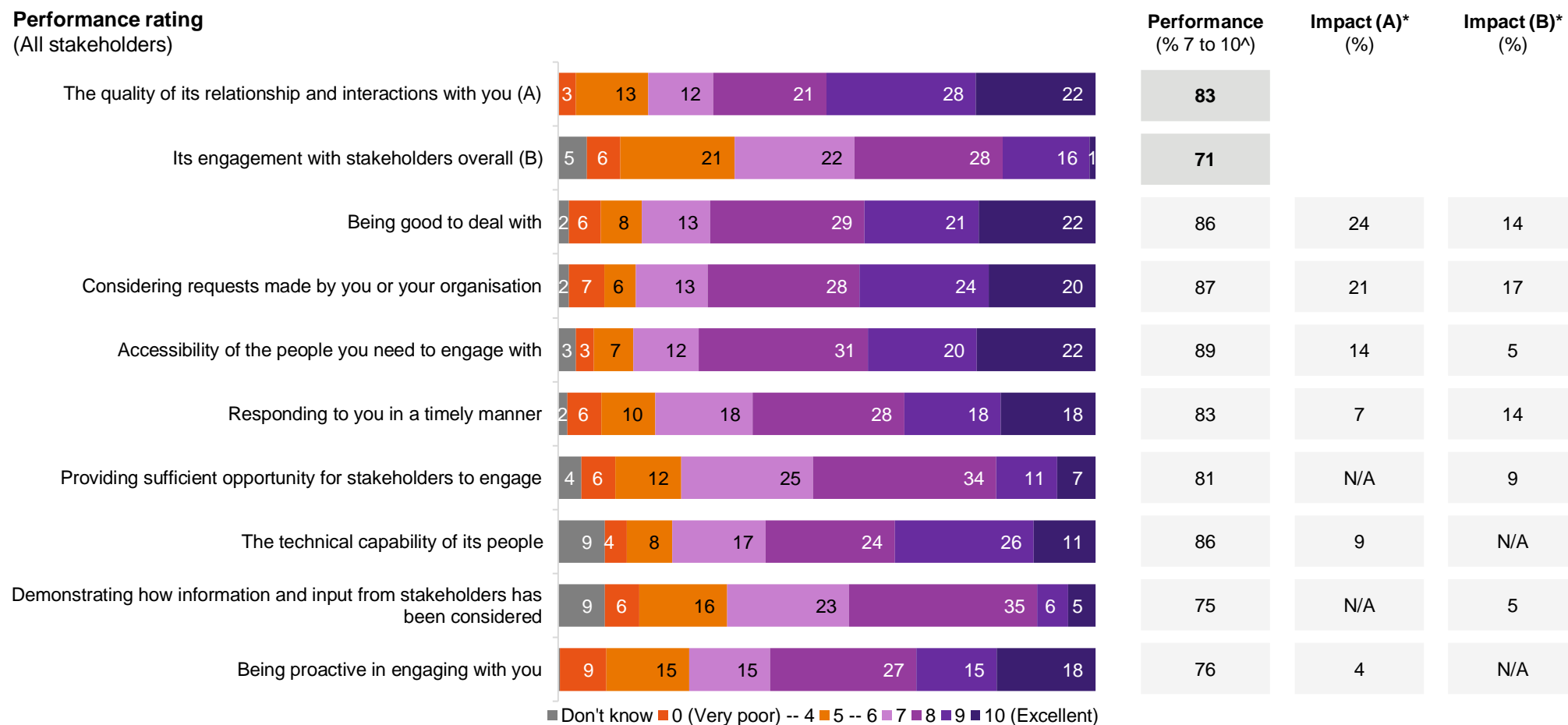
“It feels like the focus is on protecting vulnerable consumers at the expense of ALL consumers.” (Retailer)

How stakeholders felt the AER could improve:

- Maintaining a focus on the needs of ALL energy consumers over the long term
- While also ensuring vulnerable consumers are a priority
- Maintaining a balanced approach – not tilting too far in favour of consumers to the detriment of other industry participants
- Take a long-term view when making pricing decisions to ensure it doesn’t inadvertently put constraints on innovation or slow the progress of important market developments such as infrastructure development

#3 STAKEHOLDER ENGAGEMENT AND RELATIONSHIPS – PERFORMANCE

Most stakeholders were positive about their relationship with the AER and rated it highly across most attributes related to its interactions with stakeholders.



#3 STAKEHOLDER ENGAGEMENT AND RELATIONSHIPS – PERFORMANCE BY SEGMENT

While all segments rated the AER positively on most attributes related to interactions and relationship, industry stakeholders were somewhat less positive about how the AER demonstrates it has considered their input.

Performance rating – By segment (% 7 to 10^)

	All stakeholders	Executive	Staff	Government / Market Bodies / Regulators	Industry / Market Participants	Network	Retailer	Consumer advocates
The quality of its relationship and interactions with you	83	91	81	89	75	85	72	86
Its engagement with stakeholders overall	71	82	69	63	71	84	68	79
Being good to deal with	86	91	85	92	76	85	73	90
Considering requests made by you or your organisation	87	91	86	92	79	81	81	90
Accessibility of the people you need to engage with	89	95	87	96	81	88	82	90
Responding to you in a timely manner	83	93	81	81	79	85	78	90
Providing sufficient opportunity for stakeholders to engage	81	81	81	87	76	79	78	80
The technical capability of its people	86	82	87	85	72	73	75	100
Demonstrating how information and input from stakeholders has been considered	75	90	72	75	63	76	59	86
Being proactive in engaging with you	76	85	74	67	68	67	73	91

Statistically significant difference between segments (purple = higher / orange = lower)

#3 STAKEHOLDER ENGAGEMENT AND RELATIONSHIPS – ANALYSIS OF STAKEHOLDER COMMENTS

The AER has strong and valued relationships with stakeholders across all segments.

As the performance ratings show, most stakeholders were positive about their relationship and engagement with the AER – describing it as transparent, accessible, open, responsive, straightforward and respectful.

“Interactions between officer level staff have improved and I consider these relationships to generally be respectful, open and consultative.” (Retailer)

“We have a really good relationship with them. They are accessible and we can have frank discussions with them so there are no surprises.” (Network)

There were no major criticisms or concerns about the AER ‘being good to deal with’ apart from some stakeholders noting that their experience varied depending on who at the AER they were dealing with.

Most stakeholders acknowledged they had plenty of opportunity to engage with the AER – including its Board and senior leadership team. Executive stakeholders were almost unanimous in their positive feedback for the new Chair’s commitment to regular engagement with stakeholders across all segments. Several commented that the AER has become more proactive, collaborative and willing to engage with them on difficult and complex issues, resulting in a stronger relationship.

“The ability to engage on important topics has improved with the five-person Board. There seems to be more channels and more willingness to participate. I’m catching up more frequently with (the Chair) and meeting with senior level of AER more regularly compared to 18 months ago.” (Industry – Other)

The AER was considered to be reasonable in the requests it made of stakeholders (e.g. the volume of requests and timeframe for response). One consumer advocate stressed the importance of the AER providing sufficient advance notice when seeking submissions or involvement in meetings to ensure there was a dedicated consumer voice in discussions.

Despite this, there was still a sense from some stakeholders that there was room for improvement in the AER’s engagement approach. Some stakeholders felt the AER could be more proactive and more timely in its engagement and consultation with them. The ability to engage with the AER outside of formal channels was raised by a few industry stakeholders as something they would value, particularly around decisions.

“There is opportunity for more discussions with them....informal discussions to get an understanding of AERs position on various thinking.” (Retailer)

“In some of their formal structures, they have been too slow letting us know their thinking. (They need to) ensure their formal engagement structures are managed in a timely manner.” (Consumer advocate).

“Sometimes AER staff seem unwilling to put their own views across in meetings and public forums. They seem worried that their views will be taken as official and used against them.” (Retailer)

How stakeholders felt the AER could improve:

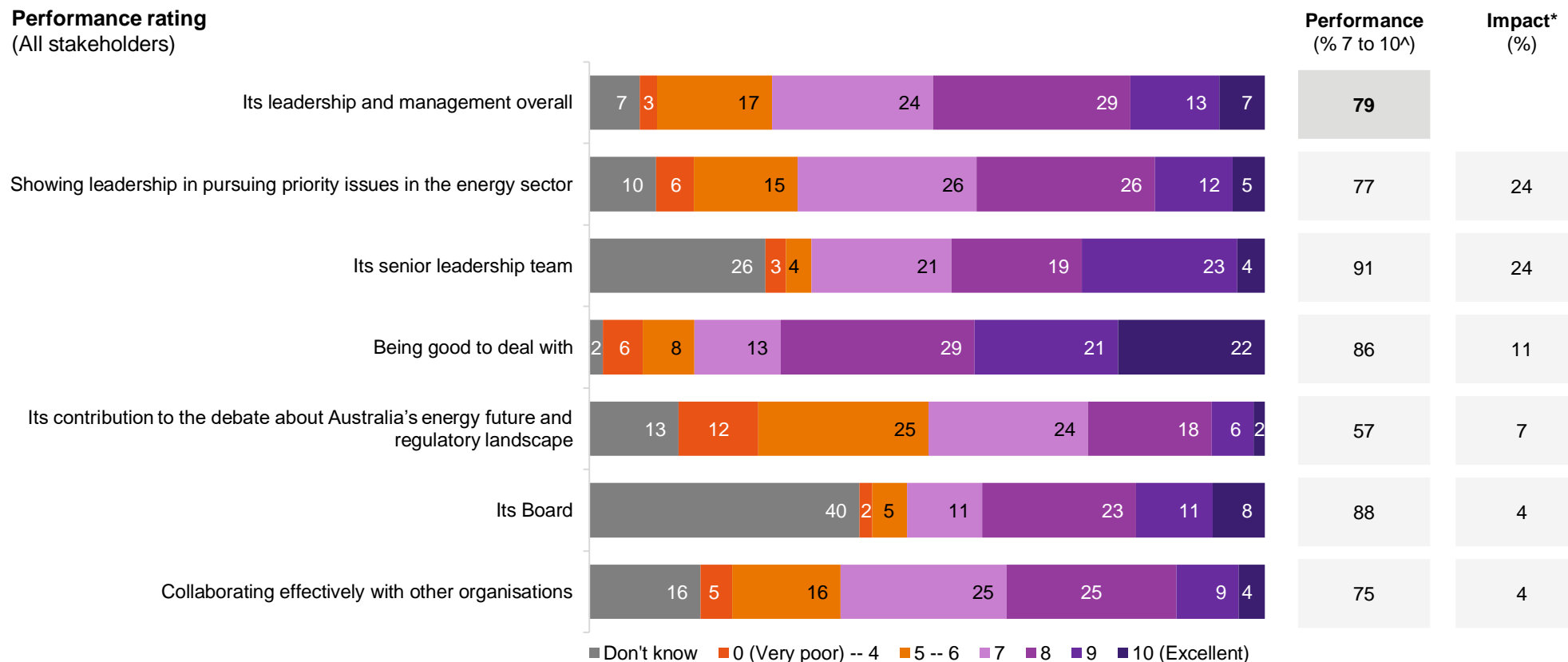
Given its high performance currently, much of the feedback below was about maintaining performance.

- Continue to engage and listen to stakeholders and to provide ample opportunity to do so – taking a collaborative approach and being good to deal with
- Maintaining open lines of communication through both formal and informal channels
- Provide stakeholders with a ‘heads up’ when possible (e.g. before releasing a determination publicly)
- Be considerate with timeframes allowed for requests of stakeholders, including taking a holistic view of all requests (e.g. being cognisant that requests related to compliance and enforcement actions might be on top of other routine reporting requirements)
- Demonstrate how stakeholder input has been considered – even if the final decision is different to what stakeholders wanted (especially for staff level stakeholders)

#4 LEADERSHIP AND MANAGEMENT – PERFORMANCE

A majority of all stakeholders rated the AER’s leadership and management positively and most of those able to comment were positive about both the senior leadership team and the Board. There were lower ratings for the AER’s efforts to push regulatory reform to keep up with the energy market transition.

Performance rating (All stakeholders)



#4 LEADERSHIP AND MANAGEMENT – PERFORMANCE BY SEGMENT

Government stakeholders were less favourable than other segments about the AER’s leadership and management overall. Executive level stakeholders were more likely to give high overall ratings and ratings on the AER’s contribution to debate about the future, likely due to greater exposure to strategic discussions. Retailers gave the AER low scores on collaboration.

Performance rating – By segment
(% 7 to 10[^])

	All stakeholders	Executive	Staff	Government / Market Bodies / Regulators	Industry / Market Participants	Network	Retailer	Consumer advocates
Its leadership and management overall	79	95	75	65	78	82	75	91
Showing leadership in pursuing priority issues in the energy sector	77	87	74	70	67	73	62	90
Its senior leadership team	91	95	89	89	80	89	73	100
Being good to deal with	86	91	85	92	76	85	73	90
Its contribution to the debate about Australia’s energy future and regulatory landscape	57	82	50	52	52	49	54	67
Its Board	88	91	87	90	78	87	70	94
Collaborating effectively with other organisations	75	67	77	69	72	86	62	85

  Statistically significant difference between segments (purple = higher / orange = lower)

#4 LEADERSHIP AND MANAGEMENT – ANALYSIS OF STAKEHOLDER COMMENTS

Senior leadership is well regarded although more time is needed to determine the extent of their impact on the AER and the sector overall.

The AER’s leadership team and Board were rated highly by most stakeholders for their expertise and achievements to date. Most felt there had been significant positive cultural change within the AER over the past few years which has resulted in stronger stakeholder relationships.

“There has been important cultural change from the top and the scope for further improvements based on the current management team.” (Government)

“The changes under (the new Chair) have been impressive; getting staff out and engaging more, making tough calls, etc.” (Network)

It is important to note however that not all stakeholders shared this view. A few expressed reservations about the new Board or were hesitant to make a judgement until they had had more time to establish themselves.

“They are inexperienced now on that Board and there is less experience at the management level than there used to be two years ago.” (Retailer)

Some stakeholders observed that there had been a high turnover of staff at management level which had resulted in uncertainty about who they should contact at the AER and the need to re-establish relationships at a personal level.

At an organisation level there were mixed views about the extent to which the AER takes a leadership position within the energy sector and whether it is appropriate for it to do so.

While the AER was widely considered to be highly visible, well-connected and to possess considerable knowledge, there was a sense amongst some stakeholders that it was not forthright enough in using these strengths to drive pragmatic positive change for the sector as a whole. These stakeholders were keen to see the AER be more active in contributing to discussions and debate around major sector issues.

“One of the challenges they are struggling with is the rapid change in the electricity system... it undersells the change in the generation mix and the AER has got to be more pragmatic on these issues.” (Network)

“We look forward to seeing the AER make a greater contribution to this especially in relation to the energy transition to net zero greenhouse gas emissions.” (Consumer advocate)

A few stakeholders took a more measured view, noting that the AER must maintain a position as an independent regulator and questioned whether it was necessary or appropriate for it to be pushing for reform (other than regulatory reform).

“That’s a subtle question, soft leadership. You don’t want the head of the AER on the front page of the AFR calling for reform!” (Government)

“I’m not sure why a regulator needs to contribute to the debate about energy future? Yes to contributing to a discussion about the role of regulation and use of regulatory tools to support the energy market future but no to general discussion about energy market future.” (Retailer)

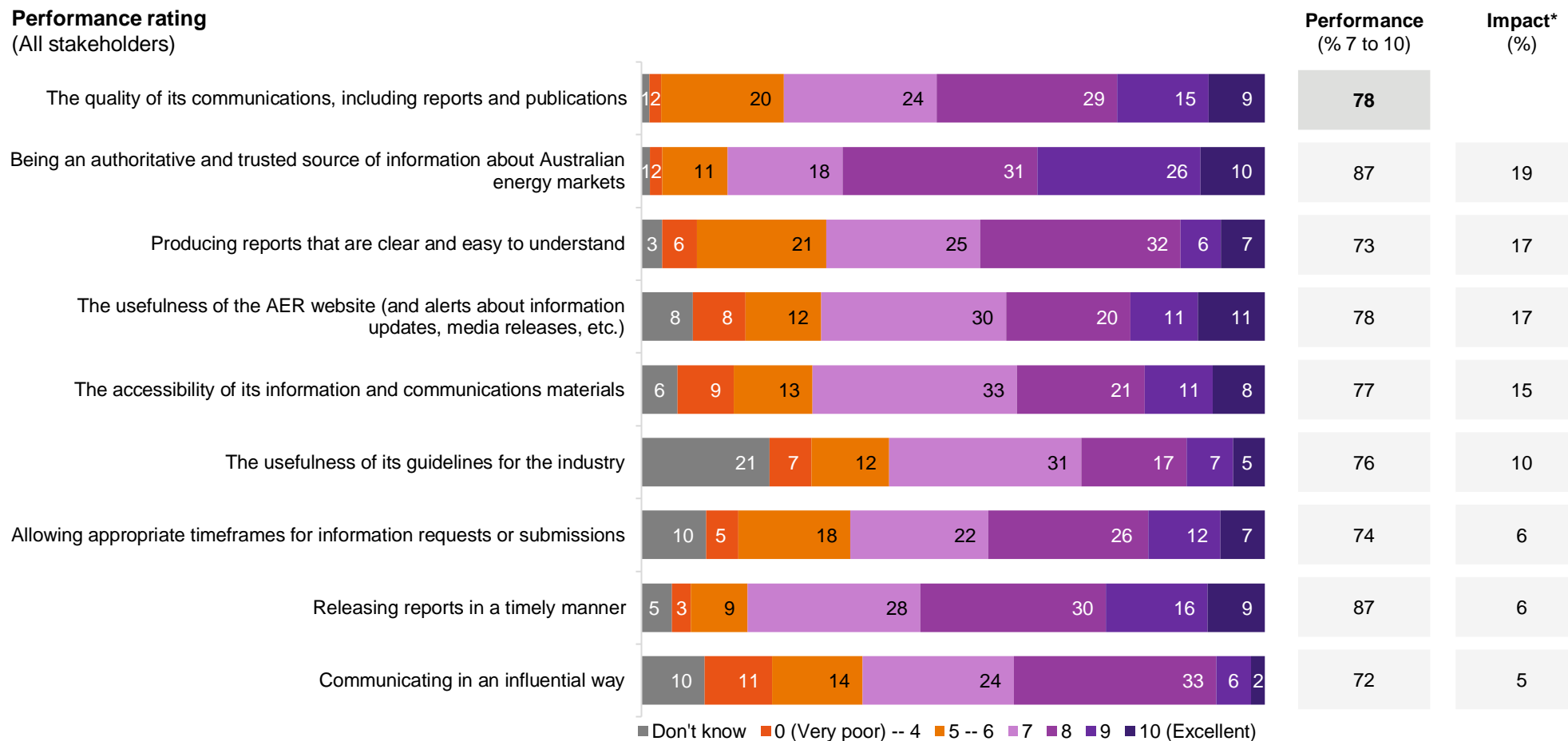
How stakeholders felt the AER could improve:

- Find appropriate ways to show leadership, leveraging the AER’s knowledge, expertise and evidence to contribute to discussions on critical issues for the sector – especially as related to the energy transition
- When new senior personnel join the AER ensure effort is made to quickly establish relationships with relevant stakeholders and provide clarity about who stakeholders should go to on different issues
- Look for opportunities for the AER’s senior leadership to engage with stakeholders at all levels in meaningful and collaborative forums – especially retailers

#5 COMMUNICATIONS, REPORTS AND PUBLICATIONS – PERFORMANCE

While its communications and reporting were rated highly by most stakeholders overall, there is opportunity for the AER to gain more traction by ensuring reports are presented in a way that enables the key information to be extracted quickly and clearly and by focusing on usefulness for stakeholders.

Performance rating (All stakeholders)



#5 COMMUNICATIONS, REPORTS AND PUBLICATIONS – PERFORMANCE BY SEGMENT

The various stakeholder segments all shared fairly consistent views about the AER’s communications and reporting, although government stakeholders rated the accessibility of materials lower than the other segments.

Performance rating – By segment (% 7 to 10[^])

	All stakeholders	Executive	Staff	Government / Market Bodies / Regulators	Industry / Market Participants	Network	Retailer	Consumer advocates
The quality of its communications, reports and publications	78	78	78	76	78	79	80	80
Being an authoritative and trusted source of information about Australian energy markets	87	95	85	89	82	85	83	91
Producing reports that are clear and easy to understand	73	87	70	72	71	72	70	75
The usefulness of the AER website (and alerts about information updates, media releases, etc.)	78	86	76	76	77	81	75	79
The accessibility of its information and communications materials	77	85	75	69	80	82	79	80
The usefulness of its guidelines for the industry	76	74	76	72	76	84	73	78
Allowing appropriate timeframes for information requests or submissions	74	71	75	85	77	79	78	63
Releasing reports in a timely manner	87	86	88	85	76	78	75	100
Communicating in an influential way	72	86	68	61	66	63	67	88

 Statistically significant difference between segments (purple = higher / orange = lower)

#5 COMMUNICATIONS, REPORTS AND PUBLICATIONS – ANALYSIS OF STAKEHOLDER COMMENTS

The AER produces authoritative and well-respected reporting materials but could make the information more accessible and impactful.

The reports, publications and guidelines produced by the AER are highly regarded for being thorough, technically excellent, well written and informative.

Stakeholders generally feel that they can find the information they need within AER's report and documents (and via the website) but think there is scope for improvement to better target key information to readers and make it easier to navigate.

Several stakeholders, especially at Executive level, suggested that short 'summary' versions of reports would be highly valued – to provide a quick snapshot of the main points.

“For larger documents, an Executive Summary would be appreciated. It increases the chance that the information will be shared to a broader audience.” (Retailer)

“Something akin to the one-page ministerial briefing papers would be useful.” (Government)

They were quick to point out that it was important to retain the full reports as they currently are to maintain the detail and rigour but noted there was a challenge to make this information as simple and accessible as possible.

“They could take a leaf from the AEMC's book and produce concise summary reports - around 2-3 pages with use of infographics etc to make it engaging and easily digestible. People can access the detail in the full report if they want it.” (Consumer advocate)

Another suggestion made by one stakeholder was to utilise different channels to communicate important information to stakeholders in a concise way – such as hosting webinars or other forums for industry stakeholders.

There was a widely held belief that the AER had improved the clarity and overall quality of its reports and publications, though more could still be done to make them more accessible to a non-expert audience. For example, striving to use plain English where possible and adopting more visually engaging design.

Some felt there was too much technical jargon within many of AER's documents although much of this was considered unavoidable due to the complexity of the subject matter.

“I think most regulators could think about how to make their communication simpler and more accessible.” (Consumer advocate)

“To their credit the whole industry struggles with this as it is incredibly complex, so the AER is doing a good job in this context.” (Consumer advocate)

A few stakeholders felt that the AER doesn't communicate or promote their work enough to the general public, for example to highlight the positive outcomes that have been achieved.

“They communicate well to industry experts and insiders but don't report outcomes in a way that sells the benefits of their decisions to customers and consumers. They could do with some advice on messaging.” (Network)

While most stakeholders were generally happy with the AER website and were able to locate the information they needed, some noted it was “dense” and sometimes difficult to navigate.

Communicating in an influential way was the lowest rated aspect of the AER's communications. As noted in earlier sections, there was a view among some stakeholders that the AER could leverage its knowledge and respected position within the sector to advocate for change.

How stakeholders felt the AER could improve:

- Maintaining high standards of rigour and detail in its reporting to reaffirm its position as an authoritative and trusted source of information for the sector; and also...
- Striving to produce succinct communications and consider different reporting formats and channels to make key information more easily accessible to senior stakeholders and broader range of stakeholders within the sector

Comparison with 2018 (KPIs)

Performance ratings for the AER's key performance indicators in comparison to 2018

KPI COMPARISON – SUMMARY

Overview

In 2021, the AER enhanced the methodology used for its stakeholder research. Changes to the methodology included weighting stakeholder groups equally, moving to a performance rating scale with greater sensitivity, different ordering of questions (creating a different framing context), changes to the phrasing of attributes/questions, and increased sample size. The comparison between 2018 and 2021 should be considered indicative only.

Methodological notes

The following issues impact the comparability of 2018 vs 2021 KPI results.

- **Scale** – KPIs were previously measured using a 5-point categorical (agreement) scale. An 11-point numeric (performance rating) scale was used in the 2021 research in addition to the 5-point scale. While there appears to be some consistency in the results yielded by the two scales (analysis shows that the response distribution for each scale has a similar shape, and the relative order of KPI performance ratings remains similar), there are also unavoidable differences (for example, the new scale generally yields higher performance ratings).
- **Survey design** – the ordering of questions was different in the 2021 survey and the eight attributes were contained alongside a different set of other attributes in each survey – creating a different framing context.
- **Attribute wording** – As part of the survey refresh in 2021, the wording of some attributes was refined to ensure singular and unambiguous focus. While most retained the same essence, two of the KPIs were altered to the point that they are likely measuring different things (see overleaf).
- **Weighting** – No weighting was applied to the 2018 data which meant the larger segments (i.e. those with highest number of participants) were most influential in the overall result. The 2021 data used a weighting such that the three main stakeholder segments were each given equal weighting, despite their different sample size. A proxy weighting was applied to the 2018 data for comparison purposes.
- **Sample size** – The 2021 survey had a bigger sample size overall and when participants were allocated to segments. In contrast, the 2018 sample was smaller to begin with and smaller still due to some participants not being allocated to a segment.

Based on this, the KPI results shown on the next page are not perfectly comparable and are included here as an indication of relative performance over time. While differences in KPI performance observed between 2018 and 2021 may be at least in part attributable to a ‘real’ shift in stakeholder perceptions, it is equally possible that some of the difference may be the result of these methodological discrepancies.


KPI COMPARISON – RESULTS

Performance rating – KPIs – 2018 vs 2021

(All stakeholders)

2018	(% Agree) Unweighted	(% Agree) Weighted [^]
The AER engages effectively with its stakeholders	68	65
The AER is an authoritative and trusted source of information about Australian energy markets	84	79
The AER shows leadership in pursuing or promoting priority issues in the energy sector	58	56
The AER encourages and enables innovation by network businesses	34	40
The AER demonstrates a sound knowledge and understanding of energy consumers	71	65
The AER promotes efficient investment in, operation and use of energy services for the long-term interests of energy consumers	61	64
The AER supports and protects energy consumers, particularly those in vulnerable circumstances	60	64
The AER equips consumers to participate effectively, and protects those who are unable to safeguard their own interests	51	48

2021	(% Agree) Unweighted	(% Agree) Weighted	(% 7 to 10) Unweighted	(% 7 to 10) Weighted
Its engagement with stakeholders overall	76	79	71	71
Being an authoritative and trusted source of information about Australian energy markets	81	83	85	87
Showing leadership in pursuing priority issues in the energy sector	57	61	71	77
The AER encourages and enables innovation by network businesses that is balanced against delivering value to consumers	35	33	50	53
Its understanding of the needs of energy consumers	61	61	60	63
Acting in the long-term interests of energy consumers*	55	60	65	70
Supporting and protecting vulnerable energy consumers	74	69	76	73
Equipping consumers to participate effectively in the energy market*	37	32	57	58

 KPI performance improved significantly in 2021 (compared with unweighted 2018 result)

KPI PERFORMANCE (2021) – BY SEGMENT

While executive level stakeholders gave more positive ratings for KPIs compared to staff level stakeholders, performance ratings were mostly consistent between market segments.

Performance rating – KPIs (2021)

(% Net 7-10) (Weighted)

	All stakeholders	Executive	Staff	Government / Market Bodies / Regulators	Industry / Market Participants	Networks	Retailers	Consumer advocates
Its engagement with stakeholders overall	71	82	69	63	71	84	68	79
Being an authoritative and trusted source of information about Australian energy markets	87	95	85	89	82	85	83	91
Showing leadership in pursuing priority issues in the energy sector	77	87	74	70	67	73	62	90
The AER encourages and enables innovation by network businesses that is balanced against delivering value to consumers	53	52	53	56	44	44	48	58
Its understanding of the needs of energy consumers	63	73	60	71	57	60	59	61
Acting in the long-term interests of energy consumers	70	88	66	67	60	60	61	81
Supporting and protecting vulnerable energy consumers	73	93	68	69	78	83	77	72
Equipping consumers to participate effectively in the energy market	58	73	53	57	57	56	58	58

  Statistically significant difference between segments (purple = higher / orange = lower)

Compliance and enforcement

Awareness of the AER's compliance and enforcement priorities and thoughts on areas of importance

COMPLIANCE AND ENFORCEMENT

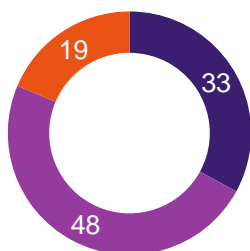
Awareness and perceived priorities

As the chart below illustrates, most stakeholders had at least a partial awareness of the AER's compliance and enforcement priorities.

Only one-in-five (19%) were unaware of what the current priorities are. Awareness was lowest among government stakeholders (38% not at all aware).

Executive stakeholders and Industry participants reported the highest awareness (96% and 95% respectively were either partially or fully aware).

Awareness of compliance and enforcement priorities
(% All stakeholders)



■ Fully aware ■ Partially aware ■ Not at all aware

Both network (94%) and retailer (96%) stakeholders reported being aware of the AER's priorities, to some extent.

Some industry stakeholders were quick to point out that their awareness of the AER's compliance and enforcement priorities stemmed from the fact that they were the focus of the AER's activity in this regard! Retailers especially noted an increase in the level of compliance activity in recent years which for some had resulted in a notable increase in what they described as a "compliance burden".

Government and consumer advocate stakeholders meanwhile expressed positivity and confidence in the AER's compliance and enforcement work, especially to support and protect vulnerable consumers. The recent focus on life support disconnections for consumers as a compliance issue was noted by several as a positive example of the AER's good work in this area.

While acknowledging the importance of the AER's compliance and enforcement activity, industry participants cautioned the need for this to be balanced with a nuanced understanding of their business context. Additionally, some industry stakeholders lamented the perception that 'heavy handed' compliance actions appeared to 'assume the worst' of industry and could cause risk aversion and discouragement of innovation.

"They have to be more balanced and weigh up those businesses that are trying to do the right thing and the occasional stuff ups – we can't get it 100% right. They should look at the history of the organisation and what it is doing to continue to improve the area of compliance it might be about." (Network)

"They don't always have a good understanding of what is going on at energy retailers and how it plays it in practice. They can be more concerned about things

than they need to be and make assumption about risks. They should understand how our business operates and get closer to what the risks are and target the effort." (Retailer)

There was a broad call for the AER to work with, rather than against, industry towards better compliance outcomes. They expressed hope for a collaborative and sensitive approach to compliance that delivers good outcomes for consumers without placing unnecessary burden on industry.

"The hope is the regulator setting out clear expectations but letting the industry work out how to deliver it. Stay involved to see how it is delivered but focus on looking at results and the evidence for future issues. Share information with the industry rather than hitting them with policing." (Network)

When asked what they thought the AER should prioritise when it comes to compliance and enforcement, stakeholders suggested a range of issues:

- Maintaining focus on consumer protection, especially for vulnerable consumers
- Retailer marketing behaviours
- Retailer hardship practices (e.g. giving consumers a fair go before disconnection)
- Ring fencing
- Emerging markets – ensuring rules are in place and new market entrants are held accountable to the same standards (e.g. battery operators, new renewables generators)
- Distributed energy and rights ownership

Final advice from stakeholders

Thoughts and recommendations on how the AER can continue to improve its performance and engagement with stakeholders



FINAL ADVICE

The key themes in analysis of stakeholders' advice for the AER were for the AER to:

- **Collaborate more with industry participants** – listen to their perspective and understand their challenges. Show greater acknowledgment and sensitivity to their concerns.
- Think broadly and deeply about the **future of the energy market** and what it means for both consumers and industry – maintain focus on the energy market transition as context for decision making.
- Be **proactive** about what's required to regulate effectively in the changing environment and push for rule changes where necessary
- Stay the course – **maintain an independent and rigorous approach** that balances the needs of consumers and market participants over the long term and uses detailed data and analysis to support decision making.
- Maintain focus on **supporting and protecting energy consumers**, especially those with vulnerable circumstances.
- Take a **measured approach to compliance and enforcement** – weighing up the burden on stakeholders against the outcomes for consumers.

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In their own words...

“Take seriously the concerns of the industry; where it sits at the moment. We are at time of fundamental change in the industry - the businesses that have provided long term security and affordability in wholesale and retail are under threat. It would be helpful if the AER recognised this when the case is made in various regulatory considerations.” (Retailer)

“They need to stay the course with rigorous independent analysis and not get drawn into state level politics. Don’t compromise on that rigorous approach – consumers will back them here.” (Consumer advocate)

“Reform to get the rules to a better state because they’re clearly not working.” (Government)

“The fundamental challenge of rapid change in the power grid is that it needs a long sighted view on things. As the pace of change quickens, if the AER is not moving at a pace which is in proportion to the movement and pace of the market, we will see further spiraling out of states delegating functions to local regulators.” (Government)

“I think there has got to be more prioritisation around the sequence of activities that they are hoping the industry will participate in to facilitate rule changes. There’s a lot on in this space.” (Network)

“Recognise that the sector and the profitability of the sector has changed markedly in last few years, and the cost of compliance is growing. The AER needs to focus on systemic compliance issues and needs to be clear on objectives of price regulation with a transparent methodology.” (Retailer)

“We want to be collaborating with the AER, which doesn’t mean that we always agree. It’s us continuing to build our understanding of where they’re coming from, and them doing the same for us, and that being a healthy thing to do. We want to be collaborating but not always agreeing, because the point is that we come with different perspectives and reach a better outcome.” (Government)

“The question is how do we collaborate to develop a future ready regulation framework, sustain benefits of benchmarking and balance more than cost to ensure efficiency and fair return for investors.” (Network)

“We encourage the AER to continue to develop its engagement with energy consumers, especially in relation to issues of consumer vulnerability. We see the AER as a trusted and respected regulator that acts in the best interests of consumers. This can only be enhanced through further efforts to make the work of the AER and the energy market more broadly accessible and understandable to energy consumers and their representatives.” (Consumer advocate)

“Have an increased awareness of the challenges faced by retailers and risks they have had to manage because of the pandemic – how costly it is to do business when facing increasing and conflicting policy. Interventions should assess the extent to which they impose additional burden on retailers.” (Other Industry)

“The AER could engage with industry better on the proactive compliance measures that are being taken rather than only engaging when a breach occurs or when they require information from industry.” (Network)

“Be more proactive and take a more expansive stance in relation to its role as regulator. Don’t wait until gaps/deficiencies become entrenched before acting.” (Government)

“There appears to have been an increasing focus on its media and public relations presence rather than on the substance of a good grasp of economic and technical principles of the industry that the AER regulates, with the AER unnecessarily demonising energy companies to get a few likes on social media. The AER should work towards its original role as a trusted, balanced, authoritative economic regulator with in-depth knowledge of economic principles and the industries that the AER regulates.” (Retailer)

“Remain mindful of other organisations’ peak work periods when seeking to engage on issues. High-level engagements during known busy periods should be reserved for only the most critical needs.” (Government)

“Continue to openly engage with businesses. Through an honest and sharing approach, both parties can achieve sensible outcomes for customers and the networks themselves (importantly for the long term).” (Network)

“The AER needs to have a better understanding of how actual end users interface with the energy market, rather gather their knowledge from stakeholders and stakeholder representatives that do not directly interface with end users.” (Consumer advocate)

“Much work has been done in recent times on understanding consumers - which has definitely improved EME and related services. But there is still a major gap in promoting these capabilities and being the source of advice for most consumers. These services will have to continue to improve and innovate to keep up with consumer needs.” (Government)

Appendices

List of executive stakeholder participants

STAKEHOLDER PARTICIPANTS

Executive level stakeholders from 25 organisations were interviewed.

Government / Market bodies

1. Australian Energy Market Commission (AEMC)
2. Australian Energy Market Operator (AEMO)
3. Department of Energy Climate Change, Sustainability and Water (NSW)
4. Department of Energy and Mining (SA)
5. Department of Environment, Land, Water and Planning (VIC)
6. Department of Industry, Science, Energy and Resources (DISER) and COAG Secretariat
7. Energy and Water Ombudsman NSW (EWON)
8. Essential Services Commission (ESC)
9. Minister's Office - SA Minister for Energy and Mining

Industry / Market participants

10. Australian Gas Infrastructure Group (AGIG)
11. Alinta
12. AusNet Services
13. Australian Energy Council (AEC)
14. ElectraNet
15. EnergyAustralia
16. Energy Networks Australia (ENA)
17. Endeavour Energy
18. Jemena
19. Origin
20. SA Power Networks
21. TransGrid

Consumer Advocates

22. Energy Consumers Australia (ECA)
23. Energy Users Association of Australia (EUAA)
24. Public Interest Advocacy Centre (PIAC)
25. Uniting Communities

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