

Australian Electricity Distribution Networks' Consumer Engagement On Their Inaugural Tariff Structure Statements (TSSs)

June 2017

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1 Introduction

1.1 Background

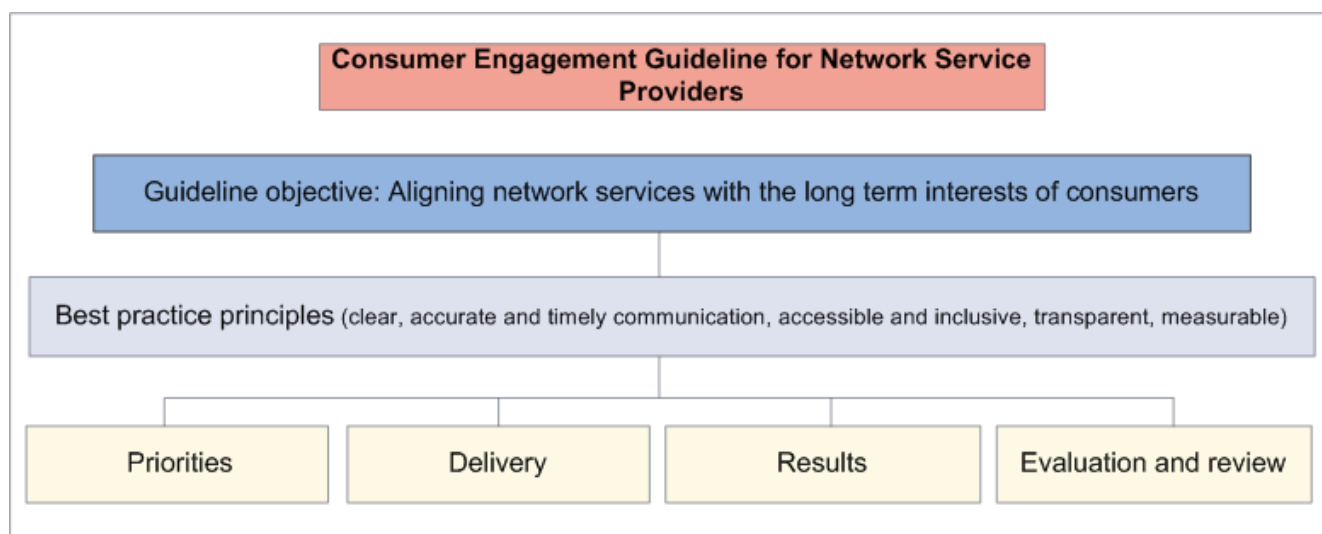
Recent changes to the National Electricity Rules (NER) place obligations on electricity distributors to design their tariffs so that they are more cost reflective and facilitate consumers making more informed decisions about their use of electricity.¹

Under the new rules, distribution businesses are now required to develop 'Tariff Structure Statements (TSSs)' for approval by the Australian Energy Regulator (AER) as part of their revenue reset process. The TSS is used by the AER to review distributors' compliance with the new Rules.

When assessing the distributors' TSS proposals, the AER assesses how the distributors have engaged with consumers and how their TSS proposals address consumers' long-term interests and the concerns raised by consumers during their engagement activities.

The AER's expectations regarding how distributors should engage with their consumers are outlined in the *AER Consumer Engagement Guideline*, which outlines best practice consumer engagement principles and components that the AER considers constitute a robust approach to consumer engagement.

The AER's *Consumer Engagement Guideline*² outlines the AER's expectations regarding how energy networks should engage with consumers.



1.2 Research Purpose

To provide consumer advocates with the opportunity to provide their perspectives on the quality and effectiveness of the distributors' consumer engagement on their TSS proposals, Energy Users Association of Australia (EUAA) received a grant from Energy Consumers Australia (ECA) to develop this *TSS Performance Scorecard Report*.

This scorecard report aims to help distribution businesses improve their engagement with consumers on

¹ AEMC Rule Change, Distribution Network Pricing Arrangements, 27 November 2014

² AER Consumer Engagement Guideline For Network Service Providers, November 2013

future regulatory proposals, and provide feedback to the AER on the first round of TSS development.

1.3 Survey Methodology

The survey asked respondents to assess the consumer engagement undertaken by distribution networks' in the development of their inaugural TSS proposals against the *AER Consumer Engagement Guideline*. It contained 42 questions in total, with 32 questions relating to the eight key elements of the *AER Consumer Engagement Guideline*.

The scores were calculated by assigning the following points for the responses to each question:

- | | |
|-------------------------------------|---|
| ▪ Very satisfied | 5 |
| ▪ Somewhat satisfied | 4 |
| ▪ Neither Satisfied or Dissatisfied | 3 |
| ▪ Somewhat Dissatisfied | 2 |
| ▪ Very Dissatisfied | 1 |

Each question and each element of the survey was considered to have equal weighting.

Invitations to complete the TSS survey were provided to a total of 285 consumers and consumer representatives. A total of 74 responses were received, as follows:

- | | |
|--------------------------------------|----|
| ▪ Residential Consumers/Advocates | 39 |
| ▪ Small Business Consumers/Advocates | 8 |
| ▪ Large Energy Users /Advocates | 27 |

Some consumers provided feedback on more than one distributor, resulting in a total of 174 'responses per distributor', as follows:

- | | | | |
|--------------------|----|-----------------|----|
| ▪ Energex | 21 | ▪ Powercor | 13 |
| ▪ Ergon Energy | 21 | ▪ Jemena | 9 |
| ▪ Ausgrid | 16 | ▪ United Energy | 10 |
| ▪ Endeavour Energy | 10 | ▪ SAPN | 15 |
| ▪ Essential Energy | 15 | ▪ TasNetworks | 9 |
| ▪ AusNet Services | 15 | ▪ ActewAGL | 9 |
| ▪ Citipower | 11 | | |

Consumers were provided with the opportunity to elaborate on their feedback by participating in follow-up telephone interviews. A total of 12 consumers took up that opportunity.

1.3.1 Methodological issues

It was unfortunately not possible to compare the performance of distributors – very few (if any) respondents participated in all TSS processes, and so were only able to comment on the performance of the networks with which they were engaged. As such, it was not possible to aggregate scores.

And not all advocates responded to each question – readers will note that some questions were not answered by small businesses.

Given the above, it was decided not to report by distributor, but the author is happy to provide that information (bearing in mind the caveats identified above) to interested parties.

The report instead focused on capturing consumer advocates' experience with distributors – effectively

measuring how they performed against expectations. Survey respondents also provided comments which provide useful insight to the process, and clearly identify areas for improvement.

2 Clarity, Accuracy and Timeliness of Communications

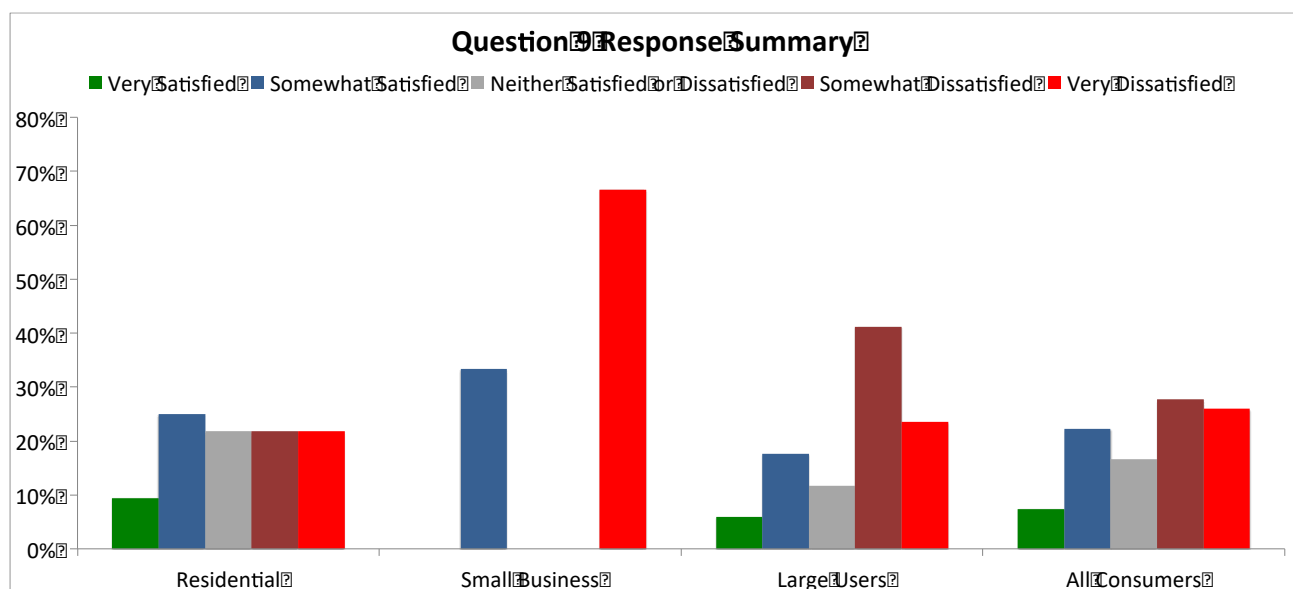
2.1 AER's Expectations

The AER expects the networks to provide clear, accurate, relevant and timely information to consumers, recognising the different communications needs and wants of consumer cohorts.

2.2 Results

The chart below summarises responses from all consumers to the question *Are you satisfied that the networks provided information that was clear and understandable?* Around 54% of respondents expressed levels of dissatisfaction with the clarity and understanding of the networks' communications, with around 29% expressing levels of satisfaction.

Small business and large energy users expressed higher levels of dissatisfaction with the distributors' information provision than residential consumers.



Respondents also provided written responses – following is a representative sample:

- *The information provided by the networks did not clearly demonstrate the impact of the new tariffs on consumers in a manner that consumers would find easy to understand.*
- *Given the complexity of tariff structure issues, TasNetworks did a reasonable job on this.*
- *I believe that good information was provided, though it was a bit later in the process. Not sure how able consumers were to turn that info around and make critical comments.*
- *Ergon did attempt a comparative analysis of different tariff design and with the use of consultants did attempt to explain how they arrived at their proposed tariff. This was very complex and more time could have been devoted to explaining this.*
- *SAPN did better job than in past and to be fair, it's a very complex area. What would have been more helpful is better case studies on impacts. Also, more guidance as to how move to cost-reflective tariffs actually saves money and when those savings are passed back - I saw some of this work done by Vic networks but not in SA.*

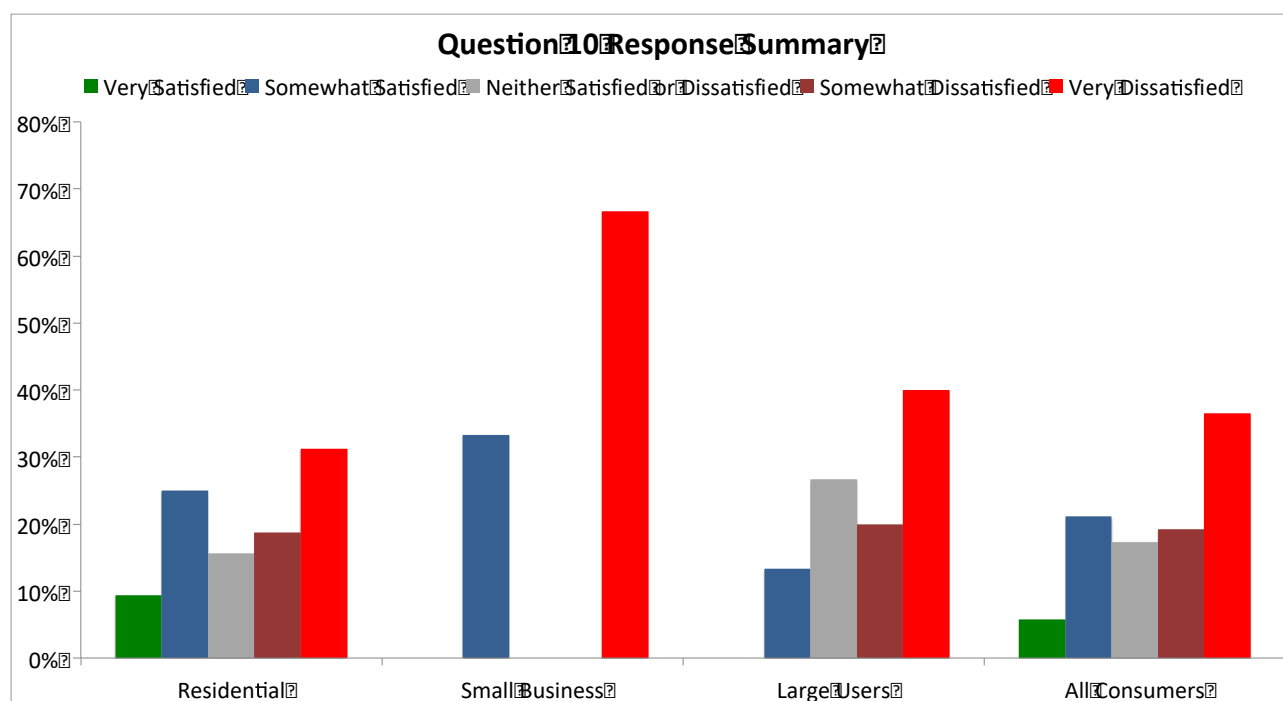
- *Certainly better information than was provided for Regulatory proposal!! Actually, SAPN made significant effort re TSS, but started very late.*
- *My experience with Energex is that they only stated what they intended to do, not clear information that justified this intention.*
- *Focused more on small market tariffs, but also couldn't explain the 'benefit' and drivers clearly.*
- *We received information on VERY short notice and were expected to give extensive feedback in a matter of business hours. Very unsatisfactory process.*

2.3 Clarity

Consumers acknowledged the complexity of the issues under consultation and the challenges for the distributors to provide clear communications on the issues in a manner that accommodates consumers' differing knowledge levels. However, many felt that the distributors should have devoted greater effort to ensuring the clarity, accuracy and timeliness of their communications – survey respondents' comments highlighted that:

- distributors' communications were not sufficiently clear, making it difficult for consumers to provide informed feedback
- the information provided was insufficient or incomplete, particularly relating to the consumer impacts of proposed tariffs
- the distributor did not adequately explain the rationale for their proposed tariff designs.

The chart below summarises the responses from all consumers on whether distributors provided sufficient information to enable them to provide informed feedback on the issues under consultation this question. Around 56% of consumers expressed levels of dissatisfaction on this measure, with only 27% expressing levels of satisfaction. Small business consumers evinced particularly high levels of dissatisfaction on this measure.



Respondents also provided written responses – following is a representative sample of those comments:

- *As detailed in our submission to the AER, more could have been done to investigate and report on the customer impact of different tariff structures on particular customer segments.*
- *A lot of work went into "Customer impact principles", late in the TSS process. Not sure how much this was incorporated into actual TSS.*
- *Energex did not provide much rationale as to their proposed demand tariff. The proposed tariff was presented and consumers were asked to provide some feedback on certain design features such as a single monthly maximum or an average of the top four highest peaks. For both networks more information/analysis could have been undertaken on the impact of the tariffs on DER and the asset bases. This would have helped to understand better the rationale for the proposed tariffs. Also there was limited information on how retailers would react to the proposed tariffs and what sort of design they would implement. No knowledge was provided on smart meters and whether people (especially tenants) could access them. Information on these issues are also important so that consumers could give informed feedback.*
- *Cost impact was not clear.*
- *As it was very difficult for consumer groups or individual consumers to understand the impact of the tariffs it was difficult for them to provide feedback to the networks.*
- *We were sufficiently informed but not sure how our input was used to reduce consumer costs.*

2.4 Accuracy

Consequently, many consumers considered that the cost reflectivity of the distributors' proposed tariff designs was unclear, with some consumers challenging whether the distributors' proposed tariffs were compliant with the relevant TSS rule requirements and pricing principles (e.g. achievement of the network pricing objective (NPO), total efficient cost recovery, etc.).

NSW consumers in particular expressed widespread dissatisfaction with the NSW distributors' lack of justification of their proposed declining block tariffs.

Some advocates expressed frustration with distributors' provision of information that was not relevant to their constituency, and saw a need to tailor engagement activities to the needs of each consumer cohort.

Consumers also expressed dissatisfaction with the lack of information or guidance provided by distributors on opportunities for consumers to respond to the new tariffs.

2.5 Timeliness

Many consumers said that the distributors' consumer engagement processes commenced too late in the TSS development process, making it very difficult for consumers to provide informed feedback in time to properly influence the distributors' TSS proposals. That raised questions for some advocates about how networks were using and incorporating their feedback.

Many said that the distributors' timeframes and timing of requests for consumer feedback were too short. Consumers were asked to provide feedback on whether they considered that the distributors provided reasonable timeframes for consumers to provide feedback. 45% of respondents expressed levels of dissatisfaction with this measure, with around 34% expressing levels of satisfaction.

Large energy users were more positive on this issue compared to the other consumer cohorts, perhaps reflecting differences in the consumer cohorts' knowledge bases.

3 Accessibility and Inclusivity

3.1 AER Expectations

The AER expects networks to recognise, understand and involve consumers early and on an ongoing basis, through the regulatory proposal process, ensuring that consumers are provided with the information that they need to participate in a meaningful way, seeking outcomes that are in consumers' long-term interests.

In particular, the AER consumer engagement outlines the AER's expectations that the networks will:

- Identify relevant 'end user' or consumer cohorts, recognising they can change over time. Networks may also engage with consumer representative groups, retailers and industry bodies, or work with other service providers to support their interaction with identified groups of consumers
- Acknowledge that consumer cohorts are not homogenous. There will be a range of consumer views and issues of concern within each group
- Prepare consultation plans and tailor engagement strategies to meet the needs of differing consumer groups
- When a matter's complexity is hindering engagement, proactively build consumers' capacity to understand the issues, processes and potential impacts and outcomes of a decision.

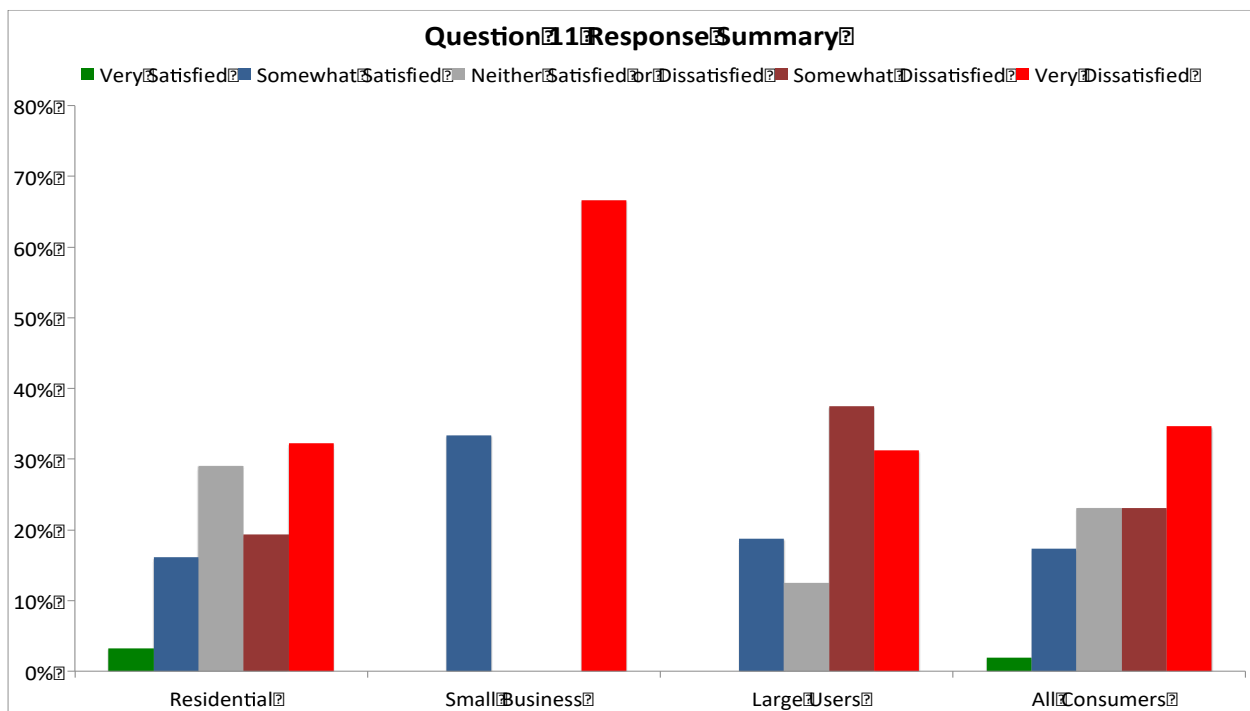
3.2 Accessibility

Consumers acknowledged the difficulty and challenges in engaging with some consumer cohorts on complex tariff issues (e.g. vulnerable, rural/remote and indigenous consumers). In light of those challenges, consumers emphasised the importance of ensuring that representatives of those consumer cohorts were effectively engaged.

Most consumers indicated that they were not aware of how the distributors identified or categorised their consumers. Some consumers expressed a desire for greater transparency on the distributors' consumer categorisation processes, particularly where they felt that their categorisations impacted upon them negatively.

Consumers were asked to provide feedback on whether they considered that the networks sufficiently tailored their communications to accommodate the different communications needs of different consumer cohorts.

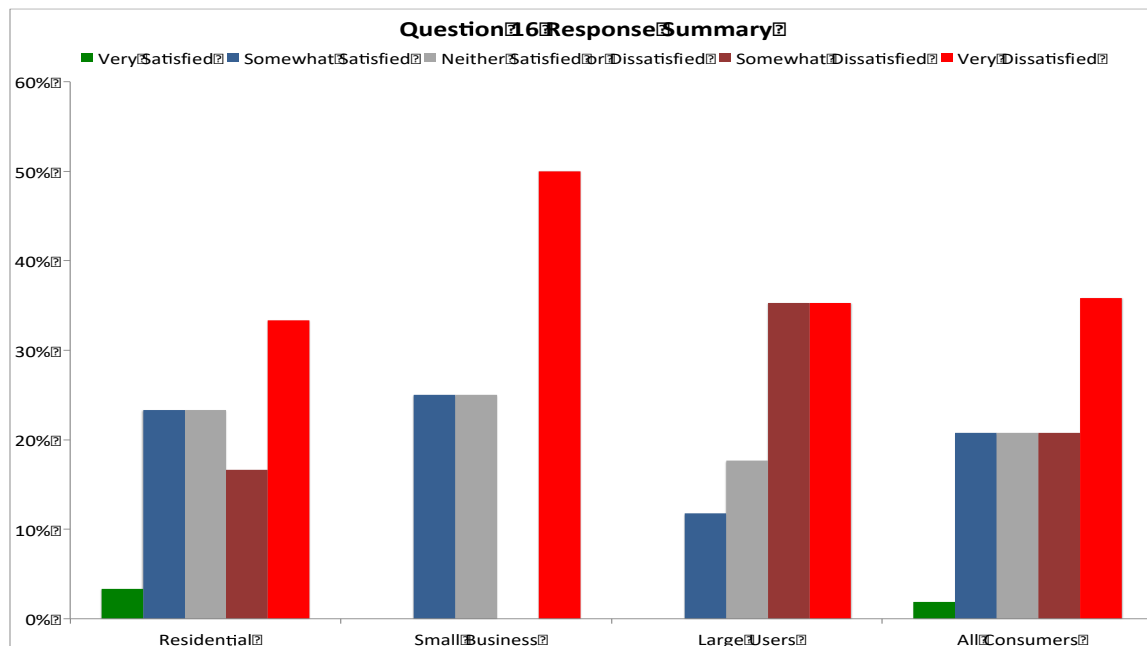
The chart below summarises the overall responses from all consumers on this question. Around 57% of respondents expressed levels of dissatisfaction on this measure, with around 20% expressing levels of satisfaction. Again, small business and large energy users were more critical than residential consumers on this measure.



A representative sample of written comments provided by consumers on this question are outlined below.

- *Networks not really used to talking to small consumers; they were learning how to do so. Consumers must invest time and effort to understand the information, due to its complexity. Business consumers may have been better skilled to engage in process.*
- *Ergon worked with a small group of relatively informed customers and community groups based loosely on their customer council but not confined to it. They also allowed some consultants to attend their workshops as well as making facilities available for customer groups in regional Qld. Ergon also had at least two (maybe more) webinars which allowed customers across the state to find out more about their proposed tariff. Energex initially had a number of workshops which were very useful in building up an understanding of its proposed tariff. Would suggest that Energex could also have conducted a webinar(s) to explain their proposed tariff.*
- *As previously stated it is complex and even informed consumer advocates and consumers struggle with some of the issues: it is definitely not easy for people with lesser levels of literacy (educational disadvantage, disability or CALD).*
- ***** was working with Solar Citizens, and it became clear that most networks do not have good demographic and tariff data re their solar consumers.*
- *Whilst the Issues Paper mentioned the issues of agricultural producers, no real solution was provided in the Issues Paper. In addition, we were sent an issues paper two days before a Sydney based workshop. However the data that was presented at the workshop did not match the information in the Issues Paper and looked at a very particular example (cotton gin's energy use), which was not applicable to the broader agricultural base.*
- *Information was often confusing, particularly given the overlap with regulated retail customers in Ergon's network. No effort to disentangle or provide further clarity.*
- *Often tended to focus on the lowest common denominator and basically spend a lot of time getting participants knowledge up to a reasonable level. Low income energy user issues tend to dominate many discussions. Yes they are important but so are large energy user issues.*

Consumers were asked to provide feedback on whether the distributors devoted sufficient time and resources to building consumers' capacity to engage on the issues. Levels of dissatisfaction were high – again small business were particularly unhappy.



3.3 Inclusivity

Overall, around 50% of the consumers that participated in the distributors' consumer engagement programs found out about the programs from the distributors, with around 23% finding out from other consumers and around 21% from the AER.

Consumers were unaware of whether the distributors attempted to ensure a representative balance of consumers in their consumer engagement activities.

Many advocates noted that distributors had not consulted with consumers in designing engagement programs and activities. Many consumers thought distributors could improve their engagement by tailoring their consumer engagement activities to the needs of different consumer cohorts.

Some consumers expressed disappointment with the distributors' lack of engagement with remote consumers. Ergon's attempt to engage with regional Queensland consumers using webinars was acknowledged by some consumers as an effective engagement method, with some consumers suggesting that other distributors could have made greater use of that method.

Some consumers suggested that the distributors' engagement with CALD communities would have benefited from the adoption of best practice CALD engagement guidelines, such as the guideline developed by the *Ethnic Communities' Council Of NSW*.

4 Transparency

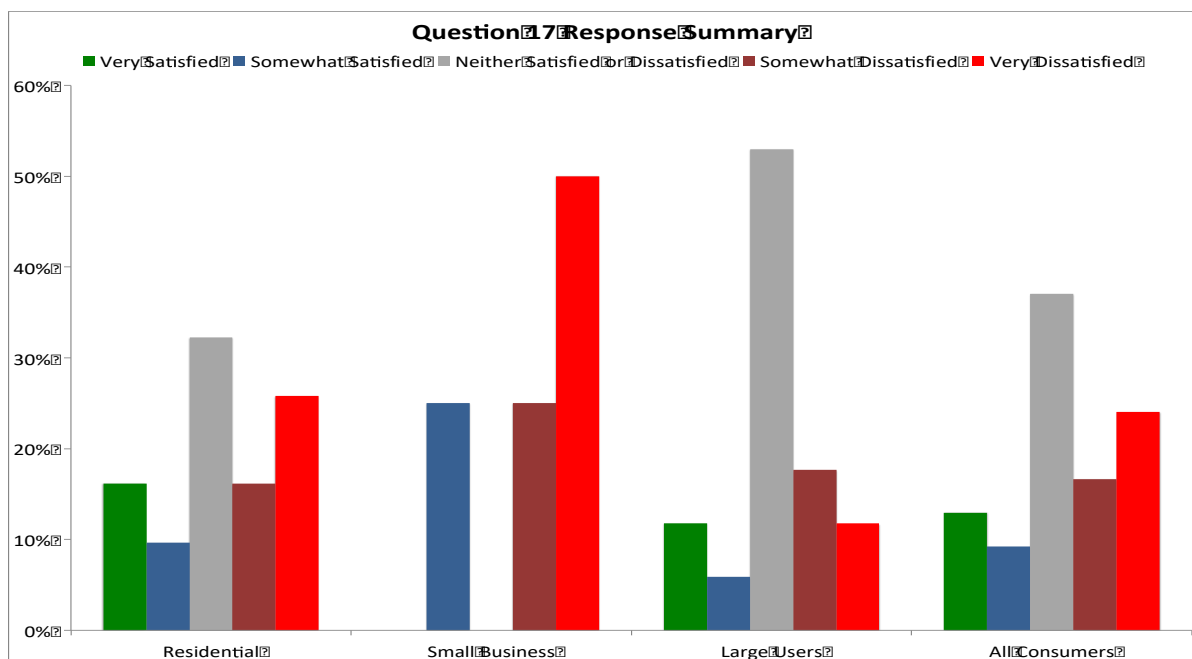
4.1 The AER's Expectations

The AER expects the networks to clearly identify and explain the role of consumers in the engagement process, and to consult with consumers on information and feedback processes. The AER expects transparency in the overall consumer engagement process; including strategy development, engagement activities and in the networks' reporting on how consumer input has influenced their regulatory proposals.

4.2 Results

Many consumers felt that the distributors used the TSS development process to transfer risks from distributors to consumers (e.g. demand risk, redundant/stranded asset risks). There was also concern by some that the proposed tariffs would impede the efficient take-up of distributed generation or non-network solutions - and some suspicion on the networks' motives in pursuing that strategy.

Consumers were specifically asked for feedback on whether they considered that the distributors clearly outlined the purpose and objectives of their consumer engagement programs and activities. The chart below illustrates that around 41% of respondents expressed levels of dissatisfaction on this measure, with around 22% expressing levels of satisfaction. It also indicates particularly high levels of dissatisfaction on from small business consumers on this measure.

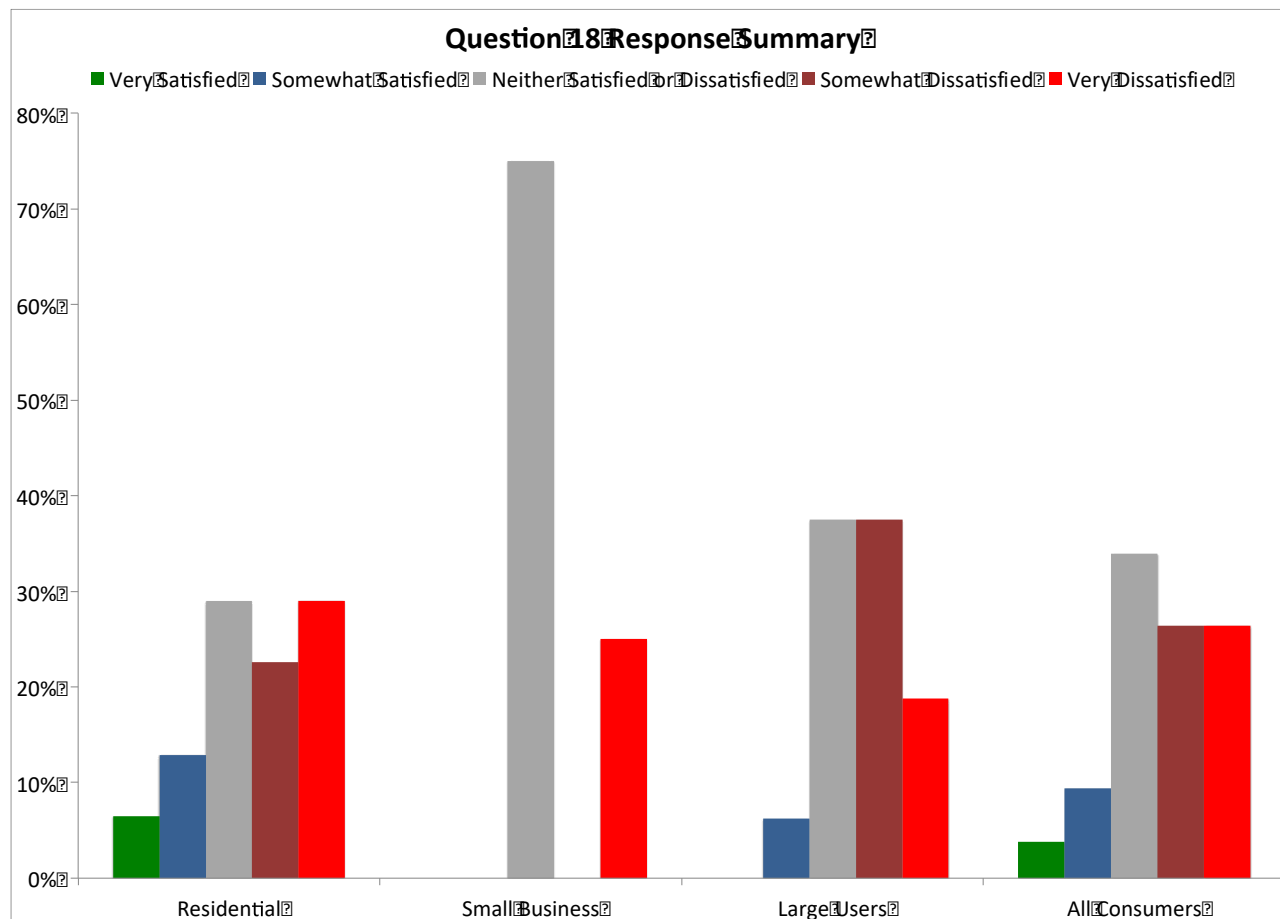


A representative sample of written comments provided by consumers on this question are outlined below.

- It did outline the purpose of the consultation etc however what was lacking from both networks was the purpose and objectives of the "cost reflective" pricing. What was the outcomes they are trying to achieve? They both framed the outcomes in terms of "cost reflective" pricing but the "so what" was missing?*
- They outlined the public version pretty well, I just think that there were also objectives that were less transparent, eg increased short term revenue for fear of sunk assets.*

- *Consumer engagement processes have been historically quite bad - we are looking forward to a significant change in approach by the networks in to the future.*

Consumers were also asked to provide feedback on whether they considered that the networks had clearly outlined how consumer feedback will be used. 53% of respondents thought networks' performance on this measure was unsatisfactory – only around 13% were satisfied.



The written comments provided by consumers on this question are outlined in the table below.

- *No indication of how the consumer feedback would be used.*
- *General letter asking for comment on network charges, not sure what influence **** had.*
- *It was not clear how the networks used consumer feedback or even considered the feedback consumers gave to the networks.*
- *Felt that SAPN's TSS came to some conclusions that clearly did not support consumer feedback.*
- *Irrespective of any statements made by the utility, it is not apparent to **** that any use of its feedback was made.*
- *This issue was not discussed at the workshop.*
- *It seemed more like a box ticking exercise where customer feedback was really taken aboard - more an information session on changes that are coming.*
- *This has never been outlined - feedback on information provided.*

5 Measurability

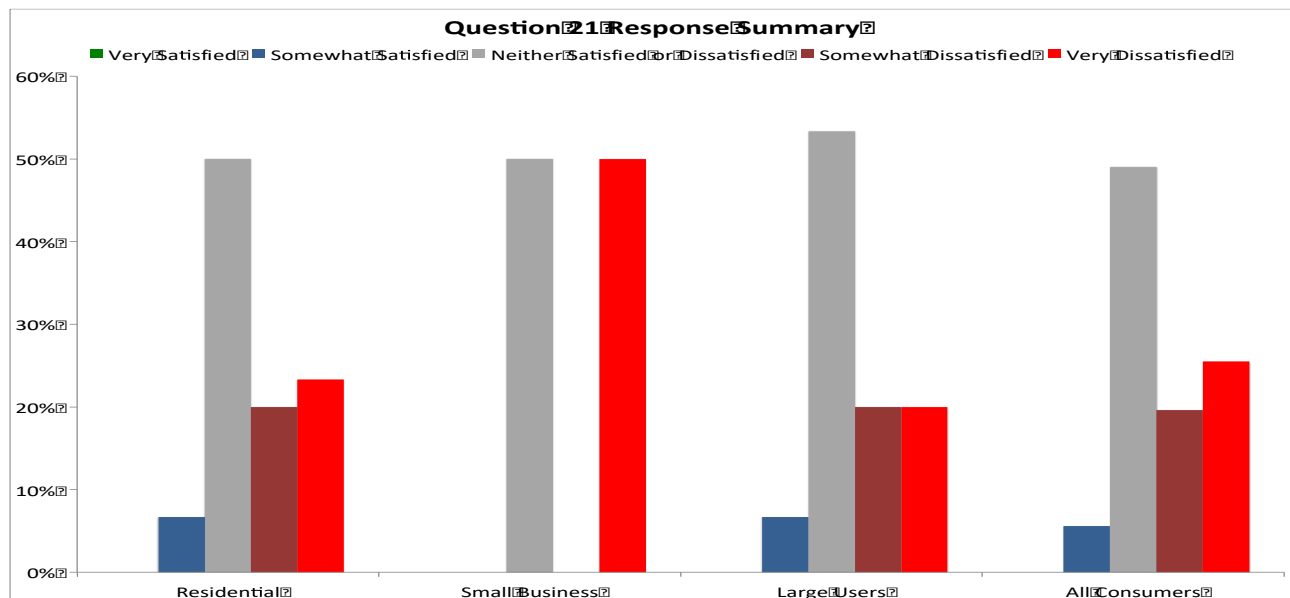
5.1 The AER's Expectations

The AER expects the networks to measure the success, or otherwise, of their engagement activities and to improve the quality of their consumer engagement over time.

5.2 Results

Most consumers were unable to comment meaningfully on the measurability of the distributors' consumer engagement activities. There was no knowledge on how networks were monitoring or measuring the effectiveness of their consumer engagement programs or activities.

Consumers were asked to provide feedback on whether they considered that the networks applied an appropriate range of key performance indicators (qualitative and quantitative) to measure the effectiveness of their consumer engagement programs and activities. The majority of respondents – apart from small business – did not express an opinion.

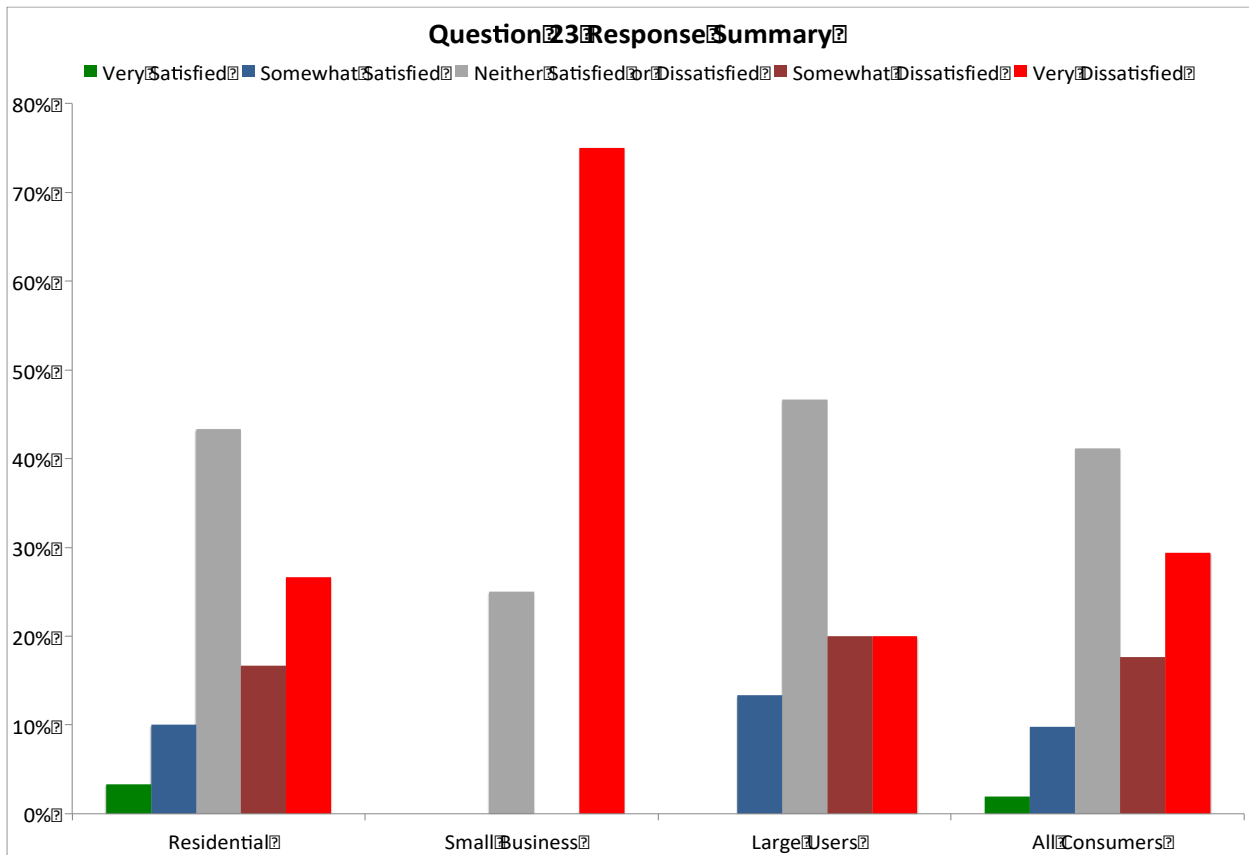


Written comments provided by respondents point to a lack of information from networks on how they were measuring engagement.

- *I haven't been approached by Ergon for any feedback or provided further opportunity to engage or comment etc.*
- *I am unaware of these KPI's.*
- *Do not know.*
- *It is not clear that they have evaluated their consumer engagement program and activities.*
- ***** saw no evidence that KPIs are being applied.*
- *I am not aware that any key performance indicators were applied.*

Consumers were also asked to provide feedback on whether they considered that the distributors appropriately incorporated consumer feedback on their engagement strategies and programs.

Just under half of all respondents expressed some level of dissatisfaction - only around 12% said they were very or somewhat satisfied. Again, small business consumers expressed particularly high levels of dissatisfaction on this measure.



Comments from consumers included:

- *I can't comment.*
- *Do not know.*
- ***** saw no evidence that its feedback was being applied in any way*
- *See earlier comment that it felt like it was more like an information channel, rather than customer engagement.*

6 Priorities

6.1 AER's Expectations

The AER expects the networks to identify consumer cohorts and the views of those cohorts, outline their engagement objectives and to implement processes to best achieve those objectives. The AER consumer engagement guideline outlines the AER's expectations, including that the networks will:

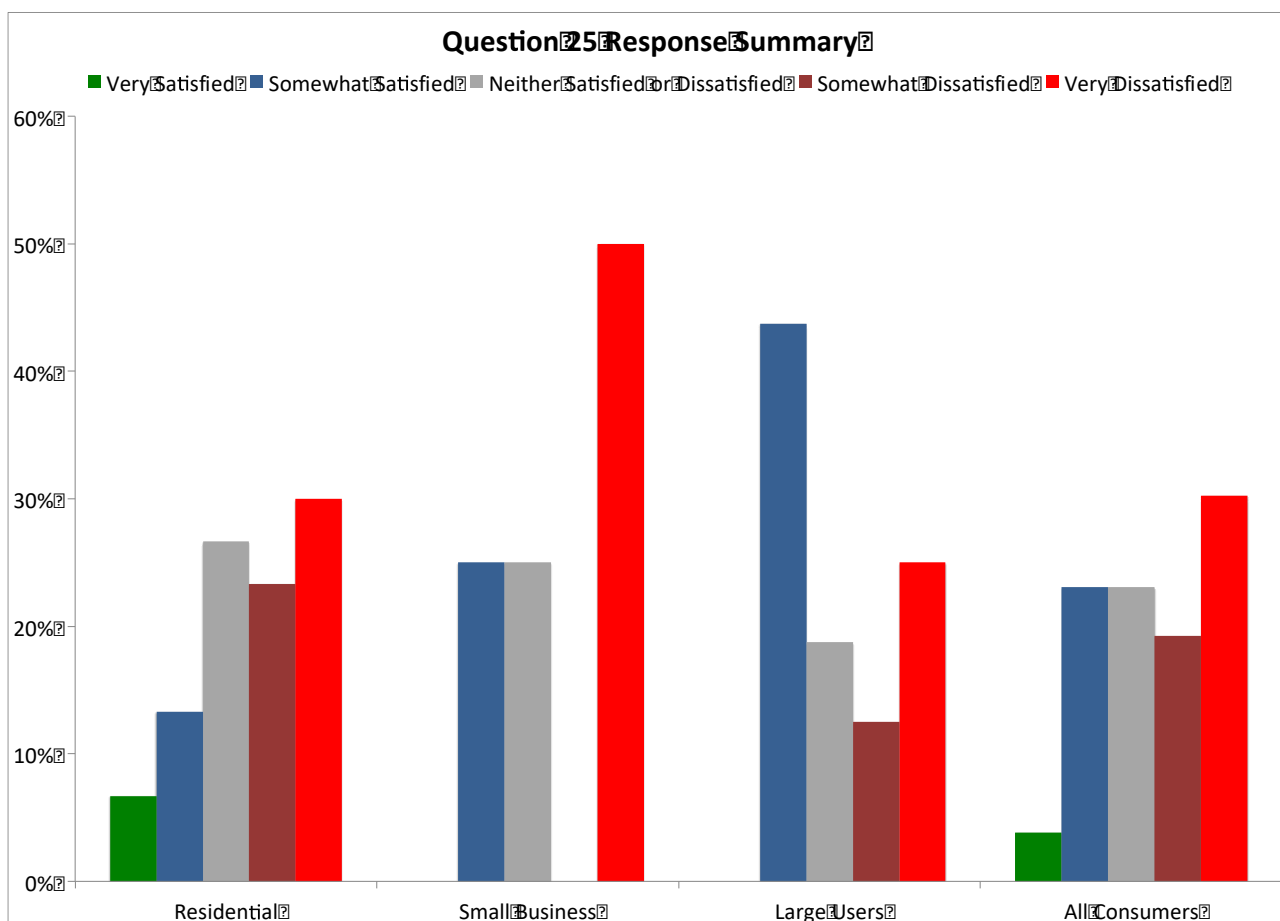
- Identify relevant 'end user' or consumer cohorts, recognising they can change over time. Networks may also engage with consumer representative groups, retailers and industry bodies, or work with other service providers to support their interaction with identified groups of consumers
- Acknowledge that consumer cohorts are not homogenous. There will be a range of consumer views and issues of concern within each group
- Prepare consultation plans and tailor engagement strategies to meet the needs of differing consumer groups
- When a matter's complexity is hindering engagement, proactively build consumers' capacity to understand the issues, processes and potential impacts and outcomes of a decision
- Ensure that consumers can access sufficient information to understand and assess the substance of all issues relevant to the proposal. This may include the conditional release of confidential information.

6.2 Results

Many consumers felt that the distributors' issues prioritisation processes were unclear - most did not know whether the distributors had identified priority issues for each consumer cohort.

Consumers believed that the distributors could have involved them more to help determine the priority issues for engagement. Consumers considered that the distributors' consultations were more focused on the distributors' priorities, rather than consumer priorities.

Consumers were asked to provide feedback on the distributors' approaches to identifying and prioritising the issues of greatest importance to each consumer cohort. Around half of respondents were not satisfied with the distributors' processes.



Consumers provided comments on the distributors' process along the following lines:

- *Very little feedback was provided on impacts on different customer cohorts. The only issue really addressed was the bill impact for a typical customer under different tariff proposals.*
- *Energex attempted to get an understanding of the impact of its proposed tariff by commissioning CSIRO to undertake an impact analysis by customer cohort. It was not clear if the sample used was representative as it did not appear to have many tenants. However it was an attempt to understand the impact on different customer cohorts. Energex is following this up with a real time tariff study. Ergon consulted with different customer cohorts directly and asked for submissions.*
- *They did recognise that negative impacts would need to be gradually imposed on customers, particularly small businesses.*
- *Unclear that different consumer cohorts were provided different issues/priorities.*
- *Don't know what they are doing.*
- *Our main concern was price of electricity being above world average and highest in Australia.*
- *They tend to concentrate on small user issues.*

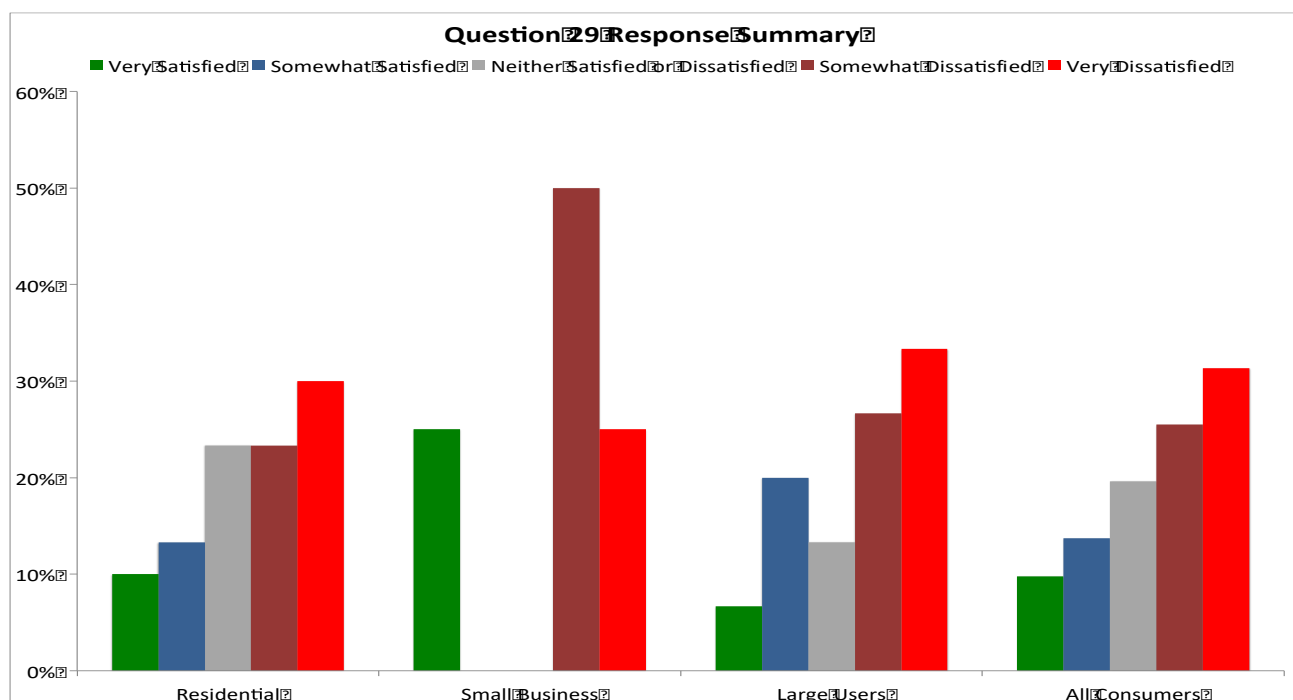
7 Delivery

7.1 The AER's Expectations

The AER expects the networks to address the identified priorities via robust and thorough consumer engagement.

7.2 Results

Consumers were asked to provide feedback on whether they considered that the distributors engaged in genuine, collaborative, two-way discussions with consumers. Just over half of respondents expressed levels of dissatisfaction, with around 24% expressing levels of satisfaction. It also illustrates that small business consumers expressed particularly high levels of dissatisfaction on this measure.



Consumers provided the following comments on their experiences of the engagement process:

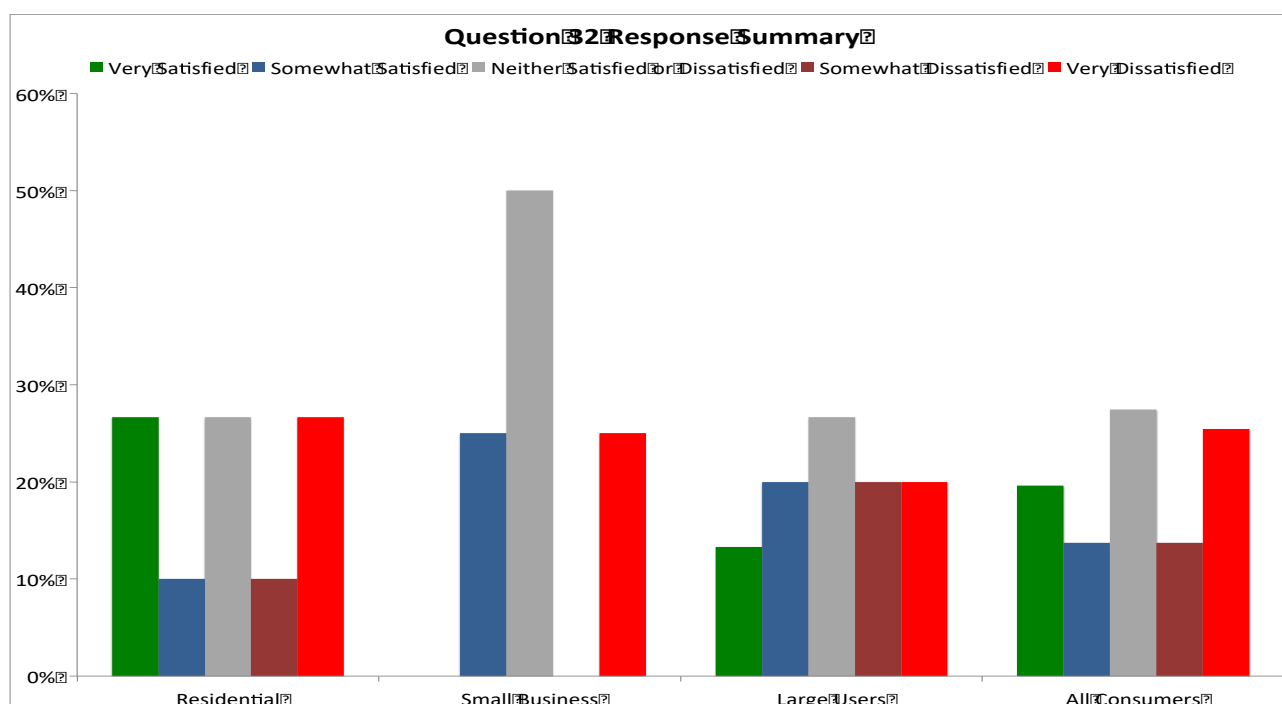
- *As stated in the last question, there was a lot of consultation opportunities.*
- *I get the impression they are trying to do so but there's a way to go.*
- *Do not know.*
- *Not sure if it will be acted on reducing pricing.*
- ***** was not engaged by Ausgrid at any point in the process.*
- *Some networks are good at talking at clients rather than talking with clients.*

Many consumers said that the nature of some consultations was more focused on “informing” rather than a genuine attempt at facilitating two-way engagement. NSW advocates were particularly critical of NSW networks’ approach to consumer consultation.

Most consumers advised that there was insufficient time to delve into an appropriate level of detail on the issues under consultation and to subject the distributors’ proposals to a serious level of scrutiny. Some also said that distributors were not open to alternative views.

Some commented that there was not enough time or resources committed to building the capacity of consumers to engage effectively, although most provided positive comments on the knowledge and skills of the staff involved in the delivery of the distributors’ consumer engagement programs and activities.

Consumers were asked to provide feedback on whether they considered that the staff involved in the delivery of the networks’ consumer engagement activities were appropriately skilled to facilitate consumer engagement and were well informed to answer consumers’ questions.



Consumers made the following observations

- The engagement activities were conducted professionally and respectfully. They just didn't seem to have much impact on the final outcome.*
- In my opinion, the staff running the events that I attended did a great job.*
- Both Ergon and Energex staff were professional, well informed and were available at all times.*
- SAPN staff directly involved in the engagement processes are excellent.*
- The sessions attended by staff seemed to be quite formal which can be daunting for vulnerable consumers.*
- Staff we dealt with as Account Managers were well informed.*
- Some networks appear to have a lot to learn about customer engagement.*

Overall consumers' feedback on the knowledge and skills of the staff involved in the delivery of the distributors' consumer engagement programs was the most positive feedback provided in the TSS survey.

8 Results

8.1 The AER's Expectations

The AER expects the networks to articulate the outcomes of their consumer engagement processes and to demonstrate how consumer input influenced their regulatory proposals.

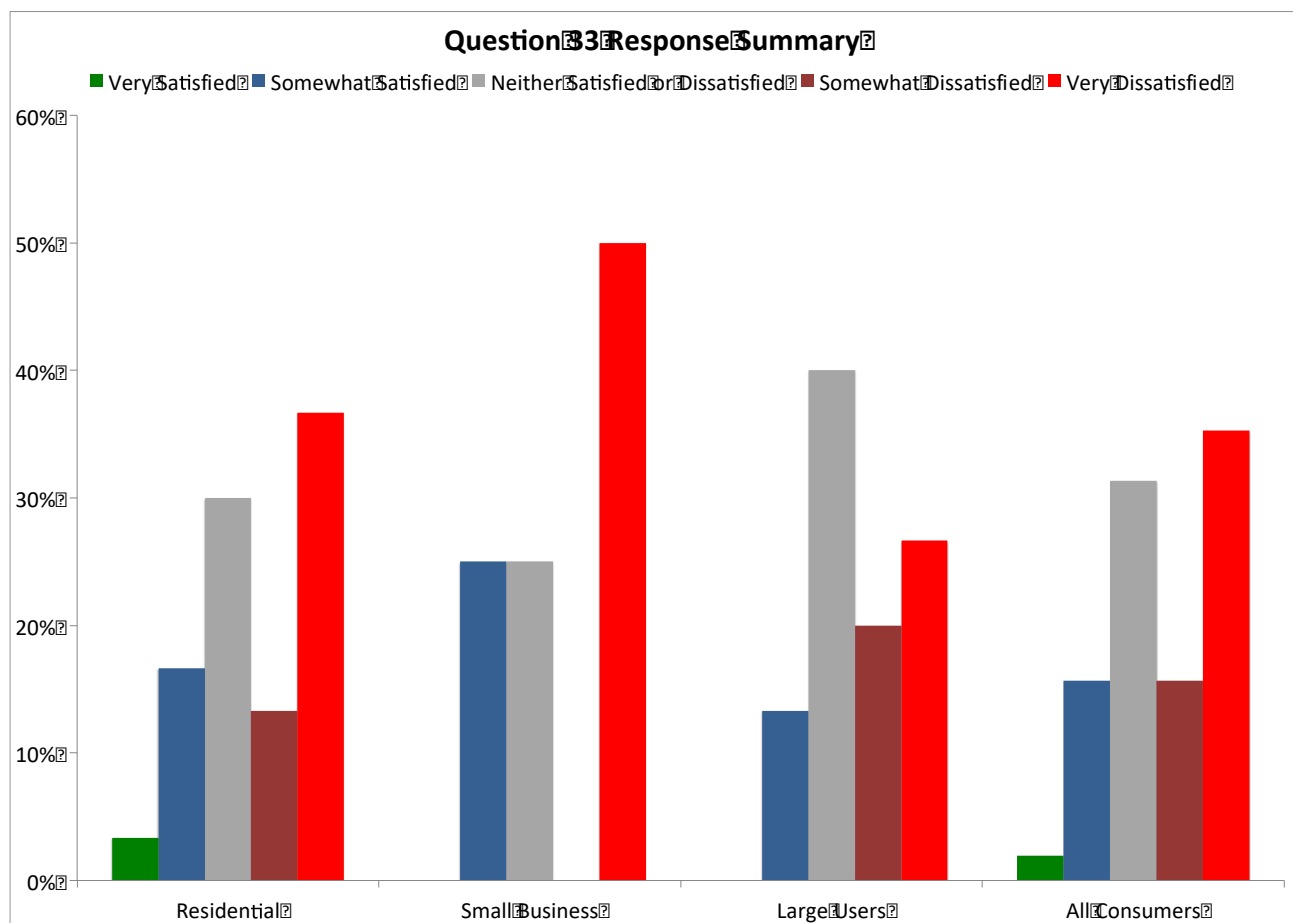
8.2 Results

Many consumers expressed dissatisfaction with the extent to which their feedback was considered by the distributors, or reflected in the distributors' TSS proposals. They expressed a desire for more feedback from businesses on their contribution, particularly when they had dedicated time and resources to provide formal written submissions.

As such, some felt that the only avenue for their issues to be addressed was through the AER's TSS review process.

Consumers were asked to assess whether distributors transparently and accurately represented consumers' views in their TSSs, including any differences in consumers' views.

Around half of the respondents did not believe that networks had fulfilled this expectation.

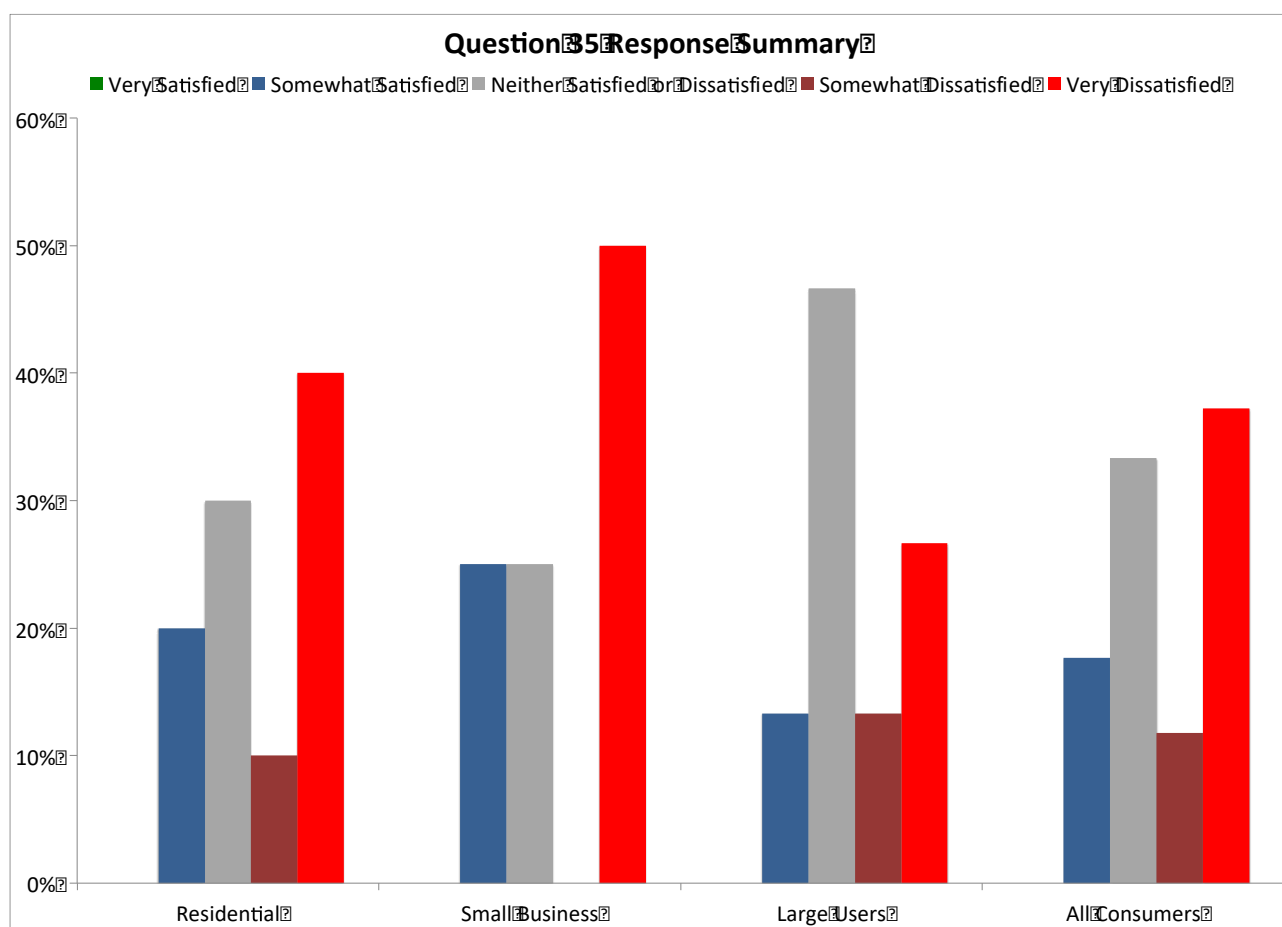


Consumers provided the following comments:

- *The TSS does not explicitly address any of the customer concerns identified in our submissions.*

- *There was some attempt at doing this - however could have been better. Needed to be more systematic and go through each of the main issues. This is time consuming and resource intensive of course. It would have been useful if Energex had produced a document like Ergon on how it addressed the consumer organisations' submissions.*
- *Do not know.*
- *Not really changed from consumer feedback.*
- *Ausgrid acknowledged ****'s submission but did not address them in its TSS or with SSROC directly in any manner.*

Consumers were also asked to rate how distributors had demonstrated how consumer feedback influenced their decisions and has been reflected in their TSSs. Just under half of respondents expressed levels of dissatisfaction with this measure, with around 18% expressing satisfaction.



Respondents made the following observations:

- *There are decisions made after the event with consumers we are not privy too. Boards make decisions using many means of which consumer input is but one.*
- *Do not know.*
- ***** sees no evidence of this.*
- *We have not seen evidence that would substantiate the network's decision to integrate any consumer feedback.*

9 Evaluation and Review

9.1 AER's Expectations

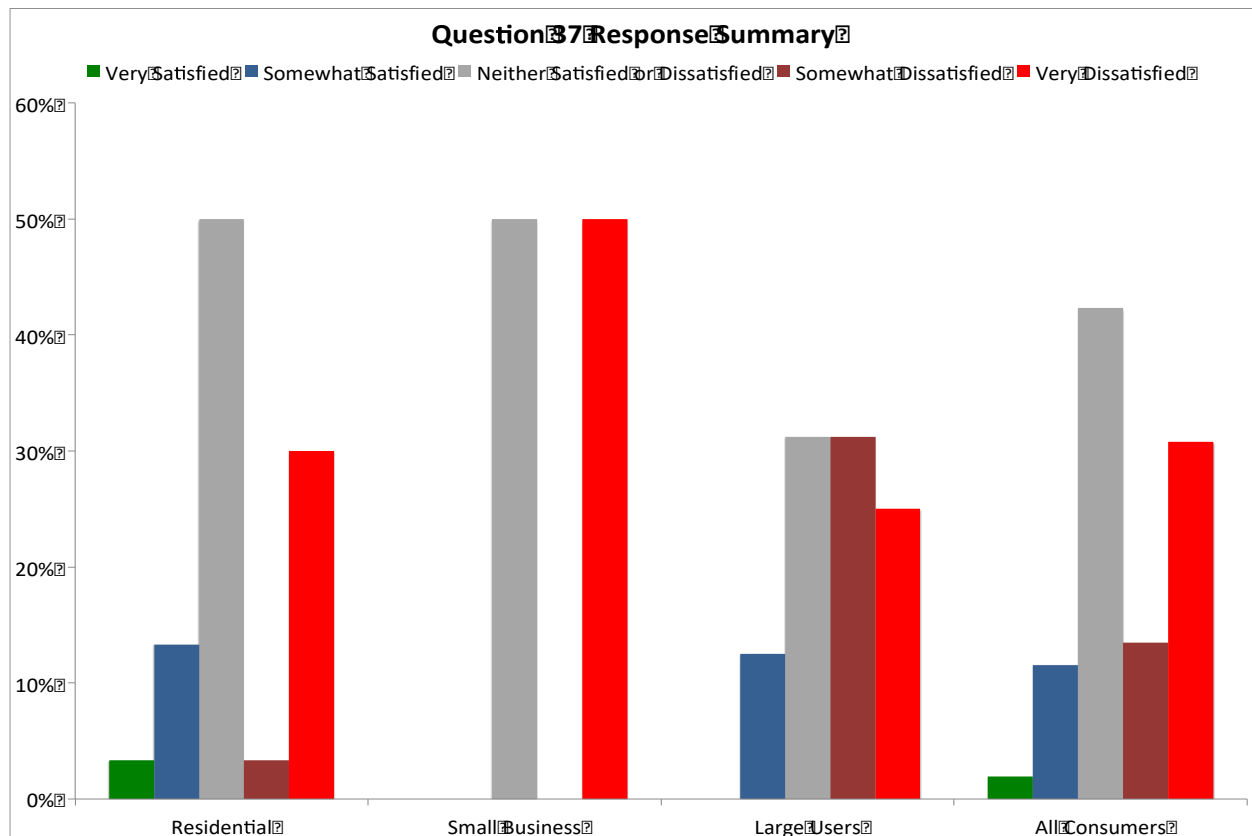
The AER expects the networks to periodically evaluate and review the effectiveness of their consumer engagement processes and to demonstrate a commitment to addressing areas requiring improvement.

9.2 Results

Most consumers were unaware of the distributors' evaluation and review processes. Consequently, consumers were unable to provide meaningful feedback on whether the distributors' evaluation and review processes were balanced or performed in a timely manner.

Consumers were also unaware of any attempts by the distributors to obtain consumer feedback to measure the effectiveness of their consumer engagement activities.

The survey asked consumers whether they considered that the distributors had a thorough process for evaluating the effectiveness of their consumer engagement programs and activities. Around 44% effectively said no or that they didn't know



Consumers provided the following comments on the engagement process:

- *It's my impression that SAPN has learned a lot about consumer engagement recently.*
- *I think that SAPN has improved significantly over the past couple of years, but still some way to go for me to be convinced about ongoing, high quality consumer engagement. Separate (to TSS) Deliberative process was outstanding.*

- *it's difficult to tell what their internal processes are. However I think they seem to be interested to engage with consumers, it's just a challenge to get to, and include, all groups.*
- *Do not know.*
- *As we don't yet know the outcome of the TSS this is difficult to answer.*
- ***** sees no evidence of this.*

10 Appendix 1: Methodology

10.1 Survey Scope

The survey covered the Australian NEM distribution networks' consumer engagement activities relating to the development of their inaugural tariff structure statement (TSS) proposals submitted to the AER in late 2015 and early 2016, i.e.:

- The TSS proposals submitted by AusNet Services, Citipower, Powercor, Jemena and United Energy on 25 September 2015
- The TSS proposals submitted by ActewAGL, Ausgrid, Energy Australia, Essential Energy on 27 November 2015
- The TSS proposals submitted by Energex and Ergon Energy on 27 November 2015
- The TSS proposal submitted by SAPN on 3 December 2015
- The TSS proposal submitted by TasNetworks on 29 January 2016

10.2 Survey Design

The survey was developed by Hugh Grant – Executive Director, ResponseAbility.

It was structured to align with the *AER Consumer Engagement Guideline*. It contains 42 questions in total, with 32 questions relating to the eight key elements of the *AER Consumer Engagement Guideline*, i.e.:

- Clarity, Accuracy Timeliness of Communications
- Accessibility and Inclusivity
- Transparency
- Measurability
- Priorities
- Delivery
- Results
- Evaluation and Review

A copy of the survey questionnaire is provided in Appendix 3 of this report.

10.3 Invitations to Participate

Invitations to complete the TSS survey were provided to a total of 285 consumers and consumer representatives, including:

- Participants in the networks' TSS consultation programs
- Consumers that provided submissions to the distributors' TSS consultations
- Consumers that provided submissions to the AER on the distributors' TSS proposals
- Consumers that were identified within the distributors' TSS proposals.

The survey was open for responses from 28th June – 12th August 2016.

10.4 Survey Responses

A total of 74 responses were received, as follows:

- Residential Consumers (or representatives) 39

- Small Business Consumers (or representatives) 8
- Large Energy Users (or representatives) 27

Some consumers provided feedback on more than one distributor, resulting in a total of 174 'responses per distributor', as follows:

- Energex 21
- Ergon Energy 21
- Ausgrid 16
- Endeavour Energy 10
- Essential Energy 15
- AusNet Services 15
- Citipower 11
- Powercor 13
- Jemena 9
- United Energy 10
- SAPN 15
- TasNetworks 9
- ActewAGL 9

The identities of the survey participants have been kept confidential. Where the identities of survey participants were disclosed within their written feedback, they have been anonymised within this report by changing the organisational name to "*****".

10.5 Follow Up Consumer Interviews

Consumers were provided with the opportunity to elaborate on their feedback by participating in follow-up telephone interviews. A total of 12 consumers took up that opportunity, with the interviews being conducted from 8th -26th August 2016.

10.6 Scoring Methodology

The survey incorporated four questions for each of the eight elements of the *AER Consumer Engagement Guideline*, providing a total of 32 questions upon which the scoring was based. Each question asked consumers to express their level of satisfaction against specific expectations for each element.

The scores were calculated by assigning the following points for the responses to each question:

- Very satisfied 5
- Somewhat satisfied 4
- Neither Satisfied or Dissatisfied 3
- Somewhat Dissatisfied 2
- Very Dissatisfied 1

Each question and each element of the survey was considered to have equal weighting in the development of the overall scores.

11 Appendix 1: AER Consumer Engagement Guideline

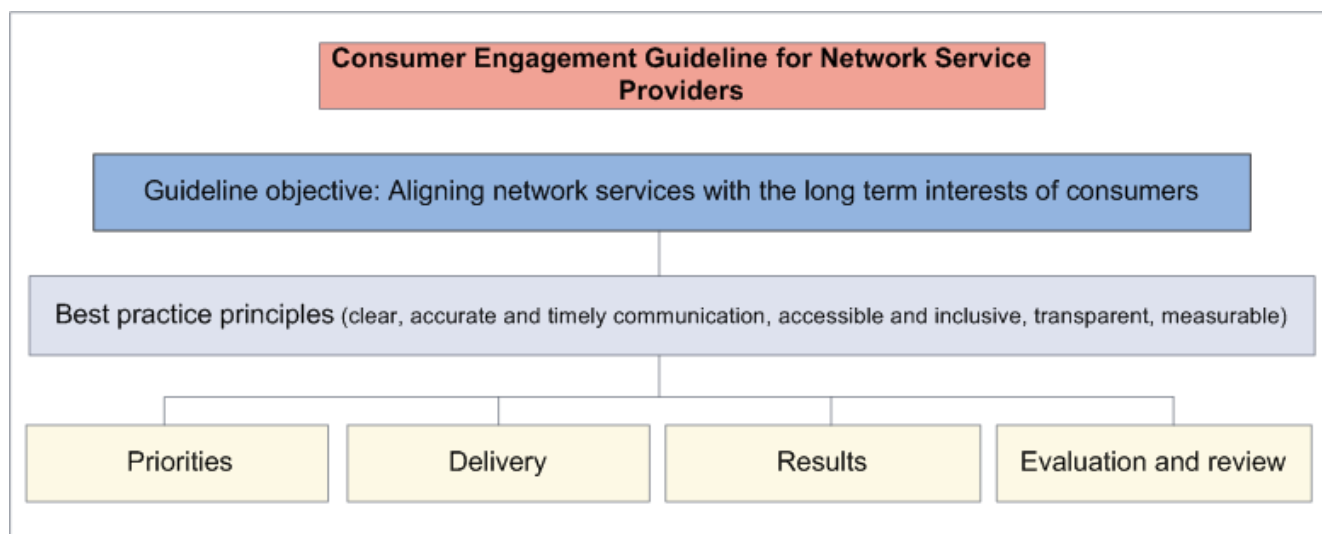
11.1 Background

The National Electricity Objective requires energy networks to develop and operate their networks in the long-term interests of consumers. Recent changes to the *National Electricity Rules* (NER) make this requirement even more explicit for electricity networks, requiring the networks to outline how they have engaged with consumers and how their regulatory proposals address consumers' long-term interests and the concerns raised by consumers during their engagement activities.³

When assessing regulatory proposals, the Australian Energy Regulator (AER) now considers whether and how well the networks have considered and responded to consumer views, equipped consumers to participate in consultation, made issues tangible to consumers, and obtained an appropriate cross-section of consumer views.

11.2 The AER Consumer Engagement Guideline

The AER's *Consumer Engagement Guideline*⁴ outlines the AER's expectations regarding how energy networks should engage with consumers.



The guideline outlines four overarching principles and four components that the AER considers constitute a robust approach to consumer engagement.

The AER expects each network to develop consumer engagement approaches and strategies that address those best practice principles and components.

³ National Electricity Rules (NER), Clauses 6.8.2(c1)(2), 6A.10.1(g)(2), 6.5.7 (e) (5A) and 6A.5.7 (e) (5A)

⁴ AER Consumer Engagement Guideline For Network Service Providers, November 2013

11.3 Best Practice Principles

The AER expects the networks to apply four overarching principles for their consumer engagement activities:

- **Clear, Accurate and Timely Communications** – the AER expects networks to provide information to consumers that is clear, accurate, relevant and timely, recognising the different communications needs and wants of consumers
- **Accessible and inclusive** – the AER expects networks to recognise, understand and involve consumers early and throughout the business activity or expenditure process
- **Transparent** – the AER expects networks to clearly identify and explain the role of consumers in the engagement process, and to consult with consumers on information and feedback processes
- **Measurable** – the AER expects the networks to measure the success, or otherwise, of their engagement activities

11.4 Components

The AER outlines four components that set out a process for the networks to develop consumer engagement activities that meet the best practice principles:

- **Priorities** - the AER expects the networks to identify consumer cohorts and the views of those cohorts, outline their engagement objectives and implement processes to best achieve those objectives
- **Delivery** - the AER expects the networks to address the identified priorities through robust and thorough consumer engagement activities
- **Results** – the AER expects the networks to articulate the outcomes of their consumer engagement processes and how they measure the success of those processes, demonstrating how consumer input influenced their regulatory proposals
- **Evaluation and Review** – the AER expects the networks to periodically evaluate and review the effectiveness of their consumer engagement processes and to demonstrate a commitment to addressing areas requiring improvement

12 Appendix 3: Survey Questions

INSERT SURVEY QUESTIONS